

Financial Statements Together with  
Report of Independent Certified Public Accountants

**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

For the year ended September 30, 2017, with summarized  
comparative information for the year ended September 30, 2016

# AMERICAN SOCIETY FOR TECHNION- ISRAEL INSTITUTE OF TECHNOLOGY, INC.

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors

**American Society for Technion-Israel Institute of Technology, Inc.**

We have audited the accompanying financial statements of the American Society for Technion-Israel Institute of Technology, Inc. (the “Society”), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

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

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters**

*Report on 2016 summarized comparative information*

We have previously audited the Society's 2016 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 28, 2017. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Thornton LLP*

New York, New York  
March 2, 2018

**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

**Statement of Financial Position**

**As of September 30, 2017, with summarized comparative totals as of September 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 2,544,421	\$ 3,405,829
Investments - pooled (Note 3)	308,733,756	269,857,659
Investments - nonpooled (Note 4)	48,970,770	47,540,582
Contributions receivable, net (Note 7)	71,843,105	85,049,855
Beneficial interests in trusts (Note 8)	32,908,849	28,306,104
Other receivables (Note 9)	624,660	592,824
Cash surrender value of life insurance policies	2,490,910	2,389,412
Prepaid expenses and other assets	3,214,084	3,263,024
Loan receivable (Note 6)	44,522,617	45,043,427
Fixed assets, net (Note 10)	<u>7,719,907</u>	<u>8,073,190</u>
Total assets	<u>\$ 523,573,079</u>	<u>\$ 493,521,906</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued expenses and other liabilities (Notes 8 and 14)	\$ 4,689,193	\$ 4,800,424
Loan payable (Note 12)	11,300,000	11,300,000
Transmissions payable	1,947,282	2,192,090
Annuity obligations (Note 8)	<u>18,612,618</u>	<u>17,377,845</u>
Total liabilities	<u>36,549,093</u>	<u>35,670,359</u>
Commitments and contingencies (Note 15)		
<b>NET ASSETS</b>		
Unrestricted (Note 19)	11,763,129	11,525,732
Temporarily restricted (Note 19)	152,040,083	135,569,378
Permanently restricted (Note 19)	<u>323,220,774</u>	<u>310,756,437</u>
Total net assets	<u>487,023,986</u>	<u>457,851,547</u>
Total liabilities and net assets	<u>\$ 523,573,079</u>	<u>\$ 493,521,906</u>

*The accompanying notes are an integral part of this financial statement.*

**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

**Statement of Activities**

**For the year ended September 30, 2017, with summarized comparative totals for the year ended September 30, 2016**

	Unrestricted	Temporarily Restricted			Permanently Restricted	Total 2017	Total 2016
	General	Special	Capital	Total			
<b>REVENUES, GAINS, LOSSES, AND OTHER SUPPORT</b>							
Contributions and special events	\$ 8,396,997	\$ 51,453,056	\$ 3,247,135	\$ 54,700,191	\$ 9,493,196	\$ 72,590,384	\$ 90,901,540
Less direct costs of special events	(317,856)	-	-	-	-	(317,856)	(391,824)
Legacies and bequests	590,210	17,530,918	31,911	17,562,829	2,971,141	21,124,180	12,610,691
Total public support (Note 13)	8,669,351	68,983,974	3,279,046	72,263,020	12,464,337	93,396,708	103,120,407
Investment income (Note 5)	11,073,873	24,131,474	(4,683)	24,126,791	-	35,200,664	25,272,444
Interest on loan receivable and other income	117,345	2,073,694	40,606	2,114,300	-	2,231,645	2,172,871
<b>NET ASSETS RELEASED FROM RESTRICTIONS (Note 19)</b>							
Satisfaction of program restrictions	81,311,135	(75,583,987)	(5,727,148)	(81,311,135)	-	-	-
Satisfaction of time restrictions	722,271	(722,271)	-	(722,271)	-	-	-
Total revenues, gains, losses and other support	101,893,975	18,882,884	(2,412,179)	16,470,705	12,464,337	130,829,017	130,565,722
<b>EXPENSES</b>							
Program services:							
Grants to Technion-Israel Institute of Technology and other beneficiaries	81,332,135	-	-	-	-	81,332,135	85,519,737
Education and other programs	839,573	-	-	-	-	839,573	786,855
Total program services	82,171,708	-	-	-	-	82,171,708	86,306,592
Supporting services	19,484,870	-	-	-	-	19,484,870	20,419,909
Total expenses	101,656,578	-	-	-	-	101,656,578	106,726,501
Change in net assets	237,397	18,882,884	(2,412,179)	16,470,705	12,464,337	29,172,439	23,839,221
Net assets, beginning of year	11,525,732	119,045,873	16,523,505	135,569,378	310,756,437	457,851,547	434,012,326
Net assets, end of year	\$ 11,763,129	\$ 137,928,757	\$ 14,111,326	\$ 152,040,083	\$ 323,220,774	\$ 487,023,986	\$ 457,851,547

*The accompanying notes are an integral part of this financial statement.*

**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

**Statement of Functional Expenses**

**For the year ended September 30, 2017, with summarized comparative totals for the year ended September 30, 2016**

	Program Services			Supporting Services			Total 2017	Total 2016
	Grants	Education and Other Programs	Total	Management and General	Fund Raising	Total		
Grants to Technion-Israel Institute of Technology and other beneficiaries	\$ 81,332,135	\$ -	\$ 81,332,135	\$ -	\$ -	\$ -	\$ 81,332,135	\$ 85,519,737
Personnel costs:								
Payroll	-	557,853	557,853	3,540,763	6,362,034	9,902,797	10,460,650	9,457,134
Employee benefits	-	151,401	151,401	831,448	1,819,431	2,650,879	2,802,280	3,793,257
Total personnel costs	-	709,254	709,254	4,372,211	8,181,465	12,553,676	13,262,930	13,250,391
Other expenses:								
Occupancy (includes interest expense of \$220,410 and \$161,663 in fiscal 2017 and 2016 respectively)	-	7,044	7,044	353,053	734,932	1,087,985	1,095,029	1,017,441
Travel	-	-	-	160,168	500,387	660,555	660,555	763,762
Travel - Israeli speakers	-	87,284	87,284	-	46,658	46,658	133,942	140,931
Marketing	-	4,971	4,971	86,907	1,183,554	1,270,461	1,275,432	571,304
Communications-Telephone and Internet	-	-	-	74,630	168,531	243,161	243,161	241,463
Conference and meetings	-	28,375	28,375	-	159,640	159,640	188,015	293,166
Postage and shipping	-	2,645	2,645	34,021	60,045	94,066	96,711	128,359
Supplies (includes dues and subscriptions)	-	-	-	52,042	89,677	141,719	141,719	110,767
Equipment rental and maintenance	-	-	-	112,472	-	112,472	112,472	100,402
Professional fees	-	-	-	1,364,327	291,560	1,655,887	1,655,887	1,225,500
Insurance	-	-	-	230,202	-	230,202	230,202	226,219
Campaign events (includes fundraising costs for the gala of \$0 and \$462,096 in fiscal 2017 and 2016, respectively)	-	-	-	-	756,165	756,165	756,165	1,118,376
Bad debt expense	-	-	-	-	-	-	-	1,561,425
Other	-	-	-	12,070	18,098	30,168	30,168	22,275
Total personnel costs and other expenses before depreciation and amortization	-	839,573	839,573	6,852,103	12,190,712	19,042,815	19,882,388	20,771,781
Depreciation and amortization	-	-	-	231,087	210,968	442,055	442,055	434,983
Total personnel costs and other expenses	-	839,573	839,573	7,083,190	12,401,680	19,484,870	20,324,443	21,206,764
Total expenses	\$ 81,332,135	\$ 839,573	\$ 82,171,708	\$ 7,083,190	\$ 12,401,680	\$ 19,484,870	\$ 101,656,578	\$ 106,726,501

*The accompanying notes are an integral part of this financial statement.*

# AMERICAN SOCIETY FOR TECHNION- ISRAEL INSTITUTE OF TECHNOLOGY, INC.

## Statement of Cash Flows

For the year ended September 30, 2017, with summarized comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,172,439	\$ 23,839,221
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	442,055	434,983
Unrealized/realized gain on investments	(33,558,956)	(19,896,271)
Actuarial gain on annuity obligations	(1,245,054)	(1,046,207)
Permanently restricted contributions	(12,464,337)	(15,993,136)
Contributions restricted for annuity agreements	(1,085,811)	(938,238)
Contributions restricted for beneficial interest in remainder trusts	(5,493,200)	(959,161)
Proceeds from beneficial interest in remainder trusts	2,275,160	2,520,632
Change in value of beneficial interest in remainder trusts	(1,384,705)	(1,139,902)
Decrease (increase) in assets:		
Contributions receivable	13,206,750	3,711,611
Other receivables	(31,836)	(63,448)
Cash surrender value of life insurance policies	(101,498)	(32,195)
Prepaid expenses and other assets	48,940	14,035
Loan receivable	520,810	2,881,773
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and other liabilities	(111,231)	(2,220,986)
Transmissions payable	(244,808)	1,125,559
Net cash used in operating activities	<u>(10,055,282)</u>	<u>(7,761,730)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed asset acquisitions	(88,772)	(95,111)
Purchase of investments	(65,483,183)	(72,717,848)
Proceeds from sale of investments	<u>58,735,854</u>	<u>64,987,418</u>
Net cash used in investing activities	<u>(6,836,101)</u>	<u>(7,825,541)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from permanently restricted contributions	12,464,337	15,993,136
Proceeds from contributions restricted for investment subject to annuity agreements	2,919,490	2,257,088
Payment of annuity obligations	(2,596,011)	(3,147,679)
Investment income subject to annuity agreements	<u>3,242,159</u>	<u>1,779,163</u>
Net cash provided by financing activities	<u>16,029,975</u>	<u>16,881,708</u>
Net change in cash	(861,408)	1,294,437
Cash, beginning of year	<u>3,405,829</u>	<u>2,111,392</u>
Cash, end of year	<u>\$ 2,544,421</u>	<u>\$ 3,405,829</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 220,410</u>	<u>\$ 160,688</u>
Noncash items:		
Interest on loan receivable	<u>\$ 1,788,324</u>	<u>\$ 1,832,302</u>
Grants to Technion-Israel Institute of Technology, Inc.	<u>\$ (1,788,324)</u>	<u>\$ (1,832,302)</u>

*The accompanying notes are an integral part of this financial statement.*



**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

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**1. NATURE OF ORGANIZATION**

The purpose as stated in the bylaws of American Society for Technion-Israel Institute of Technology, Inc. (the "Society") is to promote, encourage, aid and advance technological, scientific and industrial higher and secondary education, research and training in Israel and elsewhere. Its goal is to enable Technion-Israel Institute of Technology ("Technion") to be among the world's leading institutions and improve the well-being of Israel and all humanity through leadership in science and technology. The Society also provides other assistance to Technion.

The Society's primary source of revenue is contributions. The Society is based in New York City and operates a network of regional offices and chapters throughout the United States of America (U.S.).

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society is subject to unrelated business income taxes as a result of certain investments in limited partnerships.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") applicable to not-for-profit entities.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Investments are recorded at fair value based upon market value. Fair value is 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 on the measurement date. As required by U.S. GAAP for fair value measurement, the Society uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

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Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Society. The Society considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

Investments in marketable securities are stated at fair value based on quoted market prices. Refer to Notes 3 and 4 for marketable securities classified within the fair value hierarchy. State of Israel Bonds are generally stated at cost, which approximates fair value.

Alternative investments include investments in limited partnership funds (hedge funds and private equity of nonregistered funds). Alternative investment interests are stated at fair value based on financial statements and other information received from the funds. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Society believes that the stated value of its alternative investments was a reasonable estimate of their fair value as of September 30, 2017. However, alternative investments are not readily marketable and many alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed. Such differences could be material to the valuation of some of the Society's alternative investments. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements. See Notes 3 and 4 for table which sets forth by level, within the fair value hierarchy, the assets at fair value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility 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 Society's financial statements.

#### **Split-interest Agreements**

The Society's investments include funds subject to split-interest agreements. Contribution revenues for split-interest agreements are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries.

# **AMERICAN SOCIETY FOR TECHNION- ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

## **Notes to Financial Statements**

**September 30, 2017 and 2016**

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The present values of payments to beneficiaries of split-interest agreements are calculated using discount rates of 1.45% to 6%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities.

### **Other Receivables**

Other receivables consist mainly of a note receivable, which is discussed in Note 9.

### **Allowance for Doubtful Accounts**

The Society determines whether an allowance for doubtful accounts should be provided for contributions receivable, other receivables, and loan receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables.

### **Fixed Assets**

Fixed assets are reported at cost and depreciated on the straight-line method over their estimated useful lives. The Society's policy is to capitalize items with a cost of \$1,500 or greater, and a useful life of greater than one year.

### **Transmissions Payable and Grants**

Grants to Technion-Israel Institute of Technology and other beneficiary organizations are made pursuant to authorization of the Board of Directors of the Society.

### **Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets**

Unrestricted net assets are those whose use by the Society has not been restricted by donors or time. Temporarily restricted net assets are those whose use by the Society has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Society in perpetuity.

### **Contributions**

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates. Conditional promises to give are not included as support until the conditions are substantially met.

# **AMERICAN SOCIETY FOR TECHNION- ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

## **Notes to Financial Statements**

**September 30, 2017 and 2016**

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### **Investment Income**

Investment income is reflected net of investment management fees and unrelated business income tax.

### **Functional Allocation of Expenses**

The costs of providing the Society's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services.

### **Income Taxes**

The Society follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

### **Cash**

The Society classifies deposits in banks and money market accounts with original maturities of three months or less as cash equivalents, excluding cash and cash equivalents available for long-term investment, which are included within investments in the accompanying statements of financial position.

### **New Accounting Pronouncements**

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." This ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. This update is effective for the fiscal year beginning October 1, 2018, with early adoption permitted. The Society is currently assessing the effect that adoption of the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases". This ASU will require lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as finance leases or operating leases. This update is effective for the fiscal year beginning October 1, 2020, with early adoption permitted. The Society is currently assessing the effect that adoption of the new standard will have on its financial statements.

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**Notes to Financial Statements**  
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**3. POOLED INVESTMENTS**

The following tables set forth by level, within the fair value hierarchy, the pooled investments at fair value at September 30, 2017 and 2016. See Note 2 for a full description of the various levels. Included in the total pooled investment balance of \$308,733,756 and \$269,857,659 as of September 30, 2017 and 2016, respectively, are amounts due from fund managers totaling \$9,549,892 and \$51,478, respectively, for the proceeds from the liquidation of certain investment accounts.

	<b>2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and money market mutual funds	\$ 22,005,416	\$ -	\$ 22,005,416
Stocks:			
Commodities and materials, industrial	1,220,404	-	1,220,404
Consumer staples/discretionary	10,193,966	-	10,193,966
Financial	12,684,297	-	12,684,297
Technology	7,717,263	-	7,717,263
Energy	753,779	-	753,779
Healthcare	2,620,280	-	2,620,280
Fixed income:			
High yield bonds	-	5,457,939	5,457,939
Exchange traded and index funds:			
U.S. and foreign equities	68,673,888	-	68,673,888
Commodities and natural resources	14,800,391	-	14,800,391
Bond market index fund	14,380,276	-	14,380,276
Mutual funds:			
Fixed income	14,642,316	-	14,642,316
Total pooled investments, at fair value	<u>\$ 169,692,276</u>	<u>\$ 5,457,939</u>	<u>175,150,215</u>
Due from fund managers (proceeds from recent investment liquidations)			9,549,892
Time deposits, Israeli bonds and notes			15,950,786
Alternative investments measured at NAV			<u>108,082,863</u>
Total pooled investments			<u>\$ 308,733,756</u>

**AMERICAN SOCIETY FOR TECHNION-  
ISRAEL INSTITUTE OF TECHNOLOGY, INC.**

**Notes to Financial Statements**

**September 30, 2017 and 2016**

	<b>2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and money market mutual funds	\$ 19,099,013	\$ -	\$ 19,099,013
Stocks:			
Commodities and materials, industrial	1,160,527	-	1,160,527
Consumer staples/discretionary	8,593,337	-	8,593,337
Financial	8,917,153	-	8,917,153
Technology	6,712,704	-	6,712,704
Energy	938,605	-	938,605
Healthcare	1,976,547	-	1,976,547
Fixed income:			
High yield bonds	-	5,189,157	5,189,157
Exchange traded and index funds:			
U.S. and foreign equities	67,425,861	-	67,425,861
Commodities and natural resources	8,902,689	-	8,902,689
Bond market index fund	14,396,878	-	14,396,878
Mutual funds:			
Fixed income	14,516,554	-	14,516,554
Total pooled investments, at fair value	<u>\$ 152,639,868</u>	<u>\$ 5,189,157</u>	<u>157,829,025</u>
Due from fund managers (proceeds from recent account liquidations)			51,478
Time deposits, Israeli bonds and notes			15,843,326
Alternative investments measured at NAV			<u>96,133,830</u>
Total pooled investments			<u>\$ 269,857,659</u>

The Society has invested a total of \$67 million as of September 30, 2017 and \$59 million as of September 30, 2016 with eight limited partnerships administered offshore. Of this amount, six limited partnership investments totaling \$64 million and \$54 million as of September 30, 2017 and 2016, respectively, are managed in the United States.

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The following tables present the alternative investments as of September 30, 2017 and 2016:

<b>2017</b>				
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity <sup>(a)</sup>	\$ 43,360,382	2	Monthly	6-10 days
Flexible capital <sup>(b)</sup>	51,753,857	4	Annual/Quarterly	45-90 days
Emerging market equity <sup>(c)</sup>	4,693,863	1	Monthly	15 days
Private equity and venture capital partnerships <sup>(d)</sup>	<u>8,274,761</u>	9	Illiquid	N/A
	<u>\$ 108,082,863</u>			
<b>2016</b>				
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity <sup>(a)</sup>	\$ 29,140,117	2	Monthly	6-10 days
Flexible capital <sup>(b)</sup>	50,751,548	4	Annual/Quarterly	45-90 days
Emerging market equity <sup>(c)</sup>	4,101,236	1	Monthly	15 days
Private equity and venture capital partnerships <sup>(d)</sup>	<u>12,140,929</u>	9	Illiquid	N/A
	<u>\$ 96,133,830</u>			

- (a) International developed equity: Investments in a value oriented hedge fund that seeks to outperform the MSCI EAFE Index. The fair value has been estimated using the NAV per share of the investments as reported by the fund manager.
- (b) Flexible capital: Investments in multi-strategy hedge funds that invest in equities, fixed income, credit opportunities, special situations, merger arbitrage, etc., where value can be realized through a number of methods including restructuring and price corrections. Included in this strategy is an investment in a hedge fund that allows for quarterly redemptions with 90 days' notice and a maximum redeemable amount equivalent to 25% of the investment value. The fair value has been estimated using the NAV per share of the investments as reported by the fund managers.
- (c) Emerging market equity: Investment in an international equity manager that invests in both developed and emerging market equities. The fair value has been estimated using the NAV per share of the investments as reported by the fund manager.
- (d) Private equity and venture capital partnerships: These are various private equity funds and venture capital partnerships which include Israeli energy and environmental sector focused investments, as well as various fund of funds investments. These are non-marketable and illiquid investments in closed-end private investment funds that have terms over ten years. The manager, or general partners of these investment funds, have full discretion to call capital from and distribute profits to the Society. These investments can never be redeemed within the funds and distributions are received when underlying assets of the funds are liquidated. The fair values of the investments in this class have been estimated using the NAV of the Society's ownership interest in partners' capital.

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The Society has subscription agreement commitments totaling \$30.4 million in various hedge funds as of September 30, 2017 and 2016, respectively. In the event of nonpayment, the Society will be subject to penalties in the form of a reduction in its partnership interest or payment of interest. As of September 30, 2017 and 2016, the Society has paid a total of \$24 million toward these commitments.

**4. NONPOOLED INVESTMENTS**

Nonpooled investments consist of investments held for charitable remainder trusts, charitable gift annuities and other specifically designated funds.

The following tables set forth by level, within the fair value hierarchy, the nonpooled investments at fair value at September 30, 2017 and 2016. See Note 2 for a full description of the various levels.

	<b>2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and money market mutual funds	\$ 650,921	\$ -	\$ 650,921
Stocks:			
Consumer growth/staples/cyclical	5,297,757	-	5,297,757
Financial	3,767,669	-	3,767,669
Technology	3,290,573	-	3,290,573
Energy	682,054	-	682,054
Capital equipment	1,001,344	-	1,001,344
Industrial commodities	216,280	-	216,280
Utilities	533,562	-	533,562
Healthcare	152,503	-	152,503
Services	249,738	-	249,738
Fixed income:			
High yield bonds	-	974,517	974,517
Investment grade corporate bonds	1,604,789	-	1,604,789
Other fixed income	-	1,629,051	1,629,051
Mutual funds:			
Fixed income	5,008,184	-	5,008,184
Equities:			
International value	6,445,083	-	6,445,083
U.S. and foreign equities	2,293,879	-	2,293,879
U.S. agency notes and bonds			
U.S. Government obligations	2,567,321	-	2,567,321
Municipal bonds	-	709,276	709,276
Total Non-Pooled Investments, at fair value	<u>\$ 33,761,657</u>	<u>\$ 3,312,844</u>	37,074,501
Alternative investments measured at NAV			5,642,251
Time deposits, Israeli bonds and notes			6,254,018
Total Non-Pooled Investments			<u>\$ 48,970,770</u>



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	<b>2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and money market mutual funds	\$ 1,378,064	\$ -	\$ 1,378,064
Stocks:			
Consumer growth/staples/cyclical	4,804,675	-	4,804,675
Financial	2,949,150	-	2,949,150
Technology	3,070,489	-	3,070,489
Energy	992,627	-	992,627
Capital equipment	884,657	-	884,657
Industrial commodities	164,175	-	164,175
Utilities	823,833	-	823,833
Healthcare	117,253	-	117,253
Services	155,354	-	155,354
Fixed income:			
High yield bonds	-	926,526	926,526
Investment grade corporate bonds	2,071,984	-	2,071,984
Other fixed income	-	1,953,497	1,953,497
Mutual funds:			
Fixed income	4,949,978	-	4,949,978
Equities:			
International value	4,011,508	-	4,011,508
U.S. and foreign equities	3,826,025	-	3,826,025
U.S. agency notes and bonds			
U.S. Government obligations	2,484,062	-	2,484,062
Municipal bonds	-	212,596	212,596
Total Non-Pooled Investments, at fair value	<u>\$ 32,683,834</u>	<u>\$ 3,092,619</u>	35,776,453
Alternative investments measured at NAV			4,957,611
Time deposits, Israeli bonds and notes			6,806,518
Total Non-Pooled Investments			<u>\$ 47,540,582</u>

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The following tables present alternative investments as of September 30, 2017 and 2016:

	<b>2017</b>			
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity <sup>(a)</sup>	\$ 1,826,340	1	Monthly	10 days
Flexible capital <sup>(b)</sup>	2,783,545	1	Quarterly	90 days
Limited partnership <sup>(c)</sup>	<u>1,032,366</u>	1	Illiquid	N/A
	<u>\$ 5,642,251</u>			

	<b>2016</b>			
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity <sup>(a)</sup>	\$ 1,487,239	1	Monthly	6 days
Flexible capital <sup>(b)</sup>	2,438,006	1	Quarterly	90 days
Limited partnership <sup>(c)</sup>	<u>1,032,366</u>	1	Illiquid	N/A
	<u>\$ 4,957,611</u>			

<sup>(a)</sup> *International developed equity*: Investment in a value oriented hedge fund that seeks to outperform the MSCI EAFE Index. The fair value has been estimated using the NAV per share of the investments as reported by the fund manager.

<sup>(b)</sup> *Flexible capital*: Investment in a credit oriented multi-strategy hedge fund that focuses on situations where value can be realized through a number of methods, including restructuring and price corrections. The investment can be redeemed quarterly with 90 days' notice and a maximum redemption equivalent to 25% of the investment value. The fair value has been estimated using the NAV per share of the investments as reported by the fund managers.

<sup>(c)</sup> *Limited partnership*: Investment in a limited partnership that invests solely in a real estate property. The fair values of the investment in this class has been estimated based on the Society's ownership interest in the investment.

**5. INVESTMENT INCOME**

	<b>2017</b>	<b>2016</b>
Interest and dividends	\$ 5,654,214	\$ 6,742,329
Realized and unrealized gains on investments	<u>30,648,305</u>	<u>19,444,517</u>
Investment income	36,302,519	26,186,846
Investment management fees	<u>(1,101,855)</u>	<u>(914,402)</u>
Total investment income, net	<u>\$ 35,200,664</u>	<u>\$ 25,272,444</u>

# AMERICAN SOCIETY FOR TECHNION- ISRAEL INSTITUTE OF TECHNOLOGY, INC.

## Notes to Financial Statements

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### 6. LOAN RECEIVABLE

Effective September 30, 2010, the advances to Technion were converted to a 30-year loan receivable bearing an interest rate of 4% per annum. The interest is used to provide grants to Technion. The loan is collateralized by investments held at Technion. The principal is payable as a lump-sum payment on September 30, 2040, but prepayments are permitted. The loan may be renewed on or before September 30, 2040 upon the mutual consent of both the Society and Technion.

The loan was reduced by \$520,810 and \$2,881,773 from the amounts recovered from the Trustee for the Liquidation of Bernard Madoff Investments Securities LLC in 2017 and 2016, respectively, as described in Note 11.

### 7. CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using discount rates ranging between 1.56% and 6%. The receivables at September 30, 2017 and 2016 were due as follows:

	<u>2017</u>
2018	\$ 19,039,977
2019	18,934,664
2020	9,916,644
2021	7,645,230
2022	4,675,251
Thereafter	<u>10,629,242</u>
	70,841,008
Due as of September 30, 2017	<u>12,890,662</u>
	83,731,670
Less discount to present value	<u>(3,988,572)</u>
Present value of contributions receivable	79,743,098
Less allowance for doubtful accounts	<u>(7,899,993)</u>
Present value of contributions receivable - net of allowance for doubtful accounts	<u>\$ 71,843,105</u>

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**2016**

2017	\$ 21,721,450
2018	25,569,796
2019	16,482,990
2020	7,092,620
2021	4,954,113
Thereafter	<u>13,304,880</u>
	89,125,849
Due as of September 30, 2016	<u>9,835,599</u>
	98,961,448
Less discount to present value	<u>(5,226,456)</u>
Present value of contributions receivable	93,734,992
Less allowance for doubtful accounts	<u>(8,685,137)</u>
Present value of contributions receivable - net of allowance for doubtful accounts	<u>\$ 85,049,855</u>

**8. SPLIT-INTEREST AGREEMENTS**

The Society is a beneficiary under certain split-interest agreements in which the donor has established a charitable remainder unitrust, annuity trust or charitable gift annuity with specified distributions to be made over the term of the trust to the donor and/or other beneficiaries. The Society manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed.

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. The discount rate used to value new split-interest agreements was 2.65%. The Society's liabilities under split-interest agreements were classified as Level 3 within the fair value hierarchy as required by U.S. GAAP for fair value measurement (see Note 2). The following table summarizes the changes in the Society's Level 3 liabilities under split-interest agreements for the years ended September 30, 2017 and 2016:

	<b>Annuity Obligations</b>	
	<u>2017</u>	<u>2016</u>
<b>Balance, beginning of year</b>	\$ 17,377,845	\$ 18,473,718
New agreements	2,919,490	2,257,088
Payments to annuitants	(2,596,011)	(3,147,679)
Terminated contracts	(1,173,754)	(2,020,556)
Change in value due to actuarial valuations	<u>2,085,048</u>	<u>1,815,274</u>
<b>Balance, end of year</b>	<u>\$ 18,612,618</u>	<u>\$ 17,377,845</u>

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The Society is a trustee and the beneficiary of a charitable remainder unitrust that also benefits a third party. Included in accounts payable, accrued expenses and other liabilities is \$852,230 and \$826,827 representing the liability owed to the third party as of September 30, 2017 and 2016, respectively.

The Society is also the beneficiary of various split-interest agreements that are held and administered by others. When the Society is not the trustee, the beneficial interest in the trust is recorded at the fair value of the assets at the statement of financial position date less the present value of estimated future payments expected to be made to donors and/or other beneficiaries.

The Society's assets of trusts and other split-interest agreements held by others are classified as Level 3 within the fair value hierarchy. The following table summarizes the changes in the Society's Level 3 assets of trusts and other split-interest agreements held by others for the years ended September 30, 2017 and 2016:

	<b>Beneficial Interests in Trusts</b>	
	<b>2017</b>	<b>2016</b>
<b>Balance, beginning of year</b>	\$ 28,306,104	\$ 28,727,673
New agreements	5,493,200	959,161
Terminated agreements	(2,275,160)	(2,520,632)
Change in value of trust assets	<u>1,384,705</u>	<u>1,139,902</u>
<b>Balance, end of year</b>	<u>\$ 32,908,849</u>	<u>\$ 28,306,104</u>

The investments in split-interest agreements are included in nonpooled investments in the statement of financial position and are summarized within the fair value hierarchy (see Note 2) included with the nonpooled investments (Note 4). The assets of the split-interest agreements are allocated to the unrestricted, temporarily restricted and permanently restricted net asset classes as follows:

	<b>2017</b>	<b>2016</b>
Unrestricted	\$ 4,512,510	\$ 3,759,876
Temporarily restricted	24,768,280	23,324,128
Permanently restricted	<u>14,663,071</u>	<u>11,325,076</u>
	<u>\$ 43,943,861</u>	<u>\$ 38,409,080</u>

**9. OTHER RECEIVABLES**

Included in other receivables is a promissory note that benefits the Society in the original amount of \$450,000. The principal and interest of 6.25% is payable monthly in equal installments and the entire unpaid principal is payable on September 20, 2021 with a balloon payment of \$292,958 due at that time. The note is collateralized by a mortgage on a property located in Florida. The balance of the promissory note for the years ended September 30, 2017 and 2016 was \$369,006 and \$384,842, respectively.

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**10. FIXED ASSETS**

	2017				2016			
	Cost	Accumulated Depreciation	Net	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Estimated Useful Lives
Office condominium	\$ 9,801,289	\$ 4,114,499	\$ 5,686,790	40 years	\$ 9,801,289	\$ 3,869,467	\$ 5,931,822	40 years
Office condominium improvements	3,008,522	1,239,654	1,768,868	35 - 40 years	3,008,522	1,163,436	1,845,086	35 - 40 years
Furniture and equipment	<u>3,954,679</u>	<u>3,690,430</u>	<u>264,249</u>	3 - 7 years	<u>3,865,907</u>	<u>3,569,625</u>	<u>296,282</u>	3 - 7 years
	<u>\$ 16,764,490</u>	<u>\$ 9,044,583</u>	<u>\$ 7,719,907</u>		<u>\$ 16,675,718</u>	<u>\$ 8,602,528</u>	<u>\$ 8,073,190</u>	

The office condominium and related improvements house the national office of the Society located in New York City.

**11. RECOVERY OF PREVIOUSLY IMPAIRED ASSET**

The United States Bankruptcy Court for the Southern District of New York has granted the motions of the Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC for an Order Approving the Allocation of Property to the Fund of Customer Property and Authorizing Interim Distributions to Customers. The Society received a distribution of \$542,906 and \$3,004,038 during the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, the Society has received partial distributions of \$19,761,319 and \$19,218,413, respectively, which represents 62.934% and 61.205% of its allowed claim of \$31.4 million.

As agreed between the Society and Technion, the Society will reduce the amount of the loan due from Technion equal to the amount recovered from the Trustee of the Liquidation of Bernard L. Madoff Investment Securities LLC, excluding amount allocated to the Sam Neaman Fund (see Note 6).

**12. LOAN PAYABLE**

The Society obtained an \$11.3 million term loan from Citibank N.A. on November 21, 2011 to fund the retirement of its outstanding tax-exempt bonds issued through the Industrial Development Agency of New York ("IDA"). Proceeds from the IDA bond issue were used to finance the acquisition and renovation of its principal office building at 55 East 59th Street, New York, New York.

The Society is required to pay interest only on the loan until the maturity date which was November 30, 2016. On November 30, 2016, the loan was renewed for three years and will bear interest equivalent to the 30-day LIBOR plus bank service charge of 90 basis points. The loan will mature on November 30, 2019.

There is no penalty for early repayment of the loan. Interest was 2.14% at September 30, 2017 and 1.43% at September 30, 2016, and is payable monthly. Interest expense was \$220,410 in 2017 and \$161,663 in 2016.

The loan is collateralized by certain investments of the Society.

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**13. CAMPAIGN (UNAUDITED)**

For purposes of measuring performance against a long-range plan, the Society accounts for its campaign revenues for internal reports without discounting gifts to their present value and without excluding bequest and non-binding receivables (Note 18), which is not in accordance with U.S. GAAP.

The following is a summary of differences between the internal reports and the financial statements (unaudited):

	2017		2016	
Total campaign (for internal purposes)		\$ 120,946,675		\$ 151,350,736
Direct payments to Technion *		(2,228,898)		(13,261,369)
Discount:				
Recapture of prior years' discount	\$ 3,752,722		\$ 5,751,673	
Current year's discount	<u>(2,540,483)</u>	1,212,239	<u>(1,720,780)</u>	4,030,893
Bequest receivables and non-binding pledges:				
New bequest receivables and non-binding pledges	(78,978,000)		(87,547,793)	
Payment on bequest receivables and non-binding pledges	<u>52,014,903</u>	(26,963,097)	<u>50,276,535</u>	(37,271,258)
Recognition of cash surrender value of insurance policies		101,497		32,195
Direct costs of special events		(317,856)		(392,274)
Trust portion allocated to public support:				
Investment income	3,242,159	-	1,779,163	-
Payments to annuitants	<u>(2,596,011)</u>	<u>646,148</u>	<u>(3,147,679)</u>	<u>(1,368,516)</u>
Total public support (statement of activities)		<u>\$ 93,396,708</u>		<u>\$ 103,120,407</u>

\* Direct payments to Technion are gifts from U.S. donors that are negotiated by the Society. Expenses incurred by the Society in obtaining these gifts are included in the total supporting services.

**14. RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS**

The Society has a defined contribution retirement plan covering all eligible employees. The plan is managed by TIAA-CREF. Contributions by the Society are determined to be 9% of eligible employees' salaries for the first five years in the plan. The Society increases the contributions as allowed by law by one percentage point for each subsequent year, but not to exceed 12%. The Society has a supplemental defined contribution retirement plan whereby it contributes 4% of certain executive salaries. Covered employees are entitled to the proceeds only upon retirement.

The expense for the year relating to these plans was \$857,935 in 2017 and \$1,112,488 in 2016.

Effective October 1, 2004, the Society adopted a policy to provide postretirement medical benefits (Medigap coverage) to certain qualified employees. The Society also provides additional postretirement benefits to a former executive employee in the form of long-term care coverage.

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The following table sets forth the plan's funded status and amounts recognized in accounts payable and accrued expenses on the statement of financial position at September 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Projected benefit obligation at September 30	\$ (1,920,192)	\$ (2,214,692)
Fair value of plan assets	-	-
Funded status	<u>\$ (1,920,192)</u>	<u>\$ (2,214,692)</u>
Accrued benefit costs recognized in the balance sheet	\$ 1,920,192	\$ 2,214,692
Weighted average assumptions as of September 30:		
Discount rate	4.05 %	4.32 %
Expected return on plan assets	N/A	N/A
Benefit cost	\$ 122,454	\$ 100,000

The expense computation assumes future medical cost inflation of 5% per year. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate: increasing the assumed health care cost trend by 1% point in each year would increase the accumulated postretirement benefit obligation by \$373,291.

**15. COMMITMENT AND CONTINGENCIES**

The Society leases its regional offices under various operating leases. The rent expense incurred for the years ended September 30, 2017 and 2016 was \$399,660 and \$413,522, respectively, exclusive of rent tax and rubbish removal. The leases terminate on various dates through December 2022. The Society also has an employment agreement with a key employee that extends through September 2022. The estimated minimum lease and employment commitments are as follows:

2018	\$ 792,376
2019	758,404
2020	667,691
2021	650,088
2022	630,688
	<u>\$ 3,499,247</u>

**16. CHARGES TO OFFSET FUND-RAISING COSTS**

A charge was placed on cash received from permitted restricted and endowment contributions based upon a percentage agreed to by the donors. The charge is reflected in unrestricted contributions and special events in the statement of activities. The total charges for the years ended September 30, 2017 and 2016 were \$6,480,406 and \$3,300,442, respectively.



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The Society also received trust and annuity gifts which are not subject to any charges until the contracts are terminated.

**17. CONCENTRATIONS**

Financial instruments which potentially subject the Society to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

Total contributions receivable at September 30, 2017 and 2016 include \$52,615,078 and \$65,785,637, respectively, from twelve donors. The current discounted value of these contributions receivable is \$49,977,482 and \$62,454,209, respectively.

Total contribution revenue for the years ended September 30, 2017 and 2016 include \$42,124,324 from three donors and \$56,860,000 from five donors, respectively.

**18. BEQUEST RECEIVABLES**

The Society obtains gifts whereby a donor makes a gift agreement with payment to be made from the donor's estate. There are contingencies as to the collectability of the receivables. The total amount receivable from bequests of \$229,011,436 (unaudited) is not reflected as an asset on the financial statements. During the years ended September 30, 2017 and 2016, \$34,585,752 and \$7,512,225, respectively, was collected from bequest commitments and recorded as contributions in the financial statements.

**19. NET ASSETS**

**Interpretation of Relevant Law**

The Board of Directors of the Society has adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Society is now governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

**Return Objectives, Strategies Employed and Spending Policy**

The primary objective of the endowment is to preserve the purchasing power of its assets, while providing a continuing and stable funding source to support the current and future mission of the Society. The Society seeks to generate a total return that will exceed its operating expenses and distribution requirements, as well as all expenses associated with managing the Society and the eroding effects of inflation, with the excess above and beyond the amount approved for expenditure or distribution reinvested in the Society.

**AMERICAN SOCIETY FOR TECHNION-  
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**Notes to Financial Statements**

**September 30, 2017 and 2016**

The Society has a long-term investment horizon with relatively moderate liquidity needs and therefore can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. A portion of the endowment may be invested in asset classes and investment strategies with a higher risk-return profile, as appropriate.

During fiscal year 2017 and 2016, the Society is permitted to spend interest and dividend income plus realized and unrealized capital gains from the endowment's investments up to the 7% spending rate.

**Endowment Net Asset Composition by Type of Fund as of September 30, 2017 and 2016**

Permanently restricted net assets are restricted to investments in perpetuity, the income and appreciation from which are expendable to support the following:

	<u>2017</u>	<u>2016</u>
Education	\$ 284,594,387	\$ 272,793,464
Research	<u>38,626,387</u>	<u>37,962,973</u>
	<u>\$ 323,220,774</u>	<u>\$ 310,756,437</u>

Changes in endowment net assets for the years ended September 30, 2017 and 2016 are composed of the following:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	\$ (3,906,326)	\$ 18,429,105	\$ 310,756,437	\$ 325,279,216
Interest and dividends	680,918	6,072,466	-	6,753,384
Unrealized and realized gains	2,807,809	25,040,194	-	27,848,003
Contributions	-	13,435,000	7,650,644	21,085,644
Present value discount/appreciation of contributions receivable	-	-	282,875	282,875
Contribution of and change in value of beneficial interest in remainder trusts	-	-	4,530,818	4,530,818
Appropriation for expenses/satisfaction of program restrictions and bad debts	<u>-</u>	<u>(18,062,677)</u>	<u>-</u>	<u>(18,062,677)</u>
<b>Endowment net assets, at end of year</b>	<u>\$ (417,599)</u>	<u>\$ 44,914,088</u>	<u>\$ 323,220,774</u>	<u>\$ 367,717,263</u>

**AMERICAN SOCIETY FOR TECHNION-  
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**Notes to Financial Statements**

**September 30, 2017 and 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Endowment net assets, beginning of year</b>	\$(5,810,556)	\$ 9,540,958	\$ 294,766,964	\$ 298,497,366
Interest and dividends	2,114,738	5,641,253	-	7,755,991
Unrealized and realized gains	4,889,237	13,042,480	-	17,931,717
Contributions	-	-	15,825,555	15,825,555
Present value discount/appreciation of contributions receivable	-	-	535,705	535,705
Change in value of beneficial interest in remainder trusts	-	-	(368,124)	(368,124)
Appropriation for expenses/satisfaction of program restrictions and bad debts	<u>(5,099,745)</u>	<u>(9,795,586)</u>	<u>(3,663)</u>	<u>(14,898,994)</u>
<b>Endowment net assets, at end of year</b>	<u><b>\$(3,906,326)</b></u>	<u><b>\$ 18,429,105</b></u>	<u><b>\$ 310,756,437</b></u>	<u><b>\$ 325,279,216</b></u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration due to unfavorable market fluctuations. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$417,599 and \$3,906,326 as of September 30, 2017 and 2016, respectively.

**Unrestricted Net Assets**

Unrestricted net assets are composed of the following:

	2017	2016
Available for operations	\$ 12,180,728	\$ 15,432,058
Underwater endowments	<u>(417,599)</u>	<u>(3,906,326)</u>
Total unrestricted, net of funds with deficiencies	<u><b>\$ 11,763,129</b></u>	<u><b>\$ 11,525,732</b></u>

**AMERICAN SOCIETY FOR TECHNION-  
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Notes to Financial Statements  
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**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Education	\$ 79,420,220	\$ 66,972,771
Research	34,316,127	34,933,735
Capital projects	14,012,594	16,523,505
Time restrictions	<u>24,291,142</u>	<u>17,139,367</u>
	<u>\$ 152,040,083</u>	<u>\$ 135,569,378</u>

Temporarily and permanently restricted net assets were released from donor restrictions by incurring expenditures satisfying the following temporarily restricted purposes or by occurrence of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Purpose restriction accomplished:		
Education	\$ 32,870,571	\$ 40,989,694
Research	42,713,416	41,117,134
Capital projects	<u>5,727,148</u>	<u>3,384,909</u>
	<u>\$ 81,311,135</u>	<u>\$ 85,491,737</u>
Time restrictions	<u>\$ 722,271</u>	<u>\$ 5,401,298</u>

**20. SUBSEQUENT EVENTS**

The Society evaluated its September 30, 2017 financial statements for subsequent events through March 2, 2018 the date the financial statements were available to be issued, and is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.