Israel Scholarship Education Foundation

Consolidated Financial Statements

September 30, 2022 and 2021

PragerMetis

Independent Auditor's Report

Board of Directors
Israel Scholarship Education Foundation

Opinion

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 statements of financial position as of September 30, 2022 and 2021, 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, 2022 and 2021, 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.

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 $708,000 and $587,000 as of September 30, 2022 and 2021, respectively, and total support and revenue of approximately $4,162,000 and $3,727,300 for the years ended September 30, 2022 and 2021, respectively. Those financial statements were audited in accordance with auditing standards generally accepted in Israel and in accordance with generally accepted accounting principles in Israel, 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 May 1, 2023, 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.

Basis for Opinion

We conducted our audits 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.

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
August 22, 2023

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	**$ 481,831**	$ 717,779
Investments, at fair value	**7,238,404**	6,173,642
Accounts receivable	**276,270**	375,468
Pledges receivable	**70,000**	22,986
Due from affiliate	**15,000**	-
Prepaid and other assets	**4,060**	4,060
Total current assets	**8,085,565**	7,293,935
Long-term pledge receivable	**25,000**	-
Property and equipment, net	**23,689**	24,268
Total assets	**$ 8,134,254**	$ 7,318,203
Liabilities and net assets		
Liabilities		
Accounts payable	**$ 116,192**	$ 226,898
Accrued expenses	**106,086**	60,059
Total liabilities (all current)	**222,278**	286,957
Net assets		
Without donor restrictions	**842,076**	1,249,706
With donor restrictions	**7,069,900**	5,781,540
Total net assets	**7,911,976**	7,031,246
Total liabilities and net assets	**$ 8,134,254**	$ 7,318,203

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

Israel Scholarship Education Foundation

Consolidated Statements of Activities

Years Ended September 30, 2022 and 2021

	Year Ended September 30					
	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions	**$ 2,220,033**	**$ 4,225,309**	**$ 6,445,342**	$ 1,596,046	$ 2,105,669	$ 3,701,715
Special events, net of expenses of $33,073 and $35,554 for 2022 and 2021, respectively	**562,430**	**-**	**562,430**	486,892	-	486,892
Total public support	**2,782,463**	**4,225,309**	**7,007,772**	2,082,938	2,105,669	4,188,607
Revenue						
Interest and dividends	**163,451**	**-**	**163,451**	92,613	-	92,613
Realized and unrealized gain (loss) on sale of investments	**-**	**(1,233,444)**	**(1,233,444)**	-	901,241	901,241
Total revenue	**163,451**	**(1,233,444)**	**(1,069,993)**	92,613	901,241	993,854
Net assets released from restrictions	**1,703,505**	**(1,703,505)**	**-**	1,931,066	(1,931,066)	-
Total support and revenue	**4,649,419**	**1,288,360**	**5,937,779**	4,106,617	1,075,844	5,182,461
Expenses						
Program services	**4,149,381**	**-**	**4,149,381**	3,837,362	-	3,837,362
Support services						
Management and general	**314,799**	**-**	**314,799**	290,500	-	290,500
Fundraising	**515,689**	**-**	**515,689**	412,905	-	412,905
Total support services	**830,488**	**-**	**830,488**	703,405	-	703,405
Total expenses	**4,979,869**	**-**	**4,979,869**	4,540,767	-	4,540,767
Other income						
PPP Loan forgiveness	**-**	**-**	**-**	43,547	-	43,547
Total other income	**-**	**-**	**-**	43,547	-	43,547
Change in net assets before foreign currency translation gain (loss)	**(330,450)**	**1,288,360**	**957,910**	(390,603)	1,075,844	685,241
Foreign currency translation gain (loss)	**(78,589)**	**-**	**(78,589)**	17,953	-	17,953
Change in net assets	**(409,039)**	**1,288,360**	**879,321**	(372,650)	1,075,844	703,194
Net assets – beginning of year	**1,249,706**	**5,781,540**	**7,031,246**	1,510,450	4,736,107	6,246,557
Reallocation of contributions	**1,409**	**-**	**1,409**	24,602	-	24,602
Opening balance adjustment			**-**	-	(30,411)	(30,411)
Due/from to affiliate	**-**	**-**	**-**	87,304	-	87,304
Net assets – end of year	**$ 842,076**	**$ 7,069,900**	**$ 7,911,976**	$ 1,249,706	$ 5,781,540	$ 7,031,246

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, 2022 and 2021

	Program Services		Support Services: Management and General		Support Services: Fundraising		Support Services: Total Support Services		Total Program and Support Services	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Salaries	**311,710**	$ 321,502	**105,944**	$ 166,928	**120,026**	$ 141,832	**$ 225,970**	$ 308,760	**$ 537,680**	$ 630,262
Payroll tax and benefits	**10,560**	10,307	**4,611**	4,066	**8,631**	8,676	**13,242**	12,742	**23,802**	23,049
Total personnel costs	**322,270**	331,809	**110,555**	170,994	**128,657**	150,508	**239,212**	321,502	**561,482**	653,311
Scholarships	**2,390,518**	2,358,837	**-**	-	**-**	-	**-**	-	**2,390,518**	2,358,837
Projects	**1,154,061**	1,034,565	**-**	-	**-**	-	**-**	-	**1,154,061**	1,034,565
Professional services	**-**	-	**100,613**	90,627	**-**	-	**100,613**	90,627	**100,613**	90,627
Computer expenses	**24,738**	26,727	**10,799**	10,544	**20,219**	22,498	**31,018**	33,042	**55,756**	59,769
Advertising	**27,997**	3,798	**-**	-	**-**	-	**-**	-	**27,997**	3,798
Office expenses	**36,313**	32,629	**11,995**	10,420	**12,431**	11,714	**24,426**	22,134	**60,739**	54,763
Depreciation	**4,674**	3,664	**1,383**	1,081	**880**	746	**2,263**	1,827	**6,937**	5,491
Education	**9,402**	6,022	**-**	-	**-**	-	**-**	-	**9,402**	6,022
Fundraising and public relations	**8,697**	3,289	**-**	-	**199,124**	152,823	**199,124**	152,823	**207,821**	156,112
Professional Fundraising Services	**-**	-	**-**	-	**96,962**	44,000	**96,962**	44,000	**96,962**	44,000
Consulting fees	**128,929**	715	**75,828**	-	**55,782**	27,500	**131,610**	27,500	**260,539**	28,215
Travel	**33,414**	15,146	**2,824**	3,895	**1,411**	1,948	**4,235**	5,843	**37,649**	20,989
Miscellaneous	**7,408**	18,211	**528**	2,382	**85**	889	**613**	3,271	**8,021**	21,482
Other	**960**	1,950	**274**	557	**138**	279	**412**	836	**1,372**	2,786
	$ 4,149,381	$ 3,837,362	**$ 314,799**	$ 290,500	**$ 515,689**	$ 412,905	**$ 830,488**	$ 703,405	**$ 4,979,869**	$ 4,540,767
Percentage of total	**83.32%**	84.51%	**6.32%**	6.40%	**10.36%**	9.09%	**16.68%**	15.49%	**100.00%**	100.00%

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

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ 879,321**	$ 703,194
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	**6,937**	5,491
Realized and unrealized loss (gain) on investments	**1,233,444**	(901,241)
PPP Loan forgiveness	**-**	(43,547)
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	**99,198**	(61,696)
Pledges receivable	**(72,014)**	100,496
Prepaid and other assets	**-**	(29,318)
Increase (decrease) in		
Accounts payable	**(109,548)**	(45,046)
Accrued expenses	**46,027**	31,898
Net cash provided by (used in) operating activities	**2,083,365**	(239,769)
Cash flows from investing activities		
Purchase of property and equipment	**(7,516)**	(4,860)
Proceeds (loss) from sale of investments	**(12,651)**	1,212,374
Purchase of investments	**(2,285,555)**	(1,484,704)
Net cash used in investing activities	**(2,305,722)**	(277,190)
Cash flows from financing activities		
Reallocation of contributions	**1,409**	24,602
Due/advances to affiliate	**(15,000)**	87,304
Proceeds from PPP Loan	**-**	43,547
Net cash (used in) provided by financing activities	**(13,591)**	155,453
Decrease in cash and cash equivalents	**(235,948)**	(361,506)
Cash and cash equivalents – beginning of year	**717,779**	1,079,285
Cash and cash equivalents – end of year	**$ 481,831**	$ 717,779

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 in consolidation.

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 2021 consolidated financial statements have been reclassified to conform to the 2022 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. When donor-imposed restrictions are met in the same reporting period, contributions with donor-imposed restrictions are reported as contributions without donor restrictions.

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, 2022, 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 limitation, 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 2019 are closed. Income tax returns are also filed in Israel and tax returns prior to fiscal year 2019 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, 2022 and 2021. Pledges receivable as of September 30, 2020 amounted to $123,482. Accounts receivable as of September 30, 2020 amounted to $313,772.

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 $14,238 and $8,713 during years ended September 30, 2022 and 2021, respectively. These amounts have been reported as a component of 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.

Adoption of New Accounting Standard
In February 2016, the Financial Accounting Standards Board (FASB) issued guidance(Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating

Note 2 Summary of Significant Accounting Policies (continued)

leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

We adopted the standard effective October 1, 2021. The Company determines if an arrangement is a lease, or contains a lease, at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

The Company's current lease portfolio is comprised of a short-term lease arrangement. Short term lease expense of $19,005 was recorded for the year ended September 30, 2022 and is included as a component of office expenses on the consolidated statement of functional expenses.

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, 2022 and 2021:

	2022	2021
Equipment	**$ 31,223**	$ 31,223
Leasehold improvements	**7,858**	3,342
Computer and Software	**98,406**	95,709
Furniture and fixtures	**24,727**	24,150
	162,214	154,424
Less: accumulated depreciation and amortization	**137,990**	131,666
Add: Foreign currency translation	**(535)**	1,510
	$ 23,689	$ 24,268

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 was $6,937 and $5,491 and is included as a component of program and support services on the consolidated statements 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, 2022 and 2021:

	2022	2021
Financial assets		
Cash and cash equivalents	**$ 481,831**	$ 717,779
Investments, at fair value	**7,238,404**	6,173,642
Accounts receivable	**276,270**	375,468
Pledges receivable	**70,000**	22,986
	8,066,505	7,289,875
Less amounts not available within one year for general expenditure:		
Net assets with donor restrictions	**7,069,900**	5,781,540
Financial assets available to meet general expenditures within one year	**$ 996,605**	$ 1,508,335

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, accounts receivable, 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 SIPC 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 accounts receivable and pledges receivable are limited due to the generally short payment terms.

Note 6 Pledges Receivable

Pledges receivable are typically expected to be collected within one year and are recognized at its net realizable value. During the year ended September 30, 2022, the Organization had long-term pledges receivable for which the amounts were due over a two-year period. As such, pledges receivable for the year ended September 30, 2022 were $70,000 (current portion) and $25,000 (long-term portion). For the year ended September 30, 2021, pledges receivable were $22,986.

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 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.

Note 7 Fair Value Measurement (continued)

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, 2022 and 2021 are as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Cash equivalents	**$ 151,039**	**$ -**	**$ -**	**$ 151,039**
Mutual funds	**2,290,938**	**-**	**-**	**2,290,938**
Exchange – traded funds	**4,768,202**	**-**	**-**	**4,768,202**
Other long-term investments	**-**	**-**	**28,225**	**28,225**
Total	**$ 7,210,179**	**$ -**	**$ 28,225**	**$ 7,238,404**

	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

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,	
	2022	2021
Donor-restricted endowment funds	**$ 7,069,900**	$ 5,781,540

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,	
	2022	2021
Scholarships	**$ 1,703,505**	$ 1,931,066

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 2022 and 2021, there were no appropriations of funds from donor-restricted endowments.

During the fiscal years 2022 and 2021, amounts released from endowments totaling $0 and $200,000, 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 $813,443 and $395,540 for the years ended September 30, 2022 and 2021, 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 2022 and 2021:

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, Gross, Milgachol, Milgakes, and Fulbright.

Note 11 Concentration of Risks

Transaction Risk
During the years ended September 30, 2022 and 2021 one foundation represented 20% and 23%, respectively, of total support and revenue.

Note 12 Affiliated Entities

During the year ended September 30, 2022, ISEF contributed $1,028,185 and advanced $15,000 to ISEF Israel. This note is non-interest bearing and due on demand. During the year ended September 30, 2021, ISEF contributed $940,304 and advanced $87,304 from ISEF Israel. These transactions were eliminated in consolidation aside for the advance of $15,000.

Note 13 Lease Commitments

ISEF leases its office space under an operating lease expiring December 31, 2022. Total rental expenses amounted to $19,005 and $19,250 for the years ended September 30, 2022 and 2021, 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
2023	$ 4,854

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 consolidated statement of activities.

Note 15 Subsequent Events

The Organization has evaluated subsequent events through August 22, 2023, which is the date the financial statements were available to be issued.

During December 2022, ISEF renewed its lease, commencing on January 1, 2023 through December 31, 2023, with minimum monthly payments of $1, payable monthly at the beginning of each month.