American Friends of the Tel Aviv University, Inc.

Independent Auditor’s Report and Financial Statements

September 30, 2023

Contents

FORV/S

1155 Avenue of the Americas, Suite 1200 / New York, NY 10036
P 212.867.4000 / F 212.867.9810
forvis.com

Independent Auditor's Report

Board of Directors
American Friends of the Tel Aviv University, Inc.
New York, New York

Opinion

We have audited the financial statements of American Friends of the Tel Aviv University, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Friends of the Tel Aviv University, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 10 of the financial statements, in 2023, American Friends of the Tel Aviv University, Inc. adopted new accounting guidance for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Friends of the Tel Aviv University, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

FORVIS, LLP

New York, New York
February 19, 2024

American Friends of the Tel Aviv University, Inc.
Statement of Financial Position
September 30, 2023

ASSETS	
Cash	$ 6,019,476
Certificates of deposit	481,261
Investments	50,618,219
Contributions receivable, net of allowance for uncollectible contributions of $1,515,000	45,198,707
Beneficial interest in remainder annuity trusts	1,876,378
Security deposits and other assets	641,547
Prepaid expenses	768,098
Right-of-use assets - operating leases	2,664,791
Donated real property - land	30,000
Property and equipment, net	139,009
Total assets	$ 108,437,486
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 345,784
Conditional contribution	550,000
Due to Tel Aviv University	4,228,109
Operating lease liability	2,787,342
Annuity obligations	1,254,832
Total liabilities	9,166,067
Net Assets	
Without donor restrictions	1,824,098
With donor restrictions	
Purpose and time restrictions	63,431,700
Perpetual in nature	34,015,621
Total with donor restrictions	97,447,321
Total net assets	99,271,419
Total liabilities and net assets	$ 108,437,486

American Friends of the Tel Aviv University, Inc.
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions			With Donor Restrictions			
	Operating	Student Program	Total Without Donor Restrictions	Purpose and Time Restrictions	Perpetual in Nature	Total With Donor Restrictions	Total
Revenues, Gains, and Other Support							
Contributions and grants	$ 2,487,464	$ -	$ 2,487,464	$ 28,098,029	$ 2,092,213	$ 30,190,242	$ 32,677,706
Legacies and bequests	31,235	-	31,235	1,433,883	-	1,433,883	1,465,118
Overseas student revenue	-	973,368	973,368	-	-	-	973,368
Net investment gain	199,002	-	199,002	3,791,416	-	3,791,416	3,990,418
Change in value of split-interest agreements	418,133	-	418,133	28,076	244,562	272,638	690,771
Net assets released from restrictions	33,266,095	-	33,266,095	(33,266,095)	-	(33,266,095)	-
Total revenues, gains, and other support	36,401,929	973,368	37,375,297	85,309	2,336,775	2,422,084	39,797,381
Expenses							
Program services							
Student	-	700,790	700,790	-	-	-	700,790
Other projects	33,266,095	-	33,266,095	-	-	-	33,266,095
Total program services	33,266,095	700,790	33,966,885	-	-	-	33,966,885

American Friends of the Tel Aviv University, Inc.
Statement of Activities (Continued)
Year Ended September 30, 2023

	Without Donor Restrictions			With Donor Restrictions			
	Operating	Student Program	Total Without Donor Restrictions	Purpose and Time Restrictions	Perpetual in Nature	Total With Donor Restrictions	Total
Expenses (continued)							
Supporting services							
Management and general	$ 2,281,318	$ 292,327	$ 2,573,645	$ -	$ -	$ -	$ 2,573,645
Fundraising	3,955,576	-	3,955,576	-	-	-	3,955,576
Total supporting services	6,236,894	292,327	6,529,221	-	-	-	6,529,221
Total expenses	39,502,989	993,117	40,496,106	-	-	-	40,496,106
Change in net assets before other changes	(3,101,060)	(19,749)	(3,120,809)	85,309	2,336,775	2,422,084	(698,725)
Other Changes							
Assumption of supporting services by Tel Aviv University	3,600,000	-	3,600,000	-	-	-	3,600,000
Change in value of life insurance policy	-	-	-	-	(2,382)	(2,382)	(2,382)
Bad debt loss	-	-	-	(130,146)	-	(130,146)	(130,146)
Change in Net Assets	498,940	(19,749)	479,191	(44,837)	2,334,393	2,289,556	2,768,747
Net Assets, Beginning of Year	1,325,158	19,749	1,344,907	63,476,537	31,681,228	95,157,765	96,502,672
Net Assets, End of Year	$ 1,824,098	$ -	$ 1,824,098	$63,431,700	$34,015,621	$97,447,321	$ 99,271,419

American Friends of the Tel Aviv University, Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services			Supporting Services				
	University Projects			Management and General				
	Student	Other Projects	Total	Student	Other Projects	Fundraising	Total	Total
Salaries	$ 385,692	$ -	$ 385,692	$ -	$ 1,284,759	$ 2,283,388	$ 3,568,147	$ 3,953,839
Payroll taxes and employee benefits	105,759	-	105,759	-	336,114	597,372	933,486	1,039,245
Total salaries and related expenses	491,451	-	491,451	-	1,620,873	2,880,760	4,501,633	4,993,084
Transmissions to Tel Aviv University	-	33,072,302	33,072,302	-	-	-	-	33,072,302
Grants and awards	-	193,793	193,793	-	-	-	-	193,793
Office equipment and supplies	26,905	-	26,905	-	31,076	55,232	86,308	113,213
Telecommunications	867	-	867	-	16,913	30,059	46,972	47,839
Postage and shipping	1,760	-	1,760	-	1,880	3,342	5,222	6,982
Occupancy	30,000	-	30,000	-	159,425	283,345	442,770	472,770
Credit card processing and other fees	-	-	-	221,861	-	20,046	241,907	241,907
Conferences, conventions, and meetings	13,740	-	13,740	-	90,089	160,115	250,204	263,944
Publicity and public relations	-	-	-	70,466	-	99,039	169,505	169,505
Travel and entertainment	28,387	-	28,387	-	68,538	121,811	190,349	218,736
Insurance	5,956	-	5,956	-	23,132	41,112	64,244	70,200
Professional fees	30,250	-	30,250	-	173,095	-	173,095	203,345
Consultants	-	-	-	-	-	14,923	14,923	14,923
Printing, brochures, and production	201	-	201	-	5,919	10,519	16,438	16,639
Network and IT services	71,273	-	71,273	-	77,044	136,929	213,973	285,246
Direct mail campaign	-	-	-	-	-	74,646	74,646	74,646
Depreciation and amortization	-	-	-	-	13,334	23,698	37,032	37,032
Total expenses reported by function on the statement of activities	$ 700,790	$ 33,266,095	$33,966,885	$ 292,327	$ 2,281,318	$ 3,955,576	$ 6,529,221	$40,496,106

American Friends of the Tel Aviv University, Inc.
Statement of Cash Flows
Year Ended September 30, 2023

Operating Activities		
Change in net assets	$	2,768,747
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization		37,032
Net realized and unrealized gain on investments		(2,827,496)
Actuarial gains on annuity obligations		(478,915)
Gains on remainder annuity trusts		(211,856)
Contributions restricted for long-term investment		(2,092,213)
Bad debt loss		130,146
Noncash operating lease expense		334,655
Changes in		
Contributions receivable		3,468,890
Security deposits and other assets		(436,028)
Prepaid expenses		(656,343)
Accounts payable and accrued expenses		23,294
Conditional contribution		550,000
Due to Tel Aviv University		1,123,322
Operating lease liability		(289,443)
Net cash provided by operating activities		1,443,792
Investing Activities		
Proceeds from sale of investments		12,842,586
Purchase of investments		(16,663,681)
Acquisitions of property and equipment		(17,895)
Net cash used in investing activities		(3,838,990)
Financing Activities		
Proceeds from contributions restricted for long-term investment		2,092,213
Income on annuity obligations restricted for reinvestment		90,643
Payment of annuity obligations		(169,270)
Net cash provided by financing activities		2,013,586
Decrease in Cash		(381,612)
Cash, Beginning of Year		6,401,088
Cash, End of Year	$	6,019,476

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

American Friends of the Tel Aviv University, Inc. (AFTAU) is a not-for-profit organization whose primary purpose, as stated in its bylaws, is to raise funds for the development and advancement of higher education, student programs, research, and training in all branches of knowledge in Israel and elsewhere. In addition, AFTAU provides opportunities for American students to study at the University of Tel Aviv. AFTAU's primary sources of funding are contributions and grants, overseas student revenue, legacies and bequests, and investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 financial statements and the reported amounts of revenues, expenses gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Uninvested cash and cash equivalents included in investment accounts are not considered to be cash.

At September 30, 2023, AFTAU's cash accounts exceeded federally insured limits by approximately $5,900,000.

Certificates of Deposit

Certificates of deposit have maturity dates of more than three months and are considered investments for purposes of cash flow reporting.

Investments and Net Investment Return

Investments are carried at fair value.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as net assets with donor restrictions and then released from restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

AFTAU maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Individual items with a cost of $2,000 and a useful life exceeding one year are capitalized. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Depreciation of furniture and equipment is recorded on the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives, which range from five to seven years.

Long-Lived Asset Impairment

AFTAU evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended September 30, 2023.

Conditional Contributions

AFTAU received three conditional gifts with remaining balances in the total amount of $4,896,217 that have not been recognized as revenue in the financial statements. $3,035,800 of the total will be recognized as matching requirements are met and $1,860,417 will be recognized as certain program conditions are met. $550,000 was received during 2023 and is recorded as a conditional contribution on the statement of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to AFTAU either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on AFTAU overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

Nature of the Gift	Value Recognized
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Overseas Student Revenue

AFTAU coordinates enrollment of students from the United States for Tel Aviv University (the University) and provides support to the American students on site in Israel. Revenue is recognized over the period the student is attending the University and is reported at the amount of consideration that AFTAU expects to be entitled in exchange for providing services.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs, management and general, and fundraising categories based on the amount of time spent by level of employee, square footage allocations, and other methods.

Transmissions to Tel Aviv University

AFTAU's finance and management committee is informed of all transmissions of funds to the University. On an annual basis, an audit of these transmissions is performed by Fahn Kanne Grant Thornton to ensure that the funds have been appropriately applied to the correct projects. This audit report is distributed to the entire AFTAU Board of Directors.

Grants and Awards

Grants and awards consist primarily of unconditional grants made to the Institute for National Security Studies, a research center for security studies established by the University in 1975. Other grants and awards are made to institutions of higher education around the world as related to their cooperative agreements with the University, to individuals as approved recipients of scholarships and awards, and to individuals and vendors for their work related to university projects.

Income Taxes

AFTAU is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, AFTAU is subject to federal income tax on any unrelated business taxable income.

AFTAU files tax returns in the U.S. Federal jurisdiction.

Note 2. Revenue from Contracts with Customers

Overseas Student Revenue

AFTAU acts as an agent for the University and therefore overseas student revenue is shown net of amounts paid to the University. Revenue from contracts with customers for overseas student revenue is reported at the amount that reflects the consideration to which AFTAU expects to be entitled in exchange for coordinating enrollment of students from the United States for the University and providing support to the American students on site in Israel on behalf of the University. These amounts are due from students and include variable consideration for amounts that AFTAU transfers to the University.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term once the transaction meets the definition of a contract under generally accepted accounting principles.

Transaction Price and Recognition

AFTAU determines the transaction price based on estimates of costs for services provided. Payments are received from students prior to the beginning of the semester and AFTAU periodically remits consideration payable to the University throughout the year.

Amounts received from students prior to the transaction meeting the definition of a contract are recorded as refund liabilities. As of September 30, 2023, refund liabilities in the amount of $3,429,401 are included in due to Tel Aviv University on the statement of financial position.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the year ended September 30, 2023, there were no changes in revenue for performance obligations satisfied in prior years.

AFTAU has determined that the nature, amount, timing and uncertainty of revenue, and cash flows are affected by the students that have different reimbursement and payment methodologies and the various courses that students applied for as well as the cost of providing services for the program.

All of the overseas student revenue is earned over time.

Contract Balances

Contract assets are recorded when AFTAU has a right to consideration in exchange for goods or services that AFTAU has transferred to the customer. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent AFTAU's obligation to transfer goods or services to a customer when consideration has already been received from the customer. There were no contract assets, contract liabilities, or accounts receivable as of October 1, 2022 or September 30, 2023.

Contract Costs

AFTAU has applied the practical expedient provided by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that AFTAU otherwise would have recognized is one year or less in duration.

Portfolio Approach

AFTAU has elected to use the portfolio approach as a practical expedient to account for contracts as a collective group, rather than individually, as indicated in FASB ASC 606-10-10-4, because the financial statement effects are not expected to materially differ from an individual contract approach.

Note 3. Contributions Receivable

All contributions receivable have been reflected at present value. Receivables due in more than one year have been discounted to their present value using a discount rate ranging from 0.39% to 4.43%.

Contributions receivable consisted of the following:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose and Time Restrictions	Perpetual in Nature	Total
Current (due by September 30, 2024)	$ 53,406	$ 15,184,914	$ 62,900	$ 15,301,220
2025	35,520	10,853,820	11,800	10,901,140
2026	35,520	8,971,333	11,800	9,018,653
2027	35,520	3,202,038	-	3,237,558
2028	35,520	3,038,000	-	3,073,520
Thereafter	206,614	7,216,000	-	7,422,614
	402,100	48,466,105	86,500	48,954,705
Less				
Allowance for uncollectible contributions	(12,000)	(1,500,000)	(3,000)	(1,515,000)
Unamortized discount	(50,627)	(2,189,350)	(1,021)	(2,240,998)
	$ 339,473	$ 44,776,755	$ 82,479	$ 45,198,707

Note 4. Beneficial Interest in Trusts

AFTAU is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, upon the passing of the donor, AFTAU has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $887,363, which represents the fair value of the trust assets at September 30, 2023.

AFTAU is the beneficiary under several irrevocable trusts administered by an outside party. Under the terms of the trusts, upon maturity, the assets held in trust will be distributed by the trust to AFTAU and other parties to the trust. The estimated value of the expected future cash flows is $989,015, which represents the fair value of the trust assets at September 30, 2023.

Note 5. Property and Equipment

Property and equipment at September 30, 2023 consist of:

Leasehold improvements	$	83,451
Furniture and equipment		290,572
		374,023
Less accumulated depreciation		(235,014)
	$	139,009

Note 6. Annuities and Trusts Payable

AFTAU has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. AFTAU has recorded a liability at September 30, 2023 of $975,766, which represents the present value of the future annuity obligations. The liability has been determined using discount rates of 0.4% to 6.8% and rates of return of 4% to 13.9%. There was no contribution revenue recognized under such agreements for the year ended September 30, 2023. Management of AFTAU has estimated the reserve required for their gift annuities as of September 30, 2023 to be approximately $1,000,000. The investment balance on the statement of financial position includes $2,049,284 set aside in segregated accounts for gift annuities. AFTAU has adequate reserves as of September 30, 2023 to fund its charitable gift annuity liability and is in compliance with Code of Maryland Regulations 31.09.07.03.

AFTAU administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for AFTAU's use. Assets held in the charitable remainder trusts are recorded at fair value of $1,876,378 as of September 30, 2023. AFTAU has recorded a liability at September 30, 2023 of $279,066 which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, AFTAU revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 3% and applicable mortality tables. The portion of the trust attributable to the future interest of AFTAU is recorded in the statement of activities as net assets with donor restrictions in the period the trust is established, based on donor stipulation of the end use of the remainder trust. No contribution revenue was recognized under such agreements for the year ended September 30, 2023. Changes in value of trusts with donor stipulations requiring the remainder to be held by AFTAU in perpetuity are recorded as net assets with donor restrictions on the statement of activities.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2023 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose or period		
Scholarships, fellowships, and prizes	$	6,899,173
Institutes		8,086,656
Centers		10,846,285
Chairs		630,468
Research		18,760,469
Buildings and campus improvements		6,148,710
Equipment		3,692
Department and program support		8,361,381
Annuity obligations		241,788
Accumulated gain on endowment		3,453,078
	$	63,431,700

Endowments: subject to NFP endowment spending policy and appropriation:

Scholarships	$	15,565,596
Institutes		5,075,524
Centers		2,299,170
Chairs		3,591,922
Research		1,746,147
Department and program support		5,450,728
Annuity obligations		286,534
	$	34,015,621

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Scholarships, fellowships, and prizes	$	3,845,378
Institutes		1,058,632
Centers		420,933
Chairs		182,705
Research		17,710,537
Buildings and campus improvements		870,988
Equipment		3,966,104
Department and program support		5,210,818
	$	33,266,095

Note 8. Endowment

AFTAU's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, AFTAU classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, AFTAU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) Duration and preservation of the fund

2) Purposes of AFTAU and the fund

3) General economic conditions

4) Possible effect of inflation and deflation

5) Expected total return from investment income and appreciation or depreciation of investments

6) Other resources of AFTAU

7) Investment policies of AFTAU

AFTAU's endowment consists of approximately 70 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and the accumulated gain on endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2023 was:

	With Donor Restrictions
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 34,015,621
Accumulated investment gains	3,453,078
Total endowment funds	$ 37,468,699

Changes in endowment net assets for the year ended September 30, 2023 were:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 33,172,754
Investment return	
Investment income	824,313
Net appreciation	2,371,386
Total investment return	3,195,699
Contributions and grants	2,092,213
Change in value of split-interest agreements and life insurance policy	242,180
Appropriation of endowment assets for expenditure	(1,234,147)
Endowment net assets, end of year	$ 37,468,699

Investment and Spending Policies

AFTAU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under AFTAU's policies, endowments assets are invested in a diversified portfolio of investments. AFTAU expects its endowment funds to provide an average rate of return of approximately 5.8% annually over time. Actual returns in any given year may vary from this amount.

AFTAU has a spending policy of appropriating for expenditure each year 3.25% of its endowment fund's income. In establishing this policy, AFTAU considered the long-term expected return on its endowment. This is consistent with AFTAU's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

The governing body of AFTAU has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, AFTAU considers a fund to be underwater if the fair value of the fund is less than the sum of:

a) the original value of initial and subsequent gift amounts donated to the fund; and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

AFTAU has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

AFTAU has a policy that does not permit spending from underwater endowment funds.

At September 30, 2023, funds with original gift values of $4,028,193, fair values of $3,908,331, and deficiencies of $119,862 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations.

Note 9. Pension Plan

AFTAU has a defined contribution plan for all eligible employees. Each year, AFTAU contributes a percentage of eligible employees' salary to the plan. The percentage depends on the employees' length of service. Pension expense for the year ended September 30, 2023 was $229,653.

Note 10. Leases

Changes in Accounting Principles

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

AFTAU adopted Topic 842 on October 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. AFTAU elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. AFTAU elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, AFTAU elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. AFTAU did not elect the hindsight practical expedient in determining the lease term for existing leases as of October 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $2,999,446 and $3,076,786, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets. The standard did not significantly affect the statements of activities, functional expenses, or cash flows.

Accounting Policies

AFTAU determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. AFTAU determines lease classification as operating or finance at the lease commencement date.

AFTAU combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. AFTAU has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term. The lease term may include options to extend or to terminate the lease that AFTAU is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

AFTAU has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

AFTAU has entered into the following lease arrangements:

Operating Leases

AFTAU has entered into leases for rental of various offices. The New York lease expires March 31, 2031. In lieu of a security deposit, AFTAU entered into a standby letter of credit agreement in the amount of $217,000. The landlord is the beneficiary of the standby letter of credit. The letter of credit expires on June 30, 2031.

The Los Angeles office lease expires April 30, 2027.

AFTAU has no material related-party leases. AFTAU’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended September 30, 2023:

Lease cost		
Operating lease cost	$	442,127
Variable lease cost		30,643
Total lease cost	$	472,770
Other information		
Operating cash flows from operating leases	$	334,655
Weighted-average remaining lease term		
Operating lease		7.19 years
Weighted-average discount rate		
Operating lease		3.69%

Future minimum lease payments and reconciliation to the statement of financial position at September 30, 2023 are as follows:

	Operating Leases
2024	$ 406,607
2025	416,543
2026	443,773
2027	441,958
2028	410,843
Thereafter	1,066,788
Total future undiscounted lease payments	3,186,512
Less interest	(399,170)
Lease liabilities	$ 2,787,342

Note 11. Assumption of Supporting Services and Overhead Charges

By agreement between AFTAU and the University, the University provides for annual overhead to cover a portion of management and general and fundraising expenses of AFTAU. For the year ended September 30, 2023, $3,600,000 has been reflected in these financial statements as assumption of supporting services by the University.

AFTAU charges an overhead of 15% on all designated gifts except those designated for endowment or buildings, if modified through negotiation with AFTAU and the University or if prevented by donor stipulation.

Note 12. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities				
Large cap	$ 12,012,148	$ 12,012,148	$ -	$ -
Mid cap	2,883,474	2,883,474	-	-
Small cap	918,749	918,749	-	-
International	6,350,488	6,350,488	-	-
Mutual funds				
Mid cap	75,941	75,941	-	-
International	149,741	149,741	-	-
Fixed income	1,225,481	1,225,481	-	-
Exchange traded funds	46,606	46,606	-	-
Growth	74,178	74,178	-	-
Value	814,393	814,393	-	-
Real estate	1,381,573	1,381,573	-	-
Commodities	1,976,869	1,976,869	-	-
Emerging markets	186,154	186,154	-	-
U.S. corporate bonds	3,296,782	-	3,296,782	-
U.S. government agencies	14,982,916	14,982,916	-	-
State of Israel bonds	3,000	-	3,000	-
Total investments	46,378,493	43,078,711	3,299,782	-
Beneficial interest in remainder annuity trusts	1,876,378	-	-	1,876,378
	48,254,871	$ 43,078,711	$ 3,299,782	$ 1,876,378
Cash equivalents	4,239,726			
Total assets	$ 52,494,597			

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interest in Remainder Annuity Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at September 30, 2023:

	Fair Value	Valuation Technique	Unobservable Inputs
Beneficial interest in remainder annuity trusts	$ 1,876,378	Present value of future cash flows	Discount rate

Note 13. Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

AFTAU invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Contributions Receivable

Approximately 59% of contributions receivable is due from four donors.

Contributions

Approximately 36% of all contributions was received from two donors in 2023.

Annuity Obligations

AFTAU utilizes the 2012 IAR mortality tables to determine the liabilities recorded for annuity obligations related to charitable remainder trusts and gift annuities. Due to the uncertainty in these mortality tables, changes in calculated obligations may affect the amounts reported in the accompanying statement of financial position.

Note 14. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2023, comprise the following:

Cash	$ 6,019,476
Certificates of deposit	481,261
Investments	50,618,219
Contributions receivable, net	45,198,707
Total financial assets	102,317,663
Less contributions receivable without donor restrictions due in more than one year	(286,067)
Less donor imposed restrictions funds	(97,447,321)
Less investments held for gift annuities	(2,049,284)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,534,991

AFTAU manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. AFTAU forecasts its future cash flows and monitors its liquidity quarterly.

Note 15. Subsequent Events

Subsequent events have been evaluated through February 19, 2024, which is the date the financial statements were available to be issued.