ISRAEL TENNIS CENTERS FOUNDATION, INC.

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

ISRAEL TENNIS CENTERS FOUNDATION, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Israel Tennis Centers Foundation, Inc.

We have audited the accompanying financial statements of Israel Tennis Centers Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2M to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
November 12, 2019

Morison KSi
Independent member

ISRAEL TENNIS CENTERS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,177,508	$ 1,737,053
Investments	16,405,837	18,332,518
Contributions receivable - net	3,774,244	4,295,533
Inventory	24,613	24,135
Prepaid expenses and other assets	59,727	40,705
Equipment - net	10,545	2,985
Charitable gift annuity receivable	160,086	158,629
Cash surrender value of life insurance	318,084	315,251
TOTAL ASSETS	$ 21,930,644	$ 24,906,809
LIABILITIES		
Accounts payable and accrued expenses	$ 109,065	$ 136,288
Revolving line of credit	1,749,792	2,225,827
Charitable gift annuity payable	537,764	557,457
TOTAL LIABILITIES	2,396,621	2,919,572
NET ASSETS		
Without donor restriction:		
Operating fund	(4,707,098)	(4,788,560)
Board designated planned giving fund	242,847	312,814
Board designated endowment fund	8,994,011	11,192,528
Total net assets without donor restriction	4,529,760	6,716,782
With donor restrictions:		
Restricted for purpose and time	7,029,659	7,295,851
Perpetual in nature	7,974,604	7,974,604
Total net assets with donor restrictions	15,004,263	15,270,455
TOTAL NET ASSETS	19,534,023	21,987,237
TOTAL LIABILITIES AND NET ASSETS	$ 21,930,644	$ 24,906,809

ISRAEL TENNIS CENTERS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Without Donor Restriction	**With Donor Restriction**	**Total**	**Without Donor Restriction**	**With Donor Restriction**	**Total**
PUBLIC SUPPORT:						
Contributions	$ 1,973,161	2,095,457	$ 4,068,618	$ 1,422,593	3,553,023	$ 4,975,616
Net assets released from restrictions	2,361,649	(2,361,649)	-	3,072,832	(3,072,832)	-
TOTAL PUBLIC SUPPORT	4,334,810	(266,192)	4,068,618	4,495,425	480,191	4,975,616
EXPENSES:						
Program services in Israel	4,340,038	-	4,340,038	4,197,648	-	4,197,648
Management and Administration	433,366	-	433,366	417,089	-	417,089
Fundraising	1,034,240	-	1,034,240	1,020,655	-	1,020,655
TOTAL EXPENSES	5,807,644	-	5,807,644	5,635,392	-	5,635,392
OTHER REVENUE AND EXPENSES						
Net investment (loss) income	(684,063)	-	(684,063)	2,111,094	-	2,111,094
Change in value of split-interest arrangements	(32,958)	-	(32,958)	(190,570)	-	(190,570)
Change in cash surrender value of life insurance	2,833	-	2,833	(18,386)	-	(18,386)
TOTAL OTHER REVENUE AND EXPENSES	(714,188)	-	(714,188)	1,902,138	-	1,902,138
CHANGES IN NET ASSETS	(2,187,022)	(266,192)	(2,453,214)	762,171	480,191	1,242,362
Net assets at beginning of year	6,716,782	15,270,455	21,987,237	5,954,611	14,790,264	20,744,875
NET ASSETS - END OF YEAR	$ 4,529,760	$ 15,004,263	$ 19,534,023	$ 6,716,782	$ 15,270,455	$ 21,987,237

ISRAEL TENNIS CENTERS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	For the Year Ended December 31, 2018				
		Supporting Services			
	Program Services	Management and Administration	Fundraising	Total 2018	Total 2017
Salaries	$ 369,971	$ 168,053	$ 404,717	$ 942,741	$ 1,001,535
Payroll taxes and fringe benefits	57,486	36,377	68,830	162,693	194,485
Total salaries and related costs	427,457	204,430	473,547	1,105,434	1,196,020
Grant expense	3,517,637	-	-	3,517,637	3,485,151
Provision for uncollectible accounts	-	118,929	-	118,929	117,012
Exhibitions and events	24,307	-	122,449	146,756	158,830
Professional fees	126,589	36,571	134,987	298,147	80,112
Printing	813	1,025	30,319	32,157	31,518
Travel	33,993	2,397	37,852	74,242	70,666
Insurance	24,408	4,465	34,006	62,879	18,982
Conferences and meetings	14,023	13,852	23,915	51,790	44,194
Interest and bank charges	59,554	6,085	14,198	79,837	93,403
Occupancy	28,307	17,737	30,622	76,666	77,090
Computer equipment support	20,845	10,459	25,131	56,435	37,422
Telephone	6,737	2,277	9,390	18,404	5,004
Postage	241	1,966	24,501	26,708	28,411
Donor recognition	-	-	5,680	5,680	10,896
Marketing	33,064	-	33,064	66,128	53,160
Office supplies	12,939	6,571	16,272	35,782	37,038
Depreciation	1,674	882	1,995	4,551	15,907
Taxes	105	55	4,194	4,354	3,917
Other	7,345	5,665	12,118	25,128	70,659
TOTAL EXPENSES	$ 4,340,038	$ 433,366	$ 1,034,240	$ 5,807,644	$ 5,635,392

ISRAEL TENNIS CENTERS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	For the Year Ended December 31, 2017			
		Supporting Services		
	Program Services	Management and Administration	Fundraising	Total 2017
Salaries	$ 375,008	$ 175,038	$ 451,489	$ 1,001,535
Payroll taxes and fringe benefits	72,822	33,990	87,673	194,485
Total salaries and related costs	447,830	209,028	539,162	1,196,020
Grant expense	3,485,151	-	-	3,485,151
Provision for uncollectible accounts	-	117,012	-	117,012
Exhibitions and events	25,506	-	133,324	158,830
Professional fees	13,295	19,991	46,826	80,112
Printing	30	65	31,423	31,518
Travel	30,681	7,219	32,766	70,666
Insurance	6,681	3,306	8,995	18,982
Conferences and meetings	14,178	14,178	15,838	44,194
Interest and bank charges	69,277	12,063	12,063	93,403
Occupancy	27,398	14,105	35,587	77,090
Computer equipment support	12,918	5,864	18,640	37,422
Telephone	147	33	4,824	5,004
Postage	47	437	27,927	28,411
Donor recognition	-	-	10,896	10,896
Marketing	-	-	53,160	53,160
Office supplies	13,342	7,237	16,459	37,038
Depreciation	5,704	2,774	7,429	15,907
Taxes	-	-	3,917	3,917
Other	45,463	3,777	21,419	70,659
TOTAL EXPENSES	$ 4,197,648	$ 417,089	$ 1,020,655	$ 5,635,392

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

ISRAEL TENNIS CENTERS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (2,453,214)	$ 1,242,362
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for uncollectible accounts	118,929	117,012
Discount on contributions receivable	(62,282)	(9,206)
Depreciation	4,551	15,907
Loss on disposal of equipment	1,719	-
Net realized and unrealized losses (gains)	1,007,890	(1,781,107)
Change in value of split-interest agreements	32,958	190,570
Change in cash surrender value of life insurance policies	(2,833)	18,386
Change in operating assets and liabilities		
Contributions receivable	464,642	(90,660)
Inventory	(478)	(10,277)
Prepaid expenses and other assets	(19,022)	5,582
Charitable gift annuity receivable	(1,457)	7,734
Accounts payable and accrued expenses	(27,223)	25,705
Grants payable	-	(189,500)
Charitable gift annuity payable	(52,651)	(211,317)
Net Cash Used in Operating Activities	(988,471)	(668,809)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,627,056)	(2,900,482)
Proceeds from sale of investments	2,545,847	4,410,284
Purchase of equipment	(13,830)	-
Net Cash Provided by Investing Activities	904,961	1,509,802
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments from revolving line of credit	(476,035)	(528,844)
Net Cash Used in Financing Activities	(476,035)	(528,844)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(559,545)	312,149
Cash and cash equivalents - beginning of year	1,737,053	1,424,904
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,177,508	$ 1,737,053
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 59,270	$ 69,277

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 – SUMMARY OF 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.

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 expands 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 was no grants payable as of December 31, 2018 and 2017.

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.

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, 2018 and 2017, the Foundation received noncash donations with an estimated fair market value of $165,368 and $58,214, 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.

M. ***Changes in Accounting Principle*** – FASB Accounting Standards Update ("ASU") 2016-14, N*ot-for-Profit Entities Topic 958 Presentation of Financial Statements of Not-for-Profit Entitles* was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquidity resources and functional expense allocation. These changes had no impact on the change in net assets for the year ended December 31, 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of implementing ASU 2016-14, the Foundation provides additional information about liquidity (see Note 3) and the methodologies used to allocate expenses by function (see Note 2K). Net assets as of December 31, 2017 were reclassified to conform to the current year presentation.

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	$ 1,177,508
Investments	16,405,837
Current portion of contributions receivable	1,217,760
Total financial assets	18,801,105
Donor imposed restrictions:	
Subject to specified purpose or passage of time	(7,029,659)
Endowments perpetual in nature	(7,974,604)
Internal designations:	
Board designated planned giving fund	(242,847)
Board designated endowment fund	(8,994,011)
Financial assets available to meet cash needs for general expenditures within one year	$ (5,440,016)

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. Board designated funds of $452,000 were used for capital projects in Israel during the year ended December 31, 2018.

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.

NOTE 4 – INVESTMENTS

Investments and net investment income consists of the following as of December 31, 2018 and 2017:

	2018	2017
Investments at Fair Value		
Equity	$ 7,771,167	$ 9,475,347
Fixed income	851,088	912,192
Hedge funds	1,053,577	1,078,734
Tangible assets	12,106	13,933
State of Israel bonds	6,540,400	6,540,400
Alternative investments	177,359	311,912
Total Investments	$ 16,405,837	$ 18,332,518
Investment Income		
Interest and dividend income	$ 387,276	$ 378,735
Net realized gain	217,211	779,710
Net unrealized (loss) gain	(1,225,101)	1,001,397
Less management fees	(63,449)	(48,748)
Net Investment Income	$ (684,063)	$ 2,111,094

At December 31, 2018 and 2017, alternative investments represent approximately 1.1% and 1.7% 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, 2018:

	Fair Value	Unfunded Commitments as of December 31, 2018	Redemption Frequency	Redemption Notice Period
Cerberus International SPV, Ltd	$ 67,745	$ -	Semi-Annually	120 days
NB Crossroads Fund XVIII - Asset Allocation LP	109,614	65,000	None Allowed	N/A
	$ 177,359	$ 65,000		

The Foundation's alternative investments consisted of the following as of December 31, 2017:

	Fair Value	Unfunded Commitments as of December 31, 2017	Redemption Frequency	Redemption Notice Period
Cerberus International SPV, Ltd	$ 144,744	$ -	Semi-Annually	120 days
NB Crossroads Fund XVII – Asset Allocation LP	13,755	50,000	None Allowed	N/A
NB Crossroads Fund XVIII - Asset Allocation LP	153,4135	65,000	None Allowed	N/A
	$ 311,912	$ 115,000		

NOTE 4 – INVESTMENTS (Continued)

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.

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 five years.

Contributions receivable consisted of the following as of December 31:

	2018	2017
Contributions receivable, due in:		
Less than one year	$ 1,217,760	$ 1,504,766
One to five years	1,829,911	2,241,757
More than five years	1,155,691	1,111,840
Total contributions receivable	4,203,362	4,585,363
Allowance for contributions receivable	(351,504)	(422,934)
Unamortized discount to present value	(77,614)	(139,896)
Contributions receivable, net	$ 3,774,244	$ 4,295,533

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 2.46% and 2.69%.

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, 2018 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
Investments:			
Equity	$ 7,771,167	$ -	$ 7,771,167
Fixed income	851,088	-	851,088
Hedge funds	-	1,053,577	1,053,577
Tangible assets - Commodities	12,106	-	12,106
State of Israel bonds	-	6,540,400	6,540,400
Subtotal	$ 8,634,361	$ 7,593,977	16,228,338
Alternative investments valued at net asset value per share practical expedient			177,359
Total Assets Carried at Fair Value			$ 16,405,837

Financial assets carried at fair value as of December 31, 2017 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
Investments:			
Equity	$ 9,475,347	$ -	$ 9,475,347
Fixed income	912,182	-	912,182
Hedge funds	-	1,078,734	1,078,734
Tangible assets - Commodities	13,943	-	13,943
State of Israel bonds	-	6,540,400	6,540,400
Subtotal	$ 10,401,472	$ 7,619,134	18,020,606
Alternative investments valued at net asset value per share practical expedient			311,912
Total Assets Carried at Fair Value			$ 18,332,518

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. 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, 2018 and 2017, 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, 2018 and 2017.

NOTE 7 – EQUIPMENT

Equipment consists of the following as of December 31:

	2018	2017
Computer equipment	$ 39,917	$ 100,385
Office equipment	1,086	28,469
Furniture and equipment	11,698	14,967
Total cost	52,701	143,821
Accumulated depreciation	42,156	140,836
Net book value	$ 10,545	$ 2,985

NOTE 7 – EQUIPMENT (Continued)

Depreciation expense amounted to $4,551 and $15,907 for the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2018 equipment with a cost of fully depreciated equipment in the amount of $104,950 and accumulated depreciation of $103,231 was written off. There were no equipment write-offs for the year ended December 31, 2017.

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, 2018 and 2017 totaled $537,764 and $557,457, 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 $160,086 and $158,629 at December 31, 2018 and 2017, 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.

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, 2018 and 2017, the Foundation does not believe an allowance for uncollectible amounts is necessary.

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 from 5.1% to 9.7%.

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 $6,927,189 and $9,400,357 as of December 31, 2018 and 2017, respectively. The principal amount of the revolving line of credit is due upon demand and interest is payable every month. As of December 31, 2018 and 2017, the outstanding principal balance on the revolving line of credit was $1,749,792 and $2,225,827, respectively.

For the years ended December 31, 2018 and 2017, interest expense related to the revolving line of credit amounted to $59,270 and $69,277, respectively. As of November 12, 2019, the outstanding principal balance on the revolving line of credit is $2,925,792.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose and the passage of time at December 31:

	2018	2017
Unconditional promises to give, net	$ 3,764,244	$ 4,295,534
Support of international junior tennis tournaments	998,538	1,079,094
Advanced training programs	144,922	136,922
Designated grants	2,087,457	1,749,803
Donor special intentions	34,498	34,498
	$ 7,029,659	$ 7,295,851

The net assets with donor restrictions listed above are accounted for in the Eisenberg Challenger Fund, the Ben N. 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:

	2018	2017
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	6,501,000	6,501,000
	$ 7,974,604	$ 7,974,604

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.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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.

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 Designed 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, 2018 and 2017, board-designated assets consisted of the net assets in the Board Designated Planned Giving Fund and a Board Designated Endowment Fund totaling $9,236,858 and $11,505,342, respectively.

Endowment net asset composition at December 31, 2018 and 2017, included $8,994,011 and $11,192,528, 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, 2018 and 2017.

NOTE 11 – ENDOWMENTS (Continued)

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restriction Board Designated Planned Giving Fund	Without Donor Restriction Board Designated Endowment Fund	With Donor Restriction Perpetual Endowment	Total
Net investment income (loss)	$ (39,842)	$ (797,657)	$ 153,460	$ (684,039)
Contribution (Note 9)	-	111,140	-	111,140
Expenditure of endowment assets	-	(1,512,000)	(153,460)	(1,665,460)
Other changes:				
Change in value of split-interest arrangement	(32,958)	-	-	(32,958)
Change in value of life insurance policies	2,833	-	-	2,833
Change in endowment net assets	(69,967)	(2,198,517)	-	(2,268,484)
Balance at beginning of year	312,814	11,192,528	7,974,604	19,479,946
Balance at end of year	$ 242,847	$ 8,994,011	$ 7,974,604	$17,211,462

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2017:

	Without Donor Restriction Board Designated Planned Giving Fund	Without Donor Restriction Board Designated Endowment Fund	With Donor Restriction Perpetual Endowment	Total
Net investment income	$ 61,815	$ 1,908,067	$ 127,305	$ 2,907,187
Contribution (Note 9)	-	507,478	-	507,478
Expenditure of endowment assets	-	(1,703,286)	(127,305)	(1,830,591)
Other changes:				
Change in value of split-interest arrangement	(190,570)	-	-	(190,570)
Change in value of life insurance policies	(18,386)	-	-	(18,386)
Change in endowment net assets	(147,141)	712,259	-	565,118
Balance at beginning of year	459,955	10,480,269	7,974,604	18,914,828
Balance at end of year	$ 312,814	$ 11,192,528	$ 7,974,604	$ 19,479,946

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. 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).

NOTE 11 – ENDOWMENTS (Continued)

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, 2018 and 2017 investment income amounted to $153,460 and $127,305, respectively.

NOTE 12 – COMMITMENT AND CONTINGENCIES

The Foundation leases office space and equipment under several non-cancellable operating leases expiring in various months through July 2021. Rent charged to expense amounted to $76,666 and $77,090 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rentals due under non-cancellable operating leases as of December 31, 2018 were as follows:

2019	76,780
2020	32,702
	$109,482

The Foundation has no uncertain tax positions as of December 31, 2018 and 2017 in accordance with Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the Foundation made grants to the ITC of approximately $3,517,000 and $3,600,000, respectively. In 2018 and 2017, the Foundation paid additional program expenses of approximately $39,000 in 2017 related to the ITC to support operations.

NOTE 14 – EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution pension plan (the “Plan”) for all full-time employees. Full-time employees are eligible for participation in the Plan the first day of the month after they are employed. The Foundation contributed $27,315 and $27,218 to the Plan for the years ended December 31, 2018 and 2017, respectively. In 2016, the Foundation reduced its contribution from 6% to 3% of gross payroll for full-time employees.

NOTE 15 – 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 $858,000, as of December 31, 2018 and 2017, 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 58% and 49% of the gross contribution receivables as of December 31, 2018 and 2017, respectively.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through November 12, 2019, the date the financial statements were available to be issued.