American Friends of the Israel Philharmonic Orchestra, Inc.

Independent Auditor’s Report and Financial Statements

December 31, 2019 and 2018

BKD
CPAs & Advisors

American Friends of the Israel Philharmonic Orchestra, Inc.
December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
American Friends of the Israel Philharmonic Orchestra, Inc.
New York, New York

We have audited the accompanying financial statements of American Friends of the Israel Philharmonic Orchestra, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of the Israel Philharmonic Orchestra, Inc. as December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
September 14, 2020

American Friends of the Israel Philharmonic Orchestra, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 722,084	$ 1,430,104
Investments	21,217,132	18,750,965
Contributions receivable, net	1,097,456	947,610
Other receivables	165,969	118,872
Prepaid expenses and other assets	20,504	75,928
Property, equipment and musical instruments, net	2,294,623	2,371,433
Total assets	$ 25,517,768	$ 23,694,912
Liabilities and Net Assets		
Liabilities		
Accounts and accrued expenses payable	$ 34,860	$ 40,884
Deferred revenue	30,000	357,762
Deferred rent	33,226	25,097
Total liabilities	98,086	423,743
Net Assets		
Without donor restrictions		
Operating	19,409,166	18,182,252
Board designated	847,727	686,926
Total without donor restrictions	20,256,893	18,869,178
With donor restrictions	5,162,789	4,401,991
Total net assets	25,419,682	23,271,169
Total liabilities and net assets	$ 25,517,768	$ 23,694,912

American Friends of the Israel Philharmonic Orchestra, Inc.

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019				2018			
		Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, Losses and Other Support								
Contributions		$ 1,082,078	$ 487,366	$ 1,569,444		$ 1,106,080	$ 1,593,573	$ 2,699,653
Special events	$ 2,553,142				$ 2,524,628			
Less direct costs of special events	(567,532)				(536,708)			
Net revenues from special events		1,985,610	-	1,985,610		1,987,920	-	1,987,920
Bad debt loss		-	-	-		-	(105,000)	(105,000)
Investment return		2,562,305	780,952	3,343,257		(916,605)	(103,599)	(1,020,204)
Net assets released from restriction		507,520	(507,520)	-		1,121,000	(1,121,000)	-
Total revenues, gains, losses and other support		6,137,513	760,798	6,898,311		3,298,395	263,974	3,562,369
Expenses								
Program service - Orchestral		3,336,272	-	3,336,272		4,274,513	-	4,274,513
Supporting services								
Management and general		377,556		377,556		389,247		389,247
Fundraising		1,035,970	-	1,035,970		1,073,730	-	1,073,730
Total supporting services		1,413,526	-	1,413,526		1,462,977	-	1,462,977
Total expenses		4,749,798	-	4,749,798		5,737,490	-	5,737,490
Change in Net Assets		1,387,715	760,798	2,148,513		(2,439,095)	263,974	(2,175,121)
Net Assets, Beginning of Year		18,869,178	4,401,991	23,271,169		21,308,273	4,138,017	25,446,290
Net Assets, End of Year		$ 20,256,893	$ 5,162,789	$ 25,419,682		$ 18,869,178	$ 4,401,991	$ 23,271,169

American Friends of the Israel Philharmonic Orchestra, Inc.

Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

	2019					
	Program Service	Supporting Services				
	Orchestral	Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Grants and other support for Israel Philharmonic Orchestra	$ 3,157,790	$ -	$ -	$ -	$ -	$ 3,157,790
Salaries	91,000	164,242	549,852	-	714,094	805,094
Employee benefits and payroll taxes	4,392	27,065	90,611	-	117,676	122,068
Occupancy	10,438	39,423	104,766	6,305	150,494	160,932
Telephone	711	2,225	7,448	-	9,673	10,384
Travel and carfare	-	8,353	44,054	-	52,407	52,407
Insurance	-	1,529	5,119	-	6,648	6,648
Professional fees	-	82,680	7,618	-	90,298	90,298
Other fees	-	11,214	37,543	-	48,757	48,757
Equipment rental and maintenance	-	717	2,401	-	3,118	3,118
Office expense	-	1,412	5,348	-	6,760	6,760
Dues and subscriptions	-	419	1,402	-	1,821	1,821
Computer expenses	-	5,593	18,725	-	24,318	24,318
Postage and messenger	-	1,151	13,701	-	14,852	14,852
Printing and publications	-	1,558	42,779	-	44,337	44,337
Event production	-	-	-	234,232	234,232	234,232
Catering	-	-	-	326,995	326,995	326,995
Public relations	-	26,335	90,460	-	116,795	116,795
Recruitment	-	1,104	3,697	-	4,801	4,801
Depreciation	71,941	1,847	6,183	-	8,030	79,971
Miscellaneous	-	689	4,263	-	4,952	4,952
Total expenses	3,336,272	377,556	1,035,970	567,532	1,981,058	5,317,330
Less expenses deducted from revenues on the statement of activities						
Direct costs of special events	-	-	-	(567,532)	(567,532)	(567,532)
Total expenses reported by function on the statement of activities	$ 3,336,272	$ 377,556	$ 1,035,970	$ -	$ 1,413,526	$ 4,749,798

American Friends of the Israel Philharmonic Orchestra, Inc.

Statements of Functional Expenses (Continued)

Years Ended December 31, 2019 and 2018

	2018					
	Program Service	Supporting Services				
	Orchestral	Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Grants and other support for Israel Philharmonic Orchestra	$ 4,091,765	$ -	$ -	$ -	$ -	$ 4,091,765
Salaries	92,896	171,762	575,030	-	746,792	839,688
Employee benefits and payroll taxes	4,325	27,212	91,102	-	118,314	122,639
Occupancy	12,643	33,829	113,254	25,848	172,931	185,574
Telephone	943	2,588	8,663	-	11,251	12,194
Travel and carfare	-	11,427	44,212	-	55,639	55,639
Insurance	-	1,523	5,098	-	6,621	6,621
Professional fees	-	89,126	6,065	-	95,191	95,191
Other fees	-	15,347	35,319	-	50,666	50,666
Equipment rental and maintenance	-	3,267	10,936	-	14,203	14,203
Office expense	-	4,233	14,453	-	18,686	18,686
Dues and subscriptions	-	608	2,034	-	2,642	2,642
Computer expenses	-	6,886	23,052	-	29,938	29,938
Postage and messenger	-	1,284	18,448	-	19,732	19,732
Printing and publications	-	1,488	39,678	-	41,166	41,166
Event production	-	-	-	231,058	231,058	231,058
Catering	-	-	-	279,802	279,802	279,802
Public relations	-	15,107	75,601	-	90,708	90,708
Recruitment	-	671	2,246	-	2,917	2,917
Depreciation	71,941	2,432	8,140	-	10,572	82,513
Miscellaneous	-	457	399	-	856	856
Total expenses	4,274,513	389,247	1,073,730	536,708	1,999,685	6,274,198
Less expenses deducted from revenues on the statement of activities						
Direct costs of special events	-	-	-	(536,708)	(536,708)	(536,708)
Total expenses reported by function on the statement of activities	$ 4,274,513	$ 389,247	$ 1,073,730	$ -	$ 1,462,977	$ 5,737,490

American Friends of the Israel Philharmonic Orchestra, Inc.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ 2,148,513	$ (2,175,121)
Items not requiring (providing) operating cash flows		
Net realized and unrealized loss (gain) on investments	(2,873,352)	1,608,814
Depreciation	79,971	82,513
Bad debt loss	-	105,000
Changes in		
Contributions receivable	(149,846)	(153,315)
Other receivables	(47,097)	411,462
Prepaid expenses and other assets	55,424	(44,375)
Accounts and accrued expenses payable	(6,024)	(108,854)
Deferred revenue	(327,762)	349,562
Deferred rent	8,129	25,097
Net cash (used in) provided by operating activities	(1,112,044)	100,783
Investing Activities		
Proceeds from sale of investments	3,613,097	3,409,475
Purchase of investments	(3,205,912)	(4,224,590)
Purchase of property, equipment and musical instruments	(3,161)	(23,400)
Net cash provided by (used in) investing activities	404,024	(838,515)
Financing Activities		
Proceeds from line of credit	71,478	87,943
Payments on line of credit	(71,478)	(99,252)
Net cash used in financing activities	-	(11,309)
Decrease in Cash and Cash Equivalents	(708,020)	(749,041)
Cash and Cash Equivalents, Beginning of Year	1,430,104	2,179,145
Cash and Cash Equivalents, End of Year	$ 722,084	$ 1,430,104
Supplemental Cash Flows Information		
Cash paid during the year for interest	$ 128	$ 406

Note 1: Nature of Organization and Summary of Significant Accounting Policies

American Friends of the Israel Philharmonic Orchestra, Inc. (AFIPO) raises funds to support and to secure the financial future of the Israel Philharmonic Orchestra. AFIPO is a not-for-profit corporation which is tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3).

AFIPO is funded primarily by contributions from the general public, investment income and special events.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Use of 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 and disclosure of contingent 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.

Cash and Cash Equivalents

AFIPO considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2019, the cash accounts exceed federally insured limits by approximately $363,000.

Investments and Investment Return

Investments in equities, exchange traded funds, mutual funds and Israel bonds having a readily determinable fair value are carried at fair value. Investments in hedge funds are recorded at net asset value (NAV) as a practical expedient. Investment return includes dividends and interest; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Allowance for Doubtful Accounts

AFIPO's management determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged or recorded on overdue receivables.

Property, Equipment and Musical Instruments

Property, equipment and musical instruments are stated at cost less accumulated depreciation. Property, equipment and musical instruments costing in excess of $450 with a useful life of greater than one year are capitalized. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property, equipment and musical instruments are as follows:

Property and equipment	5 - 7 years
Musical instruments	50 years

Long-Lived Asset Impairment

AFIPO evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to AFIPO either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Special Events

AFIPO conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statements of activities if the event has taken place. Proceeds for events that have not taken place are part of deferred revenue. Income accrued related to special events that have occurred is included in other receivables.

Rent

Rent expense has been recorded on the straight-line basis over the term of the lease. Deferred rent has been recorded for the difference between the fixed payments and the rent expense, if material.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on salaries and office space, or direct charges.

Grants and Other Support to Israel Philharmonic Orchestra

All grants and other support to the Israel Philharmonic Orchestra in Israel are recorded when approved by management and the Board of Directors. All grants were unconditional.

Note 2: Changes in Accounting Principles

ASU 2018-08 – Not-for-Profit Entities (Topic 958): Contributions

During 2019, AFIPO adopted FASB ASU 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction.

Note 3: Contributions Receivable

Unconditional contributions receivable have been recorded in these financial statements at their realizable value. Those receivables that are payable in more than one year have been discounted to their present value using discount rates of 2.09 percent and 5.75 percent. The receivables are due as follows:

	2019		
	With Donor Restrictions - Time Restricted	With Donor Restrictions - Purpose Restricted	Total
Due in one year	$ 713,122	$ 30,000	$ 743,122
Due in two to five years	585,000	-	585,000
	1,298,122	30,000	1,328,122
Less			
Allowance for uncollectible contributions	(200,000)	-	(200,000)
Unamortized discount	(30,666)	-	(30,666)
	$ 1,067,456	$ 30,000	$ 1,097,456

	2018		
	With Donor Restrictions - Time Restricted	With Donor Restrictions - Purpose Restricted	Total
Due in one year	$ 449,642	$ 36,000	$ 485,642
Due in two to five years	715,000	-	715,000
	1,164,642	36,000	1,200,642
Less			
Allowance for uncollectible contributions	(200,000)	-	(200,000)
Unamortized discount	(53,032)	-	(53,032)
	$ 911,610	$ 36,000	$ 947,610

Note 4: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	2019		
		Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 96,505	$ -	$ -
Mutual funds - bonds	4,422,122	4,422,122	-
Mutual funds - equities	8,099,174	8,099,174	-
Equities - large cap	714,107	714,107	-
Equities - mid cap/small cap	52,490	52,490	-
Exchange traded funds - index fund	1,135,861	1,135,861	-
Israel bonds	15,500	-	15,500
	14,535,759	$ 14,423,754	$ 15,500
Investments measured at net asset value (A):			
Hedge funds	4,198,756		
Limited partnerships	2,482,617		
	6,681,373		
Total investments	$ 21,217,132		

	2018		
		Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 762,537	$ -	$ -
Mutual funds - bonds	3,949,349	3,949,349	-
Mutual funds - equities	6,419,010	6,419,010	-
Equities - large cap	551,762	551,762	-
Equities - mid cap/small cap	36,257	36,257	-
Exchange traded funds - index fund	1,766,568	1,766,568	-
Israel bonds	20,161	-	20,161
	13,505,644	$ 12,722,946	$ 20,161
Investments measured at net asset value (A):			
Hedge funds	3,363,092		
Limited partnerships	1,882,229		
	5,245,321		
Total investments	$ 18,750,965		

(A) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFIPO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Hedge Funds and Limited Partnerships

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Fair Value		Unfunded	Redemption	Redemption
	2019	2018	Commitments	Frequency	Notice Period
Fund (a)	$ 810,339	$ 696,816	$ -	Quarterly	45 days
Fund (b)	696,515	659,249	-	Quarterly	30 days
Fund (c)	524,264	468,577	-	Monthly	30 days
Fund (d)	-	463,282	-	Monthly	30 days
Fund (e)	903,064	745,062	-	Monthly	30 days
Fund (f)	536,424	-	-	Monthly	30 days
Fund (g)	728,150	-	-	Quarterly	60 days
Limited Partnership (h)	987,431	812,261	-	Quarterly	60 days
Limited Partnership (i)	263,654	224,785	128,262	N/A	N/A
Limited Partnership (j)	358,080	326,416	26,013	Quarterly	45 days
Limited Partnership (k)	278,864	330,106	154,179	N/A	N/A
Limited Partnership (l)	594,588	518,767	-	Quarterly	90 days
Total	$ 6,681,373	$ 5,245,321	$ 308,454		

Fund (a): A fund-of-funds that seeks long-term capital appreciation through investments in a number of long/short equity hedge funds. There are 10 underlying multi-sector and sector funds, and average net exposure is in the 60 percent range.

Fund (b): Seeks to generate superior risk-adjusted returns that maximize gains and minimize volatility over a broad range of market environments. The portfolio is domestically focused and generally maintains low net exposure to the market.

Fund (c): A privately held firm specializing in master limited partnerships (MLPs). The goal is to build a portfolio of energy securities with a track record of consistent growth through organic expansion and accretive acquisitions, unique market advantages, high-quality management team, or improving dividend payouts. The portfolio will typically hold 15-30 securities.

Fund (d): A privately held firm specializing in non-U.S. smaller cap companies. The fund's strategy is to invest in undiscovered companies in long-term growth industries overseas. The fund often engages in various forms of friendly shareholder activism intended to help the companies they invest in become more attractive to institutional investors sooner than they otherwise would.

Fund (e): An independent, registered investment adviser, founded by Ted Aronson, Martha Ortiz and three others in 1984. The firm uses an active, value-oriented approach and a highly disciplined, quantitative process to build diversified, fully invested portfolios. This fund evaluates companies relative to their industry peers using three categories — or pillars — of attractiveness: value, management and momentum. This fund's Emerging Markets All Cap is invested in approximately 200 holdings.

Fund (f): This fund seeks to provide long-term capital growth and deliver risk-adjusted returns through investing in global equities. The fund comprises a portfolio of high conviction positions focused on targeting a range of alpha opportunities by exploiting the inefficiencies in global equity markets. The fund invests in both developed and emerging markets. Gross market exposure normally falls between 100 percent – 350 percent while net exposure ranges from 25 percent – 80 percent.

Fund (g): This fund is primarily focused on North America, with about 70-80 percent typical allocation to North America. The majority of holdings are mega cap, well-known names. It is a concentrated portfolio with high active share vs. the S&P 500.

Limited partnership (h): Limited partnership which seeks to achieve equity-like investment returns while taking significantly less market risk than the broad market indices. The General Partner seeks to achieve this goal through superior security selection on both long and short positions.

Limited partnership (i): High yielding loans to diverse middle market companies across the U.S. providing transitional capital to fund acquisitions, refinancing, growth, recapitalizations and turnarounds on a sponsored or unsponsored basis.

Limited partnership (j): Seeks to generate superior risk-adjusted returns that maximize gains and minimize volatility over a broad range of market environments. The portfolio is domestically focused and generally maintains low net exposure to the market.

Limited partnership (k): A privately held firm specializing in non-traditional money management activities. The firm seeks to acquire equity interests in sub-performing and distressed real estate assets and debt which often require significant capital restructuring and asset repositioning to stabilize.

Limited partnership (l): A privately held firm established in 2008 as a long/short hedge fund focused on U.S. and foreign small capitalization stocks. The fund's approach to analyzing long-term investment opportunities is research intensive and focused on downside risk. It looks to partner with experienced management teams in industries often overlooked by institutional investors.

Note 5: Furniture, Equipment and Musical Instruments

	2019	2018
Furniture and equipment	$ 63,013	$ 61,941
Musical instruments	3,597,052	3,597,052
	3,660,065	3,658,993
Less accumulated depreciation	(1,365,442)	(1,287,560)
	$ 2,294,623	$ 2,371,433

Note 6: Lease Commitments

AFIPO leases premises in New York City under a 10-year lease which expires April 30, 2027. In addition to the minimum rentals, there are required payments for escalation in real estate taxes and other charges. AFIPO also leases office space in Los Angeles on a month-to-month basis. Total rent expense for 2019 and 2018 was $143,959 and $150,140, respectively, for both offices.

The minimum future lease payments are as follows:

2020	$	102,310
2021		104,356
2022		110,178
2023		114,249
2024		116,534
Thereafter		280,787
Total	$	828,414

Note 7: Concentrations

For the year ended December 31, 2019, there were no concentration of donors. For the year ended December 31, 2018, approximately 36 percent of contributions were received from two donors.

American Friends of the Israel Philharmonic Orchestra, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 8: Net Assets With Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose or time		
Bronfman Auditorium	$ 30,000	$ 36,000
Commissioning fund	180,000	90,000
Time restriction	962,814	866,968
	1,172,814	992,968
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for guest artist program	2,997,190	3,197,190
Subject to NFP endowment spending policy and appropriation of earnings on endowment	992,785	211,833
Total endowments	3,989,975	3,409,023
	$ 5,162,789	$ 4,401,991

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Expiration of time restrictions	$ 201,520	$ 100,000
Satisfaction of purpose restrictions		
Bronfman Auditorium	6,000	921,000
Guest artist program	200,000	-
Piano	100,000	100,000
	$ 507,520	$ 1,121,000

Note 9: Endowment

General

AFIPO’s endowment consists of one individual donor-restricted endowment fund established for support for the Israel Philharmonic Orchestra’s guest artist program for artists who do not reside in Israel to perform with the Orchestra. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of AFIPO has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFIPO is now governed by the NYPMIFA spending policy, which establishes a maximum prudent spending limit of 7 percent of the average of its previous five years’ balance. As a result of this interpretation, AFIPO classifies as endowment restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives, Strategies Employed and Spending Policy

The objective of AFIPO is to maintain the principal endowment fund designated by the donor while generating investment income except to the extent that a donor designated the fund to be fully disbursed by January 31, 2036. The investment policy for this fund is to invest in securities that provide capital appreciation without putting the principal value at excessive risks.

Funds with Deficiencies

AFIPO does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019 and 2018

The endowment net asset composition of $3,989,975 and $3,409,023 as of December 31, 2019 and 2018, respectively, consists of a donor-restricted endowment fund. Investment income earned is currently being added to the principal per donor instruction.

Changes in Endowment Net Assets for the Years Ended December 31, 2019 and 2018

	With Donor Restrictions	
	2019	**2018**
Endowment net assets, beginning of year	$ 3,409,023	$ 3,512,622
Appropriation of endowment net assets for expenditures	(200,000)	-
Investment return	780,952	(103,599)
Endowment net assets, end of year	$ 3,989,975	$ 3,409,023

Note 10: Pension Plan

AFIPO offers a 403(b) pension plan. To be eligible to participate in this plan, the employee must be at least 21 years old and work a minimum of 20 hours per week. This plan only provides for employee contributions through a salary reduction agreement with no provision for an employer matching contribution. Employees are fully vested in their contributions to the plan.

Note 11: Line of Credit

AFIPO has a $25,000 line of credit, bearing interest at 10 percent as of December 31, 2019 and 2018. There was no outstanding balance as of December 31, 2019 and 2018. Interest expense for 2019 and 2018 was $128 and $406, respectively, and is recorded as office expense in the statements of functional expenses.

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	2019	2018
Financial assets at year end		
Cash	$ 722,084	$ 1,430,104
Investments	21,217,132	18,750,965
Contributions receivable, net	1,097,456	947,610
Total financial assets at year end	23,036,672	21,128,679
Less amounts not available to be used within one year		
Donor imposed restrictions	(5,162,789)	(4,401,991)
Total amounts not available to be used within one year	(5,162,789)	(4,401,991)
Financial assets available to meet general expenditures within one year	$ 17,873,883	$ 16,726,688

The Board has designated a portion of its financial assets for a reserve. However, these funds are included in the financial assets available to meet general expenditures within one year as they can be released from the Board as needed.

AFIPO manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, AFIPO forecasts its future cash flows and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 13: Subsequent Events

Subsequent events have been evaluated through September 14, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of AFIPO. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Additionally, there has been significant volatility in the investment markets both nationally and globally since December 31, 2019.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 3, 2020, AFIPO received a loan in the amount of $106,400 pursuant to the Paycheck Protection Program. The loan is due in two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

Note 14: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. AFIPO is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.