Israel Scholarship Education Foundation

Consolidated Financial Statements

September 30, 2019 and 2018

PragerMetis

Independent Auditor's Report

Board of Directors
Israel Scholarship Education Foundation

Prager Metis CPAs, LLC

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We have audited the accompanying consolidated financial statements of Israel Scholarship Education Foundation (a New York State nonprofit organization) which comprise the consolidated statement of financial position as of September 30, 2019 and 2018 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 did not audit the financial statements of ISEF International Education Foundation (R.A.), a wholly owned subsidiary which statement reflects total assets of approximately $238,000 and $336,000 as of September 30, 2019 and 2018, respectively, and total support and revenues of approximately $2,306,737 and $2,128,252 for the years ended September 30, 2019 and 2018, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ISEF International Education Foundation (R.A.) is based solely on the report of the other auditor. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the consolidated financial statements. The procedures selected depend upon the auditors' 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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Israel Scholarship Education Foundation as of September 30, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Hackensack, New Jersey
August 14, 2020

Israel Scholarship Education Foundation

Consolidated Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 1,484,656**	$ 371,603
Investments, at fair value	**4,886,709**	4,829,307
Accounts receivable	**111,281**	202,983
Pledges receivable	**25,000**	144,763
Property and equipment, net	**27,370**	32,753
Prepaid and other assets	**27,377**	4,060
Total assets	**$ 6,562,393**	$ 5,585,469
Liabilities and net assets		
Liabilities		
Accounts payable	**$ 70,362**	$ 62,187
Accrued expenses	**168,517**	52,571
Notes payable related parties	**290,000**	290,000
Short-term credit	**14,360**	-
Total liabilities	**543,239**	404,758
Net assets		
Net assets without donor restrictions	**1,191,908**	229,420
Net assets with donor restrictions	**4,827,246**	4,951,291
Total net assets	**6,019,154**	5,180,711
Total liabilities and net assets	**$ 6,562,393**	$ 5,585,469

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

Israel Scholarship Education Foundation
Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	Year Ended September 30					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions	$ 1,440,734	$ 2,869,767	$ 4,310,501	$ 1,083,984	$ 2,232,178	$ 3,316,162
Special events, net of expenses of $186,960 and $138,153 for 2019 and 2018, respectively	706,901	-	706,901	470,203	-	470,203
Total public support	2,147,635	2,869,767	5,017,402	1,554,187	2,232,178	3,786,365
Revenue						
Interest and Dividends	117,379	-	117,379	111,660	-	111,660
Realized and unrealized gain on sale of investments	-	29,055	29,055	-	364,165	364,165
Total revenue	117,379	29,055	146,434	111,660	364,165	475,825
Net assets released from restrictions	3,022,867	(3,022,867)	-	2,156,322	(2,156,322)	-
Total support and revenue	5,287,881	(124,045)	5,163,836	3,822,169	440,021	4,262,190
Expenses						
Program services	3,471,402	-	3,471,402	3,256,841	-	3,256,841
Support services						
Management and general	299,470	-	299,470	339,934	-	339,934
Fundraising	465,082	-	465,082	457,158	-	457,158
Total support services	764,552	-	764,552	797,092	-	797,092
Total expenses	4,235,954	-	4,235,954	4,053,933	-	4,053,933
Change in net assets before foreign currency translation gain (loss)	1,051,927	(124,045)	927,882	(231,764)	440,021	208,257
Foreign currency translation loss	13,662	-	13,662	(7,539)	-	(7,539)
Change in net assets	1,065,589	(124,045)	941,544	(239,303)	440,021	200,718
Net assets – beginning of year	229,420	4,951,291	5,180,711	367,867	4,511,270	4,879,137
Reallocation of contributions	(103,101)	-	(103,101)	100,856	-	100,856
Net assets – end of year	$ 1,191,908	$ 4,827,246	$ 6,019,154	$ 229,420	$ 4,951,291	$ 5,180,711

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

Israel Scholarship Education Foundation
Consolidated Statements of Functional Expenses
Years Ended September 30, 2019 and 2018

	Program Services		Support Services: Management and General		Support Services: Fundraising		Support Services: Total Support Services		Total Program and Support Services	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Salaries	**$ 339,185**	$ 261,432	**$ 146,724**	$ 140,345	**$ 145,355**	$ 122,274	**$ 292,079**	$ 262,619	**$ 631,264**	$ 524,051
Payroll tax and benefits	**23,346**	10,870	**12,737**	11,641	**15,137**	12,635	**27,874**	24,276	**51,220**	35,146
Total personal costs	**362,531**	272,302	**159,461**	151,986	**160,492**	134,909	**319,953**	286,895	**682,484**	559,197
Scholarships	**2,097,191**	1,989,074	**-**	-	**-**	-	**-**	-	**2,097,191**	1,989,074
Projects	**816,287**	854,095	**407**	1,633	**-**	-	**407**	1,633	**816,694**	855,728
Professional services	**-**	-	**75,017**	110,662	**-**	-	**75,017**	110,662	**75,017**	110,662
Computer expenses	**7,109**	10,715	**3,710**	7,893	**17,165**	7,782	**20,875**	15,675	**27,984**	26,390
Advertising	**14,584**	4,385	**7,609**	3,230	**9,511**	3,185	**17,120**	6,415	**31,704**	10,800
Office expenses	**86,364**	86,468	**28,554**	31,578	**20,706**	21,243	**49,260**	52,821	**135,624**	139,289
Depreciation	**5,175**	5,557	**1,556**	1,825	**906**	793	**2,462**	2,618	**7,637**	8,175
Education	**10,529**	10,225	**-**	-	**-**	-	**-**	-	**10,529**	10,225
Fundraising and public relations	**11,038**	2,238	**-**	-	**232,663**	245,144	**232,663**	245,144	**243,701**	247,382
Consulting fees	**10,970**	-	**5,724**	-	**7,154**	27,416	**12,878**	27,416	**23,848**	27,416
Travel	**36,039**	16,769	**12,831**	7,918	**10,615**	15,970	**23,446**	23,888	**59,485**	40,657
Miscellaneous	**13,556**	4,690	**4,593**	23,117	**5,865**	670	**10,458**	23,787	**24,014**	28,477
Other	**29**	323	**8**	92	**5**	46	**13**	138	**42**	461
	$ 3,471,402	$ 3,256,841	**$ 299,470**	$ 339,934	**$ 465,082**	$ 457,158	**$ 764,552**	$ 797,092	**$ 4,235,954**	$ 4,053,933
Percentage of total	**81.95%**	80.34%	**8.38%**	8.38%	**10.98%**	11.28%	**18.05%**	19.66%	**100.00%**	100.00%

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

Israel Scholarship Education Foundation
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	**$ 941,544**	$ 200,718
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**7,637**	8,175
Donated stock contributions	**(1,428,961)**	(1,317,589)
Realized and unrealized (gain) loss on investments	**(29,055)**	(364,165)
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	**91,702**	(81,912)
Pledges receivable	**119,763**	(130,439)
Prepaid and other assets	**(23,317)**	-
Increase (decrease) in		
Accounts payable	**8,175**	(61,786)
Accrued expenses	**115,946**	7,195
Short-term credit	**14,360**	-
Net cash used in operating activities	**(182,206)**	(1,739,803)
Cash flows from investing activities		
Purchase of property and equipment	**(2,254)**	(5,963)
Purchases of investments	**-**	(102,107)
Proceeds from sale of investments	**1,400,614**	1,377,709
Net cash provided by investing activities	**1,398,360**	1,269,639
Cash flows from financing activities		
Reallocation of contributions	**(103,101)**	100,856
Net cash provided by (used in) financing activities	**(103,101)**	100,856
Increase (decrease) in cash and cash equivalents	**1,113,053**	(369,308)
Cash and cash equivalents – beginning of year	**371,603**	740,911
Cash and cash equivalents – end of year	**$ 1,484,656**	$ 371,603

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

Note 1 Organization and Purpose

Israel Scholarship Education Foundation ("ISEF" or the "Organization") was originally formed in the state of New York on July 6, 1977 to help narrow the social and economic gaps in Israeli society, by enabling bright students from underserved Sephardic immigrant communities to obtain a higher education. ISEF provides financial aid and support programs from B.A. through Ph.D. and post doctorate at various institutions in Israel and at world-renowned universities abroad and operates education programs benefiting thousands of at-risk Israeli youth. Over the decades, ISEF has expanded its reach to encompass Israel's diverse immigrant communities (e.g., Ethiopia, and the former USSR).

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of ISEF and ISEF International Education Foundation (R.A.) ("ISEF Israel"). ISEF and ISEF Israel are affiliated organizations in that ISEF provides a substantial portion of ISEF Israel's resources. ISEF Israel's mission is to carry out the programs of ISEF in Israel. ISEF Israel has a board of directors independent of ISEF. All significant inter-organizational accounts and transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Adoption of Accounting Standards

On August 18, 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, requirement for the presentation of expenses in both natural and functional classifications, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 as of September 31, 2019 and has adjusted the presentation in these consolidated financial statements accordingly. This ASU has been applied retrospectively to the periods presented.

Financial Statement Presentation

The consolidated financial statements presentation is in accordance with FASB Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities.* Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> <u>Net Assets Without Donor Restrictions</u> – Net assets available for use in general operations and not subject to donor restrictions. The governing board can designate, from net assets without donor restrictions, net assets for board-designated purposes.
>
> <u>Net Assets With Donor Restrictions</u> – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events, specified by the donor or can be permanent in nature.

Note 2 Summary of Significant Accounting Policies (continued)

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes

ISEF is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal corporation income tax has been made. The Foundation is also exempt from State corporation income tax. ISEF Israel is exempt from income taxes in Israel.

As of September 30, 2019, management believes that based on evaluation of ISEF's tax positions that any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating ISEF's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized for interest as a component of interest expense and penalties as part of the income tax provision.

Income tax returns are filed in the U.S. Federal jurisdiction and state jurisdiction. U.S. Federal and state income tax returns prior to fiscal year 2015 are closed. Income tax returns are also filed in Israel and tax returns prior to fiscal year 2015 are considered closed.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with original maturities at the time of purchase of three months or less, excluding cash held for investment purposes which are included as a component of investments.

Pledges Receivable

Pledges receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on historical uncollected pledges, factors related to specific donors' ability to pay and current economic trends. The Organization writes off pledges against the allowance when a balance is determined to be uncollectible. Management has determined there is no allowance required for the year ended September 30, 2019.

Investments

Investments are reported at fair value. Unrealized gains and losses are included in investment income in the consolidated statements of activities. Realized gains and losses on investments are determined using the specific-identification method. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Property and Equipment

Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of gift, less accumulated depreciation. Property and equipment are depreciated on the straight-line basis over the estimated useful lives, which range from 3 to 7 years. Maintenance and repairs are expensed as incurred, while replacement and betterments that extend equipment's useful lives are capitalized.

Note 2 Summary of Significant Accounting Policies (continued)

Support and Revenue

The Organization has adopted FASB Accounting Standards Codification ("ASC") 958-605-454, *Accounting for Contributions Received and Contributions Made*, whereby contributions received, including unconditional pledges, are recorded at fair value on the date received and are classified as either with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributed Services

ISEF receives donated services from specialized providers and other volunteers that create or enhance non-financial assets and allow the Foundation to fulfill its mission. Donated specialized services have been recognized in the accompanying consolidated financial statements. These donated services require professional skills, and would typically be purchased, if not provided, by donation. ISEF benefited from donated legal and other services which were valued at $4,038 and $66,388 during years ended September 30, 2019 and 2018, respectively. These amounts have been reported as both contribution revenue on the Consolidated Statements of Activities, and professional fees on the Consolidated Statements of Functional Expenses.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses depending upon the ultimate purpose of the expense. Accordingly, certain expenses that are not exclusively attributable to program services or supporting services have been allocated based on management's best estimates.

Reclassification

Certain reclassifications were made to the presentation of net assets in accordance with the Organization's adoption of ASU 2016-14 for the years ended September 30, 2019 and 2018:

Presentation of Net Assets - September 30, 2019 and 2018

	September 30, 2019			September 30, 2018		
	Prior to Adoption of ASU 2016-14	**Reclassification**	**ASU 2016-14**	Prior to Adoption of ASU 2016-14	Reclassification	ASU 2016-14
Net Assets						
Unrestricted	**$ 1,191,908**	**$ (1,191,908)**	**$ -**	$ 229,420	$ (229,420)	$ -
Temporarily restricted	**69,607**	**(69,607)**	**-**	172,707	(172,707)	-
Permanently restricted	**4,757,639**	**(4,757,639)**	**-**	4,778,584	(4,778,584)	-
Without donor restrictions	**-**	**1,191,908**	**1,191,908**	-	229,420	229,420
With donor restrictions	**-**	**4,827,246**	**4,827,246**	-	4,951,291	4,951,291
Total Net Assets	**$ 6,019,154**	**$ -**	**$ 6,019,154**	$ 5,180,711	$ -	$ 5,180,711

Note 3 Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other gross restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30, 2019 and 2018:

	2019	2018
Cash	**$ 1,484,656**	$ 371,603
Financial assets available to meet cash needs for general expenditures within one year	**$ 1,484,656**	$ 371,603

Note 4 Concentrations of Credit Risk

Financial instruments that potentially subject ISEF to concentrations of credit risk consist principally of cash and cash equivalents, investments and pledges receivable. ISEF maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. ISEF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. ISEF invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, exchange-traded funds, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements. Concentrations of credit risk with respect to pledges receivable are limited due to the generally short payment terms.

Note 5 Accounts Receivable

Accounts receivable consists of student loans amounting to $111,281 in 2019 and $202,983 in 2018.

Note 6 Pledges Receivable

Pledges receivable are expected to be collected within one year and are recognized at its net realizable value. Pledges receivable for the years ended September 30, 2019 and 2018 were $25,000 and $144,763, respectively.

Note 7 Fair Value Measurement

ISEF carries its investments at fair value. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy consists of three levels that are used to prioritize inputs to fair value techniques:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Note 7 Fair Value Measurement (continued)

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1, consist of active listed equities.

Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified as Level 2. These generally include certain U.S. government obligations and investment-grade corporate bonds.

Investments whose values are classified as Level 3 have significant unobservable inputs, as they may trade infrequently or not at all. Investments whose values are classified as Level 3 generally include private investments. When observable prices are not available for these securities, ISEF uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available.

Within Level 3 of the fair value hierarchy, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by ISEF in estimating the value of investments classified as Level 3 may include the original transaction price, quoted prices for similar securities or assets in active markets, completed or pending third-party transactions in the underlying investment or comparable issuers, and changes in financial ratios or cash flows.

The values assigned to investments are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. Furthermore, the ultimate realization of such amounts depends on future events and circumstances and therefore valuation estimated may differ from the values realized upon disposition of individual positions.

Note 7 Fair Value Measurement (continued)

Fair values of assets measured on a recurring basis as of September 30, 2019 and 2018 are as follows:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Cash equivalents	**$ 841,054**	**$ -**	**$ -**	**$ 841,054**
Mutual funds	**3,045,419**	**-**	**-**	**3,045,419**
Exchange – traded funds	**828,895**	**-**	**-**	**828,895**
Equities – common stock	**88,520**	**-**	**-**	**88,520**
Fixed income	**-**	**82,821**	**-**	**82,821**
Total	**$ 4,803,888**	**$ 82,821**	**$ -**	**$ 4,886,709**

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Cash equivalents	$ 1,277,278	$ -	$ -	$ 1,277,278
Mutual funds	3,063,794	-	-	3,063,794
Exchange – traded funds	232,004	-	-	232,004
Equities – common stock	157,170	-	-	157,170
Fixed income	-	99,061	-	99,061
Total	$ 4,730,246	$ 99,061	$ -	$ 4,829,307

Note 8 Net Assets With Donor Restrictions and Net Assets Released

Some of the net assets with donor restrictions consist of investments to be held in perpetuity in funds to generate income for the general purposes of ISEF and to support ISEF's scholarships. Net assets with donor restrictions consist of the following:

	September 30,	
	2019	2018
Student loans	**$ 69,607**	$ 74,048
2019 Activity from EJS	**-**	98,659
Nina Weiner Endowment	**615,927**	686,751
Benin Fund	**1,204,102**	1,196,825
E. Manocherian Endowment	**1,462,765**	1,429,076
Fleischman Endowment	**722,444**	718,078
Alred and Hanina Shasha Endowment	**752,401**	747,854
	$ 4,827,246	$ 4,951,291

Note 8 Net Assets With Donor Restrictions and Net Assets Released (continued)

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes. The net assets released from restrictions were as follows:

	September 30,	
	2019	2018
Scholarships	**$ 2,202,139**	$ 1,989,074
Student loans	**4,441**	4,130
Projects	**816,287**	163,118
	$ 3,022,867	$ 2,156,322

Note 9 Endowments and Unrestricted Reserves

The net assets with donor restrictions consist of donor-restricted endowment funds. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of ISEF is responsible for the long-term investment policies for donor-restricted endowment funds, unless otherwise specified by the donor. ISEF is subject to the State of New York Uniform Prudent Management of Institutional Funds Act ("NYPMIFA") and has interpreted NYPMIFA as the application of the standards of prudence provided in NYPMIFA to any appropriation of donor-restricted endowment funds for expenditure by ISEF.

ISEF has adopted investment and spending policies for endowment assets that attempt to maintain a surplus for ISEF to allow for possible distributions for operating expenses and for usual or unexpected repairs. To satisfy its long-term rate of return objectives, ISEF relies on the price appreciation of equities that at times make up a significant portion of its portfolio, but ISEF will also hold cash at times to provide stability in volatile markets. Under this policy, as approved by the Board of Directors, the overriding objective is to maintain purchasing power. Appropriations for expenditures are reviewed on an annual basis by ISEF. During the fiscal years 2019 and 2018, there were no appropriations of funds from donor-restricted endowments.

During the fiscal years 2019 and 2018, amounts released from endowments totaling $75,000 and $50,000, respectively, were made from endowments to unrestricted funds to support operations.

Note 10 Notes Payable Related Parties

The Organization has a $290,000 related party loan balance on account as of September 30, 2019 and September 30, 2018. These loans are non-interest bearing and mature in August 2020.

Note 11 Contributions

In addition to the contributions received directly by ISEF, the Israeli Council on Higher Education ("Perach") transferred $535,125 and $322,519 for the years ended September 30, 2019 and 2018, respectively, directly to the ISEF students who were eligible for scholarships from Perach, which is included as a component of contributions on the consolidated statements of activities.

Furthermore, the following universities, colleges and scholarship foundations contributed matching funds to ISEF's scholarship winners in 2019 and 2018:

Bar-illan University, Ben-Gurion University, Haifa University, the Hebrew University, Tel Aviv University, The Open University, Technion- Israel Institute of Technology, IDC Herzelia, Sami Shamoon College - Beer Sheva, Sami Shamoon College – Ashdod, Ort Braude Carmiel College, Azrieli College, Emek Yizrael College, Sapir College, Holon College, Hemdat Hadarom College, Afeka College, Investment for the future scholarships, Bezalel College, Doctoral and Post-Doctoral scholarships, Emergency assistance, Unaffiliated scholarships, Knesset interns, Excellency prizes, Music Academy, Coordinators scholarships, Fulbright, Belmonte Prize, President's fund, Edmond scholarship, and Katzman scholarship.

Note 12 Concentration

ISEF receives donations from other individuals and organizations. Pledges receivable and accounts receivable are expected to be collected within one year and are recognized at its net realizable value. As of September 30, 2019, and 2018, pledges receivable from one donor represented 18% and 14%, respectively, of total consolidated pledges receivable and accounts receivable balances.

Note 13 Affiliated Entities

During the years ended September 30, 2019 and 2018, ISEF contributed $883,240 and $934,681, respectively, to ISEF Israel, which is eliminated in consolidation.

Note 14 Grant Agreement

On July 1, 2015, ISEF and the Edmond J. Safra Philanthropic Foundation (the "Safra Foundation" or "EJS") entered into an agreement to continue its annual grants for three years through the 2018-2019 academic year. The Safra Foundation was obligated to make three annual grants of up to $1,200,000 during each of the three academic years, provided that ISEF maintains appropriate scholarship percentage requirements as described in the agreement.

In the event that ISEF did not achieve the scholarship percentage requirements in any academic year, the Safra Foundation had the right at its sole discretion to suspend and, if appropriate, terminate any unpaid grants under the agreement. This agreement has been extended for one year.

During the fiscal years ended September 30, 2019 and 2018, ISEF received and recognized $921,989 and $1,230,973, respectively, as contributions from the Safra Foundation in the accompanying consolidated financial statements.

Note 15 Commitments

ISEF leases its office space under an operating lease expiring December 31, 2020. Total rental expenses amounted to $23,057 and $18,980 for the years ended September 30, 2019 and 2018, respectively, and is included as a component of office expenses on the Consolidated Statements of Functional Expenses.

Future minimum rental payments required by the operating lease are as follows:

Year Ending September 30,	Amount
2019	$ 23,057
2020	6,402
	$ 29,459

Note 16 Subsequent Events

The Organization has evaluated subsequent events through August 14, 2020, which is the date the financial statements were qualified to be issued.

In December 2019, coronavirus (COVID-19) was reported in China, and, in January 2020, the World Health Organization declared it a Public Health Emergency of International Concern. This contagious disease outbreak, subsequently spread to additional countries, including the United States, where the outbreak escalated in March 2020. The adverse public health developments and economic effects of the outbreak in the United States, which have become more severe in the weeks prior to the date of this report, could adversely affect the Organization’s donors as a result of quarantines and available donation money in connection with the outbreak. More broadly, the outbreak could potentially lead to an economic downturn, which would likely decrease spending, adversely affect our donations and harm our Organization and financial condition. The Organization cannot accurately predict the effect the Coronavirus outbreak will have on the Organization.

On December 31, 2019 the notes payable related party was forgiven in its entirety and was recorded as net assets without donor restrictions.