Consolidated Financial Statements and Report of Independent Certified Public Accountants

American Friends of the Hebrew University, Inc.

September 30, 2020
with summarized comparative information for 2019

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
American Friends of the Hebrew University, Inc.

We have audited the accompanying consolidated financial statements of American Friends of the Hebrew University, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Friends of the Hebrew University, Inc. as of September 30, 2020 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Report on 2019 summarized comparative information
We have previously audited the Organization's 2019 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 30, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
April 7, 2021

American Friends of the Hebrew University, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2020,
with summarized comparative information for 2019
(in thousands)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,465	$ 9,729
Contributions receivable, net, current portion	8,328	8,724
State of Israel Bonds, current portion	62	8
Investments in split-interest agreements, current portion	1,971	1,940
Interest receivable and other assets	1,146	1,524
Total current assets	21,972	21,925
LONG-TERM ASSETS		
Contributions receivable, net, less current portion	20,937	18,628
Marketable securities and other investments	666,877	620,147
Investments in split-interest agreements, less current portion	25,040	24,304
State of Israel Bonds, less current portion	305	642
Real estate holdings	2,865	2,865
Assets of trusts and other split-interest agreements held by others	32,759	31,637
Property and equipment, net	702	79
Other long-term assets	650	749
Total long-term assets	750,135	699,051
Total assets	$ 772,107	$ 720,976
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,840	$ 2,429
Liability under split-interest agreements, current portion	1,971	1,940
Due to Hebrew University, current portion	500	500
Loans payable - PPP loan	1,035	-
Total current liabilities	5,346	4,869
LONG-TERM LIABILITIES		
Liability under split-interest agreements, less current portion	15,256	14,748
Due to Hebrew University, less current portion	21,750	21,826
Other long-term liabilities	811	711
Total long-term liabilities	37,817	37,285
Total liabilities	43,163	42,154
NET ASSETS		
Net assets without donor restrictions	16,323	13,671
Net assets with donor restrictions	712,621	665,151
Total net assets	728,944	678,822
Total liabilities and net assets	$ 772,107	$ 720,976

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

American Friends of the Hebrew University, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

September 30, 2020,
with summarized comparative information for 2019
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating support and revenue				
Support:				
Contributions and events	$ 7,048	$ 42,929	$ 49,977	36,529
Less direct costs of special events	(844)	-	(844)	(1,923)
Legacies and bequests	2,125	2,076	4,201	9,389
Total support	8,329	45,005	53,334	43,995
Revenue:				
Investment return used for operations	535	29,871	30,406	29,340
Net assets released from restrictions	72,626	(72,626)	-	-
Total operating support and revenue	81,490	2,250	83,740	73,335
Operating expenses				
Program services:				
Grants to Hebrew University (including endowment spending of $23,822 in 2020 and $23,372 in 2019)	65,981	-	65,981	53,425
Grants to other charitable and educational institutions in the United States and Israel	222	-	222	180
Education and other programs	2,254	-	2,254	2,253
Total program services	68,457	-	68,457	55,858
Supporting services:				
Management and general expenses	3,325	-	3,325	3,500
Fund-raising	6,980	-	6,980	7,821
Total supporting services	10,305	-	10,305	11,321
Total operating expenses	78,762	-	78,762	67,179
Surplus (deficit) of operating support and revenue over operating expenses	2,728	2,250	4,978	6,156
Nonoperating activities				
Net investment return, in excess of amounts used for operations	231	37,789	38,020	(12,938)
Contributions	-	4,903	4,903	4,512
Legacies and bequests	-	1,094	1,094	9,517
Changes in value of split-interest agreements	(326)	393	67	131
Changes in assets of trusts and other split-interest agreements held by others	-	1,059	1,059	(13)
Net asset redesignations due to clarification of donor intent	19	(18)	1	-
Pension related expenses other than net periodic pension cost	-	-	-	42
Change in net assets	2,652	47,470	50,122	7,407
Net assets, beginning of year	13,671	665,151	678,822	671,415
Net assets, end of year	$ 16,323	$ 712,621	$ 728,944	$ 678,822

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

American Friends of the Hebrew University, Inc.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

September 30, 2020,
with summarized comparative information for 2019
(in thousands)

	Program Services				Supporting Services				
	Grants to Hebrew University	Grants to Other Charitable and Educational Institutions	Education and Other Programs	Total	Management and General	Fundraising	Total	2020 Total	2019 Total
Grant expenditures	$ 65,981	$ 222	$ -	$ 66,203	$ -	$ -	$ -	$ 66,203	$ 53,605
Salaries and related benefits	-	-	$ 1,609	1,609	2,215	4,769	6,984	8,593	9,156
Professional services	-	-	180	180	332	535	867	1,047	1,263
Travel and related expenses	-	-	81	81	34	112	146	227	456
Rent, insurance, office expenses and depreciation	-	-	223	223	364	731	1,095	1,318	1,382
Information Technology	-	-	2	2	289	8	297	299	202
Advertising and promotion, printing and mailing	-	-	156	156	3	817	820	976	1,019
Other expenses	-	-	3	3	88	8	96	99	96
Total expenses	$ 65,981	$ 222	$ 2,254	$ 68,457	$ 3,325	$ 6,980	$ 10,305	$ 78,762	$ 67,179

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

American Friends of the Hebrew University, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

September 30, 2020,
with summarized comparative information for 2019
(in thousands)

	2020	2019
Cash flows from operating activities		
Changes in net assets	$ 50,122	$ 7,407
Adjustments to reconcile change in net assets to		
net cash used in operating activities		
Depreciation	64	37
Change in discount and allowance on contributions receivable	667	2,086
Net realized and unrealized gains	(57,664)	(4,233)
Proceeds of donated financial assets	(1,727)	(2,119)
Contributions to endowment	(5,427)	(11,002)
Changes in assets and liabilities		
Increase in gross contributions receivable	(2,580)	(7,272)
Decrease in interest receivable and		
other assets and other LT assets	760	1,979
Decrease in accounts payable and other LT liabilities	(489)	(112)
Increase (decrease) in liability under split interest agreements	539	(398)
Decrease in amount due to Hebrew University	(76)	(498)
Net cash used in operating activities	(15,811)	(14,125)
Cash flows from investing activities		
Additions to property and equipment	(687)	(48)
Proceeds from sale of investments	418,971	105,600
Purchases of investments	(406,310)	(98,970)
(Increase) decrease in investment in split-interest agreements	(767)	239
Increase in assets of trusts and		
other split interest agreements held by others	(1,122)	(420)
Net cash provided by investing activities	10,085	6,401
Cash flows from financing activities		
Endowment contributions	5,427	11,002
Proceeds from PPP Loan	1,035	-
Net cash provided by financing activities	6,462	11,002
Net increase in cash and cash equivalents	736	3,278
Cash and cash equivalents		
Beginning of year	9,729	6,451
End of year	$ 10,465	$ 9,729

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

NOTE 1 - NATURE OF OPERATIONS

The American Friends of the Hebrew University, Inc. (the "Organization") is an independent not-for-profit organization incorporated in New York in 1931. The primary goals of the Organization are to promote, encourage, aid and advance higher and secondary education, research and training in all branches of knowledge in Israel and elsewhere, and to aid in the maintenance and development of the Hebrew University of Jerusalem in the State of Israel (the "Hebrew University"). Grants awarded to Hebrew University include, but are not limited to, those for scholarships and fellowships, research, capital projects, faculty recruitment, and equipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis. Generally accepted accounting principles in the United States of America ("US GAAP") require that unconditional promises to give (pledges) be recorded as receivables and revenues at estimated fair value within the appropriate net asset category in accordance with donor-imposed restrictions. US GAAP establishes standards for general purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. US GAAP requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets without donor restriction and net assets with donor restrictions. The consolidated financial statements include the financial position, changes in net assets and cash flows of American Friends of the Hebrew University Charitable Common Fund, Inc., a corporation under the control of the Organization.

The consolidated 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 US GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended September 30, 2019, from which the summarized information was derived.

The classification of a not-for-profit organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets - with donor restrictions and without donor restrictions - be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities.

These classes of net assets are defined as follows:

> <u>Without Donor Restrictions</u> - net assets that are not subject to donor-imposed restrictions and, therefore, are available to meet the Organization's objectives. Net assets without donor restrictions may also be designated for specific purposes by the Organization or otherwise limited by contractual agreements with outside parties.
>
> <u>With Donor Restrictions</u> - net assets that are subject to donor-imposed restrictions that either expire with the passage of time or, can be fulfilled and removed by the actions of the Organization pursuant to those restrictions, or which may be perpetual.

Net assets were released from donor restrictions for the years ended September 30, 2020 and 2019 by incurring expenses satisfying the restrictions, through the passage of time or by occurrence of other events specified by donors. The purpose restrictions that were accomplished were primarily for scholarships and fellowships, research, capital projects, chairs, and other projects at the Hebrew University.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from restriction.

Functional Allocation of Expenses

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated amongst program and supporting categories using methodologies determined by management.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value. Pledges of contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including age of the balance and historical collection experience.

Through the fiscal year ended September 30, 2020, multiple donors signed agreements indicating intentions to make contributions totaling approximately $9,000,000, to be paid to the Organization over periods ranging from two to ten years. Although management is confident regarding receipt of the entire $9,000,000 since the agreements include conditional language, the related revenues cannot, within the framework of US GAAP, be recognized in the Organization's consolidated financial statements, except to the extent of approximately $4,000,000, the amount for which the conditions have been met through September 30, 2020.

Not reflected on the consolidated financial statements are testamentary bequests of approximately $33,000,000 and $32,822,000 as of September 30, 2020 and 2019, respectively (unaudited), without evaluation as to collectability. Such amounts have not been recorded because individuals making such bequests retain the right to modify their wills and change the beneficiaries.

Not reflected on the consolidated financial statements are contributions by US donors and estates made directly to Hebrew University of approximately $8,500,000 and $5,700,000 for the years ended September 30, 2020 and 2019 (unaudited), respectively, resulting from the Organization's fundraising and marketing efforts.

Investments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by US GAAP for fair value measurement, the Organization uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

Investments in marketable securities are stated at fair value, based on quoted market prices. Refer to Note 5 for marketable securities classified within the fair value hierarchy. State of Israel Bonds are generally stated at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Cost of investments represents original cost for purchased securities or average market value at the date of receipt for contributed securities. Realized gains and losses on investments in securities are calculated based on the average cost method and are reflected in the accompanying consolidated statement of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Investments in real estate are recorded at appraised value at date of donation. A majority of the Organization's investments are held in custody by Morgan Stanley.

Alternative investments include investments in limited partnership funds (hedge funds and private equity of nonregistered funds). Alternative investment interests are stated at fair value, based on financial statements and other information received from the funds. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Organization believes that the stated value of its alternative investments was a reasonable estimate of their fair value as of September 30, 2020 and 2019. However, alternative investments are not readily marketable, and many alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed. Such differences could be material to the valuation of some of the Organization's alternative investments. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements. Furthermore, these investments are measured using a net asset value ("NAV") and are exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Organization separately discloses the information required for assets measured using the NAV practical expedient and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the consolidated financial statements.

Income on Investments

Income on investments is reported as increases in net assets with donor restrictions if the terms of the gift require that the income be added to the principal of an endowment fund and as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income. Realized and unrealized gains or losses on investments are reported in accordance with donor wishes and, if silent, those respective gains or losses are recorded in the same net asset classification as interest and dividends.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the Organization considers all highly liquid debt instruments with original maturity dates of three months or less to be cash equivalents. Although cash balances are maintained in large financial institutions, the balances at times exceed federally insured amounts.

Fixed Assets

Fixed assets consist of leasehold improvements, furniture and equipment, and are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Amortization of leasehold improvements is also recorded using the straight-line method over the life of the lease, which is 15 years, and is the lesser of the useful life or the lease term.

Grants

All appropriations for grants to Hebrew University are recorded as an expense and liability. All new grants are approved by the Organization's Board of Directors annually.

The Organization and Hebrew University signed a new memorandum of understanding, effective October 1, 2018, which states the Organization is to make yearly payments of $500,000 to the University in order to satisfy the due to Hebrew University liability.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the Organization's 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant assumptions relate to the realization of pledges receivable and the carrying value of investments. Actual results could differ from those estimates.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without the regard to the likelihood that the tax position may be challenged.

The Organization is exempt from income tax under Internal Revenue Code (the “Code”) Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Measure of Operations

Included in operating net assets are resources used for the general support of the Organization’s operations, including investment return appropriated for expenditure under the spending policy.

Non-operating activities include: (1) investment return, in excess of amounts used for operations; (2) contributions, legacies and bequests for restricted split-interest agreements and endowment purposes; (3) changes in value of restricted split-interest agreements; (4) pension related activities other than net periodic pension cost; and (5) other items considered to be unusual or nonrecurring in nature.

Underwater Endowment Funds

As of September 30, 2020, and 2019, there were five funds totaling $19,000 and no funds totaling $0, underwater endowment funds, respectively. Endowments with fair value less than their net assets with donor restrictions historic dollar value are often referred to as “underwater” endowments. Though the Organization is not required by donor-imposed restriction or law to use its resources without donor restriction to restore the endowments to their historic dollar values, accounting guidance for not-for-profit organizations requires that such losses and subsequent gains be reflected as changes to net assets with donor restriction until the fair values of these underwater endowments again reach their historical dollar values.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right of-use asset.

In June 2020, the FASB issued ASU 2020-05, which provided for a one-year deferral on the requirements of ASU 2016-02. This guidance is effective for the Organization's annual reporting period beginning October 1, 2022. Early adoption is permitted. The Organization is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

NOTE 3 - INTEREST RECEIVABLE AND OTHER ASSETS

Current and long-term interest receivable and other assets consisted of $110,000 and $583,000 of interest and dividends receivable and $1,686,000 and $1,689,000 of other assets as of September 30, 2020 and 2019, respectively.

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following as of September 30, 2020 and 2019 (in thousands):

	2020	2019
Contributions receivable due in:		
Less than 1 year	$ 9,126	$ 10,781
1-5 years	14,764	11,758
Greater than 5 years	8,048	8,768
	31,938	31,307
Less:		
Allowance for uncollectible contributions	(1,449)	(2,706)
Discount to present value	(1,224)	(1,249)
	$ 29,265	$ 27,352

Discount rates for pledges outstanding at September 30, 2020 and 2019 ranged from .78% to 3.70%.

Concentrations

For the years ended September 30, 2020 and 2019, one donor's contributions totaled 20% and 14%, respectively, of the Organization's total operating support and revenue. At September 30, 2020 and 2019, two donors' gross pledge balances represented 49% and 50%, respectively, of the Organization's gross contributions receivable.

NOTE 5 - MARKETABLE SECURITIES AND OTHER INVESTMENTS

The following tables summarize investments within the fair value hierarchy (see Note 2) as of September 30, 2020 and 2019 (in thousands):

	2020	
	Level 1	Total
Cash and cash equivalents	$ 15,975	$ 15,975
Fixed income including mutual funds and ETFs	71,679	71,679
Equities including mutual funds and ETFs	483,990	483,990
	$ 571,644	571,644
Alternative investments at NAV		95,233
Total investments		$ 666,877

	2019	
	Level 1	Total
Cash and cash equivalents	$ 24,345	$ 24,345
Fixed income including mutual funds and ETFs	53,668	53,668
Equities including mutual funds and ETFs	460,271	460,271
	$ 538,283	538,284
Alternative investments at NAV		81,863
Total investments		$ 620,147

The Organization assesses the level of investments at each measurement date, and transfers between levels are recognized as of the date of the transfer.

The Organization uses the NAV to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their investees' financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per the accounting standard governing NAV as a practical expedient, the following table lists investments in other companies by major category as of September 30, 2020 and 2019 (in thousands):

2020

Type	NAV in Funds	# of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity (a)	$ 17,184	12	$ 28,587	N/A	Not permitted to withdraw from partnership
Venture capital (b)	12,232	5	17,369	N/A	Not permitted to withdraw from partnership
Hedge funds (c)	65,817	5	-	45-95 days' notice and annual/ quarterly redemptions	Various
	$ 95,233		$ 45,956		

2019

Type	NAV in Funds	# of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity (a)	$ 12,509	10	$ 26,834	N/A	Not permitted to withdraw from partnership
Venture capital (b)	8,915	5	22,079	N/A	Not permitted to withdraw from partnership
Hedge funds (c)	60,439	5	-	45-95 days' notice and annual/ quarterly redemptions	Various
	$ 81,863		$ 48,913		

The following lists investments by major category:

(a) Privately held and publicly traded securities in healthcare, biotechnology, real estate and related fields, international investments with the objective of obtaining long-term growth, equity securities and warrants that are not actively traded, industrial property as well as debt securities.

(b) Emerging growth companies.

(c) Limited and general partnerships, unit trusts or hedge funds with variety of investment strategies including the private and public debt and equity markets.

Investment return comprises interest, dividends, and realized and unrealized gains and losses. Return for the years ended September 30, 2020 and 2019 consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Interest and dividends	$ 535	$ 10,225	$ 10,760	$ 12,169
Net realized (losses) gains on sale of Investments	1	71,919	71,920	12,051
Net unrealized (losses) gains on investments	231	(14,484)	(14,253)	(7,817)
Total investment gains	767	67,660	68,427	16,403
Investment return used for operations	(535)	(29,871)	(30,406)	(29,340)
Net investment return, in excess of amounts used for operations	$ 232	$ 37,789	$ 38,021	$ (12,937)

The Organization's spending policy states distributions from all endowment funds, if not otherwise limited, shall be limited to 4% in fiscal years 2020 and 2019.

For fiscal 2020 and 2019, $377,000 and $380,000, respectively, of investment advisory and custodial fees were netted against investment income.

NOTE 6 - SPLIT-INTEREST AGREEMENTS

The Organization is a beneficiary under certain split-interest agreements in which the donor has established a charitable remainder unitrust, annuity trust or charitable gift annuity with specified distributions to be made over the term of the trust to the donor and/or other beneficiaries. The Organization manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount and other changes in the estimates of future payments. The discount rate used to value new split-interest agreements ranged from 0.6% to 2.2% and 2.8% to 3.6% for the years ended September 30, 2020 and 2019, respectively. The Organization recorded contributions from new split-interest agreements of approximately $632,000 and $349,000 for the years ended September 30, 2020 and 2019, respectively. These amounts are included in contributions in the accompanying consolidated statements of activities. At September 30, 2020 and 2019, the Organization's liabilities under split-interest agreements were classified as Level 3 within the fair value hierarchy as required by US GAAP for fair value measurement (see Note 2).

The following tables summarize the changes in the Organization's Level 3 liabilities under split-interest agreements for the years ended September 30, 2020 and 2019 (in thousands):

	Liability under Split-Interest Agreements
Balance at September 30, 2019	$ 16,688
New agreements	1,147
Payments to annuitants	(1,926)
Terminated contracts	(347)
Change in value due to actuarial valuations	1,665
Balance at September 30, 2020	$ 17,227

	Liability under Split-Interest Agreements
Balance at September 30, 2018	$ 17,086
New agreements	462
Payments to annuitants	(1,950)
Terminated contracts	(327)
Change in value due to actuarial valuations	1,417
Balance at September 30, 2019	$ 16,688

The following tables summarize investments in split-interest agreements within the fair value hierarchy (see Note 2) as of September 30, 2020 and 2019 (in thousands):

	2020	
	Level 1	Total
Cash and cash equivalents	$ 850	$ 850
Fixed income including mutual funds	15,331	15,331
Equities including mutual funds	10,830	10,830
Total	$ 27,011	$ 27,011

	2019	
	Level 1	Total
Cash and cash equivalents	$ 232	$ 232
Fixed income including mutual funds	14,783	14,783
Equities including mutual funds	11,229	11,229
Total	$ 26,244	$ 26,244

In addition, the Organization is the beneficiary of other split-interest agreements that are held and administered by others. When the Organization is not the trustee, the beneficial interest in the trust is recorded at the fair value of the assets at the consolidated statements of financial position date, less the present value of estimated future payments expected to be made to donors and/or other beneficiaries.

The Organization's assets of trusts and other split-interest agreements held by others are classified as Level 3 within the fair value hierarchy.

The following tables summarize the changes in the Organization's Level 3 assets of trusts and other split-interest agreements held by others for the years ended September 30, 2020 and 2019 (in thousands):

	Assets of Trusts and Other Split-Interest Agreements Held by Others
Balance at September 30, 2019	$ 31,637
Unrealized gain on trust assets	1,059
Change in assets of trusts and other split-interest agreements held by others	63
Balance at September 30, 2020	$ 32,759
Balance at September 30, 2018	$ 31,217
Unrealized loss on trust assets	(13)
New Trusts	500
Change in assets of trusts and other split-interest agreements held by others	(67)
Balance at September 30, 2019	$ 31,637

NOTE 7 - FIXED ASSETS, NET

Fixed assets, net consisted of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019
Leasehold improvements	$ 190	$ 1,269
Furniture and equipment	777	579
	967	1,848
Less: Accumulated depreciation	(265)	(1,769)
	$ 702	$ 79

Depreciation expense amounted to approximately $64,000 and $37,000 for the years ended September 30, 2020 and 2019, respectively.

NOTE 8 - ENDOWMENT

The Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of the 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. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization; and
- When appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Organization.

The Organization has a policy of appropriating for distribution a certain percentage (4% in 2020 and 2019, respectively) of its endowment fund's average fair value over the prior twelve quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return. To cover reasonable expenses incurred in connection with the administration and stewardship of the endowment, the Organization also has a policy of applying a charge to its endowment fund's average fair value over the prior twelve quarters. Effective October 1, 2014, this charge was increased from 75 basis points (0.75%) to 100 basis points (1%) of its endowment fund's average fair value over the prior twelve quarters.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

With the exception of endowment pledges and split-interest agreements, the following tables summarize endowment net asset composition by type of fund as of September 30, 2020 and 2019 (in thousands):

Endowment Net Assets Composition by Type of Fund	With Donor Restriction	Total
Endowment net assets at October 1, 2019	$ 537,221	$ 537,221
Investment return:		
Investment income	4,197	4,197
Net appreciation (realized and unrealized)	48,834	48,834
Contributions and bequests	5,132	5,132
Appropriation of endowment assets for expenditure	(21,192)	(21,192)
Endowment net assets at September 30, 2020	$ 574,192	$ 574,192
Endowment net assets at October 1, 2018	$ 536,710	$ 536,710
Investment return:		
Investment income	5,211	5,211
Net appreciation (realized and unrealized)	4,569	4,569
Contributions and bequests	11,002	11,002
Appropriation of endowment assets for expenditure	(20,271)	(20,271)
Endowment net assets at September 30, 2019	$ 537,221	$ 537,221

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets released from restrictions consisted of the following (in thousands):

Purpose restrictions	
Grants to Hebrew University and other charitable and educational institutions in the United States and Israel	$ 66,203
Management fees charged to endowment and other releases from restriction	6,423
Total releases from net assets	$ 72,626

At year-end, net assets with donor restrictions are purpose-restricted and available to support the Hebrew University activities.

NOTE 10 - PENSION PLAN

The Organization has a defined-contribution pension plan for covered personnel, funded through an insurance company. Contributions into the plan are paid by both the Organization and, to the extent the employee is participating, by the employee. In order to be eligible to receive the match in the plan, after one year of employment employees must make a pretax contribution of at least 4.5% of their compensation. The Organization will then contribute 4.5% of compensation during the first 5 years of participation; 9% of compensation during the next 10 years of participation; and 13.5% of compensation after 15 years of participation, subject to statutory maximum contributions. Pension expense was $383,000 and $426,000 for fiscal 2020 and 2019, respectively.

NOTE 11 - OTHER POSTRETIREMENT BENEFITS

The Organization provides a benefit to qualified retirees hired prior to September 1, 2010 of $1,500 annually to help defray the cost of health insurance. Two grandfathered retirees are not subject to the $1,500 cap on this benefit payment. In addition, the Organization provides a flexible spending account to two retirees which has been refreshed every year since inception and pays up to $3,000 of non-reimbursed medical expenses. The Organization also provides Medicare benefits, capped at $15,000 annually, to two retirees. The accumulated postretirement benefit obligation related to these benefits totaled $711,000 as of September 30, 2020 and 2019, respectively, and is included in other long-term liabilities on the consolidated statements of financial position.

NOTE 12 - RELATED PARTY TRANSACTIONS

Included in marketable securities on the consolidated statements of financial position are assets with a fair value at September 30, 2020 and 2019 of $2,196,000 and $2,274,000, respectively, the oversight and management of which is under the control of the donor, who is a board member. Also included in marketable securities on the consolidated statements of financial position are assets with a fair value at September 30, 2020 and 2019 of $11,477,000 and $10,549,000, respectively, the oversight and management of which is under the control of a family member of a board director.

NOTE 13 - COMMITMENTS

The Organization has one employment contract and leases office space under non-cancellable operating leases. The leases for office space provide for monthly rental payments to be made that include escalations each year. The Organization entered into a fifteen year lease for the headquarter office space in New York, New York in fiscal year 2021, the future payments of which are reflected below in the commitments schedule. At September 30, 2020, minimum aggregate commitments under these obligations are as follows (in thousands):

Years ending September 30,		
2020	$	880
2021		889
2022		801
2023		649
2024		583
2025 and after		7,212
Total	$	11,014

Rent expense for fiscal 2020 and 2019 was approximately $847,000 and $870,000, respectively.

In addition, the Organization has been investing in various alternative investments, including private equity and venture capital funds. The balance of the unfunded commitment as of September 30, 2020 was $45,956,000. The future alternative investment commitments will be met by an allocation of investments from the pooled endowment fund.

NOTE 14 - LOAN PAYABLE - PPP LOAN

On April 20, 2020, AFHU was granted a loan totaling $1,035,000 pursuant to the Small Business Administration Paycheck Protection Program under Division A, Title 1 of the CARES Act (the “PPP Loan”).

The PPP Loan, which was in the form of a note dated 04/18/2020, matures on April 18, 2022 and bears interest at a rate of 1% per annum. The PPP Loan may be prepaid by AFHU at any time prior to maturity with no repayment penalties. Funds from the PPP Loan may only be used for certain costs, such as payroll costs and occupancy expenses.

AFHU used the entire PPP Loan for qualifying expenses during fiscal 2020 and has submitted a loan forgiveness request in accordance with the terms of the PPP Loan. The forgiveness application was approved by Small Business Administration on December 23, 2020

NOTE 15 - COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, has caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Organization’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. The Organization has various sources of liquidity, including cash and cash equivalents and marketable debt and equity securities, and maintains core banking relationships should the need arise for lines of credit.

The Organization maintains sufficient endowments and reserves to provide reasonable assurance that long-term commitments will continue to be met.

The following table represents financial assets available for general expenditure as of September 30, 2020 and 2019 (in thousands):

	2020	2019
Assets		
Cash and cash equivalents	$ 10,465	$ 9,729
Contributions receivable, net	29,265	27,352
Interest receivables and other assets	1,796	2,273
Marketable securities and other investments	666,877	620,147
Investment in split-interest agreements	27,011	26,244
State of Israel bonds	367	650
Real estate holdings	2,865	2,865
Assets of trusts and other split-interest agreements held by others	32,759	31,637
Property and equipment	702	79
Total assets	772,107	720,976
Less:		
Contractual, legal, donor imposed, and other restrictions:		
Pledges with time/purpose restriction	(29,120)	(27,087)
Interest receivables and other assets	(1,067)	(1,908)
Amounts unavailable for split interest	(27,011)	(26,244)
State of Israel bonds	(367)	(649)
Real estate holdings	(2,865)	(2,865)
Assets of trusts and other split-interest agreements held by others	(32,759)	(31,637)
Property and equipment	(702)	(79)
Loans payable - PPP loan	(1,035)	-
Investments/cash restricted for time/purpose	(655,162)	(609,919)
Subtotal	22,019	21,588
Management's appropriation	(13,655)	(13,421)
Amounts authorized for appropriation from the endowment and endowment income	6,300	6,300
Total financial assets available to management for general expenditures within one year	$ 14,664	$ 14,467

NOTE 17 - SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2020 consolidated financial statements for subsequent events through April 7, 2021, the date the consolidated financial statements were available to be issued.

On December 23, 2020 AFHU's first PPP loan, which was requested in April 2020, in the amount of $1,035,000, was forgiven by the Federal Government.

On February 24, 2021, AFHU applied for a second PPP Loan totaling $1,203,000. The PPP Loan matures in February 2026 and bears interest at a rate of 1% per annum. The PPP Loan may be prepaid by AFHU at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for certain costs, such as payroll costs, occupancy expenses, and certain other expenses.

The Organization is not aware of any other subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.