

Financial Statements and Report of  
Independent Certified Public  
Accountants

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

For the year ended September 30, 2019, with  
summarized comparative information for the year  
ended September 30, 2018

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of financial position as of September 30, 2019, with summarized comparative totals as of September 30, 2018	5
Statement of activities for the year ended September 30, 2019, with summarized comparative totals for the year ended September 30, 2018	6
Statement of functional expenses for the year ended September 30, 2019, with summarized comparative totals for the year ended September 30, 2018	7
Statement of cash flows for the year ended September 30, 2019, with summarized comparative totals for the year ended September 30, 2018	8
Notes to financial statements	10

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors

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

### Report on the financial statements

We have audited the accompanying financial statements of American Society for Technion-Israel Institute of Technology, Inc. (the "Society"), which comprise the statement of financial position as of September 30, 2019, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society'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 Society'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 American Society for Technion-Israel Institute of Technology, Inc. as of September 30, 2019, 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 2018 summarized comparative information*

We have previously audited the Society's 2018 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York  
March 16, 2020

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

**STATEMENT OF FINANCIAL POSITION**

**As of September 30, 2019, with summarized comparative totals as of September 30, 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
Cash	\$ 3,243,886	\$ 4,566,134
Investments - pooled (Note 3)	317,182,090	314,052,578
Investments - nonpooled (Note 4)	66,177,012	58,979,953
Contributions receivable, net (Note 7)	51,242,709	64,595,927
Beneficial interests in trusts (Note 8)	50,383,823	35,727,638
Other receivables (Note 9)	469,841	812,543
Cash surrender value of life insurance policies	2,026,016	2,500,451
Prepaid expenses and other assets	3,410,010	4,304,242
Loan receivable (Note 6)	40,554,143	42,376,173
Fixed assets, net (Note 10)	<u>7,033,500</u>	<u>7,335,295</u>
Total assets	<u>\$ 541,723,030</u>	<u>\$ 535,250,934</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued expenses and other liabilities (Notes 8 and 14)	\$ 5,437,045	\$ 5,585,623
Loan payable (Note 12)	11,300,000	11,300,000
Transmissions payable	799,483	3,220,211
Annuity obligations (Note 8)	<u>23,563,490</u>	<u>22,386,763</u>
Total liabilities	41,100,018	42,492,597
<b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>		
<b>NET ASSETS</b>		
Without donor restrictions (Notes 2 and 19)	17,987,768	24,864,432
With donor restrictions (Notes 2 and 19)	<u>482,635,244</u>	<u>467,893,905</u>
Total net assets	<u>500,623,012</u>	<u>492,758,337</u>
Total liabilities and net assets	<u>\$ 541,723,030</u>	<u>\$ 535,250,934</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, 2019, with summarized  
comparative totals for the year ended September 30, 2018**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Revenues, gains, losses, and other support</b>				
Contributions and special events	\$ 6,201,467	\$ 48,413,192	\$ 54,614,659	\$ 42,594,931
Less direct costs of special events	-	-	-	(36,432)
Legacies and bequests	2,242,877	25,125,921	27,368,798	20,544,550
Total public support (Note 13)	8,444,344	73,539,113	81,983,457	63,103,049
Investment income, net (Note 5)	2,943,708	7,343,068	10,286,776	18,276,792
Interest on loan receivable and other income	312,529	2,429,639	2,742,168	2,597,251
Net assets released from restrictions (Note 19)				
Satisfaction of program restrictions	67,970,823	(67,970,823)	-	-
Satisfaction of time restrictions	157,764	(157,764)	-	-
Total revenues, gains, losses and other support	79,829,168	15,183,233	95,012,401	83,977,092
<b>Expenses</b>				
Program services:				
Grants to Technion-Israel Institute of Technology and other beneficiaries	67,970,823	-	67,970,823	56,936,953
Education and other programs	897,265	-	897,265	868,071
Total program services	68,868,088	-	68,868,088	57,805,024
Supporting services:				
Management and general	6,430,822	441,894	6,872,716	7,311,394
Fundraising	11,406,922	-	11,406,922	13,126,323
Total supporting services	17,837,744	441,894	18,279,638	20,437,717
Total expenses	86,705,832	441,894	87,147,726	78,242,741
<b>Change in net assets</b>	(6,876,664)	14,741,339	7,864,675	5,734,351
<b>Net assets, beginning of year</b> (Notes 2 and 19)	24,864,432	467,893,905	492,758,337	487,023,986
<b>Net assets, end of year</b>	\$ 17,987,768	\$ 482,635,244	\$ 500,623,012	\$ 492,758,337

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, 2019, with summarized comparative totals for the year ended September 30, 2018**

	<u>Grants</u>	<u>Education and other programs</u>	<u>Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total 2019</u>	<u>Total 2018</u>
Grants to Technion-Israel Institute of Technology and other beneficiaries	\$ 67,970,823	\$ -	\$ 67,970,823	\$ -	\$ -	\$ -	\$ 67,970,823	\$ 56,936,953
Personnel costs:								
Payroll	-	626,782	626,782	2,990,843	6,345,342	9,336,185	9,962,967	10,456,875
Employee benefits	-	173,889	173,889	752,111	1,741,310	2,493,421	2,667,310	2,495,426
Total personnel costs	-	800,671	800,671	3,742,954	8,086,652	11,829,606	12,630,277	12,952,301
Other expenses:								
Occupancy (includes interest expense of \$456,559 and \$334,751 in fiscal 2019 and 2018, respectively)	-	8,915	8,915	438,051	863,276	1,301,327	1,310,242	1,161,653
Travel	-	-	-	120,959	505,004	625,963	625,963	799,175
Travel - Israeli speakers	-	86,810	86,810	-	46,406	46,406	133,216	182,894
Marketing	-	-	-	45,100	527,653	572,753	572,753	802,930
Communications - telephone and internet	-	-	-	50,389	105,574	155,963	155,963	192,578
Conference and meetings	-	-	-	3,882	257,129	261,011	261,011	267,138
Postage and shipping	-	869	869	15,316	85,999	101,315	102,184	83,753
Supplies (includes dues and subscriptions)	-	-	-	47,393	52,387	99,780	99,780	102,928
Equipment rental and maintenance	-	-	-	72,829	-	72,829	72,829	87,504
Information systems	-	-	-	238,071	-	238,071	238,071	317,668
Professional fees	-	-	-	1,172,946	195,725	1,368,671	1,368,671	1,129,109
Insurance	-	-	-	248,824	-	248,824	248,824	241,961
Campaign events (includes fundraising costs for the World Tour of \$0 and \$850,635 in fiscal 2019 and 2018, respectively)	-	-	-	-	438,510	438,510	438,510	1,346,697
Bad debt expense	-	-	-	450,999	-	450,999	450,999	1,177,421
Other	-	-	-	13,270	20,371	33,641	33,641	28,017
Total personnel costs and other expenses before depreciation and amortization	-	897,265	897,265	6,660,983	11,184,686	17,845,669	18,742,934	20,873,727
Depreciation and amortization	-	-	-	211,733	222,236	433,969	433,969	432,061
Total personnel costs and other expenses	-	897,265	897,265	6,872,716	11,406,922	18,279,638	19,176,903	21,305,788
Total expenses	<u>\$ 67,970,823</u>	<u>\$ 897,265</u>	<u>\$ 68,868,088</u>	<u>\$ 6,872,716</u>	<u>\$ 11,406,922</u>	<u>\$ 18,279,638</u>	<u>\$ 87,147,726</u>	<u>\$ 78,242,741</u>

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, 2019, with summarized  
comparative totals for the year ended September 30, 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,864,675	\$ 5,734,351
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	433,969	432,061
Unrealized/realized gain on investments	(12,280,897)	(20,202,851)
Actuarial gain on annuity obligations	(952,067)	(137,287)
Contributions restricted for long-term investment purposes	(25,684,358)	(3,241,151)
Contributions restricted for annuity agreements	(1,075,378)	(1,495,969)
Contributions restricted for beneficial interest in remainder trusts	(10,625,940)	(3,882,183)
Proceeds from beneficial interest in remainder trusts	250,613	329,410
Change in value of beneficial interest in remainder trusts	(4,280,858)	733,984
Decrease (increase) in assets:		
Contributions receivable	13,353,218	7,247,178
Other receivables	342,702	(187,883)
Cash surrender value of life insurance policies	474,435	(9,541)
Prepaid expenses and other assets	894,232	(1,090,158)
Loan receivable	1,822,030	2,146,444
(Decrease) increase in liabilities:		
Accounts payable, accrued expenses and other liabilities	(148,578)	896,430
Transmissions payable	(2,420,728)	1,272,929
	(32,032,930)	(11,454,236)
Net cash used in operating activities	(32,032,930)	(11,454,236)
<b>Cash flows from investing activities:</b>		
Fixed asset acquisitions	(132,174)	(47,449)
Purchase of investments	(63,260,327)	(34,482,363)
Proceeds from sale of investments	65,214,653	39,357,209
Net cash provided by investing activities	1,822,152	4,827,397

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



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

**STATEMENT OF CASH FLOWS - CONTINUED**

**For the year ended September 30, 2019, with summarized comparative totals for the year ended September 30, 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions for long-term investment purposes	\$ 25,684,358	\$ 3,241,151
Proceeds from contributions restricted for investment subject to annuity agreements	4,473,631	6,097,811
Payment of annuity obligations	(2,803,025)	(2,522,426)
Investment income subject to annuity agreements	1,533,566	1,832,016
Repayment of loan	-	(11,300,000)
Proceeds from term credit and security facility	-	11,300,000
	<u>28,888,530</u>	<u>8,648,552</u>
<b>Net cash provided by financing activities</b>	<u>28,888,530</u>	<u>8,648,552</u>
<b>Net change in cash</b>	(1,322,248)	2,021,713
<b>Cash, beginning of year</b>	<u>4,566,134</u>	<u>2,544,421</u>
<b>Cash, end of year</b>	<u>\$ 3,243,886</u>	<u>\$ 4,566,134</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 468,259</u>	<u>\$ 334,751</u>
<b>Noncash items:</b>		
Interest on loan receivable	<u>\$ 1,675,498</u>	<u>\$ 1,753,767</u>
Grants to Technion-Israel Institute of Technology, Inc.	<u>\$ (1,675,498)</u>	<u>\$ (1,753,767)</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, 2019 and 2018**

**NOTE 1 - NATURE OF ORGANIZATION**

The American Society for Technion-Israel Institute of Technology (the "Society") supports visionary education and world-changing impact through the Technion-Israel Institute of Technology ("Technion"). The purpose as stated in the bylaws of 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 the 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 "Code"). The Society is subject to unrelated business income taxes as a result of certain investments in limited partnerships.

**NOTE 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

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.
- 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, 2019. 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

***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.

The present values of payments to beneficiaries of split-interest agreements are calculated using discount rates of 1.97% 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.

***Net Assets***

The Society classifies its net assets in the following categories:

***Net Assets Without Donor Restrictions***

Represent net assets whose use by the Society has not been restricted by donors or time. Net assets without donor restrictions are funds that are fully available, at the discretion of the Society's Board of Directors and management, to be utilized in any of the Society's programs or supporting services. Net assets without donor restrictions may be designated by the Society's Board of Directors for certain specific purposes or may be limited by legal requirements or contractual agreements with outside parties.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are those whose use by the Society has been limited by donors to a specific time period or purpose. The Society's net assets with donor restriction include net assets that have been restricted by donors that require the Society to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Net assets with donor restriction also include gifts where donors stipulated that the Society maintain the corpus in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purpose.

***Contributions***

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as net assets with donor 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.

***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. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported within that functional area. Indirect expenses that benefit multiple functional areas have been allocated by the Society based upon the square footage or number of employees.

***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 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

***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 February 2016, the FASB issued Accounting Standards Update (“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, 2021, with early adoption permitted. The Society is currently assessing the effect that adoption of the new standard will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For contributions received by the Society, this update is effective for the fiscal year beginning October 1, 2019. For contributions made, this update is effective for the fiscal year beginning October 1, 2020. The Society is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

***Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Society’s financial statements as of and for the year ended September 30, 2018, from which the summarized information was derived.

***Reclassifications***

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal year 2018 financial statements.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 3 - POOLED INVESTMENTS**

The following tables set forth by level, within the fair value hierarchy, the pooled investments at fair value at September 30, 2019 and 2018. See Note 2 for a full description of the various levels. Included in the total pooled investment balance of \$317,182,090 and \$314,052,578 as of September 30, 2019 and 2018 are amounts due from fund managers totaling \$0 and \$180,949, respectively, for the proceeds from the liquidation of certain investment accounts. As of September 30, 2019, a cash balance of \$6.1 million was held by a fund manager for a pending subscription in an alternative investment.

	<b>2019</b>		<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	
Money market mutual funds	\$ 17,135,859	\$ -	\$ 17,135,859
Stocks:			
Commodities and materials, industrial	1,677,840	-	1,677,840
Consumer staples/discretionary	4,035,866	-	4,035,866
Financial	7,011,803	-	7,011,803
Technology	3,358,721	-	3,358,721
Communication Services	7,130,255	-	7,130,255
Healthcare	633,412	-	633,412
Total stocks	23,847,897	-	23,847,897
Exchange traded and index funds:			
U.S. and foreign equities	76,300,073	-	76,300,073
Commodities and natural resources	14,662,796	-	14,662,796
Bond market index fund	22,482,168	-	22,482,168
Total exchange traded and index funds	113,445,037	-	113,445,037
Mutual funds:			
Fixed income	22,804,269	-	22,804,269
Total pooled investments, at fair value	<u>\$ 177,233,062</u>	<u>\$ -</u>	177,233,062
Cash on deposit			1,213,935
Cash held by fund manager for pending investment			6,100,000
Time deposits, Israeli bonds and notes			15,550,806
Alternative investments measured at NAV			<u>117,084,287</u>
Total pooled investments			<u>\$ 317,182,090</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

	<b>2018</b>		<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	
Money market mutual funds	\$ 18,643,058	\$ -	\$ 18,643,058
Stocks:			
Commodities and materials, industrial	2,402,876	-	2,402,876
Consumer staples/discretionary	5,923,865	-	5,923,865
Financial	12,482,275	-	12,482,275
Technology	5,181,607	-	5,181,607
Communication Services	12,388,342	-	12,388,342
Energy	894,205	-	894,205
Healthcare	3,488,773	-	3,488,773
Total stocks	42,761,943	-	42,761,943
Fixed income:			
High yield bonds	-	5,650,759	5,650,759
Exchange traded and index funds:			
U.S. and foreign equities	63,346,473	-	63,346,473
Commodities and natural resources	15,184,064	-	15,184,064
Bond market index fund	20,354,289	-	20,354,289
Total exchange traded and index funds	98,884,826	-	98,884,826
Mutual funds:			
Fixed income	20,602,318	-	20,602,318
Total pooled investments, at fair value	\$ 180,892,145	\$ 5,650,759	186,542,904
Cash on deposit			103,549
Due from fund managers (holdback from investment liquidations)			180,949
Time deposits, Israeli bonds and notes			15,703,286
Alternative investments measured at NAV			111,521,890
Total pooled investments			\$ 314,052,578

The Society has invested a total of \$81.8 million and \$62.5 million with eight limited partnerships administered offshore as of September 30, 2019 and 2018, respectively. Of this amount, six limited partnership investments totaling \$77 million and seven limited partnership investments totaling \$61 million as of September 30, 2019 and 2018, respectively, are managed in the United States.



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

The following tables present the alternative investments as of September 30, 2019 and 2018:

	<b>2019</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>	\$ 41,311,298	2	Monthly	6-10 days
Flexible capital <sup>(b)</sup>	69,592,117	4	Annual/Quarterly	45-90 days
Emerging market equity <sup>(c)</sup>	3,879,154	1	Monthly	7 days
Private equity and venture capital partnerships <sup>(d)</sup>	8,401,718	12	Illiquid	N/A
	<u>\$ 123,184,287</u>			

	<b>2018</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>	\$ 43,318,773	2	Monthly	6-10 days
Flexible capital <sup>(b)</sup>	56,381,232	4	Annual/Quarterly	45-90 days
Emerging market equity <sup>(c)</sup>	4,546,242	1	Monthly	15 days
Private equity and venture capital partnerships <sup>(d)</sup>	7,275,643	9	Illiquid	N/A
	<u>\$ 111,521,890</u>			

<sup>(a)</sup> International developed equity: Investments in value oriented hedge funds that seek to outperform the MSCI EAFE Index. The fair value has been estimated using the net asset value ("NAV") per share of the investments as reported by the fund managers.

<sup>(b)</sup> 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. .

<sup>(c)</sup> 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.

<sup>(d)</sup> 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

The Society has subscription agreement commitments totaling \$50.4 million and \$35.4 million in various alternative investments as of September 30, 2019 and 2018, 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, 2019 and 2018, the Society has paid a total of \$26.2 million and \$20.4 million, respectively, toward these commitments.

**NOTE 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, 2019 and 2018. See Note 2 for a full description of the various levels.

	<b>2019</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Stocks:			
Consumer growth/staples/cyclical	\$ 3,800,547	\$ -	\$ 3,800,547
Financial	3,202,534	-	3,202,534
Technology	3,254,434	-	3,254,434
Communication services	2,079,604	-	2,079,604
Energy	573,516	-	573,516
Industrial commodities and capital equipment	1,014,408	-	1,014,408
Utilities	442,024	-	442,024
Healthcare	1,657,693	-	1,657,693
Homebuilding, transportation and others	<u>744,149</u>	<u>-</u>	<u>744,149</u>
Total stocks	16,768,909	-	16,768,909
Mutual funds:			
Fixed income	10,164,276	-	10,164,276
Equities:			
International value	8,634,169	-	8,634,169
U.S. and foreign equities	<u>63,189</u>	<u>-</u>	<u>63,189</u>
Total mutual funds	18,861,634	-	18,861,634
U.S. Government obligations	<u>3,692,470</u>	<u>-</u>	<u>3,692,470</u>
Total non-pooled investments, at fair value	<u>\$ 39,323,013</u>	<u>\$ -</u>	39,323,013
Cash on deposit			5,018,300
Alternative investments measured at NAV			6,125,246
Time deposits, Israeli bonds and notes			6,650,412
Certificates of deposits, with maturities up to three months			<u>9,060,041</u>
Total non-pooled investments			<u>\$ 66,177,012</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

	<b>2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Money market mutual funds	\$ 95,282	\$ -	\$ 95,282
Stocks:			
Consumer growth/staples/cyclical	3,741,753	-	3,741,753
Financial	3,700,873	-	3,700,873
Technology	4,902,130	-	4,902,130
Energy	892,049	-	892,049
Capital equipment	272,836	-	272,836
Industrial commodities	1,029,186	-	1,029,186
Utilities	490,232	-	490,232
Healthcare	1,518,799	-	1,518,799
Homebuilding, transportation and others	578,787	-	578,787
Total stocks	17,126,645	-	17,126,645
Fixed income:			
High yield bonds	-	897,050	897,050
Mutual funds:			
Fixed income	7,285,934	-	7,285,934
Equities:			
International value	6,790,108	-	6,790,108
U.S. and foreign equities	2,057,928	-	2,057,928
Total mutual funds	16,133,970	-	16,133,970
U.S. agency notes and bonds			
U.S. Government obligations	5,819,013	-	5,819,013
Total non-pooled investments, at fair value	\$ 39,174,910	\$ 897,050	40,071,960
Cash on deposit			6,731,366
Alternative investments measured at NAV			5,711,109
Time deposits, Israeli bonds and notes			6,465,518
Total non-pooled investments			\$ 58,979,953

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

The following tables present alternative investments as of September 30, 2019 and 2018:

	<b>2019</b>			
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity (a)	\$ 1,760,415	1	Monthly	10 days
Flexible capital (b)	3,332,465	1	Quarterly	90 days
Limited partnership (c)	<u>1,032,366</u>	1	Illiquid	N/A
	<u>\$ 6,125,246</u>			

	<b>2018</b>			
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Alternative investments:				
International developed equity (a)	\$ 1,847,048	1	Monthly	10 days
Flexible capital (b)	2,831,695	1	Quarterly	90 days
Limited partnership (c)	<u>1,032,366</u>	1	Illiquid	N/A
	<u>\$ 5,711,109</u>			

- (a) 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.
- (b) 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.
- (c) Limited partnership: Investment in a limited partnership that invests solely in a real estate property. The fair value of the investment in this class has been estimated based on the Society's ownership interest in the investment.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

**NOTE 5 - INVESTMENT INCOME, NET**

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 7,117,086	\$ 6,261,200
Realized and unrealized gains on investments	<u>4,467,756</u>	<u>13,170,619</u>
Investment income	11,584,842	19,431,819
Less: investment management fees	<u>(1,298,066)</u>	<u>(1,155,027)</u>
Total investment income, net	<u>\$ 10,286,776</u>	<u>\$ 18,276,792</u>

**NOTE 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 \$822,030 and \$1,146,144 from the amounts recovered from the Trustee for the Liquidation of Bernard Madoff Investments Securities LLC in 2019 and 2018, respectively, as described in Note 11, and \$1,000,000 payments made by the Technion in 2019 and 2018.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 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, 2019 and 2018 were due as follows:

<b>2019</b>	
Due as of September 30, 2019	\$ 11,972,124
Due in 2020	20,268,821
Due after 2020:	
2021	8,630,583
2022	6,480,330
2023	3,733,776
2024	1,802,696
Thereafter	<u>10,622,536</u>
	31,269,921
Less: discount to present value	<u>(3,083,087)</u>
Present value of contributions receivable due after 2020	<u>28,186,834</u>
	60,427,779
Less: allowance for doubtful accounts	<u>(9,185,070)</u>
	Present value of contributions receivable - net of allowance for doubtful accounts
	<u>\$ 51,242,709</u>

<b>2018</b>	
Due as of September 30, 2018	\$ 11,416,221
Due in 2019	28,276,579
Due after 2019:	
2020	12,852,459
2021	8,026,657
2022	5,205,125
2023	1,971,275
Thereafter	<u>9,064,763</u>
	37,120,279
Less: discount to present value	<u>(3,269,302)</u>
Present value of contributions receivable due after 2019	<u>33,850,977</u>
	73,543,777
Less: allowance for doubtful accounts	<u>(8,947,850)</u>
	Present value of contributions receivable - net of allowance for doubtful accounts
	<u>\$ 64,595,927</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

In March 2018, the Society entered into a grant agreement totaling \$50 million with a family foundation that is payable in various installments through June 2027, subject to the completion of program milestones, as set forth in the agreement, to the reasonable satisfaction of the foundation. Therefore, the related grant funds are not reflected within the contributions receivable balance on the statement of financial position as of September 30, 2018. Included within the contributions revenue line of the statement of activities for the year ended September 30, 2019 are installments received from the family foundation totaling \$17.5 million. Funds totaling \$17.3 million were distributed as grants to Technion in 2019.

**NOTE 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 1.97%. 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, 2019 and 2018:

	<b>Annuity obligations</b>	
	<b>2019</b>	<b>2018</b>
<b>Balance, beginning of year</b>	\$ 22,386,763	\$ 18,612,618
New agreements	3,398,253	4,601,842
Payments to annuitants	(2,803,025)	(2,522,426)
Terminated contracts	(1,119,374)	(777,251)
Change in value due to actuarial valuations	1,700,873	2,471,980
<b>Balance, end of year</b>	<b>\$ 23,563,490</b>	<b>\$ 22,386,763</b>

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 \$808,624 and \$873,381 representing the liability owed to the third party as of September 30, 2019 and 2018, 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

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, 2019 and 2018

	<b>Benefit Interests in Trusts</b>	
	<b>2019</b>	<b>2018</b>
<b>Balance, beginning of year</b>	\$ 35,727,638	\$ 32,908,849
New agreements	10,625,940	3,882,183
Terminated contracts	(250,613)	(329,410)
Change in value of trust assets	4,280,858	(733,984)
<b>Balance, end of year</b>	<b>\$ 50,383,823</b>	<b>\$ 35,727,638</b>

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 net assets without donor restrictions and net assets with donor restrictions as follows:

	<b>2019</b>	<b>2018</b>
Net assets without donor restrictions	\$ 8,734,362	\$ 8,227,644
Net assets with donor restrictions	54,253,345	38,559,448
	<b>\$ 62,987,707</b>	<b>\$ 46,787,092</b>

**NOTE 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, 2019 and 2018 was \$334,154 and \$352,123, respectively.

**NOTE 10 - FIXED ASSETS**

	2019				2018			
	Cost	Accumulated Depreciation	Net	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Estimated Useful Lives
Office condominium	\$ 9,801,289	\$ 4,604,563	\$ 5,196,726	40 years	\$ 9,801,289	\$ 4,359,531	\$ 5,441,758	40 years
Office condominium improvements	3,008,522	1,392,089	1,616,433	35 - 40 years	3,008,522	1,315,872	1,692,650	35 - 40 years
Furniture and equipment	4,134,302	3,913,961	220,341	3 - 7 years	4,002,128	3,801,241	200,887	3 - 7 years
	<b>\$ 16,944,113</b>	<b>\$ 9,910,613</b>	<b>\$ 7,033,500</b>		<b>\$ 16,811,939</b>	<b>\$ 9,476,644</b>	<b>\$ 7,335,295</b>	

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



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 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 \$856,906 and \$1,195,084 during the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the Society has received partial distributions of \$21,813,309 and \$20,956,403, respectively, which represents 69.47% and 66.74% 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).

**NOTE 12 - LOAN PAYABLE**

On August 3, 2018, the Society obtained a new 5-year term credit and security facility in the amount of \$11.3 million (the "2018 Loan") with Citibank. The proceeds from the loan was used to pay off its previous \$11.3 million term loan from Citibank N.A. that was obtained on November 21, 2011 (the "2011 Loan") to fund the retirement of its outstanding tax-exempt bonds issued through the Industrial Development Agency of New York ("IDA"). The 2011 Loan, which bear interest equivalent to the 30-day LIBOR plus bank service charge of 90 basis points, was scheduled to mature on November 30, 2019. There was no penalty for the early repayment of the 2011 loan.

The 2018 Loan bears a 3.985% fixed rate of interest and will mature on July 13, 2023. In the event ATS pays the loan before maturity, it is subject to a prepayment penalty calculated in accordance with the terms of the loan agreement.

Interest expense was \$456,559 in 2019 and \$334,751 in 2018.

The loan is collateralized by certain investments of the Society.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 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, except for charitable gift annuities and charitable remainder trusts that the Society discounts at 50%, 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):

	<b>2019</b>		<b>2018</b>	
Total campaign (for internal purposes)	\$	103,977,480	\$	165,809,750
Direct payments to Technion		(725,067)		(9,825,588)
Discount:				
Recapture of prior years' discount	\$	6,768,954	\$	2,912,084
Current year's discount		(1,076,687)		(6,700,946)
		5,692,267		(3,788,862)
Bequest receivables and non-binding pledges:				
New bequest receivables and non-binding pledges		(76,360,699)		(115,054,941)
Payment on bequest receivables and non-binding pledges		51,169,255		26,679,991
		(25,191,444)		(88,374,950)
Recognition of cash surrender value of insurance policies		(474,435)		9,541
Direct costs of special events		-		(36,432)
Trust portion allocated to public support:				
Investment income		1,533,566		1,832,016
Payments to annuitants		(2,828,910)		(2,522,426)
		(1,295,344)		(690,410)
Total public support (statement of activities)	\$	81,983,457	\$	63,103,049

\* 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.

**NOTE 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. The Society contributes 6% of eligible employees' salaries to the plan. 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 \$471,794 in 2019 and \$529,029 in 2018.

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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

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, 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Projected benefit obligation at September 30	\$ (2,412,102)	\$ (2,000,249)
Funded status	\$ (2,412,102)	\$ (2,000,249)
Accrued benefit costs recognized in the statement of financial position	\$ 2,412,102	\$ 2,000,240
Weighted average assumptions as of September 30:		
Discount rate	3.33 %	4.05 %
Expected return on plan assets	N/A	N/A
Benefit cost	\$ 429,913	\$ 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 \$438,648.

**NOTE 15 - COMMITMENT AND CONTINGENCIES**

The Society leases its regional offices under various operating leases. The rent expense incurred for the years ended September 30, 2019 and 2018 was \$363,853 and \$355,605, respectively, exclusive of rent tax and rubbish removal. The leases terminate on various dates through August 2024. 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:

2020	\$ 702,783
2021	679,443
2022	660,546
2023	51,025
2024	46,200
	<b>\$ 2,139,997</b>

In August 2018, ATS entered into a credit and security agreement with a local bank for a \$8.7 million revolving demand loan that bears interest equivalent to the 1- month ICE LIBO rate plus 90 basis points. The revolving credit facility is payable interest-only until principal is demanded by the lending institution. As of September 30, 2019, the Society has not drawn upon the credit facility.

The credit facility is collateralized by certain investments of the Society.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 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 contributions without donor restrictions and special events in the statement of activities. The total charges for the years ended September 30, 2019 and 2018 were \$4,455,895 and \$4,591,644, respectively.

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

**NOTE 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, 2019 and 2018 include \$40,650,810 from ten donors and \$52,127,559 from thirteen donors, respectively. The current discounted value of these contributions receivable is \$38,618,777 and \$50,262,167, respectively.

Total contribution revenue for the years ended September 30, 2019 and 2018 include \$47,394,458 from seven donors and \$29,651,538 from nine donors, respectively.

**NOTE 18 - BEQUEST RECEIVABLES AND NON-BINDING PLEDGES**

The Society obtains gifts whereby a donor makes a gift agreement with payment to be made from the donor's estate or a donor-advised fund. The Society has also received letters of gift intentions. There are contingencies as to the collectability of the receivables. The total amount receivable from bequests and non-binding pledges of \$461,462,395 (unaudited) is not reflected as an asset on the financial statements. During the years ended September 30, 2019 and 2018, \$51,169,255 and \$26,679,991, respectively, was collected from bequest commitments and non-binding pledges recorded as contributions in the financial statements.

**NOTE 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 net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 Society's donor-restricted endowment fund includes the accumulated unspent earnings on the donor-restricted endowment funds that remains within net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

***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.

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 years 2019 and 2018, 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 as of September 30, 2019 and 2018***

Endowment net assets are comprised of the following:

	<u>2019</u>	<u>2018</u>
Endowments for funds held in perpetuity		
Original corpus	\$ 346,561,419	\$ 320,879,390
Unappropriated accumulated earnings	<u>35,323,707</u>	<u>35,481,223</u>
	381,885,126	356,360,613
Term endowment (inclusive of accumulated earnings of \$1,046,478 and \$896,817, respectively)	<u>9,731,478</u>	<u>9,581,817</u>
 Total endowment net assets	 <u>\$ 391,616,604</u>	 <u>\$ 365,942,430</u>

Changes in endowment net assets for the years ended September 30, 2019 and 2018 are composed of the following:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 365,942,430	\$ 365,942,430
Interest and dividends	-	8,880,452	8,880,452
Unrealized and realized gains	-	2,870,752	2,870,752
Contributions	-	20,560,847	20,560,847
Present value discount/appreciation of contributions receivable	-	105,705	105,705
Contribution of and change in value of beneficial interest in remainder trusts	-	5,017,807	5,017,807
Appropriation for expenses/satisfaction of program restrictions	-	(11,761,389)	(11,761,389)
 <b>Endowment net assets, at end of year</b>	 <u>\$ -</u>	 <u>\$ 391,616,604</u>	 <u>\$ 391,616,604</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 367,717,263	\$ 367,717,263
Interest and dividends	-	7,308,811	7,308,811
Unrealized and realized gains	-	11,739,705	11,739,705
Contributions	-	3,313,251	3,313,251
Present value discount/appreciation of contributions receivable	-	95,905	95,905
Contribution of and change in value of beneficial interest in remainder trusts	-	(123,505)	(123,505)
Appropriation for expenses/satisfaction of program restrictions	-	(24,109,000)	(24,109,000)
<b>Endowment net assets, at end of year</b>	<b>\$ -</b>	<b>\$ 365,942,430</b>	<b>\$ 365,942,430</b>

***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 Society 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 net assets with restrictions were \$274,536 and \$143,455 as of September 30, 2019 and 2018, respectively. Underwater endowment net assets are comprised of the following:

	<b>2019</b>	<b>2018</b>
Original gift	\$ 3,826,120	\$ 3,979,448
Accumulated losses	(274,536)	(143,455)
	<b>\$ 3,551,584</b>	<b>\$ 3,835,993</b>

As a policy, the Society does not appropriate from underwater endowment funds. Any appropriations from underwater endowment funds are based on specific permission from the donor or, in the case of endowment funds from deceased donors, in accordance with the Society's general endowment spending policy. Appropriations from underwater endowment funds for the years ended September 30, 2019 and 2018 totaled \$126,000 and \$180,000, respectively.

***Net Assets Without Restrictions***

Net assets without restrictions are available for operations.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Education	\$ 378,142,593	\$ 361,984,688
Research	69,339,788	68,717,931
Capital projects	10,174,217	11,649,616
Time restrictions	<u>24,978,646</u>	<u>25,541,670</u>
	<u>\$ 482,635,244</u>	<u>\$ 467,893,905</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenditures satisfying the following donor restrictions or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Purpose restriction accomplished:		
Education	\$ 35,342,448	\$ 36,796,507
Research	29,251,694	11,394,555
Capital projects	<u>3,376,681</u>	<u>5,738,891</u>
	<u>\$ 67,970,823</u>	<u>\$ 53,929,953</u>
Time restrictions	<u>\$ 157,764</u>	<u>\$ 250,218</u>

**NOTE 20 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Society receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity with the income generated from such endowments used to fund programs. In addition, the Society receives support without donor restrictions that has represented approximately 73% of its annual operating needs, with the remainder funded from appropriated earnings from gifts with donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

The Society 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. The Organization's financial assets available within one-year of the statement of financial position date for general expenditures are as follows:

Financial Assets as of September 30, 2019

Cash	\$ 3,243,886
Investments	383,359,102
Contributions receivable	51,242,709
Beneficial interests in trusts	50,383,823
Other receivables and other assets	<u>469,841</u>
Total financial assets available within one year	<u>488,699,361</u>
Less:	
Contractual, legal or donor-imposed restrictions:	
Amounts subject to appropriation and satisfaction of donor restrictions	373,251,696
Pledges with donor restrictions	50,607,609
Beneficial interest in trusts	50,383,823
Other receivables and other assets, available after one year	134,256
Illiquid investment	<u>1,032,336</u>
Total amounts unavailable for general expenditures within one year	<u>475,409,720</u>
Total financial assets available within one year to meet general expenditures	<u>\$ 13,289,641</u>

As part of the Society's liquidity management, the Society structures its financial assets to be available as its general operations, liabilities, and other obligations require. To manage its liquidity, the Society operates within a prudent range of financial soundness and stability and maintains adequate liquid assets to fund near term operating needs and continues to build its reserves to provide reasonable assurance that long term obligations will be discharged. As an additional source of liquidity, the Society, with approval from its Board, may draw from its \$8.7 million line of credit (as further discussed in Note 15), in the event of financial distress or immediate liquidity need resulting from events outside general operations.

**NOTE 21 - SUBSEQUENT EVENTS**

The Society evaluated its September 30, 2019 financial statements for subsequent events through March 16, 2020, 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.