



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

Consolidated Financial Statements

December 31, 2020

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

(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, 2020, 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, 2020, 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

August 4, 2021

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

Consolidated Balance Sheet

December 31, 2020

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

Assets	2020	2019
Cash and cash equivalents	\$ 86,233,978	72,526,350
Accounts receivable for medical services (note 5)	158,921,042	133,826,657
Accrued interest income and other receivables	968,220	2,663,192
Prepaid expenses and other assets (notes 10 and 15)	57,211,569	49,703,310
Contributions and bequests receivable, net (notes 3 and 6)	27,221,145	21,871,392
Investments (notes 3, 4, 10 and 15)	914,401,543	799,770,443
Investments of charitable gift annuities held by Hadassah (notes 3 and 4)	49,666,860	48,663,702
Assets of trusts and other split-interest agreements held by others (notes 3 and 4)	32,612,317	30,059,110
Property, plant, and equipment, net (notes 7, 13, and 14)	<u>902,129,412</u>	<u>812,783,833</u>
Total assets	<u>\$ 2,229,366,086</u>	<u>1,971,867,989</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 10)	\$ 217,961,765	181,363,557
Current maturities on long-term debt (notes 12 and 13)	7,551,080	5,114,789
Liabilities under deferred giving and annuity trust arrangements	40,258,651	40,450,738
Malpractice and other liabilities (note 10)	123,847,925	117,885,555
Accrued employees' benefits liabilities (note 11)	162,262,052	151,173,936
Loan from Government of Israel (note 15)	28,538,176	28,939,623
Long-term debt (note 13)	<u>1,986,780</u>	<u>6,422,859</u>
Total liabilities	<u>582,406,429</u>	<u>531,351,057</u>
Commitments and contingencies (note 14)		
Net assets (notes 8 and 9):		
Without donor restrictions	1,184,216,970	1,028,272,348
With donor restriction	<u>462,742,687</u>	<u>412,244,584</u>
Total net assets	<u>1,646,959,657</u>	<u>1,440,516,932</u>
Total liabilities and net assets	<u>\$ 2,229,366,086</u>	<u>1,971,867,989</u>

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, 2020

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

	2020			2019 Total
	Without donor restrictions	With donor restrictions	Total	
Revenue:				
Patient service revenue (note 5)	\$ 703,185,697	—	703,185,697	667,754,342
Contributions and bequests (note 3)	104,307,007	112,118,006	216,425,013	123,206,213
Change in value of split-interest agreements	2,001,949	363,033	2,364,982	6,365,565
Investment return, net	73,154,941	31,556,936	104,711,877	100,254,875
Net income from recovery agreement (note 15)	30,940,637	—	30,940,637	67,294,336
Income from affiliation agreement	10,015,031	—	10,015,031	10,730,453
Government grants	36,802	—	36,802	1,115,514
Other revenue	13,364,411	—	13,364,411	15,149,938
Net assets released from restrictions	96,153,393	(96,153,393)	—	—
Total revenue	<u>1,033,159,868</u>	<u>47,884,582</u>	<u>1,081,044,450</u>	<u>991,871,236</u>
Expenses:				
Program services:				
Medical services	726,160,420	—	726,160,420	660,376,484
Education and research	67,144,237	—	67,144,237	70,005,083
Youth programs	352,335	—	352,335	302,971
Magazine	1,801,549	—	1,801,549	1,860,283
Membership services	7,883,907	—	7,883,907	7,968,619
Communications and public affairs	4,474,146	—	4,474,146	3,566,498
Total program services	<u>807,816,594</u>	<u>—</u>	<u>807,816,594</u>	<u>744,079,938</u>
Supporting services:				
Fundraising	10,929,715	—	10,929,715	12,036,102
Management and general	121,968,169	—	121,968,169	104,956,002
Total supporting services	<u>132,897,884</u>	<u>—</u>	<u>132,897,884</u>	<u>116,992,104</u>
Total expenses	<u>940,714,478</u>	<u>—</u>	<u>940,714,478</u>	<u>861,072,042</u>
Increase in net assets before foreign currency translation gain and other changes	92,445,390	47,884,582	140,329,972	130,799,194
Foreign currency translation gain	55,384,568	10,728,185	66,112,753	63,519,026
Reclassification of funds and other changes	8,114,664	(8,114,664)	—	—
Increase in net assets	155,944,622	50,498,103	206,442,725	194,318,220
Net assets at beginning of year	<u>1,028,272,348</u>	<u>412,244,584</u>	<u>1,440,516,932</u>	<u>1,246,198,712</u>
Total net assets, end of year	<u>\$ 1,184,216,970</u>	<u>462,742,687</u>	<u>1,646,959,657</u>	<u>1,440,516,932</u>

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, 2020

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

	Program services					Supporting services				2020 Total expenses	2019 Total expenses	
	Medical services	Education and research	Youth programs	Magazine	Membership services	Communications and public affairs	Total program services	Fundraising	Management and general			Total supporting services
Salaries, employee benefits and taxes	\$ 500,507,373	42,473,327	—	759,761	5,773,082	2,537,312	552,050,855	7,966,890	80,201,012	88,167,902	640,218,757	592,379,071
Grants	532,649	4,838,228	312,466	—	884,625	—	6,567,968	—	—	—	6,567,968	5,745,526
Medical supplies	108,623,821	6,723,176	—	—	—	—	115,346,997	—	—	—	115,346,997	95,617,366
Professional fees	2,879,044	5,707,859	36,152	14,892	21,218	381,096	9,040,261	666,676	15,212,997	15,879,673	24,919,934	21,799,570
Printing and publications	55,244	102,112	1,233	440,787	38,032	149,906	787,314	490,692	311,458	802,150	1,589,464	1,850,056
Postage, shipping, fulfillment and supplies	1,488,158	222,247	375	417,207	6,238	1,164	2,135,389	164,542	1,535,852	1,700,394	3,835,783	3,482,024
Occupancy, security and utilities	31,592,045	1,123,424	—	98,817	879,663	253,046	33,946,995	774,553	4,469,844	5,244,397	39,191,392	38,004,781
Equipment rental and maintenance	21,821,580	2,453,237	—	3,220	10,189	6,976	24,295,202	23,863	3,254,866	3,278,729	27,573,931	28,659,330
Conferences, meetings, and conventions	21,735	281,101	—	960	15,122	—	318,918	44,142	278,949	323,091	642,009	3,456,024
Travel expenses	4,453,917	49,290	1,374	—	40,293	13,274	4,558,148	77,244	297,280	374,524	4,932,672	6,300,290
Public relations	90,951	222,384	—	375	26,297	550,181	890,188	53,419	1,101,556	1,154,975	2,045,163	2,308,998
Information technology and communication	417,863	65,789	735	10,095	21,344	319,271	835,097	62,226	1,464,800	1,527,026	2,362,123	2,518,819
Insurance	12,086,057	186,735	—	23,233	68,189	50,338	12,414,552	171,886	2,170,456	2,342,342	14,756,894	10,683,612
Depreciation	34,631,061	2,264,402	—	30,564	89,704	71,285	37,087,016	227,149	5,259,393	5,486,542	42,573,558	40,763,266
Other	6,958,922	430,926	—	1,638	9,911	140,297	7,541,694	206,433	6,409,706	6,616,139	14,157,833	7,503,309
2020 Total expenses by function	<u>\$ 726,160,420</u>	<u>67,144,237</u>	<u>352,335</u>	<u>1,801,549</u>	<u>7,883,907</u>	<u>4,474,146</u>	<u>807,816,594</u>	<u>10,929,715</u>	<u>121,968,169</u>	<u>132,897,884</u>	<u>940,714,478</u>	
2019 Total expenses by function	<u>\$ 660,376,484</u>	<u>70,005,083</u>	<u>302,971</u>	<u>1,860,283</u>	<u>7,968,619</u>	<u>3,566,498</u>	<u>744,079,938</u>	<u>12,036,102</u>	<u>104,956,002</u>	<u>116,992,104</u>		<u>861,072,042</u>

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, 2020

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

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 206,442,725	194,318,220
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net appreciation in fair value of investments	(100,839,596)	(92,179,479)
Foreign currency translation (gain)	(66,112,753)	(63,519,026)
Depreciation	42,573,558	40,763,266
Bad debt expense (recovery)	1,473,381	(141,391)
Contributions and bequests restricted for capital and endowment	(37,676,480)	(23,674,895)
Change in value of split-interest agreements	(2,364,982)	(6,365,565)
Changes in operating assets and liabilities:		
Accounts receivable for medical services	(13,912,786)	13,369,739
Accrued interest income and other receivables	1,694,973	3,250,373
Prepaid expenses and other	(3,622,612)	7,590,866
Contributions and bequests receivable	(6,911,284)	5,263,561
Accounts payable and accrued expenses	17,086,170	2,627,891
Malpractice and other liabilities	(2,893,855)	(596,168)
Accrued employees benefits liabilities	(480,750)	3,938,532
Net cash provided by operating activities	34,455,709	84,645,924
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(63,991,677)	(48,576,655)
Change in accrued expenses for fixed assets	—	(295,692)
Purchase of investments	(221,618,923)	(213,271,482)
Proceeds from sale of investments	228,063,889	184,309,085
Net cash used in investing activities	(57,546,711)	(77,834,744)
Cash flows from financing activities:		
Repayment of debt	(4,504,112)	(10,954,121)
Contributions and bequests restricted for capital and endowment	37,676,480	23,674,895
Increase in contributions receivable restricted for capital and endowment	88,150	(165,550)
Decrease in liabilities under deferred giving and annuity trust arrangements, net of change in related assets	(380,312)	(7,078,763)
Net cash provided by financing activities	32,880,206	5,476,461
Effect of exchange rate changes on cash	3,918,424	3,559,542
Net increase in cash and cash equivalents	13,707,628	15,847,183
Cash and cash equivalents at beginning of year	72,526,350	56,679,167
Cash and cash equivalents at end of year	\$ 86,233,978	72,526,350
Supplemental disclosures:		
Purchases of property, plant and equipment in accrued expenses	\$ 5,230,345	—
Interest paid	316,113	467,593

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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), Hadassah Mexico, A.C, and Hadassah Switzerland.

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 Judea 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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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: Hadassah 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, THE WOMEN'S ZIONIST
ORGANIZATION OF AMERICA, INC.
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

December 31, 2020

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

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.

Hadassah Switzerland ("HS") is a nonprofit organization in Switzerland founded in 2002 with a mission to financially support HMO, promote the exchange of information, ideas and personnel between physicians, nurses and other health care personnel of HMO and medical institutions in other countries, and inform the scientific and lay public by means of publications and events about the research, health care and teaching activities of HMO. HS is a constituent unit of HIL. Effective in 2020 the Board of HS includes members of the Board of HIL and officers of HWZOA. There were no significant assets, liabilities or activities during 2020.

(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).

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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, valuation of medical malpractice liability, HMO accrued employees' benefits liabilities, and foreign currency translation gain. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash equivalents consist of highly liquid short term investments 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, which are included within investments on the consolidated balance sheet.

(d) Accounts Receivable for Medical Services (HMO)

Accounts receivable for medical services are recorded at the reimbursed or contracted amounts, adjusted for estimates of variable consideration and implicit price concessions. Accounts receivable primarily consist of amounts due from Sick Funds, the Government of Israel, other third-party payors, and to a lesser degree, patients. The credit risk associated with receivables from other payors is limited due to the significance of the Sick Funds and the Government of Israel as the primary payor. HMO does not believe that there are any other significant concentrations of receivables from any particular payor that would subject it to any significant credit risk in the collection of accounts receivable. Uncollectible accounts are written off when HMO has determined that the account will not be collected (note 5).

(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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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.

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 sheet 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

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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 years ended December 31, 2020 or 2019.

(m) Patient Service Revenue (HMO)

HMO determines performance obligations based on the nature of the services provided. These services are considered to be a single performance obligation. HMO recognizes revenues for performance obligations satisfied over time based on actual charges incurred. HMO believes that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

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 amounts we expected to be entitled to receive from Sick Funds, patients, and others for services rendered, and include an estimated reduction for reimbursement caps (note 5). The transaction price is primarily determined based upon HMO's standard rates which are adjusted for contracted rates and other discounts (i.e. explicit price concessions) and historical collections experience, to be recognized for services provided to patients. Changes to transaction prices that pertain to prior periods were not material.

(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 \$208,386,000 and \$172,199,000 at December 31, 2020 and 2019, respectively.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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, 2020 and 2019, 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 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 adopted ASU 2014-09 effective January 1, 2020 following the full retrospective method of application. The adoption of this ASU did not materially impact the consolidated financial statements.

(r) Prior-Year Summarized Financial Information

The accompanying consolidated statement of activities and consolidated statement of functional expenses are 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, 2019, from which the summarized information was derived.

(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 sheet.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(4) Investments

At December 31, 2020, investments (excluding those associated with charitable gift annuities) at fair value consist of the following:

	Fair value	Level 1
Assets:		
Investments:		
Money market instruments	\$ 187,252,205	187,252,205
State of Israel bonds	101,967,301	101,967,301
U.S. equity	42,255,855	42,255,855
International equity	14,993,537	14,993,537
Global equity	25,102,808	25,102,808
Mutual funds – U.S. equity	112,383,326	112,383,326
Mutual funds – fixed income	39,314,432	39,314,432
Mutual funds – global equity	43,599,703	43,599,703
Corporate bonds	10,209,678	10,209,678
Other	1,387,585	1,387,585
	<u>578,466,430</u>	<u>\$ 578,466,430</u>
Investments measured at net asset value (or its equivalent):		
Absolute return	41,984,382	
Real estate	36,815,975	
Private equity	83,346,485	
Opportunistic fixed income	27,352,630	
Non-U.S. developed and emerging market equities	17,751,718	
Equity hedge	97,438,026	
U.S equity	17,563,397	
International equity	13,682,500	
	<u>335,935,113</u>	
Total investments measured at net assets value (or its equivalent)	<u>335,935,113</u>	
Total investments	<u>\$ 914,401,543</u>	

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

Notes to Consolidated Financial Statements

December 31, 2020

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

At December 31, 2020, investments of charitable gift annuities held by Hadassah at fair value consist of the following:

	<u>Fair value</u>	<u>Level 1</u>
Money market instruments	\$ 861,093	861,093
Mutual funds – U.S. equity	19,280,812	19,280,812
Mutual funds – fixed income	10,594,303	10,594,303
Mutual funds – global equity	14,354,586	14,354,586
Mutual funds – REITs	606,632	606,632
Mutual funds – commodities	2,286,000	2,286,000
U.S. government bonds	1,683,434	1,683,434
Total investments	<u>\$ 49,666,860</u>	<u>49,666,860</u>

At December 31, 2020, assets held in trusts by others at fair value consist of the following:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held in trust by others:				
Money market instruments	\$ 957,843	957,843	—	—
State of Israel bonds	9,375,000	—	—	9,375,000
Mutual funds – equity	3,004,765	3,004,765	—	—
Mutual funds – fixed income	4,710,635	4,710,635	—	—
Large cap funds	8,040,636	8,040,636	—	—
Small cap funds	2,347,705	2,347,705	—	—
International equity	3,467,797	3,467,797	—	—
REITs	79,762	79,762	—	—
Other debt securities	628,174	628,174	—	—
Total assets held in trust by others	<u>\$ 32,612,317</u>	<u>23,237,317</u>	<u>—</u>	<u>9,375,000</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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
	<u>541,357,090</u>	<u>\$ 541,357,090</u>
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	
	<u>258,413,353</u>	
Total investments measured at net assets value (or its equivalent)	<u>258,413,353</u>	
Total investments	<u>\$ 799,770,443</u>	

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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

	<u>Fair value</u>	<u>Level 1</u>
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	<u>\$ 48,663,702</u>	<u>48,663,702</u>

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

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>\$ 30,059,110</u>	<u>20,684,110</u>	<u>—</u>	<u>9,375,000</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

The following table includes a roll-forward for the years ended December 31, 2020 and 2019 for financial instruments classified within Level 3.

	Perpetual trusts
Balance, December 31, 2018	\$ 2,431,140
Distributions	—
Contributions	9,375,000
Write-off	(2,431,140)
Balance, December 31, 2019	9,375,000
Distributions	—
Contributions	—
Write-off	—
Balance, December 31, 2020	\$ 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, 2020:

	December 31, 2020	
	Amount	Notice period
Redemption period:		
Monthly:		
Non-U.S. developed and emerging market equities	\$ 17,751,718	10 days
U.S. equity	17,563,397	30 days
Quarterly:		
Opportunistic fixed income	27,352,630	60 days
Absolute return	27,422,473	50 days
Equity hedge	67,795,734	45 – 90 days
International equity	13,682,500	30 days
Annual:		
Absolute return	14,016,014	90 days

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

Notes to Consolidated Financial Statements

December 31, 2020

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

	December 31, 2020	
	Amount	Notice period
Lockup:		
Absolute return	\$ 545,895	
Real estate	36,815,975	
Private equity	83,346,485	
Equity hedge	29,642,292	
Lockup subtotal	150,350,647	
Total	\$ 335,935,113	

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

	Amount
Year ending:	
2022	\$ 15,642,292
2023 and beyond	134,708,355
	\$ 150,350,647

Investments held at HMO approximated \$299,555,000 and \$267,829,000 at December 31, 2020 and 2019, 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 sheet, 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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

Certain limited partnerships carry minimum subscription or capital commitments. At December 31, 2020 and 2019, outstanding future capital commitments amount to approximately \$63,778,000 and \$47,973,000, respectively.

The Organization permits certain investment managers to use nonspeculative off-balance-sheet 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, 2020 and 2019.

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

Patient service revenue by payor source consisted of the following:

	<u>2020</u>	<u>2019</u>
Sick Funds	\$ 509,369,645	470,444,833
Government of Israel	89,931,503	73,086,651
Insurance Companies	52,924,626	71,570,208
Other	<u>50,959,923</u>	<u>52,652,650</u>
Total	<u>\$ 703,185,697</u>	<u>667,754,342</u>

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 discount is an average of 65% of the full price but can be even lower depending on the agreements with each Sick Fund.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

As of December 31, 2020, HMO had signed cooperation agreements with all Sick Funds. Over 72% of HMO's patient service revenue is from the Sick Funds for the years ended December 31, 2020 and 2019. 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 by payor source for medical services consisted of the following:

	<u>2020</u>	<u>2019</u>
Sick Funds	\$ 124,456,175	107,333,301
Government of Israel	19,722,611	8,524,745
Insurance companies	9,717,968	13,039,615
Other	<u>5,024,288</u>	<u>4,928,996</u>
	<u>\$ 158,921,042</u>	<u>133,826,657</u>

As of December 31, 2020 and 2019, approximately 78% and 80%, respectively, of accounts receivables are from the various Sick Funds in Israel.

(6) Contributions and Bequests Receivable

Contributions and bequests receivable consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 15,043,433	9,296,102
One to five years	6,440,124	8,140,195
Over five years	<u>11,195,503</u>	<u>10,237,121</u>
	32,679,060	27,673,418
Less:		
Allowance for uncollectible amounts	(5,257,111)	(5,546,955)
Discount to net present value (0.875%–2.625%)	<u>(200,804)</u>	<u>(255,071)</u>
	<u>\$ 27,221,145</u>	<u>21,871,392</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

Of the total amounts expected to be collected in less than one year, \$10,854,000 and \$4,089,000 represents bequests receivable at December 31, 2020 and 2019, respectively.

Gross contributions receivable at December 31, 2020 and 2019 include amounts due from the five largest donors, totaling approximately \$11,075,000 and \$8,549,000, respectively.

(7) Property, Plant, and Equipment, Net

At December 31, 2020 and 2019, property, plant, and equipment, net consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 301,480	301,480
Building and building improvements and construction in progress	1,513,613,209	1,370,149,498
Furnishings and equipment	322,532,365	276,233,215
Computer equipment and software	<u>47,221,407</u>	<u>43,232,970</u>
	1,883,668,461	1,689,917,163
Less accumulated depreciation	<u>(981,539,049)</u>	<u>(877,133,330)</u>
Property, plant, and equipment, net	<u>\$ 902,129,412</u>	<u>812,783,833</u>

Property, plant, and equipment, net held at HMO approximated \$897,886,000 and \$808,364,000 at December 31, 2020 and 2019, respectively.

(8) Net Assets Without and With Donor Restrictions

Net assets without donor restrictions at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
General operating	\$ 174,968,535	124,045,881
Board-designated endowment	126,041,127	110,392,012
Net investment in property and equipment	<u>883,207,308</u>	<u>793,834,455</u>
Total net assets without donor restrictions	<u>\$ 1,184,216,970</u>	<u>1,028,272,348</u>

Included in board-designated endowment is \$111,354,470 and \$97,314,921, at December 31, 2020 and 2019, 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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

Net assets with donor restrictions at December 31, 2020 and 2019 are available for the following:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Healthcare services	\$ 128,767,784	119,516,873
Research	97,047,133	80,949,502
Capital projects	87,212,332	63,170,805
Fellowships and awards	1,685,773	1,681,392
Advancement of medical services	221,861	214,153
Hadassah Academic College	1,960,061	1,595,740
Education	4,047,985	3,080,298
Youth Aliyah	4,370,525	3,681,825
Youth Movement – Young Judaea	442,759	327,042
Israeli Crisis Campaign	1,383,366	1,383,366
Other	<u>4,308,738</u>	<u>6,319,979</u>
Total purpose restricted	<u>331,448,317</u>	<u>281,920,975</u>
Time restricted:		
Deferred giving arrangements	<u>18,055,016</u>	<u>18,193,821</u>
Total time restricted	<u>18,055,016</u>	<u>18,193,821</u>
In perpetuity (endowment corpus):		
Healthcare services	75,233,864	74,112,049
Research	13,961,669	13,956,680
Hadassah Academic College	1,164,593	1,164,593
Education	3,660,730	3,804,953
Youth Aliyah	2,298,366	2,298,366
Hadassah's greatest need	13,974,090	13,788,072
Other	<u>2,946,042</u>	<u>3,005,075</u>
Total in perpetuity	<u>113,239,354</u>	<u>112,129,788</u>
Total net assets with donor restrictions	<u>\$ 462,742,687</u>	<u>412,244,584</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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).

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

Notes to Consolidated Financial Statements

December 31, 2020

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

The following table represents the net asset classes of the Organization's endowment funds as of December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowments	\$ —	196,243,522	196,243,522
Board-designated funds:			
Hadassah Foundation	14,686,656	—	14,686,656
HWZOA	111,354,471	—	111,354,471
	<u>126,041,127</u>	<u>—</u>	<u>126,041,127</u>
Total endowment funds	<u>\$ 126,041,127</u>	<u>196,243,522</u>	<u>322,284,649</u>

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
	<u>110,392,012</u>	<u>—</u>	<u>110,392,012</u>
Total endowment funds	<u>\$ 110,392,012</u>	<u>175,275,978</u>	<u>285,667,990</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

The following table presents changes in endowments with donor restrictions and endowments without donor restrictions (board-designated funds) for the year ended December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowments with donor restrictions and endowments without donor restrictions (board-designated funds), December 31, 2019	\$ 110,392,012	175,275,978	285,667,990
Investment return, net	20,319,027	29,638,132	49,957,159
Contributions	—	1,510,626	1,510,626
Amounts utilized for operations	(4,669,912)	(7,979,284)	(12,649,196)
Reclassification of funds and other changes	—	(2,083,092)	(2,083,092)
Other	—	(118,838)	(118,838)
Endowments with donor restrictions/ board-designated without donor restrictions (board-designated funds), December 31, 2020	\$ 126,041,127	196,243,522	322,284,649

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

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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.

(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 2020 and 2019) 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 \$119,032,000 and \$109,971,000 at December 31, 2020 and 2019, respectively, and is included in malpractice and other liabilities in the consolidated balance sheet. Such amounts exclude the current portion of medical malpractice liabilities of approximately \$13,087,000 and \$12,155,000 at December 31, 2020 and 2019, respectively, which is included in accounts payable and accrued expenses in the consolidated balance sheet.

Pledged securities provided as security for the contingent liabilities and claims due to medical malpractice of approximately \$120,516,000 and \$110,329,000 as of December 31, 2020 and 2019, respectively, are included in investments in the consolidated balance sheet. Pledged securities are used for the payment of deductible amounts.

HMO has accrued medical malpractice claims liability of \$113,672,836 and \$108,436,769 and an insurance recoveries receivable of \$7,634,278 and \$10,620,842 in the consolidated balance sheet as of December 31, 2020 and 2019. Insurance recoveries receivable are included in prepaid expenses and other assets.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(11) 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, 2020 and 2019 were \$1,026,000 and \$1,265,000, 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, 2020 (based on the fund's audited financial statements):

<u>Legal name and plan number</u>	<u>Present value of accumulated plan benefits</u>	<u>Market value of plan assets</u>
Hadassah Employee Pension Fund	\$ 734,703,556	643,465,214

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):

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

The contributions to the plan during fiscal years 2020 and 2019 were approximately \$5,755,000 and \$5,924,000, respectively.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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. HMO submitted an appeal to the National Labor Court and is currently waiting for an hearing date to be scheduled. 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 \$70,051,000 and \$62,144,000 at December 31, 2020 and 2019, respectively, and is included in accrued employee benefits liabilities in the consolidated balance sheet.

(d) Postretirement and Accrued Sick Leave

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 \$60,094,229 and \$56,687,513, respectively, at December 31, 2020 and 2019, and is included in accrued employee benefits liabilities in the consolidated balance sheet.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(e) *Deferred Wages to Employees per 2014 Plan*

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, 2020 and 2019, these liabilities to employees are approximately \$27,412,000 and \$26,319,000, respectively, and are included in accrued employee benefits liabilities in the consolidated balance sheet.

(12) Current Maturities on Long-Term Debt

The current portion of long-term debt (note 13) was \$4,928,939 and \$5,114,789, respectively, at December 31, 2020 and 2019. The current portion of the loan from the Government of Israel (note 15) was \$2,622,141 and \$0, respectively, at December 31, 2020 and 2019. Interest expense was approximately \$262,000 and \$426,000 for the years ended December 31, 2020 and 2019, respectively.

(13) Long-Term Debt

HMO has the following loans outstanding as of December 31, 2020 and 2019:

	2020	2019
Long-term bank loan – Tower	\$ 6,915,719	11,537,648
Less current maturities	(4,928,939)	(5,114,789)
	\$ 1,986,780	6,422,859

- (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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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

Year ending December 31:	
2021	\$ 4,928,939
2022	<u>1,986,782</u>
	<u>\$ 6,915,721</u>

(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, 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, 2020 and 2019. The revolving credit agreement has been renewed through March 31, 2022 but was amended to include \$15,000,000 of committed facility and \$10,000,000 of uncommitted facility.

(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, 2020 and 2019 was \$1,756,763 and \$1,737,227, respectively.

Scheduled minimum lease payments are as follows:

Year ending December 31:	
2021	\$ 1,708,475
2022	1,708,475
2023	1,708,475
2024	1,708,475
2025	1,743,106
Thereafter	<u>18,700,875</u>
	<u>\$ 27,277,881</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

(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

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 2020 and 2019 includes grants of \$30,940,637 and \$67,294,336, respectively, from the Government of Israel. Included in prepaid expenses and other assets in the accompanying 2020 and 2019 consolidated balance sheet is a receivable from the Government of Israel in the amount of \$2,390,000 and \$1,022,000, respectively.

As of the balance sheet date, the Recovery Agreement expired. 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 \$31,160,317 and \$28,939,623 at December 31, 2020 and 2019, respectively.

	2020	2019
Loan from the Government of Israel	\$ 31,160,317	28,939,623
Less current maturities	(2,622,141)	—
	\$ 28,538,176	28,939,623

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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.

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.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

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 2021.

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, had a significant impact on HMO's income composition, the deficit from its activities, and its working capital and cash flows. The Government of Israel partially compensated HMO for the related loss of income and increase in operating costs.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 86,233,978	72,526,350
Accounts receivable for medical services, net	158,921,042	133,826,657
Accrued interest income and other receivables	968,220	2,663,192
Contributions and bequests receivable, net	27,221,145	21,871,392
Investments	914,401,543	799,770,444
Investments of charitable gift annuities held by Hadassah	49,666,860	48,663,702
Assets of trusts and other split-interest agreements held by others	<u>32,612,317</u>	<u>30,059,110</u>
Total financial assets at year-end	<u>1,270,025,105</u>	<u>1,109,380,847</u>

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

Notes to Consolidated Financial Statements

December 31, 2020

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

	2020	2019
Less amounts not available to meet general expenditures within the next 12 months:		
Contributions receivable due in greater than one year	\$ (12,177,712)	(12,830,361)
Other long-term investments and collateral	(348,959,346)	(329,863,091)
Donor-restricted endowment to be retained in perpetuity	(113,269,354)	(112,129,788)
Future expendable donor-restricted endowment	(86,641,763)	(67,551,530)
Donor-restricted funds	(13,593,104)	(11,370,752)
Board-designated funds	(126,041,127)	(110,392,012)
Add spending rate income	11,286,138	8,559,126
Financial assets available to meet general expenditures in the next 12 months	\$ 580,628,837	473,802,439
Liquidity resources:		
Bank line of credit (no balance outstanding at December 31, 2020)	\$ 25,000,000	25,000,000

(17) COVID-19 Pandemic

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 for a two month period, 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 and an increase in operational expenses. 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 for a two-three month period, as well as reducing the use of subcontractors. Furthermore, HMO's management has frozen any non-urgent projects and executed a plan for providing full capacity medical services in parallel to COVID-19 medical services.

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

Notes to Consolidated Financial Statements

December 31, 2020

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

During 2020, the Government of Israel published support tests for funding COVID 19 activities in a number of different areas, including investment in the requisition of emergency supplies; medications and medical equipment; protective equipment for medical teams; reinforcements for laboratories and reimbursement of expenses which were covered in the past by income from activities. As part of these support tests HMO received grants during 2020 totaling \$52.7 million, included in contributions and bequests, which covered a significant portion of the increase in expenses and income reduction. Additionally, HMO was paid \$20.1 million by the Government of Israel to perform COVID-19 tests, which are included in patient service revenues. 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.

(18) Subsequent Events

Management evaluated all events that occurred after December 31, 2020 and through August 4, 2021, which is the date the consolidated financial statements were available for issuance, and has concluded that there are no additional subsequent events requiring disclosure.