

ISRAEL TENNIS CENTERS FOUNDATION, INC.

AS OF DECEMBER 31, 2020

U.S. DOLLARS

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REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS

ISRAEL TENNIS CENTERS FOUNDATION, INC.

We have audited the accompanying statements of Israel Tennis Centers Foundation, Inc. (the "Foundation"), as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. These financial statements are the responsibility of the Foundation board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Israel Tennis Centers Foundation, Inc. as of December 31, 2020 and 2019, 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.

Tel-Aviv, Israel
July 7, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

ISRAEL TENNIS CENTERS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

U.S. dollars

	Note	December 31,	
		2020	2019
		U.S. dollars	
ASSETS:			
Cash and cash equivalents		1,798,358	1,462,710
Investments	4	16,625,055	17,635,166
Contributions receivable - net	5	2,841,354	3,226,545
Prepaid expenses and other assets		36,765	96,507
Equipment - net	7	7,145	9,912
Charitable gift annuity receivable	8	76,745	158,363
Cash surrender value of life insurance		336,598	332,837
TOTAL ASSETS		21,722,020	22,922,040
LIABILITIES:			
Accounts payable and accrued expenses		175,779	117,381
Revolving line of credit	9	1,264,792	2,925,792
Charitable gift annuity payable	8	437,258	472,028
TOTAL LIABILITIES		1,877,829	3,515,201
NET ASSETS:			
<u>Without donor restriction:</u>			
Operating fund		(4,063,761)	(5,493,259)
Board designated planned giving fund	11	360,199	370,297
Board designated endowment fund	11	9,462,365	10,063,239
Total net assets without donor restrictions		5,758,803	4,940,277
<u>With donor restrictions:</u>			
With donor restrictions: Restricted for purpose and time	10	6,106,770	6,491,960
Perpetual in nature	10	7,974,604	7,974,604
Total net assets with donor restrictions		14,081,374	14,466,564
TOTAL NET ASSETS		19,840,177	19,406,841
TOTAL LIABILITIES AND NET ASSETS		21,722,020	22,922,040

The accompanying notes are an integral part of these financial statements

July 7, 2021

Date of approval of the
financial statements

Les Corwin
Treasurer

Amy Hendricks
President

STATEMENTS OF ACTIVITIES

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions U.S. dollars	Total	Without Donor Restrictions	With Donor Restrictions U.S. dollars	Total
PUBLIC SUPPORT:						
Contributions	2,292,329	1,390,390	3,682,719	2,382,933	1,748,526	4,131,459
Net assets released from restrictions	1,775,580	(1,775,580)	-	2,286,225	(2,286,225)	-
TOTAL PUBLIC SUPPORT	4,067,909	(385,190)	3,682,719	4,669,158	(537,699)	4,131,459
EXPENSES:						
Program services in Israel	3,483,548	-	3,483,548	5,349,316	-	5,349,316
Management and Administration	181,708	-	181,708	384,561	-	384,561
Fundraising	965,310	-	965,310	1,058,340	-	1,058,340
TOTAL EXPENSES	4,630,566	-	4,630,566	6,792,217	-	6,792,217
OTHER REVENUE AND EXPENSES						
Net investment income	1,398,108	-	1,398,108	2,519,605	-	2,519,605
Change in value of split-interest arrangements	(13,164)	-	(13,164)	(782)	-	(782)
Change in cash surrender value of life insurance	(3,761)	-	(3,761)	14,753	-	14,753
TOTAL OTHER REVENUE AND EXPENSES	1,381,183	-	1,381,183	2,533,576	-	2,533,576
CHANGES IN NET ASSETS	818,526	(385,190)	433,336	410,517	(537,699)	(127,182)
Net assets at beginning of year	4,940,277	14,466,564	19,406,841	4,529,760	15,004,263	19,534,023
NET ASSETS - END OF YEAR	5,758,803	14,081,374	19,840,177	4,940,277	14,466,564	19,406,841

The accompanying notes are an integral part of these financial statements

ISRAEL TENNIS CENTERS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

U.S. dollars

For the Year Ended December 31, 2020					
Supporting Services					
(With Comparative Totals for 2019)					
U.S. dollars					
	Program Services	Management and Administration	Fundraising	Total 2020	Total 2019
Salary and related benefits	338,555	96,260	384,816	819,631	874,674
Grant expense	2,794,460	-	-	2,794,460	4,500,267
Provision for uncollectible accounts	-	-	75,000	75,000	-
Exhibitions and events	17,400	-	148,389	165,789	252,407
Professional fees	71,652	47,061	101,228	219,941	(* 344,374
Printing	-	2,202	7,315	9,517	48,583
Travel	6,410	3,960	8,964	19,334	73,488
Insurance	9,543	3,027	11,069	23,639	18,393
Conferences and meetings	363	374	363	1,100	54,287
Interest and bank charges	62,386	-	10,417	72,803	108,740
Occupancy	26,719	9,422	33,400	69,541	82,496
Computer equipment support	10,057	4,067	10,973	25,097	24,141
Telephone	6,055	2,269	6,359	14,683	18,448
Postage	2,329	2,967	7,661	12,957	33,239
Donor recognition	-	-	799	799	1,168
Marketing	124,060	-	124,059	248,119	(* 278,706
Office supplies	12,183	4,338	32,688	49,209	57,024
Depreciation	1,066	353	1,348	2,767	2,766
Taxes	-	-	(160)	(160)	6,244
Other	310	5,408	622	6,340	12,772
TOTAL EXPENSES	3,483,548	181,708	965,310	4,630,566	6,792,217

*) Reclass.

ISRAEL TENNIS CENTERS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

U.S. dollars

For the Year Ended December 31, 2019					
Supporting Services					
(With Comparative Totals for 2018)					
U.S. dollars					
	Program Services	Management and Administration	Fundraising	Total 2019	Total 2018
Salary and related benefits	333,133	153,482	388,059	874,674	1,105,434
Grant expense	4,500,267	-	-	4,500,267	3,517,637
Provision for uncollectible accounts	-	-	-	-	118,929
Exhibitions and events	49,371	-	203,036	252,407	146,756
Professional fees	89,652	148,219	106,503	(* 344,374	298,147
Printing	6,409	2,265	39,909	48,583	32,157
Travel	24,545	15,660	33,283	73,488	74,242
Insurance	7,100	2,230	9,063	18,393	62,879
Conferences and meetings	17,888	18,430	17,969	54,287	51,790
Interest and bank charges	99,442	-	9,298	108,740	79,837
Occupancy	32,545	9,731	40,220	82,496	76,666
Computer equipment support	9,393	2,988	11,760	24,141	56,435
Telephone	7,332	2,118	8,998	18,448	18,404
Postage	8,108	10,123	15,008	33,239	26,708
Donor recognition	-	-	1,168	1,168	5,680
Marketing	139,353	-	139,353	(* 278,706	66,128
Office supplies	23,041	6,733	27,250	57,024	35,782
Depreciation	1,066	353	1,347	2,766	4,551
Taxes	96	32	6,116	6,244	4,354
Other	575	12,197	-	12,772	25,128
TOTAL EXPENSES	5,349,316	384,561	1,058,340	6,792,217	5,807,644

*) Reclass.

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,	
	2020	2019
	U.S. dollars	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	433,627	(127,182)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for uncollectible accounts	106,368	-
Amortization of discount on contributions receivable	66,761	60,949
Depreciation	2,767	2,766
Net realized and unrealized losses (gains)	(1,151,938)	(2,525,384)
Change in value of split-interest agreements	(13,164)	782
Change in cash surrender value of life insurance policies Change in operating assets and liabilities	3,761	(14,753)
Contributions receivable	345,583	486,750
Inventory	-	24,613
Prepaid expenses and other assets	59,743	(36,781)
Charitable gift annuity receivable	81,617	1,723
Accounts payable and accrued expenses	58,398	8,316
Charitable gift annuity payable	(34,770)	(65,736)
Net Cash Used in Operating Activities	(41,247)	(2,183,937)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments, net	2,037,895	1,295,272
Purchase of equipment	-	(2,133)
Net Cash Provided by Investing Activities	2,037,895	1,293,139
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts from (repayments of) revolving line of credit	(1,661,000)	1,176,000
Net Cash Provided by (Used in) Financing Activities	(1,661,000)	1,176,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - beginning of year	335,648	285,202
	1,462,710	1,177,508
CASH AND CASH EQUIVALENTS - END OF YEAR	1,798,358	1,462,710
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	51,969	90,145

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

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 1:- ORGANIZATION AND NATURE OF ACTIVITIES

Israel Tennis Centers Foundation, Inc. (the "Foundation") (dba Israel Tennis and Education Centers), is incorporated in the State of New York and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and similar provisions at the state level. The Foundation conducts fundraising activities to provide social and health and wellness programs for children of diverse economic, cultural and religious backgrounds in Israel. The Foundation fulfills this purpose primarily by making grants to cover certain program expenses of the Israel Tennis and Education Center ("ITEC"), an Israeli not-for-profit corporation, which operates fourteen tennis centers in Israel to serve approximately 20,000 children annually. ITEC provides a place for youth to develop values and life skills through tennis and education including self-esteem, socialization, sportsmanship skills and the "art" of cooperation among children from multicultural backgrounds.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of Accounting*** – The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation follows accounting principles generally accepted in the United States of America ("U.S. GAAP").
- b. ***Basis of Presentation*** - The Foundation's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:
 - Without donor restrictions - Net assets that are not subject to donor-imposed stipulations. This includes board designated net assets as discussed in Note 11.
 - With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Foundation or the passage of time, stipulations that they be maintained in perpetuity by the Foundation.
- c. ***Cash and Cash Equivalents*** - Cash and cash equivalents include all liquid debt instruments purchased with maturities of 90 days or less.
- d. ***Investments*** – Investment transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the statements of activities. Interest income is recognized when earned and dividends are recorded on the ex-dividend date. Net investment income is recorded as either with or without donor restriction, in accordance with donor intent. Interest, dividends, realized and unrealized gains and losses [collectively "net investment income (loss)"] are included in the accompanying statements of activities as either with or without donor restriction, in accordance with donor intent.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- e. ***Fair Value Measurements*** – Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") "Fair Value Measurement and Disclosures", defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Fair value measurements are 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:
- **Level 1** - Quoted prices in active markets for identical assets or liabilities.
 - **Level 2** - Observable inputs based on quoted prices in inactive markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.
 - **Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the assets or liabilities.
- f. ***Cash Surrender Value of Life Insurance*** - The Foundation is the owner of certain life insurance policies on various donors who have named the Foundation as the beneficiary. The amounts of these policies are adjusted annually based on their present cash surrender value at the end of each year.
- g. ***Inventory*** - Inventory consists of exhibition merchandise and is stated at the lower of cost (first-in, first-out method) or market.
- h. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Foundation capitalizes property and equipment with a cost of \$1,000 or more and a useful life in excess of one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 5 years.
- i. ***Grants Payable*** - Grants are recognized when they are approved by the Executive Officers of the Board of Directors. Any unpaid grants at year end are considered grants payable. Grants payable in more than one year are discounted to their net present value at the time grants are approved. There were no grants payable as of December 31, 2020 and 2019.
- j. ***Contributions*** - Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor or there is an implied time restriction on the use of the assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Unconditional promises to give are recorded at their net realizable value if they are expected to be collected within one year. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates of return applicable to when the promises are received. Amortization of the discounts is included in contribution income. Conditional promises to give are not recorded as support until the conditions are substantially met.

Contributed goods and services meeting certain criteria are recorded as contributions at their estimated fair value at the date of donation. Contributed services are recognized as contributions at their estimated fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Foundation. Volunteers also provide services throughout the year (primarily for fundraising) that are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value as of the date of donation. For the years ended December 31, 2020 and 2019, the Foundation received noncash donations with an estimated fair market value of \$122,967 and \$165,368, respectively.

- k. ***Functional Allocation of Expenses*** – The cost of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenditures are allocated, except those expenditures that are 100% identifiable as a direct cost to program services, management and administrative or fundraising. Expenses are allocated based on full-time equivalencies by office location and department. In addition, certain expenditures are allocated based on fixed rates determined by estimate of time and effort.

- l. ***Use of Estimates*** – The preparation of financial statements in conformity with U.S. 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 and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars****NOTE 3:- LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	1,798,358
Investments	16,625,055
Current portion of contributions receivable	<u>2,841,354</u>
 Total financial assets	 21,264,767
 Donor imposed restrictions:	
Subject to specified purpose or passage of time	(6,106,770)
Endowments perpetual in nature	(7,974,604)
Internal designations:	
Board designated planned giving fund	(360,199)
Board designated endowment fund	<u>(9,462,365)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>(2,639,171)</u></u>

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 60% of annual program funding needs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor- restricted and board-designated (quasi) funds, contributions without donors restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and administration, fundraising expenses and grant commitments expected to be paid in the subsequent year.

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, equity securities and fixed income, and a revolving line of credit. See Notes 4 and 9 for more information about the Foundations investments and revolving line of credit, respectively. In the event the need arises to utilize board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution.

The Foundation's Board of Directors approves the grant budget annually. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenditures for management and administrative, and fundraising expense plus grant commitments approved by the Board.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 4:- INVESTMENTS

Investments and net investment income consist of the following as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
	U.S. dollars	
<u>Investments at Fair Value</u>		
Equity	8,841,896	8,959,317
Fixed income	728,955	860,518
Hedge funds	474,085	1,119,875
Tangible assets	16,175	14,617
State of Israel bonds	6,540,400	6,539,400
Alternative investments	23,544	141,439
	<u>16,625,055</u>	<u>17,635,166</u>
<u>Investment Income</u>		
Interest and dividend income	308,033	408,193
Net realized and unrealized gain (loss) gain	1,151,938	2,159,095
Less management fees	(61,863)	(47,683)
	<u>1,398,108</u>	<u>2,519,605</u>

At December 31, 2020 and 2019, alternative investments represent approximately 0.14% and 0.8% of the Foundation's total investment portfolio. These investments are not publicly traded and do not have readily determinable fair values. Accordingly, the fair values of these investments have been estimated by management based on the net asset value per share (or its equivalent, such as member units or an ownership interest in partner's capital to which a proportionate share of net assets is attributed) of the investment as provided by the respective fund managers. Such amounts could differ significantly from the amounts that could be realized in a current transaction.

The Foundation's alternative investments consisted of the following as of December 31, 2020:

	Fair Value	Unfunded Commitments as of December 31, 2020	Redemption Frequency	Redemption Notice Period
Cerberus International SPV, Ltd	5,889	-	Semi-Annually	120 days
NB Crossroads Fund XVIII -Asset Allocation LP	17,655	-	None Allowed	N/A
	<u>23,544</u>	<u>-</u>		

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 4:- INVESTMENTS (Cont.)

The Foundation's alternative investments consisted of the following as of December 31, 2019:

	Fair Value	Unfunded Commitments as of December 31, 2019	Redemption Frequency	Redemption Notice Period
Cerberus International SPV, Ltd	46,371	-	Semi-Annually	120 days
NB Crossroads Fund XVIII -Asset Allocation LP	95,068	65,000	None Allowed	N/A
	<u>141,439</u>	<u>65,000</u>		

Cerberus International SPV, Ltd ("Cerberus"): Cerberus is a partnership that invests in publicly traded or privately issued debt, equity and equity-related securities, bank debt, mortgage-backed securities, asset-backed securities, other structured finance instruments, pools of loans, loans to distressed companies, distressed real estate and real estate-related securities (including debt secured by real estate). The investment objective of Cerberus is to maximize total return on capital by seeking capital appreciation and, from time to time, current income, through the development and management of a portfolio consisting of a broad range of distressed investments. The Foundation may redeem up to 16.67% of its capital account balance as of any semi-annual redemption date with 120 days' notice. Redemptions in excess of 16.67% will be satisfied over no more than five successive redemption dates in amounts up to 20%, 25%, 33.33%, 50%, and 100% of the Foundation's remaining account balance on each successive redemption date, respectively.

NB Crossroads Fund XVII - Asset Allocation LP and NB Crossroads Fund XVIII - Asset Allocation LP: These limited partnerships were formed for the purpose of acquiring, holding, selling and exchanging, either directly or indirectly, interests in limited partnerships or other pooled investment vehicles that are organized to make investments in venture capital, mid-cap buyout, large-cap buyout, and special situation investment funds, as well as securities, including co-investments. The investment in NB Crossroads Fund XVII - Asset Allocation LP cannot be redeemed until termination of the partnership on March 31, 2017 (extended from March 31, 2016 on March 25, 2016), or prior liquidation at the discretion of the management of the fund. The partnership in NB Crossroads Fund XVII was liquidated as of June 25, 2018. The partnership in NB Crossroads Fund XVIII was extended to March 31, 2019.

In addition to liquidity risks, these alternative investments expose the Foundation to certain other risks, including counterparty risks, economic, and governmental risks, and market risk.

The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities collateralized by mortgage obligations, commercial mortgage backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars****NOTE 4:- INVESTMENTS (Cont.)**

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying investment portfolio.

NOTE 5:- CONTRIBUTIONS RECEIVABLE

Contributions receivable generally consist of pledges from donors that will be received over a period of less than one to more than five years.

Contributions receivable consisted of the following as of December 31:

	December 31,	
	2020	2019
	U.S. dollars	
Contributions receivable, due in		
Less than one year	1,017,462	1,572,918
One to five years	852,343	1,341,879
More than five years	1,676,725	977,317
Total contributions receivable	3,546,530	3,892,114
Allowance for contributions receivable	(633,374)	(527,006)
Unamortized discount to present value	(71,802)	(138,563)
Contributions receivable, net	<u>2,841,354</u>	<u>3,226,545</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate ranging from 2.8% and 2.91%.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars****NOTE 6:-FAIR VALUE MEASUREMENTS**

For financial instruments, including cash equivalents, certain investments, receivables, payables and debt, the carrying amount approximates fair value because of the short maturity of these instruments.

Financial assets carried at fair value as of December 31, 2020 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Equity	8,841,896	-	8,841,896
Fixed income	728,955	-	728,955
Hedge funds	-	474,085	474,085
Tangible assets - Commodities	16,175	-	16,175
State of Israel bonds	-	6,540,400	6,540,400
Subtotal	<u>9,704,447</u>	<u>7,014,485</u>	16,601,511
Alternative investments valued at net asset value per share practical expedient			<u>23,544</u>
Total Assets Carried at Fair Value			<u>16,625,055</u>

Financial assets carried at fair value as of December 31, 2019 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Equity	8,959,317	-	8,959,317
Fixed income	860,518	-	860,518
Hedge funds	-	1,119,875	1,119,875
Tangible assets - Commodities	14,617	-	14,617
State of Israel bonds	-	6,539,400	6,539,400
Subtotal	<u>9,834,452</u>	<u>7,659,275</u>	17,493,727
Alternative investments valued at net asset value per share practical expedient			<u>141,439</u>
Total Assets Carried at Fair Value			<u>17,635,166</u>

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars****NOTE 6:- FAIR VALUE MEASUREMENTS (Cont.)**

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2020 and 2019, there were no transfers.

Realized gains and losses and the changes in unrealized gains and losses for alternative investments held at year- end are included in net investment income in the accompanying statements of activities for the years ended December 31, 2020 and 2019.

NOTE 7:- EQUIPMENT

Equipment consists of the following:

	December 31,	
	2020	2019
	U.S. dollars	
Computer equipment	39,917	39,917
Office equipment	1,086	1,086
Furniture and equipment	13,831	13,831
Total cost	54,834	54,834
Accumulated depreciation	47,689	44,922
Net book value	7,145	9,912

Depreciation expense amounted to \$ 2,767 and \$ 2,766 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8:- CHARITABLE GIFT ANNUITIES

From time to time, the Foundation receives gifts under charitable gift annuities, whereby the donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or parties designated by the donor. The present values of the Foundation's annuity payment obligation to donors at December 31, 2020 and 2019 totaled \$ 437,258 and \$ 472,028, respectively. To minimize the risks associated with some of its charitable gift annuities, the Foundation purchased annuity contracts as a way of fixing its stream of annuity payments to fund its corresponding liabilities.

The income stream generated by these annuity contracts are used to fund the Foundation's obligations to its donors under the charitable gift annuities. The annuity contracts are recorded in the Statements of Financial Position as charitable gift annuity receivables in the amount of \$ 76,745 and \$ 158,363 at December 31, 2020 and 2019, respectively. The annuity payments receivable is valued initially at the present value of the estimated future stream of cash to be received. These annuity contracts do not relieve the Foundation from its obligations to its donors.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 8:- CHARITABLE GIFT ANNUITIES (Cont.)

Failure of the underlying insurance companies to honor their obligations could result in losses to the Foundation. The Foundation evaluates the financial condition of its insurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the insurance company to minimize its exposure of significant losses from insolvencies. As of December 31, 2020, and 2019, the Foundation believe an allowance for uncollectible amounts is 50%.

All other Charitable Gift Annuity assets are held by Northern Trust Bank under an agreement whereby they maintain custody of the assets, invest them, and disburse annual annuity payments to the donors. The annual annuity payment amounts are derived based on uniform gift annuity rates as adopted by the American Council on Gift Annuities. The present value of the annuity payment obligation was calculated using Ordinary Life Annuities - Expected Return Multiple Tables published by the Internal Revenue Service with discount rates ranging of 5%.

Adjustments to the annuity liability reflect amortization of the discounts and changes in the life expectancies of the donors and are recognized as changes in the value of split-interest agreements in unrestricted net assets. Upon the death of the donors, the corresponding annuity liability will be closed and a change in the value of split-interest agreements will be recognized.

NOTE 9:- REVOLVING LINE OF CREDIT

The Foundation obtained a \$2,500,000 revolving line of credit from a certain bank on June 3, 2013, which was increased to \$3,500,000 in a May 6, 2014 amendment to the credit agreement. The revolving line of credit bears interest at the LIBOR daily floating rate plus a margin of 1.75%. The revolving line of credit is collateralized by certain investments maintained by the Foundation with balances aggregating \$3,500,000 and \$6,927,189 as of December 31, 2020 and 2019, respectively. The principal amount of the revolving line of credit is due upon demand and interest is payable every month. As of December 31, 2020, and 2019, the outstanding principal balance on the revolving line of credit was \$1,264,792 and \$2,925,792, respectively.

For the years ended December 31, 2020 and 2019, interest expense related to the revolving line of credit amounted to \$ 51,969 and \$ 90,145, respectively.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 10:- NET ASSETS WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose and the passage of time at:

	December 31,	
	2020	2019
	U.S. dollars	
Unconditional promises to give, net	2,841,355	3,226,545
Support of international junior tennis tournaments	998,538	998,538
Advanced training programs	144,922	144,922
Designated grants	2,087,457	2,087,457
Donor special intentions	34,498	34,498
	<u>6,106,770</u>	<u>6,491,960</u>

The net assets with donor restrictions listed above are accounted for in the Eisenberg Challenger Fund, the Ben and Joyce E. Eisenberg Fund, the Liza Krulik Fund and various other funds used to track donations subject to donor-imposed restrictions.

The Eisenberg Challenger Fund and Ben B. and Joyce E. Eisenberg Fund were established in connection with the Eisenberg Funds noted below. The purpose of these funds is to account for the income of the net assets with donor restrictions, which is used to fund a tennis tournament, the Eisenberg Challenger Cup, and the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center.

In 1995, the Foundation created the Liz and Larry Krulik Fund, upon the request of the two contributors, with a contribution of stock valued at \$500,000 on the date of the donation. The purpose of this fund is to sponsor two International Junior Tennis Tournaments in Israel in connection with the International Tennis Federation's world circuit for children.

Endowments subject to the Foundation's spending policy and appropriation at December 31:

	December 31,	
	2020	2019
	U.S. dollars	
Sponsorship of Eisenberg Challenger Cup in Israel	573,604	573,604
Endowment for Programs for Children with Developmental and Physical Disabilities	650,000	650,000
Endowment for Clay Courts at ITC Ramat Hasharon	250,000	250,000
Support of Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center and general operational expenses	<u>6,501,000</u>	<u>6,501,000</u>
	<u>7,974,604</u>	<u>7,974,604</u>

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 10:- NET ASSETS WITH DONOR RESTRICTIONS (Cont.)

The endowments listed above consist of the Eisenberg Challenger Fund, Ben B. and Joyce E. Eisenberg Israel Tennis Center Fund, the Ettenberg Family Foundation endowment for programs for children with developmental and physical disabilities and the Endowment for clay courts at ITC Ramat Hasharon. The Eisenberg Challenger Fund and the Ben B. and Joyce E. Eisenberg Israel Tennis Center Fund are donor restricted endowments invested in mutual funds and Israel Bonds whose income is transferable for use pursuant to the stipulations of the donors. Once those stipulations are satisfied this income is transferred to net assets without donor restrictions.

The income related to the Ettenberg Family Foundation endowment is to be used for programs related to children with developmental and physical disabilities. This contribution, net of collections, is included in contributions receivable.

The Eisenberg Challenger Fund was established in 1990 upon the request of a donor. It was created with a donation of \$1,000,000, of which \$500,000 was subsequently released by the donors to be used for operations. The income generated from this fund is to be used to fund a tennis tournament, the Eisenberg Challenger Cup, in Israel.

In 1992, the Foundation established the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center Fund at the request of the donor. The purpose of this fund is to finance the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center. The fund was initially established by a \$2,000,000 contribution. A second contribution in the amount of \$5,000,000 was subsequently made, of which \$500,000 was subsequently released by the donor to be used for operations. Additional contributions totaling \$74,604 were subsequently added to these funds. The income generated from this fund is to be used first to fund the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center and the remainder, if any, is to be added to the unrestricted operating fund.

The endowment for clay courts at ITC Ramat Hasharon was established by a donor in 2014. The income to be generated from this endowment is to be used to maintain the clay courts at ITC Ramat Hasharon in perpetuity. During 2015, the donor agreement was amended to allow for the transfer to Israel of \$50,000 for clay court renovation to be performed in 2016. The funds were transferred to Israel in December 2015.

NOTE 11:- ENDOWMENTS

The Foundation adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor- restricted perpetual endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. In addition, in accordance with U.S. GAAP, any unappropriated earnings on endowment funds that would otherwise be considered net assets without donor restrictions by the donor should be reflected as net assets with donor restrictions until appropriated by the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars**NOTE 11:- ENDOWMENTS (Cont.)**

The Foundation's endowments consist of a number of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument (if applicable) at the time the accumulation is added to the fund, and (d) the portion of investment return added to the perpetual endowment to maintain its purchasing power, if required.

The Foundation classifies as net assets with donor restrictions (a) the portion of donor-restricted term endowment funds that is deemed to be restricted over a donor-specified period, and (b) the portion of donor-restricted endowment funds with donor-imposed purpose restrictions that have not yet been met.

Board Designated Funds

The Board Designated Endowment Fund was initially established by the Board of Directors through a transfer of net assets without donor restrictions from the Operating Fund. In subsequent years, additional transfers have been made from the Operating Fund to the Endowment Fund with Board approval. The principal balance in this fund is to be maintained unless otherwise designated by the Board. At December 31, 2020 and 2019, board-designated assets consisted of the net assets in the Board Designated Planned Giving Fund and a Board Designated Endowment Fund totaling \$ 9,822,564 and \$ 10,433,536, respectively.

Endowment net asset composition at December 31, 2020 and 2019, included \$ 9,462,365 and \$ 10,063,239, respectively, of board-designated endowment funds included in net asset without donor restrictions. Endowment funds with donor restrictions amounted to \$ 7,974,604 as of December 31, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 11:- ENDOWMENTS (Cont.)

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2020:

	Without Donor Restriction Board Designated Planned Giving Fund	Without Donor Restriction Board Designated Endowment Fund	With Donor Restriction Perpetual Endowment	Total
	U.S. dollars			
Net investment income (loss)	6,827	1,241,560	149,721	1,398,108
Contribution non-cash	-	123,536	-	123,536
Expenditure of endowment assets	-	(1,965,970)	(149,721)	(2,115,691)
Other changes:				
Change in value of split-interest arrangement	(13,164)	-	-	(13,164)
Change in value of life insurance policies	(3,761)	-	-	(3,761)
Change in endowment net assets	(10,098)	(600,874)	-	(610,972)
Balance at beginning of year	370,297	10,063,239	7,974,604	18,408,140
Balance at end of year	360,199	9,462,365	7,974,604	17,797,168

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restriction Board Designated Planned Giving Fund	Without Donor Restriction Board Designated Endowment Fund	With Donor Restriction Perpetual Endowment	Total
	U.S. dollars			
Net investment income (loss)	113,479	2,241,533	164,593	2,519,605
Contribution non-cash	-	122,967	-	122,967
Expenditure of endowment assets	-	(1,295,272)	(164,593)	(1,459,865)
Other changes:				
Change in value of split-interest arrangement	(782)	-	-	(782)
Change in value of life insurance policies	14,753	-	-	14,753
Change in endowment net assets	127,450	1,069,228	-	1,196,678
Balance at beginning of year	242,847	8,994,011	7,974,604	17,211,462
Balance at end of year	370,297	10,063,239	7,974,604	18,408,140

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the value of the original gift as of the gift date of its donor- restricted endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified purpose, as well as board-designated funds.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 11:- ENDOWMENTS (Cont.)

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce the maximum yield possible, while assuming a relatively low level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy based on a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Annual Allocation to be distributed to the Israel Tennis Centers from the Endowment Fund is generally funded as follows: first, from contributions collected, net of costs incurred to fund the Foundation's operations, and second, to the extent there is a deficit in funding the Annual Allocation, an amount not to exceed 7% of the three year rolling average of the fair market value of the Endowment Fund (as of December 31 each year), up to a maximum of \$1.5 million. The Foundation's Endowment Committee and Board may make additional "emergency" or "special" allocations from the Endowment Fund beyond the Annual Allocation amount. In establishing its spending policy, the Foundation considered the long-term expected return on its endowment. The Foundation's policy is to spend the income earned on the endowment assets, and not spend any of the endowment principal, except as needed for emergency purposes.

Investment return on perpetual endowment funds are recognized as donor restricted until appropriated by the Board of Directors. For the years ended December 31, 2020 and 2019 investment income amounted to \$ 149,721 and \$ 164,593, respectively.

NOTE 12:- RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Foundation made grants to the ITC of \$ 2,797,429 and \$ 4,500,267, respectively.

NOTE 13:- CONCENTRATIONS

- a. Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$410,000 and \$410,000, as of December 31, 2020 and 2019, respectively. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.
- b. Pledges receivable from two donors accounted for approximately 59% and 48% of the gross contribution receivables as of December 31, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 14:- EVENTS IN THE REPORTING PERIOD

In the first half of 2020, the world has been dealing with an event which has extensive global macroeconomic implications due to the outbreak of the Coronavirus (Covid-19) which led to a major global market crisis.

Numerous countries including USA have adopted drastic policies and measures in an attempt to prevent the virus from spreading such as imposing various restrictions on civilian travel and transportation, on social gatherings, closing down state borders etc. The Foundation is closely monitoring the implications of the event and the steps taken by the government authorities on its business activity in USA and is assessing the inherent risks and exposures arising from such implications.

The prolongation of the crisis and/or the aggravation of the steps taken to prevent the Coronavirus' spread are likely to have a material adverse effect on the USA economy as well as on the economies of numerous countries around the world.

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