

# Alexander Muss Institute for Israel Education, Inc.

Consolidated Financial Statements  
Year Ended December 31, 2018

**Alexander Muss Institute for Israel Education, Inc.**

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Consolidated Financial Statements  
Year Ended December 31, 2018

# Alexander Muss Institute for Israel Education, Inc.

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## Independent Auditor's Report

The Board of Directors  
Alexander Muss Institute for Israel Education, Inc.  
Rockville Center, New York

We have audited the accompanying consolidated financial statements of Alexander Muss Institute for Israel Education, Inc. (AMIIE), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Report on Summarized Comparative Information

We have previously audited the 2017 consolidated financial statements of AMIIE and our report, dated May 30, 2018, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alexander Muss Institute for Israel Education, Inc. as of December 31, 2018, 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.

BDO USA, LLP

July 16, 2019

# Alexander Muss Institute for Israel Education, Inc.

## Consolidated Statement of Financial Position (with comparative totals for 2017)

<i>December 31,</i>	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 5,812,613	\$ 5,736,578
Investments (Notes 2 and 5)	117,640	117,759
Contributions receivable	13,910	94,585
Prepaid expenses and other assets	315,476	61,062
Inventory (Note 2)	3,026	21,026
Tuition receivable	390,211	626,264
Beneficial interest in net assets held by Jewish National Fund, United States (Notes 2 and 5)	12,582,972	11,770,358
<b>Total Current Assets</b>	<b>19,235,848</b>	<b>18,427,632</b>
<b>Land Held for Investment</b>	<b>17,710</b>	<b>17,710</b>
<b>Fixed Assets, Net (Note 6)</b>	<b>4,769,243</b>	<b>4,839,552</b>
<b>Total Assets</b>	<b>\$ 24,022,801</b>	<b>\$ 23,284,894</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,098,056	\$ 3,136,952
Deferred income (Note 2)	2,139,647	1,456,358
<b>Total Liabilities</b>	<b>5,237,703</b>	<b>4,593,310</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	5,691,131	5,941,951
With donor restrictions	13,093,967	12,749,633
<b>Total Net Assets</b>	<b>18,785,098</b>	<b>18,691,584</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,022,801</b>	<b>\$ 23,284,894</b>

*See accompanying notes to consolidated financial statements.*

# Alexander Muss Institute for Israel Education, Inc.

## Consolidated Statement of Activities (with comparative totals for 2017)

*Year ended December 31,*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
<b>Revenue</b>				
Tuition and fees	\$ 9,484,492	\$ -	\$ 9,484,492	\$ 9,241,327
Less: financial aid awards	(1,012,056)	-	(1,012,056)	(1,103,582)
<b>Net Tuition and Fees</b>	<b>8,472,436</b>	<b>-</b>	<b>8,472,436</b>	<b>8,137,745</b>
Contributions	1,109,922	993,616	2,103,538	1,307,034
Change in value of beneficial interest in net assets held by Jewish National Fund, United States	-	253,950	253,950	259,292
Net investment income	3,417	(5,119)	(1,702)	15,068
Other revenue	72,645	-	72,645	162,164
Net assets released from restrictions and reclassifications	898,113	(898,113)	-	-
<b>Total Revenue</b>	<b>10,556,533</b>	<b>344,334</b>	<b>10,900,867</b>	<b>9,881,303</b>
<b>Expenses</b>				
Program services: Education	10,179,252	-	10,179,252	9,877,576
Supporting services: Management and general	548,473	-	548,473	583,682
Fundraising	-	-	-	155,304
<b>Total Supporting Services</b>	<b>548,473</b>	<b>-</b>	<b>548,473</b>	<b>738,986</b>
<b>Total Expenses</b>	<b>10,727,725</b>	<b>-</b>	<b>10,727,725</b>	<b>10,616,562</b>
<b>Change in Net Assets Before Other Changes</b>	<b>(171,192)</b>	<b>344,334</b>	<b>173,142</b>	<b>(735,259)</b>
<b>(Loss) Gain on Foreign Currency Translation</b>	<b>(79,628)</b>	<b>-</b>	<b>(79,628)</b>	<b>1,084</b>
<b>Change in Net Assets</b>	<b>(250,820)</b>	<b>344,334</b>	<b>93,514</b>	<b>(734,175)</b>
<b>Net Assets, beginning of year</b>	<b>5,941,951</b>	<b>12,749,633</b>	<b>18,691,584</b>	<b>19,425,759</b>
<b>Net Assets, end of year</b>	<b>\$ 5,691,131</b>	<b>\$ 13,093,967</b>	<b>\$ 18,785,098</b>	<b>\$ 18,691,584</b>

*See accompanying notes to consolidated financial statements.*

# Alexander Muss Institute for Israel Education, Inc.

## Statement of Functional Expense (with comparative totals for 2017)

*Year ended December 31,*

	Program Services		Supporting Services	
	Education	Management and General Expenses	Total	
			2018	2017
Salaries and wages	\$ 3,953,039	\$ 151,375	\$ 4,104,414	\$ 4,030,062
Employee benefits	288,804	27,845	316,649	131,418
<b>Total Salaries and Benefits</b>	<b>4,241,843</b>	<b>179,220</b>	<b>4,421,063</b>	<b>4,161,480</b>
Advertising and promotion	38,048	-	38,048	32,934
Professional fees	110,516	34,514	145,030	147,732
Office expense	58,964	83,101	142,065	306,078
Information technology	128,417	7,857	136,274	9,747
Occupancy	11,551	30,000	41,551	33,600
Travel	107,173	484	107,657	180,531
Conferences, conventions, and meetings	11,029	-	11,029	27,327
Bank charges	-	176,974	176,974	112,037
Depreciation and amortization	560,506	-	560,506	600,996
Insurance	37,656	36,323	73,979	74,398
Housing	2,475,829	-	2,475,829	2,014,977
Transportation	1,148,541	-	1,148,541	1,639,776
Student services	152,949	-	152,949	138,765
Security	123,203	-	123,203	160,632
Dormitory Maintenance	384,550	-	384,550	237,000
Airfare	548,454	-	548,454	660,861
Miscellaneous	40,023	-	40,023	77,691
<b>Total</b>	<b>\$ 10,179,252</b>	<b>\$ 548,473</b>	<b>\$ 10,727,725</b>	<b>\$ 10,616,562</b>

*See accompanying notes to consolidated financial statements.*



# Alexander Muss Institute for Israel Education, Inc.

## Consolidated Statement of Cash Flows (with comparative totals for 2017)

<i>Year ended December 31,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 93,514	\$ (734,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	560,506	600,996
Net depreciation (appreciation) in fair value of investments	119	(12,699)
Change in value of beneficial interest in net assets held by Jewish National Fund, United States	(253,950)	(259,292)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	80,675	(21,763)
Inventory	18,000	(842)
Prepaid expenses and other assets	(18,361)	(404,729)
Beneficial interest in net assets held by Jewish National Fund, United States	(558,665)	1,086,260
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(38,896)	310,891
Deferred income	683,290	(140,443)
<b>Net Cash Provided by Operating Activities</b>	<b>566,232</b>	<b>424,204</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	-	5,529
Purchase of fixed assets	(490,197)	(384,972)
<b>Net Cash Used in Investing Activities</b>	<b>(490,197)</b>	<b>(379,443)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>76,035</b>	<b>44,761</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>5,736,578</b>	<b>5,691,817</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,812,613</b>	<b>\$ 5,736,578</b>

*See accompanying notes to consolidated financial statements.*

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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### 1. Nature of Organization

Alexander Muss Institute for Israel Education, Inc. (AMIIE) provides an Israel educational experience to students. This experience brings 4,000 years of Israel's history to life.

AMIIE d/b/a Alexander Muss High School in Israel, or AMHSI, is a Section 501(c)(3) Florida not-for-profit organization registered to do business in New York and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code). AMIIE is also exempt from state and local income taxes.

On January 30, 2014, AMIIE's by-laws were amended and restated authorizing Jewish National Fund (Keren Kayemeth Lelsrael), Inc. (JNF) Board of Directors to appoint all members of the AMIIE Board of Directors (see Note 3).

A related entity, Jewish National Fund-USA, Inc. (JNF-USA), was incorporated on September 4, 2018. JNF and JNF-USA are related through common board control. JNF-USA, the new related entity, had no activity in fiscal year 2018.

On April 27, 1998, the American Seminar in Israel Ltd. (the Seminar), a property-holding company associated with AMIIE - Israeli Branch, entered into voluntary liquidation. According to the Memorandum of Association of the Seminar, upon its liquidation it is obliged to give or to transfer the assets remaining after satisfaction of all its debts and liabilities to some other institution having objectives similar to the objectives of the Seminar, such institution to be determined by the Members of the Seminar. The Members of the Seminar have resolved to approve the transfer by the liquidator of the Seminar without consideration of all the assets of the Seminar to AMIIE - Israeli Branch. The Seminar was liquidated on December 31, 2006.

The Seminar's assets, recorded on its books at a value of \$562,051 (cost of \$1,214,599 less accumulated depreciation of \$652,548), were transferred to AMIIE - Israeli Branch at a nominal value of \$1.

### 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AMIIE and the Seminar (collectively, the School). All intercompany balances and transactions have been eliminated in consolidation.

### 3. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The consolidated financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based in the existence or absence of donor-imposed restrictions. This requires that the amounts for each of the classes of net assets—with donor restriction and without donor restriction—be

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

Net asset classifications are defined as follows:

*Without Donor Restrictions* - the part of net assets that is not restricted by donor-imposed stipulations.

*With Donor Restrictions* - net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations, time and/or purpose restrictions. The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the School to expend the income generated by the assets in accordance with provisions of additional donor-imposed stipulations or a Board-approved spending policy.

See Note 7 for more information on the composition of net assets with donor restrictions and the release of restrictions.

### *Cash and Cash Equivalents*

Cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less from the date of purchase.

### *Financial Instruments and Fair Value*

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the School would use in pricing the School's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the School are traded. The School estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use, as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

*Level 1* - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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*Level 3* - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investment income, including realized and unrealized gains and losses, earned on net assets with donor restrictions upon which restrictions have been placed by donors, is reflected in the consolidated statement of activities. Investment return is reported net of direct internal and external investment expenses.

### *Inventory*

Inventory, which consists of books and supplies, is stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

### *Beneficial Interest in JNF*

AMIIE follows the provisions of ASC 958, "Not-for-Profit Entities." ASC 958 requires that a specified beneficiary (AMIIE) recognize its rights to the assets held by a recipient organization (JNF) when the recipient organization raises or holds contributions on behalf of the specified beneficiary.

### *Fixed Assets, Net*

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. The current estimated useful lives are as follows:

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Building and building improvements	5-25 years
Furniture, fixtures and equipment	3-25 years

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Leasehold improvements are depreciated over the shorter of their useful lives or the remainder of the lease period.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### *Impairment of Long-Lived Assets*

The Organization follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires the School to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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asset are less than the carrying amount of that asset. For the year ended December 31, 2018, there have been no such losses.

### *Tuition and Fees/Deferred Income*

Tuition and fees are recognized during the period (i.e., session) to which they pertain. The portion of tuition and fees collected in advance is reflected as deferred income until earned, which is mostly within one year.

### *Contributions*

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue, in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides, based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are charged to bad debt when they are deemed to be uncollectible based upon a periodic review of the accounts by management. The School writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received. As of December 31, 2018, contributions receivable of \$13,910 are expected to be collected within one year.

Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are also recognized as increases in net assets with donor restrictions.

Conditional promises to give and intentions to give are not recognized until they become unconditional that is, when the conditions on which they depend are substantially met

### *Functional Expenses*

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. See Note 10 for additional information.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with US 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 revenues and expenses. Actual results could differ from those estimates.

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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### *Comparative Financial Information*

The consolidated financial statements are not comparative but include certain prior-year summarized comparative information. With respect to the consolidated statement of activities, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AMIE's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### *Concentrations of Credit Risk*

Cash and cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could affect the School's consolidated financial statements. The School maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits; however, the School does not anticipate nonperformance by these financial institutions.

### *Income Taxes*

The School qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Code and as a non-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required. The School has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2018.

The School adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on the School's consolidated financial statements. The School does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2018, there was no interest or penalties recorded or included in the consolidated statement of activities. The School is subject to routine audits by taxing authorities.

### *Foreign Currency Translation*

Foreign currency is translated in accordance with ASC 830, "Foreign Currency Matters." Under the provisions of ASC 830, the local currency used in the School's foreign operations is considered to be the functional currency of these operations. Assets and liabilities denominated in New Israeli Shekels (NIS) are translated to U.S. dollars (USD) using the exchange rate in effect at the date of the statement of financial position. Revenues, expenses, gains and losses are translated using the exchange rate at the time of the transaction. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements.

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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The cumulative foreign currency translation loss is included in net assets without donor restrictions.

### *Accounting Pronouncements Issued but Not Yet Adopted*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the School until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

### *Recently Adopted Accounting Pronouncement*

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The School has adopted this ASU as of and for the year ended December 31, 2018.

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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### 4. Beneficial Interest in Net Assets Held by Jewish National Fund, United States

In September 2013, an agreement was entered into between JNF and AMIIE (the Agreement) that amended AMIIE's by-laws effective January 30, 2014, authorizing JNF's Board of Directors to appoint all members of the AMIIE Board of Directors. The provisions of the Agreement further established the creation of a new \$5 million fund with funds received from the Chair of the AMIIE Board (the Muss Fund) and a separate matching fund of \$5 million pledged from JNF (the JNF Fund). The funds are held and administered by JNF and restricted for the administration and operation of AMHSI for specific purposes, as outlined in the Agreement. As of December 31, 2018, the Muss Fund and JNF Fund totaled \$5,845,252 and \$5,000,000, respectively.

Because JNF has oversight over AMIIE and holds significant resources that must be used for their benefit, JNF and AMIIE are considered to be financially interrelated under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-20. In accordance with this guidance, JNF records an asset and contribution revenue when it receives assets from a donor on behalf of AMIIE and AMIIE records its respective interest in the net assets of JNF and the changes in its interest using a method similar to the equity method of accounting. As of December 31, 2018, AMIIE has recorded a beneficial interest in net assets held by JNF of \$12,582,972 on the accompanying consolidated statement of financial position. Additionally, AMIIE received additional funds of approximately \$1,799,000 from JNF during 2018 that are included as part of contributions revenue in the accompanying consolidated statement of activities.

### 5. Investments

Investments held by the School as of December 31, 2018 consist of funds managed by the Greater Miami Jewish Federation (GMJF). Such non-exchange traded investments are carried at fair value, as determined by GMJF, and are categorized as Level 3 within the fair value hierarchy.

The methods and procedures used to value these investments may include but are not limited to: (1) performing comparisons with prices of comparable or similar securities, (2) obtaining valuation-related information from issuers and/or (3) obtaining other analytical data relating to the investment and using other available indications of value, absent readily available market values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below sets forth a summary of changes in fair value of Level 3 assets:

*Year ended December 31, 2018*

Balance, beginning of year	\$	117,759
Net depreciation in fair value of investments		(119)
<b>Balance, end of year</b>	<b>\$</b>	<b>117,640</b>



# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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### 6. Fixed Assets, Net

Fixed assets consisted of the following:

*December 31, 2018*

Building and building improvements	\$	9,993,704
Furniture, fixtures and equipment		349,452
		<hr/>
		10,343,156
Less: accumulated depreciation and amortization		(5,573,913)
	\$	<hr/>
		4,769,243

### 7. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

*December 31, 2018*

Restricted for specific purposes:		
Goldstein Building	\$	170,000
Scholarships		220,036
Beneficial interest in net assets of JNF		12,582,972
Restricted in perpetuity:		
Scholarships		120,959
	\$	<hr/>
		13,093,967

During 2018, net assets in the amount of \$898,113 were released from restrictions principally in support of scholarships, capital projects and beneficial interest in net assets held by JNF.

### 8. Endowment Funds

#### *General*

The School's endowment consists of donor-restricted endowment funds established principally for the award of scholarships for participants for Israel programs and the acquisition of educational technology. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

AMIIE is a Florida State not-for-profit corporation operating with its principal office located in the State of New York. AMIIE is subject to the enacted Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which sets forth the standards under which endowment funds generally are to be managed, accumulated and appropriated for expenditure, consistent with explicit donor restrictions or stipulations where they exist. AMIIE classifies as net assets with donor restrictions held in perpetuity, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not restricted in perpetuity is classified as net assets with donor restrictions until such amounts are appropriated for expenditure by AMIIE in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, AMIIE considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds: the purpose, duration and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of AMIIE and the investment policy of AMIIE.

### *Return Objectives, Strategies Employed and Spending Policy*

The objective of the School is to maintain, over a period of time, the value of the amounts contributed. To this end, the endowment funds are managed by GMJF and are invested for total return in a diversified portfolio of stocks, bonds and alternative investments so as to prudently achieve long-term return objectives. The School's endowment funds spending policy is to disburse annually an amount equal to 5% of a fund's average year-end balances for the prior three calendar years. As a measure of prudence, no such disbursements were made in 2018, given the losses sustained by these funds in prior periods due to market conditions.

Endowment net asset composition by type of fund is as follows:

#### *December 31, 2018*

	With Donor Restrictions
Donor-restricted funds	\$ 117,640

The endowment consists of funds managed by the Greater Miami Jewish Federation (GMJF). Such nonexchange-traded investments are carried at fair value, as determined by GMJF, and are categorized as Level 3 within the fair value hierarchy.

Changes in endowment net assets are as follows:

#### *Year ended December 31, 2018*

	With Donor Restrictions
Endowment Net Assets, beginning of year	\$ 117,759
Investment return	(119)
Endowment Net Assets, end of year	\$ 117,640

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the School to retain as a fund of permanent duration. At December 31, 2018, the fair value of the funds was \$3,319 below the required level.

# Alexander Muss Institute for Israel Education, Inc.

## Notes to Consolidated Financial Statements

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### 9. Liquidity and Availability of Resources

The School's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

*December 31, 2018*

Cash and cash equivalents	\$	5,812,613
Investments		117,640
Contributions receivable		13,910
Inventory		3,026
Tuition receivable		390,211
Beneficial Interest in Jewish National Fund		12,582,972
<b>Total Financial Assets Available Within One Year</b>		<b>18,920,372</b>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		(12,973,008)
Restricted by donors in perpetuity		(120,959)
<b>Total Amounts Available for General Expenditures Within One Year</b>	\$	<b>5,826,405</b>

### *Liquidity Management*

The School has a policy to structure its financial assets to be available as its investment in renovation of school buildings and equipment upgrades, general expenditures, liabilities and other obligations become due. In addition, the School invests some cash in excess of such requirements in short-term bank deposits, all of which can be liquidated within 12 months. Furthermore, JNF provides support to the School to help cover operating expenses.

### 10. Methods Used for Allocation of Expenses

Direct expenses are assigned to the various programs and supporting services based upon actual costs incurred. The financial statements also report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses are allocated based upon various allocation factors including square footage occupied and time and effort. Depreciation is allocated based on estimated use of square footage. Other expenses such as salaries and wages are allocated based on estimates of time and effort.

### 11. Subsequent Events

The School evaluated its December 31, 2018 consolidated financial statements for subsequent events through July 16, 2019, the date the consolidated financial statements were available to be issued. The School is not aware of any material subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.