KPMG

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Financial Statements

December 31, 2019
(With summarized comparative financial information as of and for the year ended December 31, 2018)

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

To the Board of Directors
Hadassah, The Women's Zionist Organization of America, Inc.:

We have audited the accompanying consolidated financial statements of Hadassah, The Women's Zionist Organization of America, Inc. and related entities (the Organization), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hadassah, The Women's Zionist Organization of America, Inc. and related entities as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

August 4, 2020

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Balance Sheet

December 31, 2019
(with comparative financial information as of December 31, 2018)

Assets	**2019**	**2018**
Cash and cash equivalents	$ 72,526,350	56,679,167
Accounts receivable for medical services, net (note 5)	133,826,657	135,714,762
Accrued interest income and other receivables	2,663,192	5,913,565
Prepaid expenses and other assets (notes 10 and 15)	49,703,310	52,970,200
Contributions and bequests receivable, net (notes 3 and 6)	21,871,392	26,828,012
Investments (notes 3, 4, 10 and 15)	799,770,443	661,873,038
Investments of charitable gift annuities held by Hadassah (notes 3 and 4)	48,663,702	46,765,741
Assets of trusts and other split-interest agreements held by others (notes 3 and 4)	30,059,110	20,558,402
Property, plant, and equipment, net (notes 7, 13, and 14)	812,783,833	740,453,666
Total assets	$ 1,971,867,989	1,747,756,553
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 10)	$ 181,363,557	165,311,078
Short-term debt (notes 12 and 13)	5,114,789	4,703,597
Liabilities under deferred giving and annuity trust arrangements	40,450,738	44,394,359
Malpractice and other liabilities (note 10)	117,885,555	108,972,336
Accrued employees' benefits liabilities (note 11)	151,173,936	135,295,072
Advance from Government of Israel (note 15)	—	5,658,208
Loan from Government of Israel (note 15)	28,939,623	26,613,086
Long-term debt (note 13)	6,422,859	10,610,105
Total liabilities	531,351,057	501,557,841
Commitments and contingencies (note 14)		
Net assets (notes 8 and 9):		
Without donor restrictions	1,028,272,348	890,670,858
With donor restriction	412,244,584	355,527,854
Total net assets	1,440,516,932	1,246,198,712
Total liabilities and net assets	$ 1,971,867,989	1,747,756,553

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Activities

December 31, 2019
(with summarized comparative financial information for the year ended December 31, 2018)

	2019			2018
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Revenue:				
Patient service revenue (note 5)	$ 667,754,342	—	667,754,342	641,911,294
Contributions and bequests (note 3)	37,446,012	85,760,201	123,206,213	118,709,080
Change in value of split-interest agreements	949,495	5,416,070	6,365,565	(7,963,602)
Investment return, net	70,756,975	29,497,900	100,254,875	(21,372,324)
Net income from recovery agreement (note 15)	67,294,336	—	67,294,336	26,209,286
Income from affiliation agreement	10,730,453	—	10,730,453	10,779,210
Government grants	1,115,514	—	1,115,514	1,009,898
Other revenue	15,149,689	249	15,149,938	11,425,463
Net assets released from restrictions	75,073,549	(75,073,549)	—	—
Total revenue	946,270,365	45,600,871	991,871,236	780,708,305
Expenses:				
Program services:				
Medical services	660,376,484	—	660,376,484	624,828,143
Education and research	70,005,083	—	70,005,083	64,753,099
Youth programs	302,971	—	302,971	1,354,451
Magazine	1,860,283	—	1,860,283	1,811,465
Membership services	7,968,619	—	7,968,619	7,374,672
Communications and public affairs	3,566,498	—	3,566,498	3,097,522
Total program services	744,079,938	—	744,079,938	703,219,352
Supporting services:				
Fundraising	12,036,102	—	12,036,102	11,247,244
Management and general	104,956,002	—	104,956,002	93,454,551
Total supporting services	116,992,104	—	116,992,104	104,701,795
Total expenses	861,072,042	—	861,072,042	807,921,147
Increase (decrease) in net assets before foreign currency translation gain (loss) and other changes	85,198,323	45,600,871	130,799,194	(27,212,842)
Foreign currency translation gain (loss)	53,555,743	9,963,283	63,519,026	(58,301,228)
Reclassification of funds and other changes	(1,152,576)	1,152,576	—	—
Increase (decrease) in net assets	137,601,490	56,716,730	194,318,220	(85,514,070)
Net assets at beginning of year	890,670,858	355,527,854	1,246,198,712	1,331,712,782
Total net assets, end of year	$ 1,028,272,348	412,244,584	1,440,516,932	1,246,198,712

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST
ORGANIZATION OF AMERICA, INC.
AND RELATED ENTITIES

Consolidated Statement of Functional Expenses

December 31, 2019
(with summarized comparative financial information for the year ended December 31, 2018)

	Program services							**Supporting services**				
	Medical services	**Education and research**	**Youth programs**	**Magazine**	**Membership services**	**Communications and public affairs**	**Total program services**	**Fundraising**	**Management and general**	**Total supporting services**	**2019 Total expenses**	**2018 Total expenses**
Salaries, employee benefits and taxes	$ 462,958,920	42,333,265	—	741,028	4,691,720	2,220,031	512,944,964	7,630,660	71,803,447	79,434,107	592,379,071	553,695,195
Grants	466,615	3,304,063	249,006	—	1,725,842	—	5,745,526	—	—	—	5,745,526	4,935,814
Medical supplies	89,101,885	6,515,481	—	—	—	—	95,617,366	—	—	—	95,617,366	90,562,708
Professional fees	3,454,320	7,187,508	41,562	27,029	8,468	196,042	10,914,929	1,006,418	9,878,223	10,884,641	21,799,570	20,110,999
Printing and publications	92,697	155,042	6,897	515,708	42,775	137,799	950,918	689,939	209,199	899,138	1,850,056	1,529,979
Postage, shipping, fulfillment and supplies	1,063,166	250,024	1,846	374,256	19,894	2,164	1,711,350	213,936	1,556,738	1,770,674	3,482,024	3,234,815
Occupancy, security and utilities	29,484,390	1,167,960	—	108,491	848,405	275,748	31,884,994	820,393	5,299,394	6,119,787	38,004,781	35,519,267
Equipment rental and maintenance	22,188,063	3,523,489	—	2,429	17,303	4,899	25,736,183	36,069	2,887,078	2,923,147	28,659,330	28,417,613
Conferences, meetings, and conventions	70,248	2,159,661	—	3,146	92,890	40	2,325,985	268,314	861,725	1,130,039	3,456,024	2,732,669
Travel expenses	4,707,506	250,559	1,958	2,662	296,382	43,173	5,302,240	341,913	656,137	998,050	6,300,290	5,715,077
Public relations	508,835	265,000	1,034	1,330	23,749	259,475	1,059,423	158,895	1,090,680	1,249,575	2,308,998	2,327,992
Information technology and communication	476,547	81,393	668	7,904	20,900	220,182	807,594	116,660	1,594,565	1,711,225	2,518,819	2,176,658
Insurance	8,415,117	152,640	—	31,548	81,658	57,838	8,738,801	223,309	1,721,502	1,944,811	10,683,612	15,116,377
Depreciation	33,176,451	2,097,722	—	35,161	91,009	71,204	35,471,547	249,911	5,041,808	5,291,719	40,763,266	37,256,252
Other	4,211,724	561,276	—	9,591	7,624	77,903	4,868,118	279,685	2,355,506	2,635,191	7,503,309	4,589,732
Total expenses	$ 660,376,484	70,005,083	302,971	1,860,283	7,968,619	3,566,498	744,079,938	12,036,102	104,956,002	116,992,104	861,072,042	807,921,147

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Cash Flows

Year ended December 31, 2019
(with comparative financial information for the year ended December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 194,318,220	(85,514,070)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by (used in) operating activities:		
Net (appreciation) depreciation in fair value of investments	(92,179,479)	27,335,939
Foreign currency translation (gain) loss	(63,519,026)	58,301,228
Depreciation	40,763,266	37,256,252
Bad debt expense (recovery)	95,782	(3,072,641)
Contributions and bequests restricted for capital and endowment	(23,674,895)	(26,018,299)
Change in value of split-interest agreements	(6,365,565)	7,963,602
Changes in operating assets and liabilities:		
Accounts receivable for medical services	13,132,566	(23,557,134)
Accrued interest income and other receivables	3,250,373	(4,979,702)
Prepaid expenses and other	7,590,866	(9,418,386)
Contributions and bequests receivable	5,263,561	(3,222,256)
Accounts payable and accrued expenses	2,627,891	15,529,673
Malpractice and other liabilities	(596,168)	824,221
Accrued employees benefits liabilities	3,938,532	(657,546)
Advance from Government of Israel	—	—
Net cash provided by (used in) operating activities	84,645,924	(9,229,119)
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(48,576,655)	(46,238,088)
Change in accrued expenses for fixed assets	(295,692)	(1,218,027)
Purchase of investments	(213,271,482)	(166,300,166)
Proceeds from sale of investments	184,309,085	172,395,872
Net cash used in investing activities	(77,834,744)	(41,360,409)
Cash flows from financing activities:		
Repayment of debt	(10,954,121)	(4,901,507)
Contributions and bequests restricted for capital and endowment	23,674,895	26,018,299
Increase in contributions receivable restricted for capital and endowment	(165,550)	—
Decrease in liabilities under deferred giving and annuity trust arrangements, net of change in related assets	(7,078,763)	(1,060,761)
Net cash provided by financing activities	5,476,461	20,056,031
Effect of exchange rate changes on cash	3,559,542	(3,955,930)
Net increase (decrease) in cash and cash equivalents	15,847,183	(34,489,427)
Cash and cash equivalents at beginning of year	56,679,167	91,168,594
Cash and cash equivalents at end of year	$ 72,526,350	56,679,167
Supplemental disclosure:		
Interest paid	$ 467,593	581,004

See accompanying notes to consolidated financial statements.

(1) Organization

Hadassah, The Women's Zionist Organization of America, Inc. (HWZOA) is a not-for-profit organization under the U.S. Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The accompanying consolidated financial statements include the accounts of HWZOA and its related entities (collectively, Hadassah or the Organization). Related entities comprise Hadassah Medical Relief Association, Inc. (HMRA), Hadassah International, Ltd. (a Bermuda corporation) (HIL), The Hadassah Foundation, Inc. (Hadassah Foundation), The Hadassah Office in Israel (an Israeli not-for-profit entity) (HOI), Fabulous Finds LLC (a for-profit entity) (Fabulous Finds), Hadassah Medical Organization (HMO), Hadassah International Israel (an Israeli not-for-profit) (HII), Hadassah Stiftung Deutschland (Hadassah Foundation Germany), and Hadassah Mexico, A.C.

HWZOA is a volunteer organization that inspires a passion for and commitment to its partnership with the land and people of Israel. It enhances the health of people worldwide through its support of medical care and research at HMO in Jerusalem. HWZOA empowers its members and supporters as well as youth in Israel and America through opportunities for personal growth, education, advocacy, and Jewish continuity.

In Israel, in addition to supporting activities at HMO, HWZOA and HMRA support a variety of projects conducted by unconsolidated entities. Hadassah Academic College provides academic degree programs. Hadassah-supported Youth Aliyah villages provide housing, education, and support to disadvantaged Israeli and immigrant youth. Young Judaea sponsors camps, clubs, activities, and Israel programs to connect young people with Israel and the Jewish community. Together with the Jewish National Fund, HWZOA and HMRA build parks and reservoirs, make parks disabled-accessible, and support reforestation projects.

In the United States, HWZOA members are engaged in a variety of educational, advocacy, and community service initiatives. Educational programs include women's health and wellness programs for heart health, breast cancer, stress reduction, and monthly online physical activities; book groups; professional council gatherings; and women empowerment initiatives. Hadassah members help to shape public policy through advocacy work on important issues, including U.S.-Israel relations, combatting antisemitism through education, women's health equity, infertility, civic engagement, and issues related to the Jewish community. HWZOA is a staunch advocate against the Boycott, Divestment and Sanctions movement and all efforts aimed to tarnish and delegitimize the State of Israel. With members in every congressional district, HWZOA advocated for the Never Again Education Act, which became law in 2020. That Act provides funds for materials, curriculum and teacher training to educate students throughout the country on the devastating effects of the Holocaust and other hate crimes.

HMRA is a not-for-profit corporation incorporated in the state of New York on June 10, 1925 whose mission is identical to HWZOA. The members of HMRA consist of the National Board of HWZOA (Board of Directors), the Board of Directors of HMRA consists of the members of the Executive Committee of HWZOA and the Officers of HMRA are the National Officers of HWZOA.

HIL is a Bermuda exempted company limited by guaranty incorporated in August 1995, which coordinates Hadassah's international units whose purposes are to raise funds for HMO and develop exchange programs between HMO and medical institutions around the world. The members of the board of HIL are composed of members of the National Board of HWZOA, as well as international representatives from HIL units. The sole corporate member is HMRA.

Hadassah Foundation, founded in 1998, is a supporting organization of HWZOA and HMRA and engages in activities that support or benefit HWZOA and HMRA and for the support of such other charitable organizations whose operations are consistent with HWZOA's and HMRA's charitable mission of supporting innovative and creative programs in Israel and within the American Jewish community which focus on issues of particular importance to women, their health, education and well-being, and the health and well-being of their families.

HOI is registered in Israel as a Public Benefit Company. HWZOA and HMRA are two of its shareholders. HOI's primary objectives are to act on behalf of and in the interests of HWZOA, to promote HWZOA and its related institutions in Israel to promote activities on behalf of HWZOA in the areas of health, education, and welfare throughout Israel to seek fundraising opportunities and to represent HWZOA to the Israeli public.

Fabulous Finds, founded in 2006, is managed by HWZOA and was created for the purpose of selling donated items on eBay. Fabulous Finds is currently inactive.

HMO, located in Israel, is a provider of medical care, rehabilitation, and medical research. HMO is engaged primarily in providing medical services at two medical centers in Jerusalem – Ein Kerem and Mount Scopus. HMO is a nonsectarian institution providing state-of-the-art treatment to nearly one million patients a year at its two hospitals, a community health center, and outpatient clinics. HMO has been recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law – 1975. In accordance with HMO's Articles of Association and pursuant to Section 345 of the State of Israel Companies Law, 1999 (the Companies Law), HMO is a public benefit company. Pursuant to the Companies Law, a public benefit company operates only for public purposes, its income and property are applied solely toward the objects of the public benefit company, and it is prohibited from making the distribution of profits or any other distribution to its members (the Distribution Prohibition). HMRA is the sole corporate member of HMO, and HWZOA's designees are members of HMO. HWZOA and HMRA have control over HMO and are required to operate under requirements of the above-mentioned Articles of Association and the Distribution Prohibition, as well as under the Recovery Plan and Recovery Agreement entered into in 2014 that is in effect for seven years until December 31, 2020 (note 15). HMO owns and controls four wholly owned subsidiaries: Hadasit Medical Research and Development Company Ltd, S.R.Y (Medical Services) Ltd., Hadassah Medical Ltd., and the Research Fund of the Hadassah Medical Organization Amuta (R.A.).

HII is registered in Israel as a Public Benefit Company. Included among HII's shareholders are HWZOA, HMRA, HIL and HOI. The Company's primary objectives are to raise donations in Israel for HWZOA's operations in Israel and for HMO and to assist in the promotion and development of healthcare services in Israel.

Hadassah Stiftung Deutschland (Hadassah Foundation Germany) is a nonprofit organization founded by HMRA in 2016 under German law whose purpose is to raise funds and direct these funds to promote science and research, medical, and public healthcare, as well as professional training by a tax-privileged or a public corporation. The authorized representatives of HMRA (and therefore of Hadassah Foundation Germany) are currently officers of HWZOA.

Hadassah Mexico, A.C. is a nonprofit association founded in 1999 in Mexico. The Associates of Hadassah Mexico, A.C. are HWZOA board members who elect the Board of Hadassah Mexico, A.C. The Board of Hadassah Mexico, A.C. includes members of the Board of HWZOA. The sole corporate member of Hadassah Mexico, A.C. is HWZOA. The purpose of Hadassah Mexico, A.C. is similar to the purpose of HIL regarding HMO and includes promotional activities and the development of programs, lectures, etc. in Mexico and pursuant to Mexican law.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by Hadassah are described below:

(a) Basis of Presentation

The consolidated financial statements do not include the financial position or changes in net assets of the Hadassah chapters or the international affiliates (autonomous geographical units) except as mentioned in note 1. All material intercompany transactions have been eliminated in consolidation.

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of net assets with donor restrictions is reported as net assets released from restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions including board-designated funds (note 5, 8 and 9).

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions or the passage of time, or net assets that stipulate that the principal be maintained permanently but permit the Organization to expend part or all of the income and gains derived therefrom (note 5, 8 and 9).

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these consolidated financial statements include the fair value of investments, estimated net realizable value of receivables, valuation of medical malpractice liability, liabilities under deferred giving and annuity trust arrangements, HMO accrued employees' benefits liabilities, foreign currency translation gain, and functional expense allocations. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash equivalents consist of highly liquid debt instruments purchased with an original maturity of three months or less, except for such investments purchased by the Organization's investment managers as part of their long-term investment strategies, amounts that are restricted by donors for specific purposes or amounts designated by HMO management for specific purposes, such as medical malpractice insurance. At December 31, 2019 and 2018, cash and cash equivalents consist primarily of money market instruments of approximately $73,000,000 and $57,000,000, respectively. Cash and cash equivalents held at HMO approximated $50,000,000 and $40,000,000 at December 31, 2019 and 2018, respectively.

(d) Accounts Receivable for Medical Services (HMO)

Accounts receivable for medical services are recorded at the reimbursed or contracted amounts and do not bear interest. HMO grants credit to patients and generally does not require collateral or other security. The allowance for doubtful accounts is HMO's best estimate of probable credit losses in HMO's existing accounts receivable for medical services. HMO determines the allowance based on historical collection experience.

(e) Fair Value of Financial Instruments

The Organization follows the provisions of accounting standards for Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent). This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment underlying assets and liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are published or unadjusted quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

(f) Investments

Investments in debt and equity securities with a readily determinable fair value are reported at fair value based upon quoted or published market prices. Alternative investments that do not have a readily determinable fair value are stated at fair value as a practical expedient based on the net asset value reported by investment managers and general partners. Those net asset values may differ significantly from values that would have been used had a ready market for these securities existed. The Organization reviews and evaluates the values provided by the investment managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset value of these alternative investments.

(g) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenue in the period received or pledged. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred asset or a right of release of the promisor's obligation to transfer assets. Conditional contributions received with donor-imposed conditions are recognized as revenue when the conditions have been met.

Contributions receivable, less an allowance for uncollectible amounts, are reported at their net present value. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

(h) Government Grants

The Organization receives government grants and contracts. The majority of these grants and contracts are conditional contributions, resulting in the recognition of revenue as the barriers in the agreement are overcome. This generally occurs as the related costs are incurred in compliance with applicable government accounting standards.

(i) Deferred Giving Arrangements

The Organization enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts, unitrusts, and pooled income funds, the beneficiaries of which include the Organization. The Organization manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. In addition, the Organization is the beneficiary of other deferred giving agreements that are held and administered by others.

(Continued)

Such split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or the specified annuity amounts. Assets held under these arrangements are reported at fair value in the accompanying consolidated balance sheets as assets of trusts and other split-interest agreements held by others, except for charitable gift annuities, which are reported as investments. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments.

(j) Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the Organization's fund-raising activities, programs, and administrative services. Since the criteria for recognizing revenues for contributed services have not been met, no revenue or expense has been recognized in the accompanying consolidated financial statements.

(k) Property, Plant, and Equipment and Depreciation

Property, plant, and equipment are recorded at cost or fair value at date of gift if contributed.

Depreciation on fixed assets is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	15 to 50 years
Furniture and equipment (including computer equipment and software)	3 to 15 years

(l) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges have been recognized for the year ended December 31, 2019 or 2018.

(m) Patient Service Revenue (HMO)

Net patient service revenue is recognized in the period services are performed and consist primarily of net patient service revenue that is reported at estimated net realizable amounts from Sick Funds, patients, and others for services rendered, and include an estimated reduction for reimbursement caps (note 5).

(Continued)

(n) Functional Expenses

The Organization presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Expenses attributed to multiple categories are allocated primarily based on headcount.

(o) Accounts Payable and Accrued Expenses at HMO

Accounts payable and accrued expenses at HMO approximated $172,199,000 and $156,199,000 at December 31, 2019 and 2018, respectively.

(p) Tax Status

The Organization recognizes the effect of income tax provisions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under Internal Revenue Code Section 511. Taxes on disallowed expenses and Value Added Tax paid were included in the sections of the expenses on which the tax was imposed. As of December 31, 2019 and 2018, the Organization does not have any uncertain tax positions or any unrelated income tax liability, which would have a material impact on its consolidated financial statements.

(q) Recently Adopted Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Restricted Cash*, which requires that the statement of cash flows includes the change during the period in the total cash and cash equivalents, as well as in restricted cash and restricted cash equivalents. Therefore, the amounts classified as restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018 and requires a retrospective transition method. The Organization adopted this ASU on January 1, 2019. This ASU did not have a significant effect on the consolidated financial statements.

The FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU did not have a significant effect on the consolidated financial statements.

(Continued)

(r) Future Accounting Standards

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which an entity expects to be entitled in exchange for goods and services. The Organization plans to adopt ASU No. 2014-09 for the year ending December 31, 2020 and continues to evaluate the impact of adopting this guidance on its consolidated financial statements.

(s) Prior-Year Summarized Financial Information

The accompanying consolidated statement of activities is presented with certain prior-year summarized consolidated financial information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

(t) Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

(3) Fair Value

Unconditional promises to give are recognized initially at fair value as contributions and bequests revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

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

(4) Investments

At December 31, 2019, investments (excluding those associated with charitable gift annuities) at fair value consist of the following:

		Fair value		Level 1
Assets:				
Investments:				
Money market instruments	$	192,008,052		192,008,052
State of Israel bonds		79,170,870		79,170,870
U.S. equity		18,501,504		18,501,504
International equity		26,393,002		26,393,002
Mutual funds – U.S. equity		137,484,086		137,484,086
Mutual funds – fixed income		32,914,459		32,914,459
Mutual funds – emerging market equities		15,119,649		15,119,649
Mutual funds – global equity		33,000,065		33,000,065
Corporate bonds		5,297,687		5,297,687
Other		1,467,716		1,467,716
		541,357,090	$	541,357,090
Investments measured at net asset value (or its equivalent):				
Event-driven equities		4,908,611		
Absolute return		39,975,755		
Real estate		31,831,427		
Private equity		61,487,683		
Opportunistic fixed income		25,917,640		
Non-U.S. developed and emerging market equities		36,899,214		
Equity hedge		57,393,023		
Total investments measured at net assets value (or its equivalent)		258,413,353		
Total investments	$	799,770,443		

At December 31, 2019, investments of charitable gift annuities held by Hadassah at fair value consist of the following:

	Fair value	Level 1
Money market instruments	$ 203,340	203,340
Mutual funds – U.S. equity	16,976,042	16,976,042
Mutual funds – fixed income	11,029,553	11,029,553
Mutual funds – global equity	13,229,275	13,229,275
Mutual funds – REITs	3,531,764	3,531,764
Mutual funds – commodities	1,847,238	1,847,238
U.S. government bonds	1,846,490	1,846,490
Total investments	$ 48,663,702	48,663,702

At December 31, 2019, assets held in trusts by others at fair value consist of the following:

	Fair value	Level 1	Level 2	Level 3
Assets held in trust by others:				
Money market instruments	$ 935,990	935,990	—	—
State of Israel bonds	9,375,000	—	—	9,375,000
Mutual funds – equity	7,532,634	7,532,634	—	—
Mutual funds – fixed income	3,254,688	3,254,688	—	—
Large cap funds	3,477,687	3,477,687	—	—
Small cap funds	1,299,655	1,299,655	—	—
International equity	2,867,755	2,867,755	—	—
REITS	701,960	701,960	—	—
Other debt securities	613,741	613,741	—	—
Total assets held in trust by others	$ 30,059,110	20,684,110	—	9,375,000

At December 31, 2018, investments (excluding those associated with charitable gift annuities) at fair value consist of the following:

	Fair value	Level 1
Assets:		
Investments:		
Money market instruments	$ 145,427,469	145,427,469
State of Israel bonds	45,844,986	45,844,986
U.S. equity	29,861,635	29,861,635
International equity	24,222,139	24,222,139
Mutual funds – U.S. equity	95,384,831	95,384,831
Mutual funds – fixed income	67,007,533	67,007,533
Mutual funds – emerging market equities	15,674,321	15,674,321
Mutual funds – global equity	43,784,598	43,784,598
Corporate bonds	4,902,663	4,902,663
Other	1,459,482	1,459,482
	473,569,657	$ 473,569,657
Investments measured at net asset value (or its equivalent):		
Event-driven equities	18,179,029	
Absolute return	41,959,602	
Real estate	26,980,060	
Private equity	34,307,704	
Opportunistic fixed income	30,695,101	
Non-U.S. developed and emerging market equities	24,679,085	
Equity hedge	11,502,800	
Total investments measured at net assets value (or its equivalent)	188,303,381	
Total investments	$ 661,873,038	

At December 31, 2018, investments of charitable gift annuities held by Hadassah at fair value consist of the following:

	Fair value	Level 1
Money market instruments	$ 2,184,899	2,184,899
Mutual funds – U.S. equity	16,386,666	16,386,666
Mutual funds – fixed income	12,265,310	12,265,310
Mutual funds – global equity	11,868,227	11,868,227
Mutual funds – REITs	1,921,145	1,921,145
Mutual funds – commodities	2,139,494	2,139,494
Total investments	$ 46,765,741	46,765,741

At December 31, 2018, assets held in trusts by others at fair value consist of the following:

	Fair value	Level 1	Level 2	Level 3
Assets held in trust by others:				
Money market instruments	$ 3,204,693	773,553	—	2,431,140
Mutual funds – equity	5,929,196	5,929,196	—	—
Mutual funds – fixed income	3,831,248	3,831,248	—	—
Large cap funds	3,268,699	3,268,699	—	—
Small cap funds	1,096,999	1,096,999	—	—
International equity	2,738,503	2,738,503	—	—
REITS	316,385	316,385	—	—
Other debt securities	172,679	172,679	—	—
Total assets held in trust by others	$ 20,558,402	18,127,262	—	2,431,140

The following table includes a roll-forward for the years ended December 31, 2019 and 2018 for financial instruments classified within Level 3.

	Perpetual trusts
Balance, December 31, 2017	$ 2,431,140
Distributions	—
Contributions	—
Write-off	—
Balance, December 31, 2018	2,431,140
Distributions	—
Contributions	9,375,000
Write-off	(2,431,140)
Balance, December 31, 2019	$ 9,375,000

The following table summarizes the composition of investments measured at net asset value fair value (or its equivalent) by the various redemption provisions as of December 31, 2019:

	December 31, 2019	
	Amount	Notice period
Redemption period:		
Monthly:		
Non-U.S. developed and emerging market equities	$ 36,899,214	6–10 days
Quarterly:		
Opportunistic fixed income	25,917,640	60 days
Event-driven equities	4,908,611	65 days
Absolute return	24,691,864	50 days
Equity hedge	15,127,469	45 days
Annual:		
Absolute return	13,743,647	90 days
Lockup:		
Absolute return	1,540,244	
Real estate	31,831,427	
Private equity	61,487,683	
Equity hedge	42,265,554	
Lockup subtotal	137,124,908	
Total	$ 258,413,353	

The amounts subject to redemption restrictions for the lockup category are set to expire as follows:

		Amount
Year ending:		
2020	$	29,453,746
2021		—
2022 and beyond		107,671,162
	$	137,124,908

Investments held at HMO approximated $267,829,000 and $195,950,000 at December 31, 2019 and 2018, respectively.

The Organization's alternative investments follow seven basic strategies as follows:

(a) Event-Driven Equities

This strategy involves investing in companies experiencing significant change due to changing markets and business conditions, such as companies facing bankruptcy, or in need of capital restructuring, and in companies whose operations can benefit by restructuring the consolidated balance sheets, typically through debt to equity conversion. Upon recovery of target-company, an exit strategy is utilized and, depending on market conditions, may include sale of the company, sale of securities, or sale of assets.

This strategy may also involve purchasing severely discounted securities, such as subprime securities, asset-backed securities, collateralized debt obligations, and whole loans, against perceived intrinsic value.

(b) Non-U.S. Developed and Emerging Market Equities

This is a long-only equity strategy that invests in companies, located in Non-U.S. developed and emerging market countries, with strong financial characteristics, earnings, consistency, attractive long-term free cash flow yield, and high returns on invested capital.

(c) Private Equities

Private equity refers to equity securities that are not regulated by a governing body, such as the Securities and Exchange Commission. These securities are not publicly traded and are available only to "sophisticated" investors, such as pension plans, financial institutions, endowments, and high-net-worth individuals. Private equity investments are generally structured as limited partnerships with the private equity fund manager serving as the general partner and the investors serving as limited partners. Private equity investments are primarily made by private equity firms, venture capital firms, or angel firms, each with their own set of goals, preferences, and investment strategies, yet each providing working capital to a target company to nurture expansion, new product development, or restructuring of the company's operations, management, or ownership.

(d) Real Estate

This strategy involves investing in private properties, which may include residential, retail, industrial, hotel, assisted living, and office either directly or through a diversified fund structure.

(e) Opportunistic Fixed Income

This strategy focuses primarily on seasoned residential mortgage-backed securities using structured credit products, including subprime residential mortgage-backed security, home equity line of credits, asset-backed security collateralized debt obligations, commercial loans, etc. The primary goal is to maximize total return. Other fixed income strategies include investments in high-yield bonds and leveraged loans with a primary goal of generating current income with the potential for price appreciation.

(f) Absolute Return

Absolute return hedge fund strategies include multistrategy hedge funds, fixed income relative value funds and distressed-focused funds. Broadly defined, absolute return strategies emphasize consistency of performance and low correlation to the broad market indices (typically defined by the S&P 500 Index).

(g) Equity Hedge

Hedged equity managers typically manage a portfolio of domestic and international equities and have the ability to manage both long and short positions in equity securities. Such investments would be included to provide exposure to the equity markets with somewhat lower volatility than "long-only" equity investments. It is expected that hedged equity strategies would have a closer correlation to the broad equity markets than absolute-return focused strategies.

Certain limited partnerships carry minimum subscription or capital commitments. At December 31, 2019 and 2018, outstanding future capital commitments amount to approximately $47,973,000 and $58,473,000, respectively.

The Organization permits certain investment managers to use nonspeculative off-balance-sheets forward foreign currency contracts to manage the currency risk inherent in owning securities denominated in foreign currencies. Such contracts involve, to varying degrees, risk of loss arising from either the potential change in market prices (market risk) or from the possible inability of the counterparties to meet the terms of their contracts (credit risk). The Organization did not purchase or sell any foreign currencies contracts during the years ended December 31, 2019 and 2018.

(5) Patient Service Revenue and Accounts Receivable for Medical Services

Patient service revenue consisted of the following:

		2019	2018
Sick Funds	$	470,444,833	446,210,720
Government of Israel		73,086,651	68,448,318
Healthcare Maintenance Organization		71,570,208	72,650,680
Other		52,652,650	54,601,576
Total	$	667,754,342	641,911,294

According to the National Health Insurance Act (1994), every Israeli resident (as defined in the law) is entitled to receive certain health services (including hospitalization) included in a basic defined package funded by the State of Israel. The program is administered mainly through Clalit Health Services, Maccabi Health Services, Leumit, and Meuhedet (collectively referred to as the Sick Funds), which are responsible to provide or fund those services to residents registered.

HMO receives reimbursement from the Sick Funds for services provided (fee for service) based on a price list published by the Ministry of Health. The manner of accounting and cash flows between the Sick Funds and the Hospital is regulated by the Ministry of Health. The maximum rates for most of the health services – fee for day of hospitalization, fees for differential activities, emergency charges, and various services are determined by the Inter-ministerial committee of the Israeli government. In addition, the Israeli government sets a consumption cap on collections by a hospital from each Sick Fund. All services purchased in public hospitals by sick funds are reduced by 18.5% up to the amount of the consumption cap. Beyond the cap, the price is an average of 35% of the full price but can be even lower depending on the agreements with each Sick Fund.

As of December 31, 2019, HMO had signed cooperation agreements with all Sick Funds. Approximately 70% of HMO's patient service revenue is from the Sick Funds for the years ended December 31, 2019 and 2018.

As of December 31, 2019, HMO had signed cooperation agreements with Clalit, Meuhedet, and Leumit health funds. The service, pricing, and billing arrangements between HMO and the sick funds is determined by regulation approved by the Israeli government.

HMO and others in the healthcare industry are subject to certain inherent risks based on substantial dependence on revenue derived from a limited number of sources and the pressure to increase discounts on published rates (reduce reimbursement) for healthcare services being provided. Additionally, the current economic environment increases collection risk of account receivable. The ultimate outcome of these factors and other market changes cannot presently be determined.

Accounts receivable for medical services consisted of the following:

		2019	2018
Sick Funds	$	114,558,946	113,166,293
Government of Israel		9,566,571	8,666,285
Healthcare Maintenance Organizations		19,955,607	22,238,693
Other		4,928,996	5,381,964
Less allowance for doubtful accounts		(15,183,463)	(13,738,473)
	$	133,826,657	135,714,762

As of December 31, 2019 and 2018, approximately 77% and 76%, respectively, of gross receivables are from the various Sick Funds in Israel.

Amounts are charged to allowance for doubtful accounts after reasonable collection efforts have been exhausted. The following reflects the estimates made and the changes reflecting those estimates:

Allowance for doubtful accounts at December 31, 2017	$	(16,248,601)
Bad debt recovery		2,510,128
Allowance for doubtful accounts at December 31, 2018		(13,738,473)
Bad debt expense		(1,444,990)
Allowance for doubtful accounts at December 31, 2019	$	(15,183,463)

Write-offs are primarily related to patients who are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

(6) Contributions and Bequests Receivable

Contributions and bequests receivable consist of the following at December 31, 2019 and 2018:

	2019	2018
Amounts expected to be collected in:		
Less than one year	$ 9,296,102	11,324,376
One to five years	8,140,195	12,475,850
Over five years	10,237,121	9,588,640
	27,673,418	33,388,866
Less:		
Allowance for uncollectible amounts	(5,546,955)	(5,965,903)
Discount to net present value (0.875%–2.625%)	(255,071)	(594,951)
	$ 21,871,392	26,828,012

Of the total amounts expected to be collected in less than one year, $4,089,000 and $8,170,277 represents bequests receivable at December 31, 2019 and 2018, respectively.

Gross contributions receivable at December 31, 2019 and 2018 include amounts due from the five largest donors, totaling approximately $8,549,000 and $11,500,802, respectively.

(7) Property, Plant, and Equipment

At December 31, 2019 and 2018, property, plant, and equipment consist of the following:

	2019	2018
Land	$ 301,480	301,479
Building and building improvements	1,370,149,498	1,236,836,613
Furnishings and equipment	276,233,215	234,344,575
Computer equipment and software	43,232,970	37,938,564
	1,689,917,163	1,509,421,231
Less accumulated depreciation	(877,133,330)	(768,967,565)
Property, plant, and equipment, net	$ 812,783,833	740,453,666

Property, plant, and equipment, net held at HMO approximated $808,364,000 and $735,767,000 at December 31, 2019 and 2018, respectively.

(Continued)

(8) Net Assets Without and With Donor Restrictions

Net assets without donor restrictions at December 31, 2019 and 2018 consist of the following:

	2019	2018
General operating	$ 124,045,881	75,532,348
Board-designated endowment	110,392,012	93,376,014
Net investment in property and equipment	793,834,455	721,762,496
Total net assets without donor restrictions	$ 1,028,272,348	890,670,858

Included in board-designated endowment is $97,314,921 and $81,170,162, at December 31, 2019 and 2018, respectively, of designated funds related to the net proceeds of the sale of the building at 50 West 58th Street. These funds were used to create a board-designated fund, which will provide long-term financial security for the Organization and support the Organization's charitable programs and activities.

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following:

	2019	2018
Purpose restricted:		
Healthcare services	$ 119,516,873	105,661,034
Research	80,949,502	67,368,579
Capital projects	63,170,805	51,677,054
Fellowships and awards	1,681,392	1,651,076
Advancement of medical services	214,153	305,518
Hadassah Academic College	1,595,740	993,809
Education	3,080,298	1,935,407
Youth Aliyah	3,681,825	3,393,876
Youth Movement – Young Judaea	327,042	326,226
Israeli Crisis Campaign	1,383,366	1,383,366
Other	6,319,979	4,324,239
Total purpose restricted	281,920,975	239,020,184
Time restricted:		
Deferred giving arrangements	18,193,821	13,491,940
Total time restricted	18,193,821	13,491,940

	2019	2018
In perpetuity (endowment corpus):		
Healthcare services	$ 74,112,049	75,679,700
Research	13,956,680	13,161,633
Hadassah Academic College	1,164,593	1,163,733
Education	3,804,953	3,804,875
Youth Aliyah	2,298,366	2,298,366
Hadassah's greatest need	13,788,072	4,413,072
Other	3,005,075	2,494,351
Total in perpetuity	112,129,788	103,015,730
Total net assets with donor restrictions	$ 412,244,584	355,527,854

(9) Endowment Funds

The Organization's endowment consists of approximately 500 individual funds, including both endowment funds with donor restrictions and amounts designated by the Board of Directors to function as endowments without donor restrictions.

(a) Interpretation of Relevant Law

The Organization follows the provisions of the New York Prudent Uniform Management of Institutional Funds Act (NYPMIFA). In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts to the endowment corpus; (b) the original value of subsequent gifts to the endowment corpus; and (c) accumulations of investment returns to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund with donor restrictions is also included until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions reported below include appreciation reported as net assets with donor restrictions (not yet appropriated for expenditures by the board) and the underwater amount of endowment funds (i.e., endowment funds whose fair values are below corpus).

The following table represents the net asset classes of the Organization's endowment funds as of December 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowments	$ —	175,275,978	175,275,978
Board-designated funds:			
Hadassah Foundation	13,077,091	—	13,077,091
HWZOA	97,314,921	—	97,314,921
	110,392,012	—	110,392,012
Total endowment funds	$ 110,392,012	175,275,978	285,667,990

The following table represents the net asset classes of the Organization's endowment funds as of December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowments	$ —	152,197,299	152,197,299
Board-designated funds:			
HMRA	894,438	—	894,438
Hadassah Foundation	11,311,414	—	11,311,414
HWZOA	81,170,162	—	81,170,162
	93,376,014	—	93,376,014
Total endowment funds	$ 93,376,014	152,197,299	245,573,313

(Continued)

The following table presents changes in endowments with donor restrictions and endowments without donor restrictions (board-designated funds) for the year ended December 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowments with donor restrictions and endowments without donor restrictions (board-designated funds), December 31, 2018	$ 93,376,014	152,197,299	245,573,313
Investment return, net	18,334,757	27,934,177	46,268,934
Amounts utilized for operations	(424,321)	(5,808,923)	(6,233,244)
Reclassification of funds and other changes	(894,438)	878,737	(15,701)
Other	—	74,688	74,688
Endowments with donor restrictions/ board-designated without donor restrictions (board-designated funds), December 31, 2019	$ 110,392,012	175,275,978	285,667,990

The following table presents changes in endowments with donor restrictions and endowments without donor restrictions (board-designated funds) for the year ended December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowments with donor restrictions and endowments without donor restrictions (board-designated funds), December 31, 2017	$ 97,296,310	170,923,216	268,219,526
Investment return, net	(3,278,197)	(4,689,438)	(7,967,635)
Contributions	—	700,757	700,757
Amounts utilized for operations	(642,099)	(568,058)	(1,210,157)
Reclassification of funds and other changes	—	(741,567)	(741,567)
Other	—	(13,427,611)	(13,427,611)
Endowments with donor restrictions/ board-designated without donor restrictions (board-designated funds), December 31, 2018	$ 93,376,014	152,197,299	245,573,313

Included in other is a fund valued at approximately $13,200,000 restricted for HMO. Such amount was transferred to HMO in 2018 and expended accordingly.

(Continued)

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as net assets with donor restrictions. The deficiencies as of December 31, 2018 approximated $24,400. The cumulative values of the original gifts were approximately $318,900 in 2018. The related market values were approximately $294,500 as of December 31, 2018.

(c) Return Objectives and Risk Parameters

The long-term objective of the endowment fund is to preserve the real purchasing power of its assets, while maximizing grant payments and program-related funding, covering expenses, and allowing for inflation.

The investment objective of the fund is to achieve a compound annualized rate of return over a market cycle, including current interest and dividend and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk taking.

(d) Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage of its endowment funds with donor restrictions for spending (4.5% for 2019 and 2018) unless explicitly stipulated by the donor or relevant law.

(10) Medical Malpractice

HMO provides for potential medical malpractice losses through purchased primary insurance. The current policy has a deductible per event of approximately $2,315,000, with a limit of $7,235,000 per event and $14,470,000 in aggregate for all events. The present value (based on a discount rate of 2%) of medical malpractice liabilities was approximately $109,971,000 and $98,495,000 at December 31, 2019 and 2018, respectively, and is included in malpractice and other liabilities in the consolidated balance sheets. Such amounts exclude the current portion of medical malpractice liabilities of approximately $12,155,000 and $11,177,000 at December 31, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the consolidated balance sheets.

Pledged securities provided as security for the contingent liabilities and claims due to medical malpractice of approximately $110,329,000 and $58,121,000 as of December 31, 2019 and 2018, respectively, are included in investments in the consolidated balance sheets. Pledged securities are used for the payment of deductible amounts.

In accordance with ASU No. 2010-24, HMO has accrued medical malpractice claims liability and an insurance recoveries receivable in the consolidated balance sheets as of December 31, 2019 and 2018. Such amounts are included in prepaid expenses and other assets and malpractice insurance as follows:

		2019	2018
Estimated long-term malpractice liability	$	108,436,769	102,061,183
Insurance claims receivable		(10,620,842)	(14,743,649)
	$	97,815,927	87,317,534

(11) Accrued Employees' Benefits Liabilities

(a) HWZOA

HWZOA has defined-contribution pension plans for eligible nonunion and union employees for which it contributes a percentage of each participating employee's gross salary. The contributions for the years ended December 31, 2019 and 2018 were $1,265,000 and $1,160,000, respectively.

(b) HMO Pension

HMO's liability for pension to employees is covered by current deposits to the Hadassah Employees Pension Fund Ltd. (HEPF), outside pension funds, and insurance companies.

HMO, together with certain other organizations, participates in a pension plan of the Israeli government. HEPF is a participant in a multiemployer pension plan of the Israeli government, and accordingly, expenses are recognized as payments are made to the plan. The plan covers future retirement pension obligations of an employer. HMO's retirement plan expense is for its employees who began working prior to the year 1995 and participate in the plan, which equals to the required annual contributions to the plans, and is calculated based on 13.5% of the employee's monthly salary.

The following table discloses the name and funded status of the pension plan as of December 31, 2019 (based on the fund's audited financial statements):

Legal name and plan number		Present value of accumulated plan benefits	Market value of plan assets
Hadassah Employee Pension Fund	$	678,004,439	570,448,593

The following table discloses the name and funded status of the pension plan as of December 31, 2018 (based on the fund's audited financial statements):

Legal name and plan number		Present value of accumulated plan benefits	Market value of plan assets
Hadassah Employee Pension Fund	$	547,693,843	495,540,179

The contributions to the plan during fiscal years 2019 and 2018 were approximately $5,924,000 and $6,304,000, respectively.

In the 1960's HMO agreed to increase the rate of employer's deposits by 2.33% (initially 2.5%), above the rate of the ordinary deposits (surplus deposits). The surplus deposits were made to strengthen HEPF. Following the nationalization of HEPF commencing January 1, 2004 (the determining date), HMO determined the rate of its deposits into HEPF at the rate of the deposits of other employers to the old pension funds. On February 15, 2007, a claim was received from HEPF, including a demand to continue to make the surplus deposits, at the rate of 2.33%, commencing January 1, 2004.

On January 3, 2019, a decision by the Jerusalem Regional Labor Court was made according to which the Court approved HEPF's claim and stated that HMO is required to increase the deposits to HEPF as was deposited by HMO prior to 2004. In its decision, the court recommended that the parties HEPF, Israeli Government, HMO and the employees, will seek to find a solution and avoid additional legal process. Furthermore, the court requested that a copy of the court decision will be submitted to the Ministers and Directors of the Health and Finance Ministries, so they can assess the ramifications of the court decision. Accordingly, and following a meeting between the parties, HEPF gave its consent for HMO to submit a request for extension of the date for submitting its appeal and a request to delay the execution of the decision. The financial ramifications of the court decision and the legal proceedings cannot be currently assessed. However, HMO's management, based on its legal advisors, is of the opinion that HMO's defense claims were not given proper weight, if any, in the Court's decision and, therefore, has a good case to appeal the decision.

(c) HMO Severance

HMO employee's severance pay is covered by current deposits to the Hadassah Employee Pension Fund. Employees who resign after attaining seniority of at least five years are entitled to, in addition to their pension rights, compensation at the rate of 2.33% of their last salary multiplied by the years of employment. Employees insured with HEPF who resign before reaching retirement age and who liquidate their pension rights are entitled to full severance pay from the Hospital, part of which is to be reimbursed by HEPF.

The accrual for additional severance pay is approximately $62,144,000 and $56,301,000 at December 31, 2019 and 2018, respectively, and is included in accrued employee benefits liabilities in the consolidated balance sheets.

(d) Accrued Sick Leave and Deferred Wages

HMO employees who reach retirement age are entitled to compensation for sick days not used as determined in labor agreements. The accrual has been calculated on the basis of an actuarial calculation. The total liability related to these agreements was $56,687,513 and $46,181,155, respectively, at December 31, 2019 and 2018, and is included in accrued employee benefits liabilities in the consolidated balance sheets.

As part of the Recovery Agreement (note 15), payments between 2%–5% of employees' salaries during the years 2014–2016 would be deferred and paid beginning in January 2024 on a monthly basis for three years. The balances are linked to the Consumer price index (CPI) and do not bear interest. As of December 31, 2019 and 2018, these liabilities to employees are approximately $26,319,000 and $25,433,000, respectively, and are included in accrued employee benefits liabilities in the consolidated balance sheets.

(12) Short-Term Debt

The current portion of long-term debt (note 13) was $5,114,789 and $4,703,597, respectively, at December 31, 2019 and 2018. Interest expense was approximately $426,000 and $573,000 for the years ended December 31, 2019 and 2018, respectively.

(13) Long-Term Debt

HMO has the following loans outstanding as of December 31, 2019 and 2018:

		2019	2018
Long-term bank loan – Tower	$	11,537,648	15,313,702
Less current maturities		(5,114,789)	(4,703,597)
	$	6,422,859	10,610,105

(a) On October 6, 2010, an agreement was signed between HMO and a bank. In accordance with this agreement, HMO received from the bank a line of credit in an amount of $51,000,000 to finance the Hospitalization Tower. The maturity of the line of credit is 10 years, out of which in the first 2 years, only interest will be paid while the principal will be returned over the following 8 years. The amount utilized from the line of credit is linked to the CPI and bears interest of 2.45%–4.50% per year.

In order to receive the line of credit, HMO provided the following guaranties:

(i) A lien on real estate assets, and

(ii) Current and future payments from the National Insurance Institute of Israel due to births and premature babies born in the hospital.

(b) Scheduled principal payments on long-term debt are as follows:

Year ending December 31:		
2020	$	5,114,789
2021		4,577,670
2022		1,845,189
	$	11,537,648

(c) As part of the Recovery Agreement (note 15), HWZOA and HMRA are committed to raise funds towards the repayment of the above mentioned loan.

(14) Commitments and Contingencies

(a) Line of Credit

The Organization has a $25,000,000 secured revolving credit agreement which matures on March 31, 2020 and has been renewed through March 31, 2021. The revolving credit agreement requires collateral equal to the principal balance, which is held in cash and investment accounts with the lender. There is no outstanding balance as of December 31, 2019 and 2018.

(b) Minimum Lease Payments

On March 18, 2015, Hadassah moved to office space located at 40 Wall Street, New York, New York. Per the terms of the agreement, Hadassah did not make any rental payments until October 2015. However, in accordance with U.S. GAAP, the rent expense is recognized over the lease term. The lease is for a 20-year period commencing on December 1, 2014. Rent expense for the years ended December 31, 2019 and 2018 was $1,737,227 and $1,645,676, respectively.

Scheduled minimum lease payments are as follows:

Year ending December 31:		
2020	$	1,604,581
2021		1,708,475
2022		1,708,475
2023		1,708,475
2024		1,708,475
Thereafter		20,443,982
	$	28,882,463

(c) Legal Proceedings

The Organization is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the Organization's financial condition or results of operations.

(15) Recovery Agreement

At December 31, 2014, HMO's unrestricted accumulated deficit, excluding net investment in property, plant, and equipment, approximated $218 million. In February 2014, and as a result of financial difficulties caused by continuing operational and cash deficits, HMO submitted a request to the District Court in Jerusalem (the Court) for a Stay of Proceedings status. On February 11, 2014, the Court approved the Stay of Proceedings status in accordance with Section 350 of the Companies Law for a 90 day period and required the trustees and management to conduct intense discussions with the Unions, Government and Hadassah in order to reach a recovery plan.

On May 22, 2014, the Court approved a recovery plan (the Recovery Agreement) for the period of seven years beginning January 1, 2014 through December 31, 2020, and canceled the Stay of Proceedings status. On June 24, 2014, and pursuant to the terms of the recovery plan, the Recovery Agreement was signed by HMO, Hadassah, and the Government of Israel, which includes various operational, financial and corporate governance matters. In accordance with the recovery plan and Recovery Agreement, HMO undertook to transfer to the Government all the Hospital's rights in the properties which do not serve for the functioning of the Hospital and undertook to pledge additional assets and certain sources of income to the Government. The Recovery Agreement is effective as of July 28, 2014. Net income from the Recovery Agreement in 2019 and 2018 includes grants of $67,294,336 and $26,209,286, respectively, from the Government of Israel. Included in the 2019 grants is a transfer from the Government of Israel totaling $39,388,087 including interest to the Hospital for medical malpractice, as stipulated in the recovery agreement. The amount was deposited in a designated fund for medical malpractice and is presented in these consolidated financial statements as part of investments. Included in prepaid expenses and other assets in the accompanying 2019 and 2018 consolidated balance sheets is a receivable from the Government of Israel in the amount of $1,022,000 and $5,885,000, respectively.

HWZOA and HMO are conducting ongoing discussions with the Government of Israel regarding government support for the period 2021 and onwards. In addition, HWZOA and HMO are working with public and legal sectors to correct the distortions that perpetuate HMO's structural deficit and dependency on government support for sustaining essential medical activities.

In accordance with the Recovery Agreement, HMO received a long term loan from Government of Israel with an outstanding balance of $28,939,623 and $26,613,086 at December 31, 2019 and 2018, respectively. The loan bears interest of 3.85% annually. During the years of the Recovery Agreement (through December 31, 2020), according to the terms of the Recovery Agreement HMO undertook to pay interest only and beginning in January 2021, the principal will be paid in 120 monthly installments. In 2017, HWZOA, HMO and the Government of Israel agreed to freeze the collection of the interest on the loan from June 2017 – June 2018. This period was extended until June 2020. At December 31, 2018 advances from the Government of Israel represent $5,658,208, received in advance relating to repayment of Private Medical Services (SHARAP) funds. In the beginning of 2019, HMO deposited the remaining balance.

(Continued)

In 2008, an agreement was entered into among HMRA, HMO, and the Government of Israel to obtain a contribution from the Israeli government for the construction of a new hospital facility for HMO (the HMO Capital Project). In the Recovery Agreement, it was agreed that during the Recovery Period, HMRA and HWZOA (jointly) undertook to transfer annually to HMO during the Recovery Period an amount of $19 million, and that the implementation of the said undertaking of HMRA and HWZOA pursuant to the Recovery Agreement, will constitute implementation of the undertakings of HMRA pursuant to the said 2008 Agreement (the HMO Capital Project). The 2008 Agreement required HMRA to allocate to HMO the annual amount of no less than $19 million for the operation of HMO up to completion of the new hospital facility.

The construction of the HMO Hospital Tower was completed in 2018. The Recovery Agreement also requires HWZOA and HMRA to transfer all funds for the HMO Hospital Tower to an HMO special bank account, which is separate from the remaining financial activities of HMO. Since the inception of the project, HWZOA and HMRA have transferred to HMO annually $19 million for operations and funds for the HMO Hospital Tower.

(16) Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, all expenditures related to the Organizations' ongoing mission-related activities as well as the conduct of services undertaken to support those activities are considered to be general expenditures.

The Organization's working capital and cash flows have seasonal variations during the year attributable to the concentration of contributions received near calendar year-end. To manage liquidity, the Organization develops and adopts annual operating and capital budgets and maintains operating funds and sufficient liquidity within its investment portfolio accordingly.

To help manage unanticipated liquidity needs, the Organization has a $25,000,000 secured revolving credit agreement, which it could draw upon. Additionally, the Organization has Board Designated net assets without donor restrictions that could be made available for current operations if necessary, subject to required Board resolution.

HMO's working capital and cash flows have seasonal variations during the year attributable to the timing of patient service reimbursement from Sick Funds, payments from the Government of Israel under the Recovery Agreement and payment of employment related benefits in the summer and fall. To address the seasonal variations, HMO accumulates cash reserves during the first half of the year, to allow for the needed funds for the employment related benefits paid later in the year.

HMO presents to the HMO Board annually a 24 month cash flow forecast that is approved as part of the budget approval process. Cash flow is controlled and monitored on daily basis, and HMO reports monthly to the board of directors on its cash flow liquidity status.

During April 2019, following the political crisis with the Palestinian Authority (hereinafter – the Authority), the Authority dramatically decreased the referrals of its residents to hospitals in Israel, and in particular to

HMO. Despite attempts to settle the disputes with the Palestinian Ministry of Health, in collaboration with the Israeli Ministry of Health and Finance, the crisis has not yet resolved. As a result of the aforementioned, income from medical services to the Authority's residential population has dropped significantly and this trend continues into the year 2020. The political crisis with the Authority, as well as the effect of COVID-19 and related regulations and restrictions by the Government of Israel, as further described in note 17, could have a significant impact on HMO's income composition, the deficit from its activities, and its working capital and cash flows.

HWZOA and HMO are conducting ongoing discussions with the Government of Israel in order to reach an agreement for continuous support from the Government of Israel to cover the Hospital's public medical activities and losses incurred as a result of those issues.

The Organization's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

		2019
Financial assets at year-end:		
Cash and cash equivalents	$	72,526,350
Accounts receivable for medical services, net		133,826,657
Accrued interest income and other receivables		2,663,192
Contributions and bequests receivable, net		21,871,392
Investments		799,770,444
Investments of charitable gift annuities held by Hadassah		48,663,702
Assets of trusts and other split-interest agreements held by others		30,059,110
Total financial assets at year-end		1,109,380,847
Less amounts not available to meet general expenditures within the next 12 months:		
Contributions receivable due in greater than one year		(12,830,361)
Other long-term investments and collateral		(329,863,091)
Donor-restricted endowment to be retained in perpetuity		(112,129,788)
Future expendable donor-restricted endowment		(67,551,530)
Donor-restricted funds		(11,370,752)
Board-designated funds		(110,392,012)
Add spending rate income		8,559,126
Financial assets available to meet general expenditures in the next 12 months	$	473,802,439
Liquidity resources:		
Bank line of credit (no balance outstanding at December 31, 2019)	$	25,000,000

(17) Subsequent Events

The spread of Coronavirus (COVID-19) around the world and in the United States has caused business disruption, a reduction in economic activity and volatility in the capital markets. In response, the Organization's management took steps to ensure effective remote operations, replaced in-person activities with digital ones, temporarily refocused fundraising activities on support for HMO's COVID-19 efforts, and took steps to increase liquidity and reduce its operating budget. Management will continue to closely monitor the impact of COVID-19 on its operations.

In Israel, the outbreak of COVID-19 in the first quarter of 2020, led the Israeli Ministry of Health to instruct HMO to cease elective activities, prohibited medical tourism activities, and restricted the admission of patients from the Palestinian Authority. At the same time, the Ministry has instructed HMO to open hundreds of beds for respiratory patients, condense medical staff, and increase supplies of medicines and disposable medical equipment, and to construct a laboratory for COVID-19.

As a result of the above, there was a sharp decrease in HMO's revenues from medical operations. In order to mitigate the damage, HMO's management took emergency measures which included, furloughing approximately 200 workers on unpaid leave, and approximately 250 additional workers on forced leave, as well as reducing the use of subcontractors. Furthermore, HMO's management has frozen any non-urgent projects. As of the date of these consolidated financial statements, the Israeli Ministry of Health and the Ministry of Finance, as part of their general oversight of the coronavirus situation, are continuously monitoring public hospital activities, and are working on an overall financial solution.

Management evaluated all events that occurred after December 31, 2019 and through August 4, 2020, which is the date the consolidated financial statements were available for issuance, and has concluded that there are no additional subsequent events requiring disclosure.