

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2019 (With Comparative Information For December 31, 2018)

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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 had previously been granted to the Israel Museum in Jerusalem, works of art recorded as a pledge receivable previously received and the unspent portion of a restricted gift previously reported in net assets without donor restrictions. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the American Friends of the Israel Museum as of December 31, 2018 and for the year then ended were audited by other auditors whose report dated May 22, 2019, expressed an unmodified opinion on those financial statements prior to restatements.

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

Philadelphia, PA
June 10, 2020

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 With Comparative Totals For 2018

	As of December 31, 2019					As of December 31, 2018
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	Total
	Operating	Work of Art	Total			
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,547,718	\$ -	\$ 1,547,718	\$ 13,955,288	\$ 15,503,006	\$ 10,141,842
Investments	6,500,247	-	6,500,247	103,566,830	110,067,077	99,615,484
Accrued receivables	180,598	-	180,598	-	180,598	257,424
Pledge receivables	-	-	-	2,217,567	2,217,567	-
Prepaid expenses	33,126	-	33,126	-	33,126	22,982
Total current assets	8,261,689	-	8,261,689	119,739,685	128,001,374	110,037,732
Pledge receivables	-	-	-	6,290,231	6,290,231	-
Works of art	-	66,739,573	66,739,573	-	66,739,573	64,374,997
Pledge receivables – Art	-	190,000	190,000	-	190,000	190,000
Furniture and fixtures, net of accumulated depreciation of \$123,891 and \$383,575 in 2019 and 2018 respectively	36,692	-	36,692	-	36,692	48,161
Security deposit	3,450	-	3,450	-	3,450	17,792
Total assets	\$ 8,301,831	\$ 66,929,573	\$ 75,231,404	\$ 126,029,916	\$ 201,261,320	\$ 174,668,682
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 110,772	\$ -	\$ 110,772	\$ -	\$ 110,772	\$ 91,939
Total current liabilities	110,772	-	110,772	-	110,772	91,939
Net Assets	8,191,059	66,929,573	75,120,632	126,029,916	201,150,548	174,576,743
Total liabilities and net assets	\$ 8,301,831	\$ 66,929,573	\$ 75,231,404	\$ 126,029,916	\$ 201,261,320	\$ 174,668,682

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, 2019 With Comparative Totals For 2018

	As of December 31, 2019					As of December 31, 2018
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	Total
	Operating	Work of Art	Total	Total	Total	Total
Support and Revenue:						
Contributions revenue	\$ 5,672,967	\$ -	\$ 5,672,967	\$ 11,602,818	\$ 17,275,785	\$ 7,382,037
Special events- New York Gala (net of expenses of \$350,976 - 2019; \$329,340 - 2018)	1,606,472	-	1,606,472	-	1,606,472	1,373,347
Special events - other (net of expenses of \$439,097 - 2019; \$590,201 - 2018)	1,633,494	-	1,633,494	-	1,633,494	1,332,881
Patron and guardian membership	<u>247,350</u>	<u>-</u>	<u>247,350</u>	<u>-</u>	<u>247,350</u>	<u>209,066</u>
	9,160,283	-	9,160,283	11,602,818	20,763,101	10,297,331
Unrealized appreciation (depreciation) on investments	554,086	-	554,086	13,780,452	14,334,538	(9,348,829)
Contributed works of art	-	2,364,576	2,364,576	-	2,364,576	3,193,110
Net assets released from restrictions	<u>5,701,997</u>	<u>-</u>	<u>5,701,997</u>	<u>(5,701,997)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>15,416,366</u>	<u>2,364,576</u>	<u>17,780,942</u>	<u>19,681,273</u>	<u>37,462,215</u>	<u>4,141,612</u>
Expenses and Transmissions:						
Support and expenses - Israel Museum	12,149,348	-	12,149,348	-	12,149,348	15,684,717
Administration and general	383,996	-	383,996	-	383,996	390,727
Fundraising	<u>1,152,015</u>	<u>-</u>	<u>1,152,015</u>	<u>-</u>	<u>1,152,015</u>	<u>2,633,637</u>
Total expenses and transmissions	<u>13,685,359</u>	<u>-</u>	<u>13,685,359</u>	<u>-</u>	<u>13,685,359</u>	<u>18,709,081</u>
Change before other items	<u>1,731,007</u>	<u>2,364,576</u>	<u>4,095,583</u>	<u>19,681,273</u>	<u>23,776,856</u>	<u>(14,567,469)</u>
Other Items:						
Investment income (net of investment expenses of \$459,329 - 2019; \$442,791 - 2018)	285,365	-	285,365	2,301,684	2,587,049	849,393
Sale of art	<u>209,900</u>	<u>-</u>	<u>209,900</u>	<u>-</u>	<u>209,900</u>	<u>-</u>
Total other items	495,265	-	495,265	2,301,684	2,796,949	849,393
Change in net assets	2,226,272	2,364,576	4,590,848	21,982,957	26,573,805	(13,718,076)
Net Assets						
Beginning of year, as restated	<u>5,964,787</u>	<u>64,564,997</u>	<u>70,529,784</u>	<u>104,046,959</u>	<u>174,576,743</u>	<u>188,294,819</u>
End of year	<u>\$ 8,191,059</u>	<u>\$66,929,573</u>	<u>\$ 75,120,632</u>	<u>\$ 126,029,916</u>	<u>\$ 201,150,548</u>	<u>\$ 174,576,743</u>

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, 2019 Comparative Totals For 2018

	As of December 31, 2019			Year Ended December 31, 2018	
	<u>Program Services</u> Support And Expenses – <u>Israel Museum</u>	<u>Supporting Services</u> Management And General	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Transmissions to the Israel Museum	\$ 11,566,290	\$ -	\$ -	\$ 11,566,290	\$ 15,684,717
Salaries, payroll taxes and employee benefits	-	271,453	814,359	1,085,812	1,068,102
Pension contribution	-	19,355	58,065	77,420	78,619
Consultant expenses	328,946	-	-	328,946	1,451,487
Rent and storage	71,174	51,214	153,643	276,031	163,932
Travel and entertainment	86,842	597	1,790	89,229	25,265
Publications/Newsletters	55,572	958	2,874	59,404	2,958
Audit and other professional fees	-	9,590	28,770	38,360	32,439
California office expenses	-	7,708	23,125	30,833	34,014
Computer expenses	-	7,294	21,882	29,176	52,355
Insurance	4,694	3,666	10,997	19,357	14,299
Depreciation	-	3,417	10,250	13,667	43,628
Miscellaneous	35,830	8,744	26,260	70,834	57,266
	<u>\$ 12,149,348</u>	<u>\$ 383,296</u>	<u>\$ 1,152,015</u>	<u>\$ 13,685,359</u>	<u>\$ 18,709,081</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 Comparative Totals For 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,573,805	\$(13,718,076)
Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities		
Depreciation	13,667	43,628
Unrealized appreciation on investments	(14,334,533)	9,348,829
Contributions restricted for permanent investment – endowment	(10,974,362)	(402,154)
Decrease (Increase) in Operating Assets:		
Accrued receivables	76,826	(61,388)
Pledge receivables	(8,507,798)	-
Prepaid expenses	(10,144)	141
Works of art	(2,364,576)	(3,403,110)
Pledge receivables – Art	-	210,000
Security deposit	14,342	525
Increase (Decrease) in Operating Liabilities:		
Accounts payable and accrued expenses	18,833	21,796
Deferred compensation payable	<u>-</u>	<u>(375,480)</u>
Net cash used for operating activities	<u>(9,493,940)</u>	<u>(8,335,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment activity, net	-	3,415,032
Proceeds from sale of investment securities	41,819,842	-
Purchase of investment securities	(37,936,902)	-
Purchase of furniture & fixture	<u>(2,198)</u>	<u>-</u>
Net cash provided by investing activities	<u>3,880,742</u>	<u>3,415,032</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent investment - endowment	<u>10,974,362</u>	<u>402,154</u>
Net increase (decrease) in cash and cash equivalents	5,361,164	(4,518,103)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>10,141,842</u>	<u>14,659,945</u>
End of year	<u>\$ 15,503,006</u>	<u>\$ 10,141,842</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

(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, 2019 And 2018

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.

CONTRIBUTIONS

Contributions are recorded at net realizable value as revenue on receipt or when unconditional promises to give are received. Unless its use is limited by time or donor-imposed restriction, contribution revenue is recorded as increases in net assets without donor 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.

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 (2016 – 2018) or expected to be taken in the AFIM's 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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, 2018, from which the summarized information was derived.

ACCOUNTING PRONOUNCEMENTS ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP), including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. ASU 2014-09 was implemented in 2019 and did not have a material effect on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. This ASU should be applied using a modified prospective basis. ASU 2018-08 was implemented in 2019 and did not have a material effect on the financial statements.

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, 2020. 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 2018 financial statements to conform to the 2019 presentation.

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(2) PLEDGES RECEIVABLE

Pledges receivable at December 31, 2019 are expected to be realized in the following periods:

Within one year	\$2,217,567
Between one year and five years	<u>6,652,699</u>
Total pledges receivable	8,870,266
Less: discount at 1.69%	<u>(362,468)</u>
Net present value of pledges receivable	<u>\$8,507,798</u>

(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, 2019 And 2018

The summary of inputs used to value AFIM’s various financial instruments as of December 31, 2019 and 2018 are as follows:

Categories	Financial Instruments			Net Asset	Fair Value
	Level 1	Level 2	Level 3	Value	
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
Total	\$53,278,547	\$18,610,195	\$ -	\$38,178,335	\$ 110,067,077

Categories	Financial Instruments			Net Asset	Fair Value
	Level 1	Level 2	Level 3	Value	
Money market funds	\$ 4,444,873	\$ -	\$ -	\$ -	\$ 4,444,873
Equity securities	32,604,159	-	-	-	32,604,159
Debt securities	-	20,602,293	-	-	20,602,293
Mutual funds	11,743,628	-	-	-	11,743,628
Alternative investments	-	-	-	30,220,531	30,220,531
Total	\$48,792,660	\$20,602,293	\$ -	\$30,220,531	\$99,615,484

Investment income consists of the following:

	2019	2018
Interest and dividends	\$1,812,276	\$ 1,791,422
Realized losses	1,234,102	(499,238)
Investment expenses	(459,329)	(442,791)
Total	\$2,587,049	\$ 849,393

(4) PENSION AND DEFERRED COMPENSATION PLANS:

A. 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 \$19,000 in 2019 and \$18,500 in 2018 (\$25,000 in 2019 and \$24,500 in 2018 if an employee is age 50 or more). In addition, the Organization 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 \$77,420 for the year ended December 31, 2019 and \$78,618 for the year ended December 31, 2018.

B. DEFERRED COMPENSATION PLAN

AFIM previously established a Deferred Compensation Plan under Section 457(f) of the Internal Revenue Code for its former Chief Financial Officer. Benefits accrued under the plan totaling \$375,480 vested on January 31, 2018 and were paid in 2018.

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(5) NET ASSETS

Net assets with donor restrictions consist of the following for the year ended December 31, 2019:

Subject to expenditure for a special purpose:

	Balance January 1, 2019 As Previously Reported	Restatement (Note 9)	Contributions	Net Investment Income	Unrealized Appreciation On Investments	Released From Restrictions Operating	Balance December 31, 2019
Contemporary Art Acquisition	\$ 241,848	\$ -	\$ 446,113	\$ -	\$ -	\$ 403,850	\$ 284,111
BCE Circle	87,763	-	-	-	-	-	87,763
Mediterranean Acquisition	51,528	-	32,500	-	-	53,528	30,500
AFIM Art Acquisition	301,816	-	-	6,406	31,080	-	339,302
Bronfman Biblical & Archaeological Museum	-	-	40	-	-	40	-
Bezalel Art Museum	-	-	149,803	-	-	149,803	-
The William W. Stein, M.D. Acquisition Fund	-	3,653,604	-	44,901	243,835	-	3,942,340
General Endowment Fund	8,445,076	(2,116,602)	-	1,394,408	8,368,465	3,092,575	12,998,772
Kolliner Prize Fund	7,116	(1,783)	-	1,201	7,207	2,750	10,991
Jesselson Judaica Fund	8,949	(2,243)	-	1,441	8,648	3,300	13,495
Bergman Visiting Artists Fund	22,485	(5,635)	-	5,043	30,268	-	52,161
Kaplan Book Purchase Fund	4,238	(1,062)	-	480	2,883	99	6,440
Schimmel Prize Fund	14,290	(3,582)	-	2,282	13,693	5,250	21,433
Berg Curator Fund	159,612	(40,004)	-	8,406	50,447	-	178,461
Willner Fund	17,399	(4,361)	-	3,602	21,620	9,450	28,810
Rodman Youth Wing Fund	10,244	(2,567)	-	10,807	64,860	36,000	47,344
Haas Gardens Funds	33,620	(8,426)	-	9,006	54,050	25,350	62,900
Warschaw Archaeology Fund	249,236	(62,466)	-	6,004	36,033	-	228,807
Fischbach Scholarship Fund	10,477	(2,626)	-	3,053	18,323	9,150	20,077
Shapiro, Montgomery and Genesis Archaeology Fund	16,817	(4,215)	-	6,472	38,844	19,800	38,118
Pattiz Israeli Art Fund	1,008	(253)	-	600	3,603	1,900	3,058
Harwood Flower Fund	4,529	(1,135)	-	1,212	7,275	3,500	8,381
Myden Youth Wing Fund	21,461	(5,379)	-	6,117	36,713	18,250	40,662
Skirball Judaica Fund	671,361	(168,264)	-	115,349	692,263	294,250	1,016,459
Weisbord Pavilion Fund	1,018,812	(255,346)	-	201,477	1,209,156	517,502	1,656,597
Adam Kimmel Bar Mitzvah Fund	21,914	(5,492)	-	4,803	28,827	13,450	36,602
Cummings and Kravis Building Fund	4,614	(1,156)	-	4,803	28,827	16,150	20,938
Forchheimer Ethnography Fund	74,984	(18,793)	-	28,820	172,960	91,300	166,671
Asian Art Fund	19,455	(4,876)	-	5,644	33,871	16,750	37,344
Jesselson, Littauer, Chernys Library Fund	10,293	(2,580)	-	3,013	18,083	7,750	21,059
Weiss et al. A.O.A. Fund	137,306	(34,413)	-	40,169	241,070	123,300	260,832
Berg U.S.A. Fund	(17,681)	4,431	-	34,824	208,994	119,750	110,818
Rosen Egyptian Art Curator Fund	187,654	(47,032)	-	28,520	171,159	73,050	267,251
Krupp Shrine of the Book Fund	43,526	(10,909)	-	21,615	129,720	50,000	133,952
Madeleine Lejwa Fund	163,418	(40,958)	-	39,966	239,851	107,500	294,777
Stella Fischbach Modern Art Fund	17,485	(4,382)	-	4,803	28,827	13,450	33,283
Abrams Library Fund	10,578	(2,651)	-	8,646	51,888	24,700	43,761
Bernard & Ella Snyder Lecture Fund	3,682	(923)	-	2,402	14,413	6,600	12,974
Mandel JAL Wing Fund	22,871	(5,732)	-	120,082	720,669	225,700	632,190
Ayla Zachs Abramov Fund	(106,594)	26,716	-	72,049	432,401	166,200	258,372
Noel & Harriette Levine Photography Fund	-	-	-	53,258	319,626	-	372,884
Total	\$11,993,190	\$ 818,905	\$ 628,456	\$2,301,684	\$13,780,452	\$5,701,997	\$23,820,690

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

Perpetual in Nature:

	<u>Balance January 1, 2019</u>	<u>Contributions</u>	<u>Balance December 31, 2019</u>
General Endowment Fund	\$57,812,575	\$ 247,846	\$ 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	124,308	1,151	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	-	10,725,365	10,725,365
Total	<u>\$91,234,864</u>	<u>\$ 10,974,362</u>	<u>\$102,209,226</u>
Total with donor restrictions			<u>\$126,029,916</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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, 2019:

	Net Assets Released From <u>Restrictions</u>	Other Operating <u>Transmissions</u>	<u>Total</u>
Contemporary Art Acquisition	\$ 403,850	\$ -	\$ 403,850
Mediterranean Acquisitions	53,528	-	53,528
Bronfman Biblical & Archaeological Museum Library	40	476,960	477,000
Bezalel Art Museum	-	210	210
Youth Wing	149,803	5,307,736	5,457,539
General Endowment Fund	-	662,445	662,445
Kolliner Prize Fund	3,092,575	-	3,092,575
Jesselson Judaica Fund	2,750	-	2,750
Kaplan Book Purchase Fund	3,300	-	3,300
Schimmel Prize Fund	99	-	99
Willner Fund	5,250	-	5,250
Rodman Youth Wing Fund	9,450	-	9,450
Haas Gardens Funds	36,000	-	36,000
Fischbach Scholarship Fund	25,350	-	25,350
Shapiro, Montgomery and Genesis Archaeology Fund	9,150	-	9,150
Pattiz Israeli Art Fund	19,800	-	19,800
Harwood Flower Fund	1,900	-	1,900
Myden Youth Wing Fund	3,500	-	3,500
Skirball Judaica Fund	18,250	-	18,250
Weisbord Pavilion Fund	294,250	-	294,250
Adam Kimmel Bar Mitzvah Fund	517,502	-	517,502
Cummings and Kravis Building Fund	13,450	-	13,450
Forchheimer Ethnography Fund	16,150	-	16,150
Asian Art Fund	91,300	-	91,300
Jesselson, Littauer, Chernys Library Fund	16,750	-	16,750
Weiss et al. A.O.A. Fund	7,750	-	7,750
Berg U.S.A. Fund	123,300	-	123,300
Rosen Egyptian Art Curator Fund	119,750	-	119,750
Krupp Shrine of the Book Fund	73,050	-	73,050
Madeleine Lcjwa Fund	50,000	-	50,000
Stella Fischbach Modern Art Fund	107,500	-	107,500
Abrams Library Fund	13,450	-	13,450
Bernard & Ella Snyder Lecture Fund	24,700	-	24,700
Mandel JAL Wing Fund	6,600	-	6,600
Ayala Zachs Abramov Fund	225,700	-	225,700
	<u>166,200</u>	<u>-</u>	<u>166,200</u>
	<u>\$ 5,701,997</u>	<u>\$ 6,447,351</u>	<u>\$ 12,149,348</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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, 2019 And 2018

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>
2020	\$ 186,803
2021	199,142
2022	204,145
2023	208,498
2024	212,949
Thereafter	<u>290,128</u>
	<u>\$1,301,665</u>

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

Rent expense, including escalations, amounted to \$204,858 and \$163,932 for the years ended December 31, 2019 and 2018, respectively.

AFIM previously retained a consultant to provide curatorial advisory services, assistance with fundraising efforts, educational services and other related services. The agreement obligated AFIM to pay, through December 31, 2018, \$117,285 per month plus health insurance.

(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, 2019 And 2018

(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, 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>2019</u>
Financial Assets	
Cash and cash equivalents	\$ 15,503,006
Investments	110,067,077
Pledges Receivable (due within one year)	<u>2,217,567</u>
Total financial assets	127,787,650
2020 Endowment draw	5,148,547
Less:	
Net assets with donor restrictions, net of \$6,290,231 of long-term pledges	<u>119,739,685</u>
Financial assets available to meet general expenditures within one year	<u>\$ 13,196,512</u>

(9) RESTATEMENT

Certain art received through donation is no longer owned by AFIM and had been previously transferred to the Israel Museum, and certain works of art recorded as a pledge receivable have been received as of December 31, 2017. Additionally, the unspent portion of a restricted gift received in 2009 was being reported in the net assets without donor restrictions. As such, AFIM is restating its opening net assets.

The cumulative effect of restating the 2018 beginning net asset balances to was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, December 31, 2017 as previously reported	\$ 78,164,400	\$ 116,175,479	\$ 194,339,879
Recording of effect of reclassification			
Art previously transferred	(4,570,060)	-	(4,570,060)
Pledge receivable previously collected	(1,475,000)	-	(1,475,000)
Restricted donation*	<u>(818,905)</u>	<u>818,905</u>	<u>-</u>
Net assets, December 31, 2017 as restated	<u>\$ 71,300,435</u>	<u>\$ 116,994,384</u>	<u>\$ 188,294,819</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

- * In 2009, AFIM was the beneficiary of an estate gift of approximately \$1,300,000 restricted for the purchase of Chinese artwork. The donor further required that unspent funds be separately invested, and the earnings be reinvested and used for the original purpose. Approximately \$500,000 was expended on Chinese artwork since the gift's receipt, however the earnings from this account, since its inception, were inappropriately allocated amongst AFIM's endowment funds. Additionally, the original gift, and the related Chinese art purchases were inappropriately included with the net assets without donor restrictions. As such, a restatement was made to reclassify the portion of the gift that was held in the net assets without donor restriction (\$818,905), and a restatement was made for the earnings generated on this investment since its inception that were inappropriately added to the endowment funds of AFIM which amounted to \$2,834,699 (see Footnote 5).

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, June 10, 2020 have been evaluated in the preparation of the financial statements and management is currently evaluating the recent introduction of the COVID-19 virus and its impact on AFIM and the financial services industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the fair value of AFIM's investments and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.