# Israel Scholarship Education Foundation

## Consolidated Financial Statements

## September 30, 2021 and 2020

PragerMetis

# Independent Auditor's Report

Board of Directors
Israel Scholarship Education Foundation

Prager Metis CPAs, LLC

401 HACKENSACK AVENUE
4TH FLOOR
HACKENSACK, NJ 07601

T 201.342.7753
F 201.820.2691

www.pragermetis.com

## Opinion

We have audited the accompanying consolidated financial statements of Israel Scholarship Education Foundation (a New York State nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Israel Scholarship Education Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Israel Scholarship Education Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

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 $617,300 and $521,600 as of September 30, 2021 and 2020, respectively, and total support and revenue of approximately $3,727,300 and $3,558,600 for the years ended September 30, 2021 and 2020, respectively. Those financial statements were audited in accordance with auditing standards generally accepted in Israeli and in accordance with generally accepted accounting principles in Israeli, which has adopted International Financial Reporting Standards (IFRS). There were no material differences between IFRS and accounting principles generally accepted in the United States of America. Those financial statements were audited by other auditors whose report dated, June 7, 2022, 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 auditors.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Israel Scholarship Education Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Israel Scholarship Education Foundation'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 audits.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Hackensack, New Jersey
July 25, 2022

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 717,779** | $ 1,079,285 |
| Investments, at fair value | **6,173,642** | 5,000,071 |
| Accounts receivable | **375,468** | 313,772 |
| Pledges receivable | **22,986** | 123,482 |
| Prepaid and other assets | **34,471** | 5,153 |
| Total current assets | **7,324,346** | 6,521,763 |
| Property and equipment, net | **24,268** | 24,899 |
| **Total assets** | **$ 7,348,614** | $ 6,546,662 |
| **Liabilities and net assets** | | |
| **Liabilities** | | |
| Accounts payable | **$ 226,898** | $ 271,944 |
| Accrued expenses | **60,059** | 28,161 |
| **Total liabilities (all current)** | **286,957** | 300,105 |
| **Net assets** | | |
| Without donor restrictions | **1,249,706** | 1,510,450 |
| With donor restrictions | **5,811,951** | 4,736,107 |
| **Total net assets** | **7,061,657** | 6,246,557 |
| **Total liabilities and net assets** | **$ 7,348,614** | $ 6,546,662 |

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

# Israel Scholarship Education Foundation
## Consolidated Statements of Activities
## Years Ended September 30, 2021 and 2020

| | 2021 Without Donor Restrictions | 2021 With Donor Restrictions | 2021 Total | 2020 Without Donor Restrictions | 2020 With Donor Restrictions | 2020 Total |
|---|---|---|---|---|---|---|
| **Support** | | | | | | |
| Contributions | $ 1,596,046 | $ 2,105,669 | $ 3,701,715 | $ 1,734,332 | $ 1,649,840 | $ 3,384,172 |
| Special events, net of expenses of $35,554 and $4,926 for 2021 and 2020, respectively | 486,892 | - | 486,892 | 562,609 | - | 562,609 |
| **Total public support** | 2,082,938 | 2,105,669 | 4,188,607 | 2,296,941 | 1,649,840 | 3,946,781 |
| **Revenue** | | | | | | |
| Interest and dividends | 92,613 | - | 92,613 | 93,168 | - | 93,168 |
| Realized and unrealized gain on sale of investments | - | 901,241 | 901,241 | - | 358,277 | 358,277 |
| **Total revenue** | 92,613 | 901,241 | 993,854 | 93,168 | 358,277 | 451,445 |
| **Net assets released from restrictions** | 1,931,066 | (1,931,066) | - | 2,099,256 | (2,099,256) | - |
| **Total support and revenue** | 4,106,617 | 1,075,844 | 5,182,461 | 4,489,365 | (91,139) | 4,398,226 |
| **Expenses** | | | | | | |
| Program services | 3,837,362 | - | 3,837,362 | 3,710,849 | - | 3,710,849 |
| Support services | | | | | | |
| Management and general | 290,500 | | 290,500 | 316,366 | - | 316,366 |
| Fundraising | 412,905 | - | 412,905 | 399,447 | - | 399,447 |
| Total support services | 703,405 | - | 703,405 | 715,813 | - | 715,813 |
| **Total expenses** | 4,540,767 | - | 4,540,767 | 4,426,662 | - | 4,426,662 |
| **Other income** | | | | | | |
| PPP Loan forgiveness | 43,547 | - | 43,547 | 52,362 | - | 52,362 |
| **Total other income** | 43,547 | - | 43,547 | 52,362 | - | 52,362 |
| Change in net assets before foreign currency translation gain | (390,603) | 1,075,844 | 685,241 | 115,065 | (91,139) | 23,926 |
| Foreign currency translation gain | 17,953 | - | 17,953 | 3,553 | - | 3,553 |
| **Change in net assets** | (372,650) | 1,075,844 | 703,194 | 118,618 | (91,139) | 27,479 |
| Net assets – beginning of year | 1,510,450 | 4,736,107 | 6,246,557 | 1,191,908 | 4,827,246 | 6,019,154 |
| Reallocation of contributions | 24,602 | | 24,602 | 585 | - | 585 |
| Forgiveness of note payable related party | | | - | 290,000 | - | 290,000 |
| Due/from to affiliate | 87,304 | - | 87,304 | (90,661) | - | (90,661) |
| **Net assets – end of year** | $ 1,249,706 | $ 5,811,951 | $ 7,061,657 | $ 1,510,450 | $ 4,736,107 | $ 6,246,557 |

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, 2021 and 2020

| | Program Services | | Support Services: Management and General | | Support Services: Fundraising | | Support Services: Total Support Services | | Total Program and Support Services | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Salaries | **321,502** | $ 307,735 | **166,928** | $ 161,334 | **141,832** | $ 142,556 | **$ 308,760** | $ 303,890 | **$ 630,262** | $ 611,625 |
| Payroll tax and benefits | **10,307** | 7,925 | **4,066** | 3,127 | **8,676** | 6,671 | **12,742** | 9,798 | **23,049** | 17,723 |
| **Total personnel costs** | **331,809** | 315,660 | **170,994** | 164,461 | **150,508** | 149,227 | **321,502** | 313,688 | **653,311** | 629,348 |
| Scholarships | **2,358,837** | 2,299,072 | **-** | - | **-** | - | **-** | - | **2,358,837** | 2,299,072 |
| Projects | **1,034,565** | 878,630 | **-** | 1,622 | **-** | - | **-** | 1,622 | **1,034,565** | 880,252 |
| Professional services | **-** | - | **90,627** | 103,741 | **-** | - | **90,627** | 103,741 | **90,627** | 103,741 |
| Computer expenses | **26,727** | 21,679 | **10,544** | 1,939 | **22,498** | 13,164 | **33,042** | 15,103 | **59,769** | 36,782 |
| Advertising | **3,798** | 10,021 | **-** | - | **-** | - | **-** | - | **3,798** | 10,021 |
| Office expenses | **32,629** | 90,773 | **10,420** | 27,865 | **11,714** | 25,361 | **22,134** | 53,226 | **54,763** | 143,999 |
| Depreciation | **3,664** | 4,688 | **1,081** | 1,374 | **746** | 892 | **1,827** | 2,266 | **5,491** | 6,954 |
| Education | **6,022** | 11,967 | **-** | - | **-** | - | **-** | - | **6,022** | 11,967 |
| Fundraising and public relations | **3,289** | 48,234 | **-** | 7,419 | **152,823** | 189,165 | **152,823** | 196,584 | **156,112** | 244,818 |
| Professional Fundraising Services | **-** | - | **-** | - | **44,000** | - | **44,000** | - | **44,000** | - |
| Consulting fees | **715** | 2,090 | **-** | - | **27,500** | 18,750 | **27,500** | 18,750 | **28,215** | 20,840 |
| Travel | **15,146** | 18,826 | **3,895** | 4,383 | **1,948** | 2,189 | **5,843** | 6,572 | **20,989** | 25,398 |
| Miscellaneous | **18,211** | 8,393 | **2,382** | 3,330 | **889** | 580 | **3,271** | 3,910 | **21,482** | 12,303 |
| Other | **1,950** | 816 | **557** | 232 | **279** | 119 | **836** | 351 | **2,786** | 1,167 |
| | **$ 3,837,362** | $ 3,710,849 | **$ 290,500** | $ 316,366 | **$ 412,905** | $ 399,447 | **$ 703,405** | $ 715,813 | **$ 4,540,767** | $ 4,426,662 |
| Percentage of total | **84.51%** | 83.83% | **6.40%** | 7.15% | **9.09%** | 9.02% | **15.49%** | 16.17% | **100.00%** | 100.00% |

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

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | **$ 703,194** | $ 27,479 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation | **5,491** | 6,954 |
| Realized and unrealized gain on investments | **(901,241)** | (358,277) |
| PPP Loan forgiveness | **(43,547)** | (52,362) |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts receivable | **(61,696)** | (202,491) |
| Pledges receivable | **100,496** | (98,482) |
| Prepaid and other assets | **(29,318)** | 22,224 |
| Increase (decrease) in | | |
| Accounts payable | **(45,046)** | 201,582 |
| Accrued expenses | **31,898** | (140,356) |
| **Net cash used in operating activities** | **(239,769)** | (593,729) |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(4,860)** | (4,483) |
| Proceeds from sale of investments | **1,212,374** | 2,110,881 |
| Purchase of investments | **(1,484,704)** | (1,865,966) |
| **Net cash (used in) provided by investing activities** | **(277,190)** | 240,432 |
| **Cash flows from financing activities** | | |
| Reallocation of contributions | **24,602** | 585 |
| Due/Advances to affiliate | **87,304** | (90,661) |
| Repayment of short-term credit | | (14,360) |
| Proceeds from PPP Loan | **43,547** | 52,362 |
| **Net cash provided by (used in) financing activities** | **155,453** | (52,074) |
| **Decrease in cash and cash equivalents** | **(361,506)** | (405,371) |
| **Cash and cash equivalents – beginning of year** | **1,079,285** | 1,484,656 |
| **Cash and cash equivalents – end of year** | **$ 717,779** | $ 1,079,285 |

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 the Israeli society, by enabling bright students from the 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").

**Reclassification**
Certain accounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

**Financial Statement Presentation**
The consolidated financial statements presentation is in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities.* Net assets, revenue, 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:

Net Assets Without Donor Restrictions – 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.

Net Assets With Donor Restrictions – 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 Organization is also exempt from State corporation income tax. ISEF Israel is exempt from income taxes in Israel.

As of September 30, 2021, 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 2017 are closed. Income tax returns are also filed in Israel and tax returns prior to fiscal year 2017 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 years ended September 30, 2021 and 2020.

**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.

**Note 2 Summary of Significant Accounting Policies (continued)**

**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.

**Support and Revenue**
The Organization follows FASB 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 Organization 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 $8,713 and $9,138 during years ended September 30, 2021 and 2020, 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.

## Note 3 Property and Equipment

A summary of property and equipment and the estimated lives used in the computation of depreciation is as follows at September 30, 2021 and 2020:

| | **2021** | 2020 |
|---|---|---|
| Equipment | **$ 31,223** | $ 30,420 |
| Leasehold improvements | **3,342** | 3,342 |
| Computer and Software | **95,709** | 93,310 |
| Furniture and fixtures | **24,150** | 23,933 |
| | **154,424** | 151,005 |
| Less: accumulated depreciation and amortization | **131,666** | 126,536 |
| Add: Foreign currency translation | **1,510** | 430 |
| | **$ 24,268** | $ 24,899 |

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was $5,491 and $6,954 and is included as a component of program and support services on the statement of activities.

## Note 4 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, 2021 and 2020:

| | **2021** | 2020 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | **$ 717,779** | $ 1,079,285 |
| Investments, at fair value | **6,173,642** | 5,000,071 |
| Accounts receivable | **375,468** | 313,772 |
| Pledges receivable | **22,986** | 123,482 |
| | **7,289,875** | 6,516,610 |
| Less amounts not available within one year for general expenditure: | | |
| Net assets with donor restrictions | **5,811,951** | 4,736,107 |
| Financial assets available to meet general expenditures within one year | **$ 1,477,924** | $ 1,780,503 |

## Note 5 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, the balances of which, at times, may exceed SIPIC insured limits. 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 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, 2021 and 2020 were $22,986 and $123,482, 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.

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 unadjusted 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

## Note 7 Fair Value Measurement (continued)

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 consisting of other long-term investments and 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.

Fair values of assets measured on a recurring basis as of September 30, 2021 and 2020 are as follows:

| | **2021** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Investments** | | | | |
| **Cash equivalents** | **$ 148,135** | **$ -** | **$ -** | **$ 148,135** |
| **Mutual funds** | **2,642,319** | **-** | **-** | **2,642,319** |
| **Exchange – traded funds** | **3,352,219** | **-** | **-** | **3,352,219** |
| **Other long-term investments** | **-** | **-** | **30,969** | **30,969** |
| **Total** | **$ 6,142,673** | **$ -** | **$ 30,969** | **$ 6,173,642** |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalents | $ 453,988 | $ - | $ - | $ 453,988 |
| Mutual funds | 3,015,817 | - | - | 3,015,817 |
| Exchange – traded funds | 1,530,266 | - | - | 1,530,266 |
| Total | $ 5,000,071 | $ - | $ - | $ 5,000,071 |

## 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, 2021 | September 30, 2020 |
|---|---|---|
| Donor-restricted endowment funds | **$ 5,811,951** | $ 4,736,107 |

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, 2021 | September 30, 2020 |
|---|---|---|
| Scholarships | **$ 1,931,066** | $ 2,099,256 |

## 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 2021 and 2020, there were no appropriations of funds from donor-restricted endowments.

During the fiscal years 2021 and 2020, amounts released from endowments totaling $200,000 and $450,000, respectively, were made from endowments to unrestricted funds to support operations. These amounts are included in the net assets released from restrictions in the consolidated statements of activities.

## Note 10 Contributions

In addition to the contributions received directly by ISEF, the Israeli Council on Higher Education ("Perach") transferred $395,540 and $609,326 for the years ended September 30, 2021 and 2020, 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 2021 and 2020:

Doctoral and Post-Doctoral scholarships, Mifal Hapais (Israeli Lottery), The Technion, Haifa University, The Hebrew University, Ort Braude Carmiel College, Coordinators scholarships, Sami Shamoon College – Ashdod, Scholarships for achieving excellence, Sami Shamoon College - Beer Sheva, Ben Gurion University, Scholarships for social activity, Sapir College, Tel Aviv University, Bar Ilan University, Afeka College, IDC Herzlyia – Reichman University, Bezalel College, Holon College, Azrieli College, The Open University Scholarships to excellent students, Katzman medical scholarship, Emergency assistance scholarships, Parliamentary intern scholarships, Emek Yizrael College, Special scholarships, President's scholarship Chairwoman's fund, David Yellin, Benmai Foundation scholarship, Gordon College, Belmonte scholarships, Kibbutzim College, Excellency scholarships and Fulbright.

## Note 11 Concentration of Risks

**Transaction Risk**
During the years ended September 30, 2021 and 2020 one foundation represented 23% and 25%, respectively, of total support and revenue.

**COVID-19 Risk**
On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Organization, and its donor base, operates. The impact of COVID-19 on future operations of the Organization is highly uncertain.

## Note 12 Affiliated Entities

During the year ended September 30, 2021, ISEF contributed $940,304 and advanced $87,304 from ISEF Israel. This note is non-interest bearing and due on demand. During the year ended September 30, 2020, ISEF contributed $804,103 to ISEF Israel. These transactions were eliminated in consolidation.

## Note 13 Lease Commitments

ISEF leases its office space under an operating lease expiring December 31, 2021. Total rental expenses amounted to $19,250 and $26,468 for the years ended September 30, 2021 and 2020, 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 |
|---|---|
| 2022 | $ 4,443 |

## Note 14 PPP Loan Forgiveness

In response to the COVID-19 pandemic, the Paycheck Protection Program ("PPP") was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and administered by the Small Business Administration ("SBA"). Organizations who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds were fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, would qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization.

On February 25, 2021, the Organization obtained a loan of $43,547 under the PPP provided by TD Bank, N.A. The loan accrued interest at 1.0% interest per annum at the date of disbursement. The loan would mature two years after the receipt of the loan proceeds, if not forgiven under the terms of the PPP.

On December 1, 2021, the loan was forgiven for the full amount owed and interest accrued is included as a component of other income on the statement of activities.

## Note 15 Subsequent Events

The Organization has evaluated subsequent events through July 25, 2022, which is the date the financial statements were available to be issued.

The Organization was notified by its lender on December 1, 2021 that the PPP loan in the amount of $43,547 has been approved for forgiveness in its entirety. This has been recorded as other income on the consolidated statement of activities.

During December 2021, ISEF renewed its lease, commencing on January 1, 2022 through December 31, 2022, with minimum monthly payments of $1,681 payable monthly at the beginning of each month.