

Financial Statements and Report of  
Independent Certified Public  
Accountants

**American Friends of the Hebrew  
University, Inc.**

September 30, 2024,  
with summarized comparative information for 2023

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

**Opinion**

We have audited the accompanying financial statements of American Friends of the Hebrew University, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2024 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

**Other matter - report on 2023 summarized comparative information**

We have previously audited the Organization's 2023 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2024. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York  
March 24, 2025

American Friends of the Hebrew University, Inc.

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2024,  
with summarized comparative information for 2023  
(In thousands)

	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 13,172	\$ 10,579
Contributions receivable, net, current portion	24,421	23,226
State of Israel Bonds, current portion	2	2
Investments in split-interest agreements, current portion	1,829	1,880
Interest receivable and other assets	4,585	1,607
Total current assets	44,009	37,294
<b>Long-term assets</b>		
Contributions receivable, net, less current portion	30,121	32,420
Marketable securities and other investments	796,379	694,615
Investments in split-interest agreements, less current portion	26,729	23,330
State of Israel Bonds, less current portion	211	258
Real estate holdings	909	909
Assets of trusts and other split-interest agreements held by others	22,852	21,421
Property and equipment, net	510	545
Other long-term assets	19,121	556
Right-of-use asset (leased premises)	4,809	5,190
Total long-term assets	901,641	779,244
Total assets	<u>\$ 945,650</u>	<u>\$ 816,538</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,731	\$ 1,777
Liability under split-interest agreements, current portion	1,829	1,880
Due to Hebrew University, current portion	500	500
Total current liabilities	4,060	4,157
<b>Long-term liabilities</b>		
Liability under split-interest agreements, less current portion	12,880	13,364
Due to Hebrew University, less current portion	15,487	16,327
Other long-term liabilities	19,232	675
Lease liability (leased premises)	5,241	5,589
Total long-term liabilities	52,840	35,955
Total liabilities	56,900	40,112
<b>Net assets</b>		
Net assets without donor restrictions	35,051	26,974
Net assets with donor restrictions	853,699	749,452
Total net assets	888,750	776,426
Total liabilities and net assets	<u>\$ 945,650</u>	<u>\$ 816,538</u>

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

American Friends of the Hebrew University, Inc.

STATEMENTS OF ACTIVITIES

For the year ended September 30, 2024,  
with summarized comparative information for 2023  
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>Operating support and revenue</b>				
Support				
Contributions and events	\$ 5,814	\$ 31,137	\$ 36,951	\$ 46,705
Less direct costs of special events	(1,624)	-	(1,624)	(1,864)
Legacies and bequests	2,308	2,646	4,954	5,972
Total support	6,498	33,783	40,281	50,813
Revenue				
Investment return used for operations	1,133	39,815	40,948	37,934
Net assets released from restrictions	73,046	(73,046)	-	-
Total operating support and revenue	80,677	552	81,229	88,747
<b>Operating expenses</b>				
Program services				
Grants to Hebrew University (including endowment spending of \$30,707 in 2024 and \$29,200 in 2023)	65,240	-	65,240	56,121
Grants to other charitable and educational institutions in the United States and Israel	213	-	213	215
Education and other programs	2,070	-	2,070	2,284
Total program services	67,523	-	67,523	58,620
Supporting services				
Management and general expenses	4,027	-	4,027	3,965
Fund-raising	6,331	-	6,331	6,567
Total supporting services	10,358	-	10,358	10,532
Total operating expenses	77,881	-	77,881	69,152
Surplus (deficit) of operating support and revenue over operating expenses	2,796	552	3,348	19,595
<b>Nonoperating activities</b>				
Net investment return, in excess of amounts used for operations	2,325	95,589	97,914	32,635
Contributions	-	1,311	1,311	4,966
Legacies and bequests	-	1,736	1,736	243
Changes in value of split-interest agreements	2,796	1,965	4,761	1,878
Changes in assets of trusts and other split-interest agreements held by others	-	3,254	3,254	1,150
Net asset reclasses	160	(160)	-	-
Pension related expenses other than net periodic pension cost	-	-	-	(9)
<b>CHANGE IN NET ASSETS</b>	8,077	104,247	112,324	60,458
<b>Net assets, beginning of year</b>	26,974	749,452	776,426	715,968
<b>Net assets, end of year</b>	\$ 35,051	\$ 853,699	\$ 888,750	\$ 776,426

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

American Friends of the Hebrew University, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended September 30, 2024,  
with summarized financial information for 2023  
(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	2024 Total	2023 Total
Grant expenditures	\$ 65,240	\$ 213	\$ -	\$ 65,453	\$ -	\$ -	\$ -	\$ 65,453	\$ 56,336
Salaries and related benefits	-	-	1,563	1,563	2,674	4,408	7,082	8,645	8,587
Professional services	-	-	76	76	349	494	843	919	971
Travel and related expenses	-	-	109	109	66	148	214	323	607
Rent, insurance, office expenses and depreciation	-	-	163	163	519	521	1,040	1,203	1,316
Information technology	-	-	5	5	371	12	383	388	352
Advertising and promotion, printing and mailing	-	-	150	150	3	737	740	890	933
Other expenses	-	-	4	4	45	11	56	60	50
Total expenses	<u>\$ 65,240</u>	<u>\$ 213</u>	<u>\$ 2,070</u>	<u>\$ 67,523</u>	<u>\$ 4,027</u>	<u>\$ 6,331</u>	<u>\$ 10,358</u>	<u>\$ 77,881</u>	<u>\$ 69,152</u>

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

**American Friends of the Hebrew University, Inc.**

**STATEMENTS OF CASH FLOWS**

**For the year ended September 30, 2024,  
with summarized comparative information for 2023  
(In thousands)**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 112,324	\$ 60,459
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	68	71
Change in discount and allowance on contributions receivable	174	1,957
Net realized and unrealized gains	(126,563)	(58,309)
Proceeds of donated financial assets	1,774	513
Net realized and unrealized gains on real estate	-	(151)
Contributions to endowment	(5,920)	(4,216)
Changes in assets and liabilities:		
Decrease (increase) in gross contributions receivable	930	(20,721)
Increase in interest receivable and other assets and other long-term assets	(21,496)	(399)
Right of use of assets amortization	381	732
Decrease in real estate holdings	-	157
Increase (decrease) in accounts payable and other long-term liabilities	18,511	(1,450)
Decrease in liability under split interest agreements	(535)	(524)
Decrease in amount due to Hebrew University	(840)	(1,539)
Decrease in lease liability	(348)	(334)
Net cash used in operating activities	<u>(21,540)</u>	<u>(23,754)</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(33)	(12)
Proceeds from sale of investments	354,356	125,864
Purchases of investments	(331,331)	(108,024)
Increase in investment in split-interest agreements	(3,348)	(1,299)
Increase in assets of trusts and other split-interest agreements held by others	<u>(1,431)</u>	<u>(306)</u>
Net cash provided by investing activities	<u>18,213</u>	<u>16,223</u>
<b>Cash flows from financing activities:</b>		
Endowment contributions	<u>5,920</u>	<u>4,216</u>
Net cash provided by financing activities	<u>5,920</u>	<u>4,216</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,593</b>	<b>(3,315)</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>10,579</u>	<u>13,894</u>
End of year	<u><u>\$ 13,172</u></u>	<u><u>\$ 10,579</u></u>

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



**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2024,  
with summarized comparative information for 2023**

**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 financial statements of the Organization have been prepared on the accrual basis. Accounting principles generally accepted 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 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 financial statements as of and for the year ended September 30, 2023, 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 statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes of net assets are defined as follows:

Without Donor Restrictions - 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.

With Donor Restrictions - 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, 2024 and 2023 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.

**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2024,  
with summarized comparative information for 2023**

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 statements 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, 2024, multiple donors signed agreements indicating intentions to make contributions totaling approximately \$12,300,000, to be paid to the Organization over periods ranging from two to ten years. Although management is confident regarding receipt of the entire \$12,300,000 since the agreements include conditional language, the related revenues cannot, within the framework of US GAAP, be recognized in the Organization's financial statements, except to the extent of approximately \$5,000,000, the amount for which the conditions have been met through September 30, 2024.

Reflected in the financial statements are bonds received for a conditional grant from a Foundation in October 2023, to build a residence complex for faculty and students at the Edmond J. Safra campus. The \$18,600,000 receivable and related liability are reflected in the other long-term assets and other long-term liabilities lines in the Statement of Financial Position. AFHU will recognize the related revenue and grant expense of the fair market value of the bonds at the date contributed once the conditions of the grant are met.

Not reflected on the financial statements are testamentary bequests of approximately \$47,900,000 and \$40,500,000 as of September 30, 2024 and 2023, respectively, 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 financial statements are contributions by US donors and estates made directly to Hebrew University of approximately \$6,100,000 and \$7,400,000 for the years ended September 30, 2024 and 2023 (unaudited), respectively, resulting from the Organization's fundraising and marketing efforts.

**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2024,  
with summarized comparative information for 2023**

***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 statements 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.

**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2024,  
with summarized comparative information for 2023**

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, 2024 and 2023. 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 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 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 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 three to ten 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.

**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2024,  
with summarized comparative information for 2023**

***Use of Estimates***

The preparation of 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 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 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 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, 2024 and 2023, there was 1 fund totaling \$28,000 and 25 funds totaling \$213,000, 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.

**NOTE 3 - INTEREST RECEIVABLE AND OTHER ASSETS**

Current and long-term interest receivable and other assets consisted of \$1,002,000 and \$311,000 of interest and dividends receivable and \$22,704,000 and \$1,852,000 of other assets as of September 30, 2024 and 2023, respectively.

**American Friends of the Hebrew University, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2024,**  
**with summarized comparative information for 2023**

**NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net consisted of the following as of September 30, 2024 and 2023 (in thousands):

	2024	2023
Contributions receivable due in:		
Less than 1 year	\$ 25,389	\$ 23,582
1-5 years	30,619	32,182
Greater than 5 years	3,027	4,201
	59,035	59,965
Less:		
Allowance for uncollectible contributions	(2,218)	(1,207)
Discount to present value	(2,275)	(3,112)
	<u>\$ 54,542</u>	<u>\$ 55,646</u>

Discount rates for pledges outstanding at September 30, 2024 and 2023 ranged from 0.74% to 6.11%, respectively.

**Concentrations**

For the years ended September 30, 2024 and 2023, one donor's contributions totaled 11% and two donor's contributions totaled 24%, respectively, of the Organization's total operating support and revenue. At September 30, 2024 and 2023, two donors' gross pledge balances represented 52% and 51%, 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, 2024 and 2023 (in thousands):

	2024	
	Level 1	Total
Cash and cash equivalents	\$ 14,876	\$ 14,876
Fixed income including mutual funds and ETFs	38,224	38,224
Equities including mutual funds and ETFs	513,411	513,411
	<u>\$ 566,511</u>	566,511
Alternative investments at NAV		229,868
Total investments		<u>\$ 796,379</u>

**American Friends of the Hebrew University, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2024,  
with summarized comparative information for 2023**

	2023	
	Level 1	Total
Cash and cash equivalents	\$ 15,306	\$ 15,306
Fixed income including mutual funds and ETFs	39,611	39,611
Equities including mutual funds and ETFs	404,320	404,320
	<u>\$ 459,237</u>	459,237
Alternative investments at NAV		<u>235,378</u>
Total investments		<u>\$ 694,615</u>

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, 2024 and 2023 (in thousands):

2024					
Type	NAV in Funds	# of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity <sup>(a)</sup>	\$ 55,156	11	\$ 30,517	N/A	Not permitted to withdraw from partnership
Venture capital <sup>(b)</sup>	27,014	6	5,341	N/A	Not permitted to withdraw from partnership
Private equity invested in real estate <sup>(c)</sup>	19,985	6	15,949	N/A	Not permitted to withdraw from partnership
Hedge funds <sup>(d)</sup>	127,713	8	15,836	30-95 days' notice and annual/ quarterly redemptions	Various
	<u>\$ 229,868</u>		<u>\$ 67,643</u>		

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2023					
Type	NAV in Funds	# of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity <sup>(a)</sup>	\$ 46,024	11	\$ 38,868	N/A	Not permitted to withdraw from partnership
Venture capital <sup>(b)</sup>	27,185	7	6,910	N/A	Not permitted to withdraw from partnership
Private equity invested in real estate <sup>(c)</sup>	19,364	6	19,277	N/A	Not permitted to withdraw from partnership
Hedge funds <sup>(d)</sup>	142,805	9	20,594	30-95 days' notice and annual/ quarterly redemptions	Various
	<u>\$ 235,378</u>		<u>\$ 85,649</u>		

The following lists investments by major category:

- (a) Privately held investments with a variety of strategies, market segments, geographies and market caps with the objective of obtaining long-term growth, primarily equity securities and warrants that are not actively traded.
- (b) Privately held investments in emerging growth company funds with a variety of strategies, market segments and geographies. Primarily equity securities that are not actively traded.
- (c) Privately held investments in real estate funds with a variety of strategies, market segments and geographies (primarily US) with the objective of cash flowing investments and opportunistic investments with upside potential. Combination of equity and debt instruments.
- (d) Limited and general partnerships, unit trusts or hedge funds with variety of investment strategies including the private and public debt and equity markets both domestic and international.

In addition, the Organization has been investing in various alternative investments, including private equity, private equity invested in real estate and venture capital funds. The balance of the unfunded commitment as of September 30, 2024, was \$67,643,000. The future alternative investment commitments will be met by an allocation of investments from the pooled endowment fund.



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Investment return comprises interest, dividends, and realized and unrealized gains and losses. Return for the years ended September 30, 2024 and 2023 consisted of the following (in thousands):

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2024 Total</u>	<u>2023 Total</u>
Interest and dividends	\$ 1,133	\$ 11,166	\$ 12,299	\$ 12,109
Net realized gains on sale of Investments	3	110,704	110,707	14,395
Realized gain on real estate	-	-	-	151
Net unrealized gains on investments	<u>2,322</u>	<u>13,534</u>	<u>15,856</u>	<u>43,914</u>
 Total investment gains	 3,458	 135,404	 138,862	 70,569
 Investment return used for operations	 <u>(1,133)</u>	 <u>(39,815)</u>	 <u>(40,948)</u>	 <u>(37,934)</u>
 Net investment return, in excess of amounts used for operations	 <u>\$ 2,325</u>	 <u>\$ 95,589</u>	 <u>\$ 97,914</u>	 <u>\$ 32,635</u>

The Organization's spending policy states distributions from all endowment funds, if not otherwise limited, shall be limited to 4% for fiscal years 2024 and 2023.

For fiscal 2024 and 2023, \$786,000 and \$710,000, 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 4.8% to 5.4% and ranged from 4% to 5.2% for the years ended September 30, 2024 and 2023, respectively. The Organization recorded contributions from new split-interest agreements of approximately \$23,000 and \$388,000 for the years ended September 30, 2024 and 2023, respectively. These amounts are included in contributions in the accompanying statements of activities. At September 30, 2024 and 2023, 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).

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The following tables summarize the changes in the Organization's Level 3 liabilities under split-interest agreements for the years ended September 30, 2024 and 2023 (in thousands):

	<u>Liability Under Split-Interest Agreements</u>
Balance at September 30, 2023	\$ 15,244
New agreements	32
Payments to annuitants	(1,873)
Terminated contracts	(435)
Change in value due to actuarial valuations	<u>1,741</u>
Balance at September 30, 2024	<u>\$ 14,709</u>
	<u>Liability Under Split-Interest Agreements</u>
Balance at September 30, 2022	\$ 15,768
New agreements	232
Payments to annuitants	(1,924)
Terminated contracts	(337)
Change in value due to actuarial valuations	<u>1,505</u>
Balance at September 30, 2023	<u>\$ 15,244</u>

The following tables summarize investments in split-interest agreements within the fair value hierarchy (see Note 2) as of September 30, 2024 and 2023 (in thousands):

	<u>2024</u>	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,326	\$ 1,326
Equities including mutual funds	17,139	17,139
Fixed income including mutual funds	<u>10,093</u>	<u>10,093</u>
Total	<u>\$ 28,558</u>	<u>\$ 28,558</u>
	<u>2023</u>	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,485	\$ 1,485
Equities including mutual funds	15,312	15,312
Fixed income including mutual funds	<u>8,413</u>	<u>8,413</u>
Total	<u>\$ 25,210</u>	<u>\$ 25,210</u>

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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 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, 2024 and 2023 (in thousands):

	<u>Assets of Trusts and Other Split-Interest Agreements Held by Others</u>
Balance at September 30, 2023	\$ 21,421
Unrealized gain on trust assets	3,253
Change in assets of trusts and other split-interest agreements held by others	146
Proceeds received from terminated CRUT	(1,018)
Payment from Strasal	<u>(950)</u>
Balance at September 30, 2024	<u>\$ 22,852</u>
Balance at September 30, 2022	\$ 21,114
Unrealized gain on trust assets	1,151
Change in assets of trusts and other split-interest agreements held by others	207
Payment from Strasal	<u>(1,051)</u>
Balance at September 30, 2023	<u>\$ 21,421</u>

**NOTE 7 - FIXED ASSETS, NET**

Fixed assets, net consisted of the following at September 30, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 664	\$ 664
Furniture, software and equipment	<u>180</u>	<u>147</u>
	844	811
Less: accumulated depreciation	<u>(334)</u>	<u>(266)</u>
	<u>\$ 510</u>	<u>\$ 545</u>

Depreciation expense amounted to approximately \$68,000 and \$71,000 for the years ended September 30, 2024 and 2023, respectively.

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**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 of a certain percentage (4% for fiscal years 2024 and 2023) 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

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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 table summarizes endowment net asset composition by type of fund as of September 30, 2024 and 2023 (in thousands):

<u>Endowment Net Assets Composition by Type of Fund</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets at October 1, 2023	\$ (213)	\$ 683,452	\$ 683,239
Investment return:			
Investment income	-	3,437	3,437
Net appreciation (realized and unrealized)	185	118,071	118,256
Contributions and bequests	-	5,920	5,920
Appropriation of endowment assets for expenditure	-	(31,342)	(31,342)
Endowment net assets at September 30, 2024	<u>\$ (28)</u>	<u>\$ 779,538</u>	<u>\$ 779,510</u>
Endowment net assets at October 1, 2022	\$ (516)	\$ 652,140	\$ 651,624
Investment return:			
Investment income	-	3,970	3,970
Net appreciation (realized and unrealized)	303	52,920	53,223
Contributions and bequests	-	4,216	4,216
Appropriation of endowment assets for expenditure	-	(29,794)	(29,794)
Endowment net assets at September 30, 2023	<u>\$ (213)</u>	<u>\$ 683,452</u>	<u>\$ 683,239</u>

**NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS**

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

Purpose restrictions	
Grants for the benefit of Hebrew University and other charitable and educational institutions in the United States and Israel	\$ 65,453
Management fees charged to endowment and other releases from restriction	<u>7,593</u>
Total releases from net assets	<u>\$ 73,046</u>

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

Included in the \$73,046 listed above, is \$898 sent to a third party for scholarships at the Hebrew University which was transferred to the Hebrew University during fiscal 2024.

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**September 30, 2024,  
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**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. 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 expenses were \$426,000 and \$401,000 for fiscal 2024 and 2023, 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. Three 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 \$675,000 as of September 30, 2024 and 2023, respectively and is included in other long-term liabilities on the statements of financial position.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Included in marketable securities on the statements of financial position are assets with a fair value at September 30, 2024 and 2023 of \$3,323,000 and \$2,665,000, 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 statements of financial position are assets with a fair value at September 30, 2024 and 2023 of \$13,879,000 and \$11,138,000, respectively, the oversight and management of which is under the control of a family member of a board director.

**NOTE 13 - LEASES**

The Organization assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. The Organization leases office space under a non-cancelable lease agreement, for which right-of-use ("ROU") assets and lease liabilities are recorded in the accompanying fiscal year 2024 statement of financial position. This lease expires January 31, 2036 and is subject to escalation for real estate tax increases and other building operating expenses. The Organization measures its lease assets and liabilities using the risk-free rate of return selected based on the term lease. The Organization's lease payments are based on fixed payments. The lease contains no termination options or residual value guarantee.

The Organization adjusted the opening operating ROU asset balance based on its remaining deferred rent liabilities. On October 1, 2022, AFHU recorded \$5,562,931 in operating lease ROU assets and \$5,922,503 in operating lease liabilities. Adopting ASC 842 had no significant impact on the Organization's changes in net assets.

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**September 30, 2024,  
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The components of lease cost for the year ended September 30, 2024 are as follows:

Operating lease cost	<u>\$ 598,996</u>
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Supplemental cash flow information related to operating leases for the year ended September 30, 2024 is as follows:

Operating cash flows from operating leases	<u>\$ 564,668</u>
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The following table represents the weighted-average remaining lease term and discount rate as of September 30, 2024:

Weighted-average remaining lease term	10.8 years
Weighted-average discount rate	3.97%

Future undiscounted lease payments for the Organization's operating liabilities are as follows as of September 30, 2024:

2025	\$ 591,816
2026	618,963
2027	618,963
2028	618,963
2029	618,963
Thereafter	<u>3,339,143</u>

Total lease obligation, gross	<u>6,406,811</u>
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Less: amounts representing interest rates of 3.97%	<u>(1,165,695)</u>
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Total lease liability	<u>\$ 5,241,116</u>
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**NOTE 14 - 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.

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The following table represents financial assets available for general expenditure as of September 30, 2024 and 2023 (in thousands):

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 13,172	\$ 10,579
Contributions receivable, net	54,542	55,646
Interest receivables and other assets	23,706	2,163
Marketable securities and other investments	796,379	694,615
Investment in split-interest agreements	28,558	25,210
State of Israel bonds	213	260
Real estate holdings	909	909
Assets of trusts and other split-interest agreements held by others	22,852	21,421
Property and equipment	510	545
ROU asset	4,809	5,190
<b>Total assets</b>	<b>945,650</b>	<b>816,538</b>
<b>Less:</b>		
Contractual, legal, donor imposed, and other restrictions:		
Pledges with time/purpose restriction	(54,358)	(55,483)
Interest receivables and other assets	(23,161)	(1,080)
Amounts unavailable for split interest	(28,558)	(25,210)
State of Israel bonds	(213)	(260)
Real estate holdings	(909)	(909)
Assets of trusts and other split-interest agreements held by others	(22,852)	(21,421)
Property and equipment	(510)	(545)
Restricted cash	(873)	(808)
Investments/cash restricted for time/purpose	(778,348)	(679,439)
ROU asset	(4,809)	(5,190)
<b>Subtotal</b>	<b>31,059</b>	<b>26,193</b>
Management's appropriation	(14,105)	(12,034)
Amounts authorized for appropriation from the endowment and endowment income	7,500	6,300
<b>Total financial assets available to management for general expenditures within one year</b>	<b>\$ 24,454</b>	<b>\$ 20,459</b>

**NOTE 15 - SUBSEQUENT EVENTS**

The Organization evaluated its September 30, 2024 financial statements for subsequent events through March 24, 2025, the date the financial statements were available to be issued.

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