

**American Friends of the Israel Philharmonic  
Orchestra, Inc.**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019



**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**December 31, 2020 and 2019**

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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, 2020 and 2019, 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.

Board of Directors  
American Friends of the Israel Philharmonic Orchestra, Inc.  
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***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, 2020 and 2019, 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 2, 2021

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,102,826	\$ 722,084
Investments	23,147,767	21,217,132
Contributions receivable, net	728,636	1,097,456
Other receivables	89,951	165,969
Prepaid expenses and other assets	159,855	20,504
Property, equipment and musical instruments, net	2,218,757	2,294,623
Total assets	\$ 27,447,792	\$ 25,517,768
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts and accrued expenses payable	\$ 29,778	\$ 34,860
Deferred revenue	53,000	30,000
Deferred rent	39,351	33,226
Loan payable	106,400	-
Total liabilities	228,529	98,086
 <b>Net Assets</b>		
Without donor restrictions		
Operating	21,616,147	19,409,166
Board designated	929,976	847,727
Total without donor restrictions	22,546,123	20,256,893
With donor restrictions	4,673,140	5,162,789
Total net assets	27,219,263	25,419,682
Total liabilities and net assets	\$ 27,447,792	\$ 25,517,768

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, Losses and Other Support</b>						
Contributions	\$ 2,261,380	\$ -	\$ 2,261,380	\$ 1,082,078	\$ 487,366	\$ 1,569,444
Special events				2,553,142		
Less direct costs of special events				(567,532)		
Net revenues from special events	-	-	-	1,985,610	-	1,985,610
Bad debt loss	-	(45,000)	(45,000)	-	-	-
Investment return	2,451,660	520,706	2,972,366	2,562,305	780,952	3,343,257
Net assets released from restriction	965,355	(965,355)	-	507,520	(507,520)	-
Total revenues, gains, losses and other support	<u>5,678,395</u>	<u>(489,649)</u>	<u>5,188,746</u>	<u>6,137,513</u>	<u>760,798</u>	<u>6,898,311</u>
<b>Expenses</b>						
Program service - Orchestral	<u>2,345,435</u>	<u>-</u>	<u>2,345,435</u>	<u>3,336,272</u>	<u>-</u>	<u>3,336,272</u>
Supporting services						
Management and general	239,361	-	239,361	377,556	-	377,556
Fundraising	<u>804,369</u>	<u>-</u>	<u>804,369</u>	<u>1,035,970</u>	<u>-</u>	<u>1,035,970</u>
Total supporting services	<u>1,043,730</u>	<u>-</u>	<u>1,043,730</u>	<u>1,413,526</u>	<u>-</u>	<u>1,413,526</u>
Total expenses	<u>3,389,165</u>	<u>-</u>	<u>3,389,165</u>	<u>4,749,798</u>	<u>-</u>	<u>4,749,798</u>
<b>Change in Net Assets</b>	2,289,230	(489,649)	1,799,581	1,387,715	760,798	2,148,513
<b>Net Assets, Beginning of Year</b>	<u>20,256,893</u>	<u>5,162,789</u>	<u>25,419,682</u>	<u>18,869,178</u>	<u>4,401,991</u>	<u>23,271,169</u>
<b>Net Assets, End of Year</b>	<u>\$ 22,546,123</u>	<u>\$ 4,673,140</u>	<u>\$ 27,219,263</u>	<u>\$ 20,256,893</u>	<u>\$ 5,162,789</u>	<u>\$ 25,419,682</u>

# American Friends of the Israel Philharmonic Orchestra, Inc.

## Statements of Functional Expenses Years Ended December 31, 2020 and 2019

	2020				
	Program Service	Supporting Services			
	Orchestral	Management and	Fundraising	Total	Total
		General			
Grants and other support for Israel Philharmonic Orchestra	\$ 1,973,657	\$ -	\$ -	\$ -	\$ 1,973,657
Salaries	168,820	131,228	439,327	570,555	739,375
Employee benefits and payroll taxes	8,730	21,943	73,460	95,403	104,133
Occupancy	31,184	26,209	87,742	113,951	145,135
Telephone	1,872	1,441	4,825	6,266	8,138
Travel and carfare	-	1,729	6,042	7,771	7,771
Insurance	-	1,600	5,357	6,957	6,957
Professional fees	-	10,704	38,294	48,998	48,998
Other fees	-	6,183	20,700	26,883	26,883
Equipment rental and maintenance	-	833	2,787	3,620	3,620
Office expense	-	1,041	3,486	4,527	4,527
Dues and subscriptions	-	343	1,148	1,491	1,491
Computer expenses	444	3,846	12,877	16,723	17,167
Postage and messenger	-	906	3,031	3,937	3,937
Printing and publications	-	672	3,603	4,275	4,275
Event production	17,530	-	4,360	4,360	21,890
Marketing and public relations	71,257	26,072	90,284	116,356	187,613
Recruitment	-	2,507	-	2,507	2,507
Depreciation	71,941	1,577	5,279	6,856	78,797
Miscellaneous	-	527	1,767	2,294	2,294
	<u>\$ 2,345,435</u>	<u>\$ 239,361</u>	<u>\$ 804,369</u>	<u>\$ 1,043,730</u>	<u>\$ 3,389,165</u>
Total expenses reported by function on the statements of activities					

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Statements of Functional Expenses (Continued)**  
**Years Ended December 31, 2020 and 2019**

	2019						
	Program Service	Supporting Services				Total	Total
	Orchestral	Management and General	Fundraising	Direct Cost of Special Events			
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	
Marketing and 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	
<b>Total expenses</b>	<b>3,336,272</b>	<b>377,556</b>	<b>1,035,970</b>	<b>567,532</b>	<b>1,981,058</b>	<b>5,317,330</b>	
Less expenses deducted from revenues on the statement of activities							
Direct costs of special events	-	-	-	(567,532)	(567,532)	(567,532)	
<b>Total expenses reported by function on the statements of activities</b>	<b>\$ 3,336,272</b>	<b>\$ 377,556</b>	<b>\$ 1,035,970</b>	<b>\$ -</b>	<b>\$ 1,413,526</b>	<b>\$ 4,749,798</b>	

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 1,799,581	\$ 2,148,513
Items not requiring (providing) operating cash flows		
Net realized and unrealized gain on investments	(2,629,114)	(2,873,352)
Depreciation	78,797	79,971
Bad debt loss	(45,000)	-
Changes in		
Contributions receivable	413,820	(149,846)
Other receivables	76,018	(47,097)
Prepaid expenses and other assets	(139,351)	55,424
Accounts and accrued expenses payable	(5,082)	(6,024)
Deferred revenue	23,000	(327,762)
Deferred rent	6,125	8,129
Net cash used in operating activities	(421,206)	(1,112,044)
<b>Investing Activities</b>		
Proceeds from sale of investments	1,886,429	3,613,097
Purchase of investments	(1,187,950)	(3,205,912)
Purchase of property, equipment and musical instruments	(2,931)	(3,161)
Net cash provided by investing activities	695,548	404,024
<b>Financing Activities</b>		
Proceeds from line of credit	-	71,478
Payments on line of credit	-	(71,478)
Proceeds from loan	106,400	-
Net cash provided by financing activities	106,400	-
<b>Change in Cash and Cash Equivalents</b>	380,742	(708,020)
<b>Cash and Cash Equivalents, Beginning of Year</b>	722,084	1,430,104
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,102,826	\$ 722,084
<b>Supplemental Cash Flows Information</b>		
Cash paid during the year for interest	\$ -	\$ 128

# American Friends of the Israel Philharmonic Orchestra, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### **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 (GAAP) 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, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2020, the cash accounts exceed federally insured limits by approximately \$589,000.

#### ***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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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.

# American Friends of the Israel Philharmonic Orchestra, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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, 2020 and 2019.

### ***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. The governing board has designated, from net assets without donor restrictions, net assets for an orchestral training program.

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.

# American Friends of the Israel Philharmonic Orchestra, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### 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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Unconditional gifts, with or without restriction</i>	
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 statements 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.

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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: 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:

	2020			
	Without Donor Restrictions	With Donor Restrictions - Time Restricted	With Donor Restrictions - Purpose Restricted	Total
Due in one year and past due	\$ 396,177	\$ 230,000	\$ 10,000	\$ 636,177
Due in two to five years	-	305,000	-	305,000
	396,177	535,000	10,000	941,177
Less				
Allowance for uncollectible contributions	(200,000)	-	-	(200,000)
Unamortized discount	-	(12,541)	-	(12,541)
	<u>\$ 196,177</u>	<u>\$ 522,459</u>	<u>\$ 10,000</u>	<u>\$ 728,636</u>

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

	2019			Total
	Without Donor Restrictions	With Donor Restrictions - Time Restricted	With Donor Restrictions - Purpose Restricted	
Due in one year and past due	\$ 304,642	\$ 408,480	\$ 30,000	\$ 743,122
Due in two to five years	-	585,000	-	585,000
	304,642	993,480	30,000	1,328,122
Less				
Allowance for uncollectible contributions	(200,000)	-	-	(200,000)
Unamortized discount	-	(30,666)	-	(30,666)
	\$ 104,642	\$ 962,814	\$ 30,000	\$ 1,097,456

The contributions receivable table above for 2019 has been revised for an immaterial error to identify contributions past due as being without donor restrictions. These amounts were previously reported as time restricted net assets. This change had no effect on the overall change in net assets or net assets.

**Note 3: 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

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

***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, 2020 and 2019:

	<b>2020</b>		
	<b>Fair Value</b>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and cash equivalents	\$ 2,846,316	\$ -	\$ -
Mutual funds - bonds	4,175,066	4,175,066	-
Mutual funds - equities	8,106,047	8,106,047	-
Equities - large cap	789,861	789,861	-
Equities - mid cap/small cap	51,870	51,870	-
Exchange traded funds - index fund	1,150,841	1,150,841	-
Israel bonds	501	-	501
	<u>17,120,502</u>	<u>\$ 14,273,685</u>	<u>\$ 501</u>
Investments measured at net asset value (A)			
Hedge funds	3,298,864		
Limited partnerships	2,728,401		
	<u>6,027,265</u>		
Total investments	<u>\$ 23,147,767</u>		

**American Friends of the Israel Philharmonic Orchestra, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

	2019		
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	
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		

(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 and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 and 2019.

**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.

# American Friends of the Israel Philharmonic Orchestra, Inc.

## Notes to Financial Statements

### December 31, 2020 and 2019

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 NAV per share as a practical expedient consist of the following:

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2020	2019			
Fund (a)	\$ 869,779	\$ 810,339	\$ -	Quarterly	45 days
Fund (b)	60,271	696,515	-	Quarterly	30 days
Fund (c)	-	524,264	-	Monthly	30 days
Fund (d)	-	903,064	-	Monthly	30 days
Fund (e)	635,865	536,424	-	Monthly	30 days
Fund (f)	905,890	728,150	-	Quarterly	60 days
Limited Partnership (g)	1,181,729	987,431	-	Quarterly	60 days
Limited Partnership (h)	242,366	263,654	136,196	N/A	N/A
Limited Partnership (i)	492,651	358,080	26,013	Quarterly	45 days
Limited Partnership (j)	234,872	278,864	154,179	N/A	N/A
Limited Partnership (k)	576,783	594,588	-	Quarterly	90 days
Limited Partnership (l)	827,059	-	-	Monthly	30 days
Total	<u>\$ 6,027,265</u>	<u>\$ 6,681,373</u>	<u>\$ 316,388</u>		

*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)*: 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.

# American Friends of the Israel Philharmonic Orchestra, Inc.

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*Fund (e):* 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 (f):* 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 (g):* 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 (h):* 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 (i):* 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 (j):* 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 (k):* 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.

*Limited partnership (l):* The fund is the Delaware limited partnership, commenced operations on September 9, 2015. The fund was organized for the purpose of trading and investing in a long-only strategy using securities and derivatives.

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**Note 4: Furniture, Equipment and Musical Instruments**

	2020	2019
Furniture and equipment	\$ 64,846	\$ 63,013
Musical instruments	3,597,052	3,597,052
	3,661,898	3,660,065
Less accumulated depreciation	(1,443,141)	(1,365,442)
	\$ 2,218,757	\$ 2,294,623

**Note 5: 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 2020 and 2019 was \$139,812 and \$143,959, respectively, for both offices.

The minimum future lease payments are as follows:

2021	\$ 104,356
2022	110,178
2023	114,249
2024	116,534
2025	118,865
Thereafter	161,922
Total	\$ 726,104

**Note 6: Loan Payable**

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 11, 2020, AFIPO received a loan in the amount of \$106,400 pursuant to the Paycheck Protection Program (PPP), which matures on May 11, 2022. AFIPO has elected to account for the funding as a loan under Accounting Standards Codification Topic 470, *Debt*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of one percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audits, adjustments could be required to any gain recognized. On August 18, 2021, the entire amount of the loan was forgiven.

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**Note 7: 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:

	<b>2020</b>	<b>2019</b>
Subject to expenditure for specified purpose or time		
Bronfman Auditorium	\$ 10,000	\$ 30,000
Commissioning fund	180,000	180,000
Time restriction	522,459	962,814
	712,459	1,172,814
 Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for guest artist program	2,510,985	2,997,190
Subject to NFP endowment spending policy and appropriation of earnings on endowment	1,449,696	992,785
Total endowments	3,960,681	3,989,975
	\$ 4,673,140	\$ 5,162,789

***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.

	<b>2020</b>	<b>2019</b>
Expiration of time restrictions	\$ 395,355	\$ 201,520
Satisfaction of purpose restrictions		
Bronfman Auditorium	20,000	6,000
Guest artist program	550,000	200,000
Piano	-	100,000
	\$ 965,355	\$ 507,520

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**Note 8: 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 seven 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, 2020 and 2019***

The endowment net asset composition of \$3,960,681 and \$3,989,975 as of December 31, 2020 and 2019, respectively, consists of a donor-restricted endowment fund. Investment income earned is currently being added to the principal per donor instruction.

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***Changes in Endowment Net Assets for the Years Ended December 31, 2020 and 2019***

	<b>With Donor Restrictions</b>	
	<b>2020</b>	<b>2019</b>
Endowment net assets, beginning of year	\$ 3,989,975	\$ 3,409,023
Appropriation of endowment net assets for expenditures	(550,000)	(200,000)
Investment return	520,706	780,952
Endowment net assets, end of year	\$ 3,960,681	\$ 3,989,975

**Note 9: 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 10: Line of Credit**

AFIPO has a \$25,000 line of credit, bearing interest at nine percent and 10 percent as of December 31, 2020 and 2019, respectively. There was no outstanding balance as of December 31, 2020 and 2019. Interest expense for 2020 and 2019 was \$0 and \$128, respectively, and is recorded as office expense in the statements of functional expenses.

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**Note 11: 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, 2020 and 2019, comprise the following:

	<b>2020</b>	<b>2019</b>
Financial assets at year-end		
Cash	\$ 1,102,826	\$ 722,084
Investments	23,147,767	21,217,132
Contributions receivable, net	728,636	1,097,456
Total financial assets at year-end	24,979,229	23,036,672
Less amounts not available to be used within one year		
Donor-imposed restrictions	(4,673,140)	(5,162,789)
Total amounts not available to be used within one year	(4,673,140)	(5,162,789)
Financial assets available to meet general expenditures within one year	\$ 20,306,089	\$ 17,873,883

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, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

**Note 12: Subsequent Events**

Subsequent events have been evaluated through September 2, 2021, which is the date the financial statements were available to be issued.

On March 3, 2021, AFIPO received a second PPP loan in the amount of \$110,000. The loan is due five years from the date of the first disbursement under the loan and has a fixed interest rate of one percent per year. This loan is eligible for forgiveness of up to the full principal amounts and any accrued interest pursuant to the PPP rules.

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**Note 13: Future Change 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.