

# ISRAEL TENNIS CENTERS FOUNDATION, INC.



Financial Statements  
(Together with Independent Auditors' Report)

Years Ended December 31, 2016 and 2015

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

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## 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, 2016 and 2015, 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, 2016 and 2015, 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.

*Marks Paneth LLP*

New York, NY  
June 8, 2017

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,424,904	\$ 1,215,894
Investments	18,061,213	17,777,250
Contributions receivable - net	4,312,679	3,161,680
Inventory	13,858	13,039
Prepaid expenses and other assets	46,287	69,208
Equipment - net	18,892	36,996
Charitable gift annuity receivable	166,363	220,015
Cash surrender value of life insurance	333,637	332,727
 <b>TOTAL ASSETS</b>	 <b>\$ 24,377,833</b>	 <b>\$ 22,826,809</b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 110,583	\$ 144,465
Revolving line of credit	2,754,671	2,724,671
Grants payable	189,500	-
Charitable gift annuity payable	578,204	647,016
 <b>TOTAL LIABILITIES</b>	 3,632,958	 3,516,152
 <b>NET ASSETS</b>		
Unrestricted		
Board designated planned giving fund	527,893	454,071
Board designated endowment fund	10,480,269	10,305,707
Operating fund	(5,053,551)	(4,826,675)
Total unrestricted net assets	5,954,611	5,933,103
Temporarily restricted	6,815,660	5,402,950
Permanently restricted	7,974,604	7,974,604
 <b>TOTAL NET ASSETS</b>	 20,744,875	 19,310,657
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 24,377,833</b>	 <b>\$ 22,826,809</b>

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

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>For the Year Ended December 31, 2016</u>				<u>For the Year Ended December 31, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT:</b>								
Contributions:	\$ 1,825,228	4,053,547	\$ -	\$ 5,878,775	\$ 2,445,212	1,809,585	\$ -	\$ 4,254,797
Net assets released from restrictions	<u>2,640,837</u>	<u>(2,640,837)</u>	<u>-</u>	<u>-</u>	<u>1,679,080</u>	<u>(1,629,080)</u>	<u>(50,000)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>4,466,065</u>	<u>1,412,710</u>	<u>-</u>	<u>5,878,775</u>	<u>4,124,292</u>	<u>180,505</u>	<u>(50,000)</u>	<u>4,254,797</u>
<b>EXPENSES:</b>								
Program services in Israel	3,712,903	-	-	3,712,903	3,449,185	-	-	3,449,185
Management and Administration	432,210	-	-	432,210	334,217	-	-	334,217
Fundraising	<u>1,068,551</u>	<u>-</u>	<u>-</u>	<u>1,068,551</u>	<u>942,431</u>	<u>-</u>	<u>-</u>	<u>942,431</u>
<b>TOTAL EXPENSES</b>	<u>5,213,664</u>	<u>-</u>	<u>-</u>	<u>5,213,664</u>	<u>4,725,833</u>	<u>-</u>	<u>-</u>	<u>4,725,833</u>
<b>OTHER REVENUE AND EXPENSES</b>								
Net investment (loss) income	801,341	-	-	801,341	(46,564)	-	-	(46,564)
Change in value of split-interest arrangements	(33,144)	-	-	(33,144)	31,371	-	-	31,371
Change in cash surrender value of life insurance	<u>910</u>	<u>-</u>	<u>-</u>	<u>910</u>	<u>4,917</u>	<u>-</u>	<u>-</u>	<u>4,917</u>
<b>TOTAL OTHER REVENUE AND EXPENSES</b>	<u>769,107</u>	<u>-</u>	<u>-</u>	<u>769,107</u>	<u>(10,276)</u>	<u>-</u>	<u>-</u>	<u>(10,276)</u>
<b>CHANGE IN NET ASSETS</b>	21,508	1,412,710	-	1,434,218	(611,817)	180,505	(50,000)	(481,312)
Net assets at beginning of year	<u>5,933,103</u>	<u>5,402,950</u>	<u>7,974,604</u>	<u>19,310,657</u>	<u>6,544,920</u>	<u>5,222,445</u>	<u>8,024,604</u>	<u>19,791,969</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,954,611</u>	<u>\$ 6,815,660</u>	<u>\$ 7,974,604</u>	<u>\$ 20,744,875</u>	<u>\$ 5,933,103</u>	<u>\$ 5,402,950</u>	<u>\$ 7,974,604</u>	<u>\$ 19,310,657</u>

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

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Comparative Totals for 2015)

	<u>For the Year Ended December 31, 2016</u>					<u>Total 2015</u>
	<u>Supporting Services</u>			<u>Total 2016</u>		
	<u>Program Services</u>	<u>Management and Administration</u>	<u>Fundraising</u>			
Salaries	\$ 521,479	\$ 169,431	\$ 423,435	\$ 1,114,345	\$ 980,108	
Payroll taxes and fringe benefits	<u>107,257</u>	<u>34,848</u>	<u>87,153</u>	<u>229,258</u>	<u>248,614</u>	
<b>Total salaries and related costs</b>	628,736	204,279	510,588	1,343,603	1,228,722	
Grant expense	2,705,144	-	-	2,705,144	2,706,107	
Provision for uncollectible accounts	-	124,834	-	124,834	44,047	
Exhibitions and Events	185,335	-	292,531	477,866	185,516	
Professional fees	6,200	12,400	22,921	41,521	60,009	
Printing	-	589	29,644	30,233	29,037	
Travel	20,706	6,904	24,689	52,299	43,947	
Insurance	9,783	2,932	9,671	22,386	25,305	
Conferences and meetings	15,289	15,262	17,106	47,657	32,079	
Interest and bank charges	62,969	14,049	14,049	91,067	80,723	
Occupancy	32,298	11,535	33,046	76,879	74,862	
Computer equipment support	14,911	3,651	17,366	35,928	32,405	
Telephone	7,569	-	12,056	19,625	22,319	
Postage	-	7,815	17,429	25,244	17,017	
Donor recognition	-	-	13,438	13,438	49,458	
Marketing	4,600	-	29,611	34,211	41,193	
Office supplies	10,080	3,082	11,704	24,866	21,944	
Depreciation	7,911	2,372	7,821	18,104	16,955	
Taxes	-	-	3,460	3,460	3,823	
Other	<u>1,372</u>	<u>22,506</u>	<u>1,421</u>	<u>25,299</u>	<u>10,365</u>	
<b>TOTAL EXPENSES</b>	<u>\$ 3,712,903</u>	<u>\$ 432,210</u>	<u>\$ 1,068,551</u>	<u>\$ 5,213,664</u>	<u>\$ 4,725,833</u>	

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	For the Year Ended December 31, 2015			
	Supporting Services			Total
	Program Services	Management and Administration	Fundraising	
Salaries	\$ 453,833	\$ 156,353	\$ 369,922	\$ 980,108
Payroll taxes and fringe benefits	115,119	39,660	93,835	248,614
<b>Total salaries and related costs</b>	568,952	196,013	463,757	1,228,722
Grant expense	2,706,107	-	-	2,706,107
Provision for uncollectible accounts	-	44,047	-	44,047
Exhibitions and Events	-	-	185,516	185,516
Professional fees	8,205	25,472	26,332	60,009
Printing	-	610	28,427	29,037
Travel	29,803	2,492	11,652	43,947
Insurance	7,791	8,651	8,863	25,305
Conferences and meetings	8,345	8,345	15,389	32,079
Interest and bank charges	50,683	15,020	15,020	80,723
Occupancy	32,334	11,503	31,025	74,862
Computer equipment support	10,417	3,327	18,661	32,405
Telephone	8,979	1,869	11,471	22,319
Postage	172	1,858	14,987	17,017
Donor recognition	-	-	49,458	49,458
Marketing	-	-	41,193	41,193
Office supplies	9,094	3,008	9,842	21,944
Depreciation	6,941	2,117	7,897	16,955
Taxes	-	3,823	-	3,823
Other	1,362	6,062	2,941	10,365
<b>TOTAL EXPENSES</b>	<b>\$ 3,449,185</b>	<b>\$ 334,217</b>	<b>\$ 942,431</b>	<b>\$ 4,725,833</b>

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,434,218	\$ (481,312)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Provision for uncollectible accounts	124,834	44,047
Discount on contributions receivable	87,366	(15,448)
Depreciation	18,104	16,955
Net realized and unrealized (gains) losses	(481,091)	340,764
Change in value of split-interest agreements	33,144	(31,371)
Change in cash surrender value of life insurance policies	(910)	(4,917)
Change in operating assets and liabilities		
Contributions receivable	(1,363,199)	417,435
Inventory	(819)	19,684
Prepaid expenses and other assets	22,921	(56,384)
Charitable gift annuity receivable	53,652	23,431
Accounts payable and accrued expenses	(33,882)	46,689
Grants payable	189,500	(289,277)
Charitable gift annuity payable	(101,956)	(4,821)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(18,118)</b>	<b>25,475</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(3,778,943)	(8,248,820)
Proceeds from sale of investments	3,976,071	7,828,179
Purchase of equipment	-	(29,632)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>197,128</b>	<b>(450,273)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from revolving line of credit	30,000	174,786
<b>Net Cash Provided by Financing Activities</b>	<b>30,000</b>	<b>174,786</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>209,010</b>	<b>(250,012)</b>
Cash and cash equivalents - beginning of year	1,215,894	1,465,906
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,424,904</b>	<b>\$ 1,215,894</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 62,970	\$ 50,684

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



**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES**

Israel Tennis Centers Foundation, Inc. (the "Foundation"), 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 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 Center ("ITC"), an Israeli not-for-profit corporation, which operates fourteen tennis centers in Israel to serve approximately 20,000 children annually. ITC provides a place for youth to develop values and life skills through tennis 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 and Use of Estimates*** - 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:
- Unrestricted net assets – Net assets represents those resources that have no donor restrictions as to their use or the donor imposed restrictions have expired.
  - Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by the actions of the Foundation or the passage of time.
  - Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained intact 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 unrestricted or temporarily restricted, 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 unrestricted or temporarily restricted, in accordance with donor intent.
- E. ***Fair Value Measurements*** – The Fair Value Measurement and Disclosures Topic of the FASB ASC ("Topic 820"), 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.

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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. As of December 31, 2016 the grant payable amounted to \$189,500 and is due to be paid in the subsequent year, therefore, no discounting was necessary. There was no grant payable as of December 31, 2015.
- 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 unrestricted use unless specifically restricted by the donor or there is an implied time restriction on the use of the assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 goods and services are recognized as contributions at their estimated fair value if the goods and 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, 2016 and 2015, the Foundation received noncash donations with an estimated fair market value of \$120,004 and \$750,060, respectively.

- K. **Functional Allocation of Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- L. **Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. **Reclassifications** - Certain prior year functional allocations between program, management and general and fundraising have been reclassified to conform to the current year presentation.

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 – INVESTMENTS**

Investments and net investment income consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Investments at Fair Value</u>		
Equity	\$ 8,119,729	\$ 7,999,261
Fixed income	1,011,722	846,585
Hedge funds	766,133	747,943
Real estate (REITs)	794,857	759,504
Tangible assets	279,117	91,310
State of Israel bonds	6,540,400	6,540,400
Alternative investments	<u>549,255</u>	<u>792,247</u>
Total Investments	<u>\$ 18,061,213</u>	<u>\$ 17,777,250</u>
<u>Investment Income</u>		
Interest and dividend income	\$ 366,901	\$ 350,330
Net realized gain	118,336	449,899
Net unrealized gain (loss)	362,755	(790,663)
Less management fees	<u>(46,651)</u>	<u>(56,130)</u>
Net Investment (loss) Income	<u>\$ 801,341</u>	<u>\$ (46,564)</u>

At December 31, 2016 and 2015, alternative investments represent approximately 3% and 4% 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, 2016:

	<u>Fair Value</u>	<u>Unfunded Commitments as of December 31, 2016</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Cerberus International SPV, Ltd NB Crossroads Fund XVII – Asset Allocation LP	\$ 242,604	\$ -	Semi-Annually	120 days
NB Crossroads Fund XVIII - Asset Allocation LP	112,786	50,000	None Allowed	N/A
	<u>193,865</u>	<u>65,000</u>	None Allowed	N/A
	<u>\$ 549,255</u>	<u>\$ 115,000</u>		

The Foundation's alternative investments consisted of the following as of December 31, 2015:

	<u>Fair Value</u>	<u>Unfunded Commitments as of December 31, 2015</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Cerberus International SPV, Ltd NB Crossroads Fund XVII – Asset Allocation LP	\$ 359,888	\$ -	Semi-Annually	120 days
NB Crossroads Fund XVIII - Asset Allocation LP	171,675	50,000	None Allowed	N/A
	<u>260,684</u>	<u>65,000</u>	None Allowed	N/A
	<u>\$ 792,247</u>	<u>\$ 115,000</u>		

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 – 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 XVIII was extended to March 31, 2018.

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 4 – CONTRIBUTIONS RECEIVABLE**

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

At December 31, 2016 and 2015, contributions receivable consisted of the following:

	2016	2015
Contributions receivable, due in:		
Less than one year	\$ 1,922,368	\$ 1,388,117
One to five years	2,696,554	2,141,059
More than five years	242,500	14,337
Total contributions receivable	4,861,422	3,543,513
Allowance for contributions receivable	(399,642)	(312,276)
Unamortized discount to present value	(149,101)	(69,557)
Contributions receivable, net	\$ 4,312,679	\$ 3,161,680

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 1.38% and 2.66%.

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
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**NOTE 5 – 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, 2016 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity	\$ 8,119,729	\$ -	\$ -	\$ 8,199,729
Fixed income	1,011,722	-	-	1,011,722
Hedge funds	-	766,133	-	766,133
Real estate - REITs	794,857	-	-	794,857
Tangible assets - Commodities	279,117	-	-	279,117
State of Israel bonds	-	6,540,400	-	6,540,400
Alternative investments	-	-	549,255	549,255
Total Assets Carried at Fair Value	<u>\$ 10,205,425</u>	<u>\$ 7,306,533</u>	<u>\$ 549,255</u>	<u>\$ 18,061,213</u>

Financial assets carried at fair value as of December 31, 2015 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity	\$ 7,999,261	\$ -	\$ -	\$ 7,999,261
Fixed income	846,585	-	-	846,585
Hedge funds	-	747,943	-	747,943
Real estate - REITs	759,504	-	-	759,504
Tangible assets - Commodities	91,310	-	-	91,310
State of Israel bonds	-	6,540,400	-	6,540,400
Alternative investments	-	-	792,247	792,247
Total Assets Carried at Fair Value	<u>\$ 9,696,660</u>	<u>\$ 7,288,343</u>	<u>\$ 792,247</u>	<u>\$ 17,777,250</u>

The changes in the fair value of alternative investments for the years ended December 31, 2016 and 2015 for which the Foundation has classified as Level 3 are as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 792,247	\$ 1,107,294
Redemption/Distribution	(257,594)	(329,252)
Realized and unrealized gain	<u>14,602</u>	<u>14,205</u>
Balance, end of year	<u>\$ 549,255</u>	<u>\$ 792,247</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. 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, 2016 and 2015, 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, 2016 and 2015.

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
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**NOTE 6 – EQUIPMENT**

Equipment consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 100,385	\$ 100,385
Office equipment	28,469	28,469
Furniture and equipment	<u>14,967</u>	<u>14,967</u>
Total cost	143,821	143,821
Accumulated depreciation	<u>124,929</u>	<u>106,825</u>
Net book value	<u>\$ 18,892</u>	<u>\$ 36,996</u>

Depreciation expense amounted to \$18,104 and \$16,955 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 7 – 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, 2016 and 2015 totaled \$578,204 and \$647,016, 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 \$166,363 and \$220,015 at December 31, 2016 and 2015, 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, 2016 and 2015, 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 8 – 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 accounts maintained by the Foundation with the bank with balances aggregating \$9,479,696 and \$9,644,097 as of December 31, 2016 and 2015, respectively. The principal amount of the revolving line of credit is due upon demand and interest is payable every month. As of December 31, 2016 and 2015, the outstanding principal balance on the revolving line of credit were \$2,754,671 and \$2,724,671, respectively.

For the years ended December 31, 2016 and 2015 interest expense related to the revolving line of credit amounted to \$62,970 and \$50,684, respectively.

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**NOTE 9 – RESTRICTED NET ASSETS**

**Temporarily Restricted**

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Unconditional promises to give, net	\$ 4,018,442	\$ 2,640,835
Support of international junior tennis tournaments	1,162,992	1,237,992
Advanced training programs	128,172	108,172
Designated grants	1,474,325	1,378,348
Donor special intentions	31,729	37,603
	\$ 6,815,660	\$ 5,402,950

The Foundation's temporarily restricted net assets are accounted for in the Eisenberg Challenger Fund, the Ben B. and Joyce E. Eisenberg Fund, the Liza and Larry 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 permanently restricted Eisenberg Funds. The purpose of these funds is to account for the income of the permanently restricted funds, which is to be 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.

**Permanently Restricted**

Permanently restricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
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

Permanently restricted net assets 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 permanently restricted endowments invested in mutual funds and Israel Bonds whose income is transferable to temporarily restricted net assets for use pursuant to the stipulations of the donors. Once those stipulations are satisfied this income is transferred to unrestricted net assets. 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.

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
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**NOTE 9 – RESTRICTED NET ASSETS (Continued)**

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 10 – 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 permanent 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 unrestricted by the donor should be reflected as temporarily restricted 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 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent 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 permanent endowment to maintain its purchasing power, if required.

The Foundation classifies as temporarily restricted net assets (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 unrestricted assets 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, 2016 and 2015, board-designated assets consisted of the net assets in the Board Designated Planned Giving Fund and a Board Designated Endowment Fund totaling \$11,008,162 and \$10,759,778 respectively.

Endowment net asset composition at December 31, 2016 and 2015, included \$10,480,269 and \$10,305,707, respectively, of board-designated endowment funds included in unrestricted net assets. Permanently restricted endowment funds amounted to \$7,974,604 as of December 31, 2016 and 2015, respectively.



**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
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**NOTE 10 – ENDOWMENTS (Continued)**

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2016:

	Board Designated Planned Giving Fund	Board Designated Endowment Fund	Permanently Restricted	Total
Net investment income (loss)	\$ 38,118	\$ 646,804	\$ -	\$ 684,922
Contribution (Note 9)		542,594	-	542,594
Expenditure of endowment assets	-	(1,014,836)	-	(1,014,836)
Other changes:				
Change in value of split-interest arrangement	(33,144)	-	-	(33,144)
Change in value of life insurance policies	910	-	-	910
Change in endowment net assets	5,884	174,562	-	180,446
Balance at beginning of year	<u>454,071</u>	<u>10,305,707</u>	<u>7,974,604</u>	<u>18,734,382</u>
Balance at end of year	<u>\$ 459,955</u>	<u>\$ 10,480,269</u>	<u>\$ 7,974,604</u>	<u>\$ 18,914,828</u>

The following schedule summarizes the changes in endowment net assets for the year ended December 31, 2015:

	Board Designated Planned Giving Fund	Board Designated Endowment Fund	Permanently Restricted	Total
Net investment income (loss)	\$ (15,564)	\$ (153,376)	\$ -	\$ (168,940)
Contribution (Note 9)	100,000	527,520	-	627,520
Expenditure of endowment assets	(25,055)	(80,000)	(50,000)	(155,055)
Other changes:				
Change in value of split-interest arrangement	31,371	-	-	31,371
Change in value of life insurance policies	4,917	-	-	4,917
Change in endowment net assets	95,669	294,144	(50,000)	339,813
Balance at beginning of year	<u>358,402</u>	<u>10,011,563</u>	<u>8,024,604</u>	<u>18,394,569</u>
Balance at end of year	<u>\$ 454,071</u>	<u>\$ 10,305,707</u>	<u>\$ 7,974,604</u>	<u>\$ 18,734,382</u>

**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).

**ISRAEL TENNIS CENTERS FOUNDATION, INC.**  
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**NOTE 10 – 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 permanently restricted endowment funds is recognized directly as unrestricted. For the years ended December 31, 2016 and 2015 investment income amounted to \$115,921 and \$122,124, respectively.

**NOTE 11 – COMMITMENT AND CONTINGENCIES**

- a) The Foundation leases office space and equipment under several non-cancellable operating leases expiring in various months through July 2020. Rent charged to expense amounted to \$76,879 and \$74,862 for the years ended December 31, 2016 and 2015, respectively.

Future minimum rentals due under non-cancellable operating leases as of December 31, 2016 were as follows:

2017	85,118
2018	49,377
2019	2,110
2020	1,319
	<u>\$ 137,924</u>

- b) **Income Taxes** - The Foundation has no uncertain tax positions as of December 31, 2016 and 2015 in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2016 and 2015, the Foundation made grants to the ITC of approximately \$2,700,000. In 2016 and 2015, the Foundation paid additional program expenses of approximately \$0 and \$2,000, respectively, related to the ITC to support operations.

**NOTE 13 – 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 \$24,942 and \$58,488 to the Plan for the years ended December 31, 2016 and 2015, respectively. In 2016, the foundation reduced it's contribution from 6% to 3% of gross payroll for full-time employees.

**NOTE 14 – CONCENTRATIONS**

Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$886,000 and \$711,000, respectively as of December 31, 2016 and 2015, respectively. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.

**NOTE 15– SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through June 8, 2017, the date the financial statements were available to be issued.