

# **AMERICAN FRIENDS OF THE ISRAEL MUSEUM**

## ***FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**DECEMBER 31, 2020 (With Comparative Information For December 31, 2019)**

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors  
American Friends of the Israel Museum  
New York, New York**

We have audited the accompanying financial statements of American Friends of the Israel Museum, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of the Israel Museum as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors  
American Friends of the Israel Museum  
New York, New York**

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the American Friends of the Israel Museum reclassified its opening net assets with respect to certain works of art that were discovered during the reconciliation of the inventory subledger to the financial statements. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited the American Friends of the Israel Museum's 2019 financial statements, and our report dated June 10, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*  
**TAIT, WELLER & BAKER LLP**

**Philadelphia, PA  
May 25, 2021**

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## STATEMENTS OF FINANCIAL POSITION

December 31, 2020 With Comparative Totals For 2019

	As of December 31, 2020					As of December 31, 2019
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	Total
	Operating	Work of Art	Total			
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 193,251	\$ -	\$ 193,251	\$ 8,673,684	\$ 8,866,935	\$ 15,503,006
Investments	4,297,142	-	4,297,142	110,277,671	114,574,813	110,067,077
Accrued receivables	429,332	-	429,332	2,217,567	2,646,899	180,598
Pledge receivables	-	-	-	2,217,567	2,217,567	2,217,567
Prepaid expenses	104,213	-	104,213	-	104,213	33,126
<b>Total current assets</b>	<b>5,023,938</b>	<b>-</b>	<b>5,023,938</b>	<b>123,386,489</b>	<b>128,410,427</b>	<b>128,001,374</b>
Pledge receivables	-	-	-	4,371,773	4,371,773	6,290,231
Works of art	-	69,855,553	69,855,553	-	69,855,553	68,544,203
Pledge receivables – Art	-	190,000	190,000	-	190,000	190,000
Furniture and fixtures, net of accumulated depreciation of \$156,658 and \$123,891 in 2020 and 2019 respectively	9,610	-	9,610	-	9,610	36,692
Security deposit	3,450	-	3,450	-	3,450	3,450
<b>Total assets</b>	<b>\$ 5,036,998</b>	<b>\$ 70,045,553</b>	<b>\$ 75,082,551</b>	<b>\$ 127,758,262</b>	<b>\$ 202,840,813</b>	<b>\$ 203,065,950</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ 206,759	\$ -	\$ 206,759	\$ -	\$ 206,759	\$ 110,772
<b>Total current liabilities</b>	<b>206,759</b>	<b>-</b>	<b>206,759</b>	<b>-</b>	<b>206,759</b>	<b>110,772</b>
<b>Net Assets</b>	<b>4,830,239</b>	<b>70,045,553</b>	<b>74,875,792</b>	<b>127,758,262</b>	<b>202,634,054</b>	<b>202,955,178</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,036,998</b>	<b>\$ 70,045,553</b>	<b>\$ 75,082,551</b>	<b>\$ 127,758,262</b>	<b>\$ 202,840,813</b>	<b>\$ 203,065,950</b>

The accompanying notes are an integral part of these financial statements.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 With Comparative Totals For 2019

	As of December 31, 2020					As of December 31, 2019
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	Total
	Operating	Work of Art	Total			
<b>Support and Revenue:</b>						
Contributions revenue	\$ 5,180,409	\$ -	\$ 5,180,409	\$ 457,110	\$ 5,637,519	\$ 17,275,785
Grant revenue	131,600	-	131,600	-	131,600	-
Special events- New York Gala (net of expenses of \$24,717 - 2020; \$350,976 - 2019)	1,255,898	-	1,255,898	-	1,255,898	1,606,472
Special events - other (net of expenses of \$334,032 - 2020; \$439,097 - 2019)	432,783	-	432,783	-	432,783	1,633,494
Patron and guardian membership	82,500	-	82,500	-	82,500	247,350
	7,083,190	-	7,083,190	457,110	7,540,300	20,763,101
Realized and unrealized gain (loss) on investments	(198,490)	-	(198,490)	5,348,692	5,150,202	15,568,640
Contributed works of art	-	1,311,350	1,311,350	-	1,311,350	2,364,576
Net assets released from restrictions	5,112,458	-	5,112,458	(5,112,458)	-	-
Total support and revenue	11,997,158	1,311,350	13,308,508	693,344	14,001,852	38,696,317
<b>Expenses and Transmissions:</b>						
Support and expenses - Israel Museum	13,777,871	-	13,777,871	-	13,777,871	12,149,348
Administration and general	435,510	-	435,510	-	435,510	383,996
Fundraising	1,306,526	-	1,306,526	-	1,306,526	1,152,015
Total expenses and transmissions	15,519,907	-	15,519,907	-	15,519,907	13,685,359
Change before other items	(3,522,749)	1,311,350	(2,211,399)	693,344	(1,518,055)	25,010,958
<b>Other Items:</b>						
Investment income (net of investment expenses of \$336,803 - 2020; \$459,329 - 2019)	161,929	-	161,929	1,035,002	1,196,931	1,352,947
Sale of art	-	-	-	-	-	209,900
Total other items	161,929	-	161,929	1,035,002	1,196,931	1,562,847
Change in net assets	(3,360,820)	1,311,350	(2,049,470)	1,728,346	(321,124)	26,573,805
<b>Net Assets</b>						
Beginning of year, as restated	8,191,059	68,734,203	76,925,262	126,029,916	202,955,178	176,381,373
End of year	\$ 4,830,239	\$ 70,045,553	\$ 74,875,792	\$ 127,758,262	\$ 202,634,054	\$ 202,955,178

The accompanying notes are an integral part of these financial statements.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 Comparative Totals For 2019

	As of December 31, 2020			Total	Year Ended
	Program Services	Supporting Services			December 31,
	Support And Expenses – Israel Museum	Management And General	Fundraising	Total	2019
Transmissions to the Israel Museum	\$ 13,282,104	\$ -	\$ -	\$ 13,282,104	\$ 11,566,290
Salaries, payroll taxes and employee benefits	-	319,312	957,937	1,277,249	1,085,812
Pension contribution	-	14,947	44,841	59,788	77,420
Consultant expenses	312,220	-	-	312,220	328,946
Rent and storage	62,242	50,485	151,454	264,181	276,031
Travel and entertainment	20,003	231	693	20,927	89,229
Publications/Newsletters	49,732	814	2,443	52,989	59,404
Audit and other professional fees	-	12,086	36,257	48,343	38,360
California office expenses	-	5,202	15,606	20,808	30,833
Computer expenses	-	6,673	20,020	26,693	29,176
Credit card and bank fees	-	5,448	16,344	21,792	-
Newspaper ads	-	3,644	10,931	14,575	7,848
Insurance	4,693	3,793	11,378	19,864	19,357
Depreciation	-	8,192	24,575	32,767	13,667
Miscellaneous	46,877	4,683	14,047	65,607	62,986
	<u>\$ 13,777,871</u>	<u>\$ 435,510</u>	<u>\$ 1,306,526</u>	<u>\$ 15,519,907</u>	<u>\$ 13,685,359</u>

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 Comparative Totals For 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (321,124)	\$ 26,573,805
Adjustments to reconcile the net change in net assets to net cash used for operating activities		
Depreciation	32,767	13,667
Realized & unrealized gain on investments	(5,156,611)	(15,299,318)
Contributions restricted for permanent investment – endowment	-	(10,974,362)
Decrease (Increase) in Operating Assets:		
Accrued receivables	(2,466,301)	76,826
Pledge receivables	1,918,458	(8,507,798)
Prepaid expenses	(71,087)	(10,144)
Works of art	(1,311,350)	(2,364,576)
Security deposit	-	14,342
Increase (Decrease) in Operating Liabilities:		
Accounts payable and accrued expenses	<u>95,987</u>	<u>18,833</u>
Net cash used for operating activities	<u>(7,279,261)</u>	<u>(10,458,725)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment securities	108,224,156	42,784,627
Purchase of investment securities	(107,575,281)	(37,936,902)
Purchase of furniture & fixture	<u>(5,685)</u>	<u>(2,198)</u>
Net cash provided by investing activities	<u>643,190</u>	<u>4,845,527</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent investment - endowment	<u>-</u>	<u>10,974,362</u>
Net increase (decrease) in cash and cash equivalents	(6,636,071)	5,361,164
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>15,503,006</u>	<u>10,141,842</u>
End of year	<u>\$ 8,866,935</u>	<u>\$ 15,503,006</u>



# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *NATURE OF ORGANIZATION*

American Friends of the Israel Museum (“**AFIM**”) is a not-for-profit organization whose purpose is to foster and encourage the development of liberal arts by obtaining works of art and archaeology for the Israel Museum and by obtaining grants, contributions and loans for, and by making grants, contributions and loans to the Israel Museum.

#### *ACCOUNTING ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *CONCENTRATION OF MARKET AND CREDIT RISK*

AFIM occasionally maintains deposits in financial institutions in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Market risk represents the potential loss AFIM faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss AFIM faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. The investments are managed by professional investment managers subject to AFIM’s investment policy or are invested in major mutual funds. The degree and concentration of credit and market risk varies by type of investment.

#### *CASH AND CASH EQUIVALENTS*

For purposes of the statement of financial position and the statement of cash flows, AFIM considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### *INVESTMENTS*

AFIM records its investments in securities at fair value with the resulting unrealized gains and losses reported in the statement of activities. The fair value of investments traded on a securities exchange is determined based on quoted market prices.

Investments also include alternative investment of limited partnership interests in publicly-traded securities, private equity, energy and real estate partnerships, and other funds whose underlying investments are comprised of other funds, partnerships and trusts. These funds invest in securities and other investments that include both publicly traded investments as well as other investments that do not have readily ascertainable market values. These investments include arbitrage, distressed companies, energy and real estate. Certain of these investments also are subject to withdrawal restrictions. The general partners of these limited partnerships and other funds that hold investments which do not have readily ascertainable market values provide valuations based on a variety of factors including comparable investments in transactions and operating performance of the underlying companies. The limited partnerships that invest in these other funds use the prices provided by these general managers. AFIM’s management may consider other factors in assessing fair value of these investments.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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Due to the level of risk associated with certain of these investments, it is possible that changes in the values of investment securities could occur in the near term and that such changes could affect the investment balances.

### **FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing AFIM's various programs and supporting services has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and effort studies.

### **WORKS OF ART**

AFIM capitalizes its works of art. If purchased, they are capitalized at cost, and if donated, they are capitalized at their fair market value on the date of contribution.

### **REVENUE RECOGNITION**

AFIM recognizes contributions when cash, securities or other assets are received, upon receipt of an unconditional promise to give, or upon notification of a beneficial interest. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before AFIM is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. AFIM recognizes the contribution when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as **"net assets released from restrictions."**

### **NET ASSETS**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AFIM are classified and reported as follows:

**Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of AFIM.

**With Donor Restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of AFIM or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on "true" endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by AFIM, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### **TAX EXEMPT STATUS**

AFIM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and has been classified as an organization, which is not a private foundation under Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2017 – 2019) or expected to be taken in the AFIM’s 2020 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### **DEPRECIATION**

Depreciation of fixed assets is provided on the straight-line method over the useful lives of the assets.

### **TRANSMISSIONS**

Transmissions represent money sent to the Israel Museum several times a year, or artwork gifted to the Israel Museum.

### **PRIOR-YEAR SUMMARIZED COMPARATIVE INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AFIM’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

### **ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. AFIM plans to adopt the new ASU at the required implementation date.

### **RECLASSIFICATIONS**

Certain reclassifications were made to the 2019 financial statements to conform to the 2020 presentation.

## **(2) PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2020 are expected to be realized in the following periods:

Within one year	\$2,217,567
Between one year and five years	<u>4,435,132</u>
Total pledges receivable	6,652,699
Less: discount at .48%	<u>(63,359)</u>
Net present value of pledges receivable	<u>\$6,589,340</u>

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (3) FAIR VALUE OF INVESTMENTS

AFIM utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that AFIM has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing AFIM's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the measurement.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

### INVESTMENTS MEASURED USING THE NET ASSET VALUE PRACTICAL EXPEDIENT

For those investments for which fair value is measured using the net asset value practical expedient, AFIM uses the reported capital account or net asset value (NAV) per share to determine the fair value of investments that (a) do not have a readily determinable fair value due to a lack of market activity or transparency into the underlying investments of the fund and (b) either have the attributes of an investment company or prepare their audited financial statements consistent with the measurement principals of an investment company.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

The summary of inputs used to value AFIM’s various financial instruments as of December 31, 2020 and 2019 are as follows:

<b>Categories</b>	<b>Financial Instruments</b>			<b>Net Asset</b>	<b>Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Value</b>	
Money market funds	\$ 3,151,401	\$ -	\$ -	\$ -	\$ 3,151,401
Debt securities	-	33,371,023	-	-	33,371,023
Equity mutual funds	44,879,670	-	-	-	44,879,670
Fixed income mutual funds	6,872,051	-	-	-	6,872,051
Alternative investments	-	-	-	26,300,668	26,300,668
<b>Total</b>	<b>\$54,903,122</b>	<b>\$33,371,023</b>	<b>\$ -</b>	<b>\$26,300,668</b>	<b>\$ 114,574,813</b>

<b>Categories</b>	<b>Financial Instruments</b>			<b>Net Asset</b>	<b>Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Value</b>	
Money market funds	\$ 578,859	\$ -	\$ -	\$ -	\$ 578,859
Equity securities	33,596,467	-	-	-	33,596,467
Debt securities	-	18,610,195	-	-	18,610,195
Mutual funds	19,103,221	-	-	-	19,103,221
Alternative investments	-	-	-	38,178,335	38,178,335
<b>Total</b>	<b>\$53,278,547</b>	<b>\$18,610,195</b>	<b>\$ -</b>	<b>\$38,178,335</b>	<b>\$ 110,067,077</b>

Investment income consists of the following:

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$1,533,734	\$ 1,812,276
Investment expenses	(336,803)	(459,329)
<b>Total</b>	<b>\$1,196,931</b>	<b>\$ 1,352,947</b>

#### (4) PENSION AND DEFERRED COMPENSATION PLANS:

##### DEFINED CONTRIBUTION PLAN

AFIM maintains a retirement plan for its employees under Section 403(b) of the Internal Revenue Code. All employees of AFIM are eligible to participate and contribute a portion of their gross salaries up to the federal limit of 25% of an employee’s compensation not to exceed \$19,500 in 2020 and \$19,000 in 2019 (\$26,000 in 2020 and \$25,000 in 2019 if an employee is age 50 or more). In addition, AFIM made discretionary contributions to the plan of 8% of employee eligible wages plus 5.7% of employee eligible wages in excess of the Social Security wage base.

The pension expense under this plan was \$59,788 for the year ended December 31, 2020 and \$77,420 for the year ended December 31, 2019.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

### (5) NET ASSETS

Net assets with donor restrictions consist of the following for the year ended December 31, 2020:

#### Subject to expenditure for a special purpose:

	Balance January 1, 2020	Contributions	Net Investment Income	Realized & Unrealized Appreciation On Investments	Released From Restrictions Operating	Balance December 31, 2020
Contemporary Art Acquisition	\$ 284,111	\$ 129,500	\$ -	\$ -	\$ 26,000	\$ 387,611
BCE Circle	87,763	-	-	-	-	87,763
Mediterranean Acquisition	30,500	28,500	-	-	-	59,000
AFIM Art Acquisition	339,302	-	6,409	11,674	-	357,385
Bronfman Biblical & Archaeological Museum	-	-	-	-	-	-
Bezalel Art Museum	-	-	-	-	-	-
The William W. Stein, M.D. Acquisition Fund	3,942,340	-	41,556	215,621	-	4,199,517
General Endowment Fund	12,998,772	-	612,017	3,175,527	3,104,197	13,682,119
Kolliner Prize Fund	10,991	-	527	2,735	2,750	11,503
Jesselson Judaica Fund	13,495	-	632	3,282	3,300	14,109
Bergman Visiting Artists Fund	52,161	-	2,214	11,486	-	65,861
Kaplan Book Purchase Fund	6,440	-	211	1,094	201	7,544
Schimmel Prize Fund	21,433	-	1,001	5,196	5,200	22,430
Berg Curator Fund	178,461	-	3,689	19,143	-	201,293
Willner Fund	28,810	-	1,581	8,204	9,400	29,195
Rodman Youth Wing Fund	47,344	-	4,743	24,612	35,950	40,749
Haas Gardens Funds	62,900	-	3,953	20,510	25,350	62,013
Warschaw Archaeology Fund	228,807	-	2,635	13,673	-	245,115
Fischbach Scholarship Fund	20,077	-	1,340	6,953	9,100	19,270
Shapiro, Montgomery and Genesis Archaeology Fund	38,118	-	2,841	14,740	19,750	35,949
Pattiz Israeli Art Fund	3,058	-	264	1,367	1,900	2,789
Harwood Flower Fund	8,381	-	532	2,760	3,500	8,173
Myden Youth Wing Fund	40,662	-	2,685	13,931	18,250	39,028
Skirball Judaica Fund	1,016,459	-	50,627	262,689	293,800	1,035,975
Weisbord Pavilion Fund	1,656,597	-	88,430	458,831	516,700	1,687,158
Adam Kimmel Bar Mitzvah Fund	36,602	-	2,108	10,939	13,400	36,249
Cummings and Kravis Building Fund	20,938	-	2,108	10,939	-	33,985
Forchheimer Ethnography Fund	166,671	-	12,649	65,632	91,200	153,752
Asian Art Fund	37,344	-	2,477	12,853	16,700	35,974
Jesselson, Littauer, Chernys Library Fund	21,059	-	1,322	6,862	7,750	21,493
Weiss et al. A.O.A. Fund	260,832	-	17,630	91,477	123,100	246,839
Berg U.S.A. Fund	110,818	-	15,284	79,306	118,810	86,598
Rosen Egyptian Art Curator Fund	267,251	-	12,517	64,949	72,950	271,767
Krupp Shrine of the Book Fund	133,952	-	9,487	49,224	49,900	142,763
Madeleine Lejwa Fund	294,777	-	17,541	91,015	107,400	295,933
Stella Fischbach Modern Art Fund	33,283	-	2,108	10,939	13,400	32,930
Abrams Library Fund	43,761	-	3,795	19,690	24,650	42,596
Bernard & Ella Snyder Lecture Fund	12,974	-	1,054	5,469	6,600	12,897
Mandel JAL Wing Fund	632,190	-	52,705	273,468	225,300	733,063
Ayla Zachs Abramov Fund	258,372	-	31,623	164,081	165,950	288,126
Noel & Harriette Levine Photography Fund	372,884	-	22,707	117,821	-	513,412
Total	<u>\$ 23,820,690</u>	<u>\$ 158,000</u>	<u>\$ 1,035,002</u>	<u>\$ 5,348,692</u>	<u>\$ 5,112,458</u>	<u>\$ 25,249,926</u>

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

### Perpetual in Nature:

	<u>Balance January 1, 2020</u>	<u>Contributions</u>	<u>Balance December 31, 2020</u>
General Endowment Fund	\$ 58,060,421	\$ -	\$ 58,060,421
Kolliner Prize Fund	50,000	-	50,000
Jesselson Judaica Fund	60,000	-	60,000
Bergman Visiting Artists Fund	210,000	-	210,000
Kaplan Book Purchase Fund	20,000	-	20,000
Schimmel Prize Fund	95,000	-	95,000
Berg Curator Fund	350,000	-	350,000
Rodman Youth Wing Fund	450,000	-	450,000
Haas Gardens Fund	375,000	-	375,000
Willner Endowment Fund	150,000	-	150,000
Warschaw Archaeology Fund	250,000	-	250,000
Fischbach Scholarship Fund	127,125	-	127,125
Shapiro, Montgomery and Genesis Archaeology Fund	269,500	-	269,500
Pattiz Israeli Art Fund	25,000	-	25,000
Harwood Flower Fund	50,471	-	50,471
Myden Youth Wing Fund	254,712	-	254,712
Skirball Judaica Fund	4,802,920	-	4,802,920
Weisbord Pavilion Fund	8,389,123	-	8,389,123
Adam Kimmel Bar Mitzvah Fund	200,000	-	200,000
Cummings and Kravis Building Fund	200,000	-	200,000
Forchhelmer Ethnography Fund	1,200,000	-	1,200,000
Asian Art Fund	235,000	-	235,000
Jesselson, Littauer, Chernys Library Fund	125,459	-	125,459
Weiss et al, A.O.A. Fund	1,672,542	-	1,672,542
Berg U.S.A. Fund	1,450,000	-	1,450,000
Rosen Egyptian Art Curator Fund	1,187,500	-	1,187,500
Krupp Shrine of the Book Fund	900,000	-	900,000
Madeleine Lejwa Fund	1,664,088	-	1,664,088
Stella Fischbach Modern Art Fund	200,000	-	200,000
Abrams Library Fund	360,000	-	360,000
Bernard & Ella Snyder Lecture Fund	100,000	-	100,000
Mandel JAL Wing Fund	5,000,000	-	5,000,000
Ayala Zacks Abramov Fund	3,000,000	-	3,000,000
Noel & Harriette Levine Photography Fund	<u>10,725,365</u>	<u>299,110</u>	<u>11,024,475</u>
Total	<u>\$102,209,226</u>	<u>\$ 299,110</u>	<u>\$102,508,336</u>
<b>Total with donor restrictions</b>			<u>\$127,758,262</u>

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose and other operating transmissions were as follows for the year ended December 31, 2020:

	<b>Net Assets Released From <u>Restrictions</u></b>	<b>Other Operating <u>Transmissions</u></b>	<b><u>Total</u></b>
Contemporary Art Acquisition	\$ 26,000	\$ -	\$ 26,000
Bronfman Biblical & Archaeological Museum Library	-	14,000 1,415	14,000 1,415
Bezalel Art Museum	-	8,125,171	8,125,171
Youth Wing Operations	-	262,682 262,145	262,682 262,145
General Endowment Fund	3,104,197	-	3,104,197
Kolliner Prize Fund	2,750	-	2,750
Jesselson Judaica Fund	3,300	-	3,300
Kaplan Book Purchase Fund	201	-	201
Schimmel Prize Fund	5,200	-	5,200
Willner Fund	9,400	-	9,400
Rodman Youth Wing Fund	35,950	-	35,950
Haas Gardens Funds	25,350	-	25,350
Fischbach Scholarship Fund	9,100	-	9,100
Shapiro, Montgomery and Genesis Archaeology Fund	19,750	-	19,750
Pattiz Israeli Art Fund	1,900	-	1,900
Harwood Flower Fund	3,500	-	3,500
Myden Youth Wing Fund	18,250	-	18,250
Skirball Judaica Fund	293,800	-	293,800
Weisbord Pavilion Fund	516,700	-	516,700
Adam Kimmel Bar Mitzvah Fund	13,400	-	13,400
Forchheimer Ethnography Fund	91,200	-	91,200
Asian Art Fund	16,700	-	16,700
Jesselson, Littauer, Chernys Library Fund	7,750	-	7,750
Weiss et al. A.O.A. Fund	123,100	-	123,100
Berg U.S.A. Fund	118,810	-	118,810
Rosen Egyptian Art Curator Fund	72,950	-	72,950
Krupp Shrine of the Book Fund	49,900	-	49,900
Madeleine Lejwa Fund	107,400	-	107,400
Stella Fischbach Modern Art Fund	13,400	-	13,400
Abrams Library Fund	24,650	-	24,650
Bernard & Ella Snyder Lecture Fund	6,600	-	6,600
Mandel JAL Wing Fund	225,300	-	225,300
Ayala Zachs Abramov Fund	165,950	-	165,950
	<u>\$5,112,458</u>	<u>\$8,665,413</u>	<u>\$13,777,871</u>



# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### INTERPRETATION OF RELEVANT LAW

AFIM is incorporated in the state of New York, which has enacted the Uniform Prudent Management of Institutional Funds Act (“*UPMIFA*”). UPMIFA governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. AFIM has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AFIM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AFIM. AFIM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of AFIM and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of AFIM
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
- (8) The investment policies of AFIM

### RETURN OBJECTIVES AND RISK PARAMETERS

AFIM has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, which exceeds the annual distribution with acceptable levels of risk over the long term.

Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in an inflation-protected rate of return that has sufficient liquidity to make the annual distribution, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### SPENDING POLICY

AFIM has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, AFIM considered the long-term expected return on its investment assets, the nature of the individual endowment funds, and the possible effects of inflation. AFIM expects the current spending policy to allow its endowment funds to grow at a rate in excess of annual distributions, which is consistent with AFIM's objective to maintain the value of the endowment assets as well as to provide additional real growth through investment return.

### (6) COMMITMENTS

AFIM is obligated under a lease agreement through April 2026. Future minimum annual rental payments under the agreement is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 209,927
2022	204,145
2023	208,498
2024	212,949
2025	217,501
Thereafter	<u>72,627</u>
	<u>\$1,125,647</u>

AFIM is responsible for its share of real estate taxes which are subject to escalations.

Rent expense, including escalations, amounted to \$201,939 and \$204,858 for the years ended December 31, 2020 and 2019, respectively.

### (7) RELATED PARTIES

AFIM has retained a member of its Board of Directors to provide consulting services paying \$16,667 on a monthly basis.

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

AFIM strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. As part of the AFIM's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following table reflects AFIM's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor and/or contractual restrictions.

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 8,866,935	\$ 15,503,006
Investments	114,574,813	110,067,077
Accrued receivables	2,646,899	180,598
Pledges Receivable (due within one year)	<u>2,217,567</u>	<u>2,217,567</u>
Total financial assets	128,306,214	127,968,248
Endowment draw	5,227,534	5,148,547
Less:		
Net assets with donor restrictions, net of \$4,371,773 in 2020 and \$6,290,231 in 2019 of long-term pledges	<u>123,386,489</u>	<u>119,739,685</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,147,259</u>	<u>\$ 13,377,110</u>

### (9) RESTATEMENT

In 2020, during the reconciliation of the art database that is maintained by the Art Registrar, it was discovered that certain works of art received prior to 2019 were not included in the art inventory reported in the financial statements. As such, AFIM is restating its opening net assets.

The cumulative effect of restating the 2019 beginning net asset balances was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, December 31, 2018 as previously reported	\$ 70,529,784	\$ 104,046,959	\$ 174,576,743
Recording of effect of reclassification			
Additional Art inventory	<u>1,804,630</u>	<u>-</u>	<u>1,804,630</u>
Net assets, December 31, 2018 as restated	<u>\$ 72,334,414</u>	<u>\$ 104,046,959</u>	<u>\$ 176,381,373</u>

# AMERICAN FRIENDS OF THE ISRAEL MUSEUM

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (10) COVID-19 AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on AFIM’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on donors, employees and vendors, all of which are uncertain and cannot be predicted.

In June 2020, the AFIM received \$131,600 in funds from the federal Paycheck Protection Program (PPP). The PPP loan is designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive loans if all employees are kept on the payroll for a specific period of time and the money is used for certain allowable costs. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 24 months. The AICPA released guidance on recording options and AFIM has decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP is recorded as a liability until the conditions are substantially met. When AFIM has substantially met the conditions of the program and qualifying expenses are incurred, the cancellation of the liability is recorded as revenue. As AFIM had met conditions and incurred expense in the amount of \$131,600 as of December 31, 2020, the amount has been included in the Statement of Activities as grant revenue. In May 2021, AFIM was notified that the loan was forgiven by the SBA.

### (11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, May 25, 2021, have been evaluated in the preparation of the financial statements.

On February 5, 2021, AFIM received a \$127,500 Paycheck Protection Program Second Draw Loan (“PPP Second Draw Loan”) under the Consolidated Appropriations Act 2021, Additional Coronavirus Response and Relief provisions. PPP Second Draw Loans are eligible for forgiveness if AFIM incurs qualifying expenses over a period of time not to exceed 24 weeks. The period of time in which qualifying expenses may be incurred commences upon receipt of the loan. Any portion of the loan not forgiven is payable over a 5-year period at an interest rate of 1%.