

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2021 (With Comparative Information For December 31, 2020)

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**

Opinion

We have audited the accompanying financial statements of American Friends of the Israel Museum (“**AFIM**”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFIM as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AFIM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AFIM’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AFIM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the AFIM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the American Friends of the Israel Museum restated its opening net assets with respect to the liquidation of an investment account that was excluded from the 2020 reported fair market value of investments as a result of a misposting of the liquidation. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited AFIM's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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, Pennsylvania
May 27, 2022**

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 With Comparative Totals For 2020

	As of December 31, 2021			As of December 31, 2020		
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	Total
	Operating	Work of Art	Total			
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,902,830	\$ -	\$ 1,902,830	\$ 10,713,728	\$ 12,616,558	\$ 8,866,935
Investments	4,477,758	-	4,477,758	127,134,336	131,612,094	119,689,194
Accrued receivables	435,395	-	435,395	-	435,395	2,665,906
Pledge receivables	-	-	-	4,717,567	4,717,567	2,217,567
Prepaid expenses	99,469	-	99,469	-	99,469	104,213
Total current assets	6,915,452	-	6,915,452	142,565,631	149,481,083	133,543,815
Pledge receivables	-	-	-	2,126,777	2,126,777	4,371,773
Works of art	-	58,334,063	58,334,063	-	58,334,063	69,855,553
Pledge receivables – Art	-	190,000	190,000	-	190,000	190,000
Furniture and fixtures, net of accumulated depreciation of \$161,836 and \$156,658 in 2021 and 2020 respectively	4,432	-	4,432	-	4,432	9,610
Security deposit	3,450	-	3,450	-	3,450	3,450
Total assets	<u>\$ 6,923,334</u>	<u>\$ 58,524,063</u>	<u>\$ 65,447,397</u>	<u>\$ 144,692,408</u>	<u>\$ 210,139,805</u>	<u>\$ 207,974,201</u>
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 255,392	\$ -	\$ 255,392	\$ -	\$ 255,392	\$ 206,759
Deferred revenue	275,889	-	275,889	-	275,889	-
Total current liabilities	531,281	-	531,281	-	531,281	206,759
Net Assets	<u>6,392,053</u>	<u>58,524,063</u>	<u>64,916,116</u>	<u>144,692,408</u>	<u>209,608,524</u>	<u>207,767,442</u>
Total liabilities and net assets	<u>\$ 6,923,334</u>	<u>\$ 58,524,063</u>	<u>\$ 65,447,397</u>	<u>\$ 144,692,408</u>	<u>\$ 210,139,805</u>	<u>\$ 207,974,201</u>

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, 2021 With Comparative Totals For 2020

	As of December 31, 2021			As of December 31, 2020	
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total
	Operating	Work of Art	Total	Total	Total
Support and Revenue:					
Contributions revenue	\$ 5,233,124	\$ -	\$ 5,233,124	\$ 5,061,616	\$ 10,294,740
Grant revenue	127,500	-	127,500	-	127,500
Special events- New York Gala (net of expenses of \$115,021 - 2021; \$24,717 - 2020)	1,010,325	-	1,010,325	-	1,010,325
Special events - other (net of expenses of \$23,188 - 2021; \$334,032 - 2020)	515,437	-	515,437	-	515,437
Patron and guardian membership	93,000	-	93,000	-	93,000
	6,979,386	-	6,979,386	5,061,616	12,041,002
Realized and unrealized gain (loss) on investments	34,085	-	34,085	10,186,220	10,220,305
Contributed works of art	-	5,862,950	5,862,950	-	5,862,950
Net assets released from restrictions	5,187,762	-	5,187,762	(5,187,762)	-
Total support and revenue	12,201,233	5,862,950	18,064,183	10,060,074	28,124,257
Expenses and Transmissions:					
Support and expenses - Israel Museum	9,247,974	17,384,440	26,632,414	-	26,632,414
Administration and general	367,518	-	367,518	-	367,518
Fundraising	1,102,556	-	1,102,556	-	1,102,556
Total expenses and transmissions	10,718,048	17,384,440	28,102,488	-	28,102,488
Change before other items	1,483,185	(11,521,490)	(10,038,305)	10,060,074	21,769
Other Items:					
Investment income (net of investment expenses of \$310,207 - 2021; \$336,803 - 2020)	78,629	-	78,629	1,740,684	1,819,313
Total other items	78,629	-	78,629	1,740,684	1,819,313
Change in net assets	1,561,814	(11,521,490)	(9,959,676)	11,800,758	1,841,082
Net Assets					
Beginning of year, as restated	4,830,239	70,045,553	74,875,792	132,891,650	207,767,442
End of year	\$ 6,392,053	\$ 58,524,063	\$ 64,916,116	\$ 144,692,408	\$ 209,608,524

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, 2021 Comparative Totals For 2020

	As of December 31, 2021			Year Ended December 31, 2020	
	Program Services Support And Expenses – Israel Museum	Supporting Services Management And General	Fundraising	Total	Total
Transmissions to the Israel Museum	\$ 8,886,449	\$ -	\$ -	\$ 8,886,449	\$ 13,282,104
Grants of artwork	17,384,440	-	-	17,384,440	-
Salaries, payroll taxes and employee benefits	-	250,582	751,747	1,002,329	1,277,249
Pension contribution	-	17,625	52,874	70,499	59,788
Consultant expenses	324,481	-	-	324,481	312,220
Rent and storage	31,373	52,213	156,641	240,227	264,181
Travel and entertainment	-	760	2,279	3,039	20,927
Publications/Newsletters	-	13,818	41,455	55,273	52,989
Audit and other professional fees	-	9,354	28,061	37,415	48,343
California office expenses	-	2,833	8,498	11,331	20,808
Computer expenses	-	6,716	20,147	26,863	26,693
Credit card and bank fees	-	2,251	6,752	9,003	21,792
Newspaper ads	-	1,376	4,130	5,506	14,575
Insurance	4,691	4,341	13,023	22,055	19,864
Depreciation	-	1,294	3,884	5,178	32,767
Miscellaneous	980	4,355	13,065	18,400	65,607
	<u>\$ 26,632,414</u>	<u>\$ 367,518</u>	<u>\$ 1,102,556</u>	<u>\$ 28,102,488</u>	<u>\$ 15,519,907</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 Comparative Totals For 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,841,082	\$ 4,812,264
Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities		
Depreciation	5,178	32,767
Realized & unrealized gain on investments	(10,220,305)	(10,289,999)
Contributions restricted for permanent investment – endowment	(5,000,000)	-
Decrease (Increase) in Operating Assets:		
Accrued receivables	2,230,511	(2,485,308)
Pledge receivables	(255,004)	1,918,458
Prepaid expenses	4,744	(71,087)
Works of art	11,521,490	(1,311,350)
Increase (Decrease) in Operating Liabilities:		
Accounts payable and accrued expenses	48,633	95,987
Deferred revenue	<u>275,889</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>452,218</u>	<u>(7,298,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	12,316,319	108,224,156
Purchase of investment securities	(14,018,914)	(107,556,274)
Purchase of furniture & fixture	<u>-</u>	<u>(5,685)</u>
Net cash provided by (used for) investing activities	<u>(1,702,595)</u>	<u>662,197</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent investment - endowment	<u>5,000,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	3,749,623	(6,636,071)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>8,866,935</u>	<u>15,503,006</u>
End of year	<u>\$ 12,616,558</u>	<u>\$ 8,866,935</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 And 2020

(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, 2021 And 2020

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, 2021 And 2020

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 (2018 – 2020) or expected to be taken in the AFIM’s 2021 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, 2020, 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 2020 financial statements to conform to the 2021 presentation.

(2) PLEDGES RECEIVABLE

Pledges receivable at December 31, 2021 are expected to be realized in the following periods:

Within one year	\$4,717,567
Between one year and five years	<u>2,217,565</u>
Total pledges receivable	6,935,132
Less: discount at 1.39%	<u>(90,788)</u>
Net present value of pledges receivable	<u>\$6,844,344</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(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, 2021 And 2020

The summary of inputs used to value AFIM’s various financial instruments as of December 31, 2021 and 2020 are as follows:

<u>Categories</u>	<u>Financial Instruments</u> <u>December 31, 2021</u>			<u>Net Asset</u>	<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>	
Money market funds	\$ 6,012,557	\$ -	\$ -	\$ -	\$ 6,012,557
Debt securities	-	43,612,908	-	-	43,612,908
Equity mutual funds	63,323,634	-	-	-	63,323,634
Fixed income mutual funds	9,778,612	-	-	-	9,778,612
Alternative investments	-	-	-	8,884,383	8,884,383
Total	<u>\$79,114,803</u>	<u>\$43,612,908</u>	<u>\$ -</u>	<u>\$8,884,383</u>	<u>\$131,612,094</u>

<u>Categories</u>	<u>Financial Instruments</u> <u>December 31, 2020</u>			<u>Net Asset</u>	<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>	
Money market funds	\$ 8,265,782	\$ -	\$ -	\$ -	\$ 8,265,782
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
Total	<u>\$60,017,503</u>	<u>\$33,371,023</u>	<u>\$ -</u>	<u>\$26,300,668</u>	<u>\$119,689,194</u>

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$2,129,520	\$ 1,533,734
Investment expenses	(310,207)	(336,803)
Total	<u>\$1,819,313</u>	<u>\$1,196,931</u>

(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 2021 and 2020 (\$26,000 in 2021 and 2020 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 \$70,499 for the year ended December 31, 2021 and \$59,788 for the year ended December 31, 2020.

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(5) NET ASSETS

Net assets with donor restrictions consist of the following for the year ended December 31, 2021:

Subject to expenditure for a special purpose:

	Balance January 1, 2021	Restatement (Note 9)	Contributions	Net Investment Income	Realized & Unrealized Appreciation On Investments	Released From Restrictions Operating	Balance December 31, 2021
Contemporary Art Acquisition	\$ 387,611	\$ -	\$89,045	\$ -	\$ -	\$ -	\$ 476,656
BCE Circle	87,763	-	-	-	-	-	87,763
Mediterranean Acquisition	59,000	-	-	-	-	-	59,000
AFIM Art Acquisition	357,385	-	-	-	6,152	-	363,537
Bronfman Biblical & Archaeological Museum	-	-	-	-	-	-	-
Bezalel Art Museum	-	-	-	-	-	-	-
The William W. Stein, M.D. Acquisition Fund	4,199,517	207,394	-	69,789	408,146	-	4,884,846
General Endowment Fund	13,682,119	3,054,370	-	964,863	5,642,822	3,068,830	20,275,344
Kolliner Prize Fund	11,503	2,630	-	831	4,859	2,720	17,103
Jesselson Judaica Fund	14,109	3,156	-	997	5,831	3,270	20,823
Bergman Visiting Artists Fund	65,861	11,047	-	3,490	20,409	-	100,807
Kaplan Book Purchase Fund	7,544	1,052	-	332	1,944	217	10,655
Schimmel Prize Fund	22,430	4,998	-	1,579	9,233	5,185	33,055
Berg Curator Fund	201,293	18,412	-	5,816	34,016	-	259,537
Willner Fund	29,195	7,891	-	2,493	14,578	9,365	44,792
Rodman Youth Wing Fund	40,749	23,673	-	7,478	43,735	35,745	79,890
Haas Gardens Funds	62,013	19,728	-	6,232	36,446	25,170	99,249
Warschaw Archaeology Fund	245,115	13,152	-	4,155	24,297	140,000	146,719
Fischbach Scholarship Fund	19,270	6,688	-	2,113	12,355	9,060	31,366
Shapiro, Montgomery and Genesis Archaeology Fund	35,949	14,178	-	4,479	26,192	19,635	61,163
Pattiz Israeli Art Fund	2,789	1,315	-	415	2,430	1,890	5,059
Harwood Flower Fund	8,173	2,655	-	839	4,905	3,475	13,097
Myden Youth Wing Fund	39,028	13,400	-	4,233	24,755	18,125	63,291
Skirball Judaica Fund	1,035,975	252,666	-	79,816	466,790	291,985	1,543,262
Weisbord Pavilion Fund	1,687,158	441,324	-	139,412	815,329	513,495	2,569,728
Adam Kimmel Bar Mitzvah Fund	36,249	10,521	-	3,324	19,438	13,340	56,192
Cummings and Kravis Building Fund	33,985	10,521	-	3,324	19,438	16,010	51,258
Forchheimer Ethnography Fund	153,752	63,128	-	19,942	116,627	90,615	262,834
Asian Art Fund	35,974	12,363	-	3,905	22,839	16,615	58,466
Jesselson, Littauer, Chernys Library Fund	21,493	6,600	-	2,085	12,193	7,755	34,616
Weiss et al. A.O.A. Fund	246,839	87,987	-	27,795	162,552	122,330	402,843
Berg U.S.A. Fund	86,598	76,280	-	24,096	140,924	-	327,898
Rosen Egyptian Art Curator Fund	271,767	62,471	-	19,734	115,412	72,495	396,889
Krupp Shrine of the Book Fund	142,763	47,346	-	14,956	87,470	49,585	242,950
Madeleine Lejwa Fund	295,933	87,542	-	27,654	161,731	106,725	466,135
Stella Fischbach Modern Art Fund	32,930	10,521	-	3,324	19,438	13,340	52,873
Abrams Library Fund	42,596	18,938	-	5,982	34,988	24,515	77,989
Bernard & Ella Snyder Lecture Fund	12,897	5,261	-	1,662	9,719	6,545	22,994
Mandel JAL Wing Fund	733,063	263,034	-	83,091	485,944	223,925	1,341,207
Ayla Zachs Abramov Fund	288,126	157,820	-	49,855	291,566	164,920	622,447
Noel & Harriette Levine Photography Fund	513,412	113,326	-	109,047	637,745	110,880	1,262,650
William Davidson Foundation Fund	-	-	-	41,546	242,972	-	284,518
Total	\$ 25,249,926	\$ 5,133,388	\$ 89,045	\$ 1,740,684	\$ 10,186,220	\$ 5,187,762	\$ 37,211,501

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

Perpetual in Nature:

	<u>Balance January 1, 2021</u>	<u>Contributions</u>	<u>Balance December 31, 2021</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	11,024,475	(27,429)*	10,997,046
William Davidson Foundation Fund	-	<u>5,000,000</u>	<u>5,000,000</u>
Total	<u>\$102,508,336</u>	<u>\$4,972,571</u>	<u>\$107,480,907</u>
Total with donor restrictions			<u>\$144,692,408</u>

* Amount represents change in net present value.

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

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, 2021:

	Net Assets Released From <u>Restrictions</u>	Other Operating <u>Transmissions</u>	<u>Total</u>
Bronfman Biblical & Archaeological Museum	\$ -	\$ 350,000	\$ 350,000
Bezalel Art Museum	-	3,501,506	3,501,506
Youth Wing	-	143,706	143,706
Operations	-	65,000	65,000
General Endowment Fund	3,068,830	-	3,068,830
Kolliner Prize Fund	2,720	-	2,720
Jesselson Judaica Fund	3,270	-	3,270
Kaplan Book Purchase Fund	217	-	217
Schimmel Prize Fund	5,185	-	5,185
Willner Fund	9,365	-	9,365
Rodman Youth Wing Fund	35,745	-	35,745
Haas Gardens Funds	25,170	-	25,170
Warschaw Archaeology Fund	140,000	-	140,000
Fischbach Scholarship Fund	9,060	-	9,060
Shapiro, Montgomery and Genesis Archaeology Fund	19,635	-	19,635
Pattiz Israeli Art Fund	1,890	-	1,890
Harwood Flower Fund	3,475	-	3,475
Myden Youth Wing Fund	18,125	-	18,125
Skirball Judaica Fund	291,985	-	291,985
Weisbord Pavilion Fund	513,495	-	513,495
Adam Kimmel Bar Mitzvah Fund	13,340	-	13,340
Cummings and Kravis Building Fund	16,010	-	16,010
Forchheimer Ethnography Fund	90,615	-	90,615
Asian Art Fund	16,615	-	16,615
Jesselson, Littauer, Chernys Library Fund	7,755	-	7,755
Weiss et al. A.O.A. Fund	122,330	-	122,330
Rosen Egyptian Art Curator Fund	72,495	-	72,495
Krupp Shrine of the Book Fund	49,585	-	49,585
Madeleine Lejwa Fund	106,725	-	106,725
Stella Fischbach Modern Art Fund	13,340	-	13,340
Abrams Library Fund	24,515	-	24,515
Bernard & Ella Snyder Lecture Fund	6,545	-	6,545
Mandel JAL Wing Fund	223,925	-	223,925
Ayala Zachs Abramov Fund	164,920	-	164,920
Noel & Harriette Levine Photography Fund	<u>110,880</u>	<u>-</u>	<u>110,880</u>
	<u>\$ 5,187,762</u>	<u>\$ 4,060,212</u>	<u>\$ 9,247,974</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

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, 2021 And 2020

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>
2022	\$ 204,145
2023	208,498
2024	212,949
2025	217,501
2026	<u>72,627</u>
	<u>\$ 915,720</u>

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

Rent expense, including escalations, amounted to \$208,854 and \$201,939 for the years ended December 31, 2021 and 2020, 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, 2021 And 2020

(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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 12,616,558	\$ 8,866,935
Investments	131,612,094	119,689,194
Accrued receivables	435,395	2,665,906
Pledges Receivable (due within one year)	<u>4,717,567</u>	<u>2,217,567</u>
Total financial assets	149,381,614	133,439,602
Endowment draw	5,468,740	5,227,534
Less:		
Net assets with donor restrictions, net of \$2,126,777 in 2021 and \$4,371,773 in 2020 of long-term pledges	<u>142,565,631</u>	<u>128,519,877</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,284,723</u>	<u>\$ 10,147,259</u>

(9) RESTATEMENT

In 2021, during the reconciliation of the investments that is maintained by the Controller, it was discovered that a liquidation of a hedge fund was not included in the assets of the custodian to which it was transferred until 2021 when it settled and as such was not included in the 2020 investment valuation. AFIM is restating its opening net assets to properly reflect the trade.

The cumulative effect of restating the 2020 beginning net asset balances was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, December 31, 2020 as previously reported	\$ 74,875,792	\$ 127,758,262	\$ 202,634,054
Recording of effect of reclassification			
Unrealized appreciation on investments	<u>-</u>	<u>5,133,388</u>	<u>5,133,388</u>
Net assets, December 31, 2020 as restated	<u>\$ 74,875,792</u>	<u>\$ 132,891,650</u>	<u>\$ 207,767,442</u>

AMERICAN FRIENDS OF THE ISRAEL MUSEUM

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(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 declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak affected virtually every industry and created volatility in the stock markets throughout the world. Many federal and state governments 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.

On February 5, 2021, AFIM received a \$127,500 loan under the Small Business Administration’s (“SBA”) 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 AFL 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%. AFIM considers the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Second Draw Loan agreement and as such, would recognize contribution income when these conditions were substantially met. On July 27, 2021, AFIM was notified by the SBA that the loan was forgiven. As of December 31, 2021, the amount has been included in the Statement of Activities as grant revenue.

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, May 27, 2022, have been evaluated in the preparation of the financial statements.