

Financial Statements and Report of  
Independent Certified Public  
Accountants

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

For the year ended September 30, 2020, with  
summarized comparative information for the year  
ended September 30, 2019

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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, 2020, 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, 2020, 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 2019 summarized comparative information*

We have previously audited the Society's 2019 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York  
March 17, 2021

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

**STATEMENT OF FINANCIAL POSITION**

**As of September 30, 2020, with summarized comparative totals as of September 30, 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash	\$ 2,429,516	\$ 3,243,886
Investments - pooled (Note 3)	322,503,937	317,182,090
Investments - nonpooled (Note 4)	87,228,600	66,177,012
Contributions receivable, net (Note 7)	43,248,943	51,242,709
Beneficial interests in trusts (Note 8)	45,880,584	50,383,823
Other receivables (Note 9)	549,036	469,841
Cash surrender value of life insurance policies	2,070,228	2,026,016
Prepaid expenses and other assets	2,627,912	3,410,010
Loan receivable (Note 6)	38,959,233	40,554,143
Fixed assets, net (Note 10)	6,667,509	7,033,500
Total assets	\$ 552,165,498	\$ 541,723,030
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued expenses and other liabilities (Notes 8 and 14)	\$ 5,335,888	\$ 5,437,045
Loan payable (Note 12)	11,300,000	11,300,000
Transmissions payable	4,148,233	799,483
Annuity obligations (Note 8)	25,157,707	23,563,490
Total liabilities	45,941,828	41,100,018
 <b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>		
<b>NET ASSETS</b>		
Without donor restrictions (Notes 2 and 19)	18,257,595	17,987,768
With donor restrictions (Notes 2 and 19)	487,966,075	482,635,244
Total net assets	506,223,670	500,623,012
Total liabilities and net assets	\$ 552,165,498	\$ 541,723,030

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, 2020, with summarized  
comparative totals for the year ended September 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2020</b>	<b>Total 2019</b>
<b>Revenues, gains, losses, and other support</b>				
Contributions and special events	\$ 5,316,431	\$ 36,223,717	\$ 41,540,148	\$ 54,614,659
Legacies and bequests	6,524,348	12,067,127	18,591,475	27,368,798
Total public support (Note 13)	11,840,779	48,290,844	60,131,623	81,983,457
Investment income, net (Note 5)	4,295,761	1,638,917	5,934,678	10,286,776
Interest on loan receivable and other income	465,557	2,256,267	2,721,824	2,742,168
Grant revenue (Note 21)	1,486,300	-	1,486,300	-
Net assets released from restrictions (Note 19)				
Satisfaction of program restrictions	46,353,332	(46,353,332)	-	-
Satisfaction of time restrictions	501,865	(501,865)	-	-
Total revenues, gains, losses and other support	64,943,594	5,330,831	70,274,425	95,012,401
<b>Expenses</b>				
Program services:				
Grants to Technion-Israel Institute of Technology and other beneficiaries	47,858,332	-	47,858,332	67,970,823
Education and other programs	728,052	-	728,052	897,265
Total program services	48,586,384	-	48,586,384	68,868,088
Supporting services:				
Management and general	5,703,297	-	5,703,297	6,872,716
Fundraising	10,384,086	-	10,384,086	11,406,922
Total supporting services	16,087,383	-	16,087,383	18,279,638
Total expenses	64,673,767	-	64,673,767	87,147,726
<b>Change in net assets</b>	269,827	5,330,831	5,600,658	7,864,675
<b>Net assets, beginning of year</b>	17,987,768	482,635,244	500,623,012	492,758,337
<b>Net assets, end of year</b>	<u>\$ 18,257,595</u>	<u>\$ 487,966,075</u>	<u>\$ 506,223,670</u>	<u>\$ 500,623,012</u>

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, 2020, with summarized comparative totals for the year ended September 30, 2019

	Grants	Education and Other Programs	Total	Management and General	Fundraising	Total	Total 2020	Total 2019
Grants to Technion-Israel Institute of Technology and other beneficiaries	\$ 47,858,332	\$ -	\$ 47,858,332	\$ -	\$ -	\$ -	\$ 47,858,332	\$ 67,970,823
Personnel costs:								
Payroll	-	525,793	525,793	2,736,648	6,596,748	9,333,396	9,859,189	9,962,967
Employee benefits	-	120,933	120,933	713,541	1,365,444	2,078,985	2,199,918	2,667,310
Total personnel costs	-	646,726	646,726	3,450,189	7,962,192	11,412,381	12,059,107	12,630,277
Other expenses:								
Occupancy (includes interest expense of \$459,337 and \$456,559 in fiscal 2020 and 2019, respectively)	-	9,107	9,107	439,901	831,636	1,271,537	1,280,644	1,310,242
Travel	-	-	-	118,951	262,559	381,510	381,510	625,963
Travel - Israeli speakers	-	71,466	71,466	-	38,203	38,203	109,669	133,216
Marketing	-	-	-	26,191	417,287	443,478	443,478	572,753
Communications - telephone and internet	-	-	-	41,490	89,037	130,527	130,527	155,963
Conference and meetings	-	-	-	-	113,423	113,423	113,423	261,011
Postage and shipping	-	753	753	8,330	66,225	74,555	75,308	102,184
Supplies (includes dues and subscriptions)	-	-	-	22,390	36,394	58,784	58,784	99,780
Equipment rental and maintenance	-	-	-	60,353	-	60,353	60,353	72,829
Information systems	-	-	-	320,458	-	320,458	320,458	238,071
Professional fees	-	-	-	690,486	159,363	849,849	849,849	1,368,671
Insurance	-	-	-	254,248	-	254,248	254,248	248,824
Campaign events	-	-	-	-	174,152	174,152	174,152	438,510
Bad debt expense	-	-	-	65,092	-	65,092	65,092	450,999
Other	-	-	-	16,690	12,782	29,472	29,472	33,641
Total personnel costs and other expenses before depreciation and amortization	-	728,052	728,052	5,514,769	10,163,253	15,678,022	16,406,074	18,742,934
Depreciation and amortization	-	-	-	188,528	220,833	409,361	409,361	433,969
Total personnel costs and other expenses	-	728,052	728,052	5,703,297	10,384,086	16,087,383	16,815,435	19,176,903
Total expenses	\$ 47,858,332	\$ 728,052	\$ 48,586,384	\$ 5,703,297	\$ 10,384,086	\$ 16,087,383	\$ 64,673,767	\$ 87,147,726

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, 2020, with summarized  
comparative totals for the year ended September 30, 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,600,658	\$ 7,864,675
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	409,361	433,969
Unrealized/realized gain on investments	(8,807,795)	(12,280,897)
Actuarial gain on annuity obligations	(1,424,682)	(952,067)
Contributions restricted for long-term investment purposes	(15,445,680)	(25,684,358)
Contributions restricted for annuity agreements	(705,948)	(1,075,378)
Contributions restricted for beneficial interest in remainder trusts	(1,200,000)	(10,625,940)
Proceeds from beneficial interest in remainder trusts	7,002,974	250,613
Change in value of beneficial interest in remainder trusts	(1,299,735)	(4,280,858)
Decrease (increase) in assets:		
Contributions receivable	7,993,766	13,353,218
Other receivables	(79,195)	342,702
Cash surrender value of life insurance policies	(44,212)	474,435
Prepaid expenses and other assets	782,098	894,232
Loan receivable	1,594,910	1,822,030
(Decrease) increase in liabilities:		
Accounts payable, accrued expenses and other liabilities	(101,157)	(148,578)
Transmissions payable	3,348,750	(2,420,728)
Net cash used in operating activities	(2,375,887)	(32,032,930)
<b>Cash flows from investing activities:</b>		
Fixed asset acquisitions	(43,370)	(132,174)
Purchase of investments	(110,036,215)	(63,260,327)
Proceeds from sale of investments	92,470,575	65,214,653
Net cash (used in) provided by investing activities	(17,609,010)	1,822,152

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, 2020, with summarized comparative totals for the year ended September 30, 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions for long-term investment purposes	\$ 15,445,680	\$ 25,684,358
Proceeds from contributions restricted for investment subject to annuity agreements	3,899,225	4,473,631
Payment of annuity obligations	(2,699,551)	(2,803,025)
Investment income subject to annuity agreements	<u>2,525,173</u>	<u>1,533,566</u>
Net cash provided by financing activities	<u>19,170,527</u>	<u>28,888,530</u>
<b>Net change in cash</b>	(814,370)	(1,322,248)
<b>Cash, beginning of year</b>	<u>3,243,886</u>	<u>4,566,134</u>
<b>Cash, end of year</b>	<u>\$ 2,429,516</u>	<u>\$ 3,243,886</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 460,312</u>	<u>\$ 468,259</u>
<b>Noncash items:</b>		
Interest on loan receivable	<u>\$ 1,608,382</u>	<u>\$ 1,675,498</u>
Grants to Technion-Israel Institute of Technology, Inc.	<u>\$ (1,608,382)</u>	<u>\$ (1,675,498)</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, 2020 and 2019**

**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.

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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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, 2020. 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. Furthermore, these investments are measured using a net asset value ("NAV") and are exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Society separately discloses the information required for assets measured using the NAV practical expedient and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments presented on the accompanying financial statements. See Notes 3 and 4 for the related disclosures.

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 - CONTINUED**

**September 30, 2020 and 2019**

The present values of payments to beneficiaries of split-interest agreements are calculated using discount rates of .891% 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

***Contributions***

The Society recognizes revenue from contributions in accordance with Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which the Society adopted during the fiscal year ending September 30, 2020. In accordance with ASU 2018-08, the Society evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Society applies guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605. If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Society is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This adoption did not impact the Society’s revenue recognition.

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, 2020 and 2019**

***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 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. In October 2019, the FASB approved a proposal to defer the effective date of ASU 2016-02 by one year. Furthermore, in June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date of ASU 2016-02 for not-for-profit entities by an additional year. Therefore, the guidance is effective for the fiscal year beginning October 1, 2022, 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 made, this update is effective for the fiscal year beginning October 1, 2020. The Society is currently assessing the effect that adoption of the new standard will have on its financial statements.

***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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended September 30, 2019, 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 2019 financial statements.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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, 2020 and 2019. See Note 2 for a full description of the various levels. Included in the total pooled investment balance of \$322,503,937 as of September 30, 2020 is an amount due from a fund manager totaling \$5 million for the proceeds from the liquidation of certain investment accounts. As of September 30, 2020 and 2019, cash balances of \$5 million and \$6.1 million, respectively, were held by a fund manager for pending subscriptions in alternative investments.

	2020		
	Level 1	Level 2	Total
Money market mutual funds	\$ 1,080,516	\$ -	\$ 1,080,516
Stocks:			
Commodities and materials, industrial	1,417,327	-	1,417,327
Consumer staples/discretionary	4,086,760	-	4,086,760
Financial	6,915,077	-	6,915,077
Technology	2,431,493	-	2,431,493
Communication services	9,320,767	-	9,320,767
Healthcare	1,556,428	-	1,556,428
Total stocks	25,727,852	-	25,727,852
Exchange traded and index funds:			
U.S. and foreign equities	102,146,846	-	102,146,846
Commodities and natural resources	13,978,491	-	13,978,491
Bond market index fund	18,657,584	-	18,657,584
Total exchange traded and index funds	134,782,921	-	134,782,921
Mutual funds:			
Fixed income	24,583,201	-	24,583,201
Total pooled investments, at fair value	\$ 186,174,490	\$ -	186,174,490
Cash on deposit			1,041,887
Cash held by fund manager for pending investment			5,000,000
Due from a fund manager (proceeds from investment liquidation)			5,000,000
Time deposits, Israeli bonds and notes			15,550,806
Alternative investments measured at NAV			109,736,754
Total pooled investments			\$ 322,503,937

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

	2019		Total
	Level 1	Level 2	
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	\$ 177,233,062	\$ -	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			117,084,287
Total pooled investments			\$ 317,182,090

The Society has invested a total of \$79.6 million and \$81.8 million with ten and eight limited partnerships administered offshore as of September 30, 2020 and 2019, respectively. Of this amount, six limited partnership investments totaling \$70 million and \$77 million as of September 30, 2020 and 2019, respectively, are managed in the United States.



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

The following tables present the alternative investments as of September 30, 2020 and 2019:

	2020			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
Global public equity <sup>(a)</sup>	\$ 26,919,772	2	Monthly	10 days
Flexible capital <sup>(b)</sup>	67,318,212	5	Annual/Semi Annual/Quarterly	45-90 days
Emerging market equity <sup>(c)</sup>	3,995,150	1	Monthly	7 days
Private equity and venture capital partnerships <sup>(d)</sup>	<u>11,503,620</u>	14	Illiquid	N/A
	<u>\$ 109,736,754</u>			
	2019			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
Global public equity <sup>(a)</sup>	\$ 41,311,298	2	Monthly	6-10 days
Flexible capital <sup>(b)</sup>	63,492,117	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>	<u>8,401,718</u>	12	Illiquid	N/A
	<u>\$ 117,084,287</u>			

(a) Global public equity: Investments in globally diversified portfolio of long equity and equity related positions in the UK, Europe, Asia, and emerging markets that seek 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 managers.

(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 1) 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 and 2) an investment in a fund that allows for semi-annual redemptions with 60 days' notice and a maximum redeemable amount equivalent to 50% 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

The Society has subscription agreement commitments totaling \$56.4 million and \$50.4 million in various alternative investments as of September 30, 2020 and 2019, 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, 2020 and 2019, the Society has paid a total of \$27.8 million and \$26.2 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, 2020 and 2019. See Note 2 for a full description of the various levels.

	2020		Total
	Level 1	Level 2	
Cash, money market mutual funds	\$ 13,806,842	\$ -	\$ 13,806,842
Stocks:			
Consumer growth/staples/cyclical	3,920,914	-	3,920,914
Financial	2,218,575	-	2,218,575
Technology	4,094,846	-	4,094,846
Communication services	2,753,687	-	2,753,687
Energy	214,342	-	214,342
Industrial commodities and capital equipment	1,271,592	-	1,271,592
Utilities	452,013	-	452,013
Healthcare	1,980,495	-	1,980,495
Homebuilding, transportation and others	782,978	-	782,978
Total stocks	17,689,442	-	17,689,442
Mutual funds:			
Fixed income	10,928,802	-	10,928,802
Equities:			
International value	7,032,371	-	7,032,371
U.S. and foreign equities	2,452,475	-	2,452,475
Total mutual funds	20,413,648	-	20,413,648
U.S. government obligations	4,160,693	-	4,160,693
Total non-pooled investments, at fair value	\$ 56,070,625	\$ -	56,070,625
Cash on deposit			19,036,184
Alternative investments measured at NAV			5,429,879
Time deposits, Israeli bonds and notes			6,691,912
Total non-pooled investments			\$ 87,228,600

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

	2019		
	Level 1	Level 2	Total
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	744,149	-	744,149
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	63,189	-	63,189
Total mutual funds	18,861,634	-	18,861,634
U.S. government obligations	3,692,470	-	3,692,470
Total non-pooled investments, at fair value	\$ 39,323,013	\$ -	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			9,060,041
Total non-pooled investments			\$ 66,177,012

The following tables present alternative investments as of September 30, 2020 and 2019:

	2020			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
International developed equity <sup>(a)</sup>	\$ 1,649,774	1	Monthly	10 days
Flexible capital <sup>(b)</sup>	2,747,739	1	Quarterly	90 days
Limited partnership <sup>(c)</sup>	1,032,366	1	Illiquid	N/A
	\$ 5,429,879			

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

**NOTE 5 - INVESTMENT INCOME, NET**

	2020	2019
Interest and dividends	\$ 6,855,607	\$ 7,117,086
Realized and unrealized gains on investments	155,288	4,467,756
Investment income	7,010,895	11,584,842
Less: investment management fees	(1,076,217)	(1,298,066)
Total investment income, net	<u>\$ 5,934,678</u>	<u>\$ 10,286,776</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 \$594,910 and \$822,030 from the amounts recovered from the Trustee for the Liquidation of Bernard Madoff Investments Securities LLC in 2020 and 2019, respectively, as described in Note 11, and \$1,000,000 payments made by the Technion in 2020 and 2019.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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 .88% and 6%. The receivables at September 30, 2020 and 2019 were due as follows:

2020	
Due as of September 30, 2020	\$ 11,781,278
Due in 2021	19,926,971
Due after 2021:	
2022	7,267,295
2023	4,595,776
2024	2,177,696
2025	1,322,571
Thereafter	6,232,035
	21,595,373
Less: discount to present value	(1,900,128)
Present value of contributions receivable due after 2021	19,695,245
Present value of contributions receivable	51,403,494
Less: allowance for doubtful accounts	(8,154,551)
Present value of contributions receivable - net of allowance for doubtful accounts	\$ 43,248,943
2019	
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	10,622,536
	31,269,921
Less: discount to present value	(3,083,087)
Present value of contributions receivable due after 2020	28,186,834
Present value of contributions receivable	60,427,779
Less: allowance for doubtful accounts	(9,185,070)
Present value of contributions receivable - net of allowance for doubtful accounts	\$ 51,242,709

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

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 statements of activities for the years ended September 30, 2020 and 2019 are installments received from the family foundation totaling \$5 million and \$17.5 million, respectively. Funds totaling \$4.95 million and \$17.3 million were distributed as grants to Technion in 2020 and 2019, respectively.

**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 .891%. 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, 2020 and 2019:

	Annuity Obligations	
	2020	2019
<b>Balance, beginning of year</b>	\$ 23,563,490	\$ 22,386,763
New agreements	3,193,277	3,398,253
Payments to annuitants	(2,699,552)	(2,803,025)
Terminated contracts	(593,182)	(1,119,374)
Change in value due to actuarial valuations	1,693,674	1,700,873
<b>Balance, end of year</b>	<u>\$ 25,157,707</u>	<u>\$ 23,563,490</u>

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 \$808,107 and \$808,624 representing the liability owed to the third party as of September 30, 2020 and 2019, 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, 2020 and 2019**

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, 2020 and 2019:

	Benefit Interests in Trusts	
	2020	2019
<b>Balance, beginning of year</b>	\$ 50,383,823	\$ 35,727,638
New agreements	1,200,000	10,625,940
Terminated contracts	(7,002,974)	(250,613)
Change in value of trust assets	1,299,735	4,280,858
<b>Balance, end of year</b>	\$ 45,880,584	\$ 50,383,823

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:

	2020	2019
Net assets without donor restrictions	\$ 9,140,660	\$ 8,734,362
Net assets with donor restrictions	50,402,326	54,253,345
	\$ 59,542,976	\$ 62,987,707

**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 November 30, 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, 2020 and 2019 was \$313,428 and \$334,154, respectively.

**NOTE 10 - FIXED ASSETS**

	2020				2019			
	Cost	Accumulated Depreciation	Net	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Estimated Useful Lives
Office condominium	\$ 9,801,289	\$ 4,849,596	\$ 4,951,693	40 years	\$ 9,801,289	\$ 4,604,563	\$ 5,196,726	40 years
Office condominium improvements	3,008,522	1,468,307	1,540,215	35-40 years	3,008,522	1,392,089	1,616,433	35-40 years
Furniture and equipment	4,177,672	4,002,071	175,601	3-7 years	4,134,302	3,913,961	220,341	3-7 years
	\$ 16,987,483	\$ 10,319,974	\$ 6,667,509		\$ 16,944,113	\$ 9,910,613	\$ 7,033,500	

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, 2020 and 2019**

**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 \$620,150 and \$856,906 during the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, the Society has received partial distributions of \$22,433,459 and \$21,813,309, respectively, which represents 71.44% and 69.47% 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 \$459,337 in 2020 and \$456,559 in 2019.

The loan is collateralized by certain investments of the Society.

**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.



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

	2020		2019
Total campaign (for internal purposes)	\$ 45,889,422		\$ 103,977,480
Direct payments to Technion *	(6,791,877)		(725,067)
Discount:			
Recapture of prior years' discount	\$ 4,188,097		\$ 6,768,954
Current year's discount	<u>(1,284,916)</u>	2,903,181	<u>(1,076,687)</u> 5,692,267
Bequest receivables and non-binding pledges:			
New bequest receivables and non-binding pledges	(11,858,153)		(76,360,699)
Bequest receivables converted to binding pledge receivables	5,517,022		6,542,767
Payment on bequest receivables and non-binding pledges	<u>24,602,195</u>	18,261,064	<u>44,626,488</u> (25,191,444)
Recognition of cash surrender value of insurance policies		44,212	(474,435)
Direct costs of special events		-	-
Trust portion allocated to public support:			
Investment income	2,525,173		1,533,566
Payments to annuitants	<u>(2,699,552)</u>	<u>(174,379)</u>	<u>(2,828,910)</u> (1,295,344)
Total public support (statement of activities)		<u>\$ 60,131,623</u>	<u>\$ 81,983,457</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.

**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. In 2020, the Society reduced its contribution to the plan to 3% from June 1 through September 30. 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 \$407,625 in 2020 and \$471,794 in 2019.

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, 2020 and 2019**

The following table sets forth the plan's funded status and amounts recognized in accounts payable and accrued expenses on the statements of financial position at September 30, 2020 and 2019.

	2020	2019
Projected benefit obligation at September 30	\$ (2,491,482)	\$ (2,412,102)
Funded status	<u>\$ (2,491,482)</u>	<u>\$ (2,412,102)</u>
Accrued benefit costs recognized in the statements of financial position	\$ 2,491,482	\$ 2,412,102
Weighted-average assumptions as of September 30:		
Discount rate	3.33%	3.33%
Expected return on plan assets	N/A	N/A
Benefit cost	\$ 100,000	\$ 429,913

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, 2020 and 2019 was \$319,596 and \$363,853, 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:

2021	\$	828,822
2022		812,952
2023		206,510
2024		204,813
2025		42,688
	<u>\$</u>	<u>2,095,785</u>

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, 2020, 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, 2020 and 2019**

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

A charge was placed on cash received from permitted restricted contributions based upon a percentage agreed to by the donors and the Technion. 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, 2020 and 2019 were \$3,132,735 and \$4,455,895, 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 Federal Deposit Insurance Corporation insurance limits.

Total contributions receivable at September 30, 2020 and 2019 include \$29,000,427 from 6 donors and \$40,650,810 from 10 donors, respectively. The current discounted value of these contributions receivable is \$27,750,350 and \$38,618,777, respectively.

Total contribution revenue for the years ended September 30, 2020 and 2019 include \$23,128,576 from five donors and \$47,394,458 from seven 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 \$431,761,796 (unaudited) is not reflected as an asset on the financial statements. During the years ended September 30, 2020 and 2019, \$24,602,195 and \$44,626,488, respectively, was collected from bequest commitments and non-binding pledges recorded as contributions in the financial statements, and bequest commitments totaling \$5,517,022 and \$6,542,767 were recorded as binding pledge receivables for the years ended September 30, 2020 and 2019, respectively.

**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, 2020 and 2019

***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 2020 and 2019, 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, 2020 and 2019***

Endowment net assets are comprised of the following:

	<u>2020</u>	<u>2019</u>
Endowments for funds held in perpetuity:		
Original corpus	\$ 362,005,445	\$ 346,561,419
Unappropriated accumulated earnings	<u>28,430,631</u>	<u>35,323,707</u>
	390,436,076	381,885,126
Term endowment (inclusive of accumulated earnings of \$1,083,659 and \$1,046,478, respectively)	<u>9,768,659</u>	<u>9,731,478</u>
Total endowment net assets	<u><u>\$ 400,204,735</u></u>	<u><u>\$ 391,616,604</u></u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

Changes in endowment net assets for the years ended September 30, 2020 and 2019 are composed of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 391,616,604	\$ 391,616,604
Interest and dividends	-	8,046,210	8,046,210
Unrealized and realized losses	-	(740,614)	(740,614)
Contributions	-	22,313,806	22,313,806
Present value discount/appreciation of contributions receivable	-	26,439	26,439
Contribution of and change in value of beneficial interest in remainder trusts	-	(6,894,564)	(6,894,564)
Appropriation for expenses/satisfaction of program restrictions	-	(14,163,146)	(14,163,146)
<b>Endowment net assets, at end of year</b>	<u>\$ -</u>	<u>\$ 400,204,735</u>	<u>\$ 400,204,735</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<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, 2020 and 2019**

***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 U.S. GAAP, deficiencies of this nature that are reported in net assets with restrictions were \$81,442 and \$274,536 as of September 30, 2020 and 2019, respectively. Underwater endowment net assets are comprised of the following:

	<u>2020</u>	<u>2019</u>
Original gift	\$ 2,618,720	\$ 3,826,120
Accumulated losses	<u>(81,442)</u>	<u>(274,536)</u>
	<u>\$ 2,537,278</u>	<u>\$ 3,551,584</u>

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, 2020 and 2019 totaled \$39,000 and \$126,000, respectively.

***Net Assets Without Restrictions***

Net assets without restrictions are available for operations.

***Net Assets with Donor Restrictions***

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

	<u>2020</u>	<u>2019</u>
Education	\$ 385,993,257	\$ 378,142,593
Research	66,681,987	69,339,788
Capital projects	7,352,862	10,174,217
Time restrictions	<u>27,937,969</u>	<u>24,978,646</u>
	<u>\$ 487,966,075</u>	<u>\$ 482,635,244</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>2020</u>	<u>2019</u>
Purpose restriction accomplished:		
Education	\$ 30,324,640	\$ 35,342,448
Research	12,923,448	29,251,694
Capital projects	<u>3,105,244</u>	<u>3,376,681</u>
	<u>\$ 46,353,332</u>	<u>\$ 67,970,823</u>
Time restrictions	<u>\$ 501,865</u>	<u>\$ 157,764</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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 81% of its annual operating needs, with the remainder funded from appropriated earnings from gifts with donor restrictions.

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 Society'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,	
	2020	2019
Cash	\$ 2,429,516	\$ 3,243,886
Investments	409,732,537	383,359,102
Contributions receivable	43,248,943	51,242,709
Beneficial interests in trusts	45,880,584	50,383,823
Other receivables and other assets	549,036	469,841
Total financial assets available within one year	501,840,616	488,699,361
Less:		
Contractual, legal or donor-imposed restrictions:		
Amounts subject to appropriation and satisfaction of donor restrictions	393,263,324	373,251,696
Pledges with donor restrictions	42,360,564	50,607,609
Beneficial interest in trusts	45,880,584	50,383,823
Other receivables and other assets, available after one year	500,383	134,256
Illiquid investment	1,032,366	1,032,336
Total amounts unavailable for general expenditures within one year	483,037,221	475,409,720
Total financial assets available within one year to meet general expenditures	\$ 18,803,395	\$ 13,289,641

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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**NOTE 21 - COVID-19**

The COVID-19 pandemic, whose effects first became known in January 2020, has caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on the Society's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Society's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Society's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

On April 27, 2020, the Society received loan proceeds totaling \$1,486,300 under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner (such PPP loan referred to as a First Draw PPP loan). Established as part of the Coronavirus Relief and Economic Security Act ("CARES Act"), the PPP provides for uncollateralized loans to qualifying borrowers in amounts up to 2.5 times the borrower's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a covered period (eight or 24 weeks) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains its payroll levels. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period in excess of the limit set under the regulations.

The Society used the PPP loan proceeds for purposes consistent with the PPP and has applied for forgiveness. As of September 30, 2020, the Society believes that it satisfied the requirements for its PPP loan to be forgiven, and therefore the Society recorded grant revenue totaling \$1,486,300 on its accompanying statement of activities. On January 1, 2021, the loan was fully forgiven.

On February 8, 2021, the Society received a Second Draw PPP loan of \$1,486,300 under the CARES Act as amended by the Economic Aid Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The loan is generally subject to the same terms, conditions and requirements as the First Draw PPP loan. The loan qualifies for loan forgiveness if during the 8 to 24 week covered period following loan disbursement: employee and compensation levels are maintained in the same manner as required for the First Draw PPP loan; the loan proceeds are spent on payroll cost and other eligible expenses; and at least 60 percent of the proceeds are spent on payroll costs.

**NOTE 22 - SUBSEQUENT EVENTS**

The Society evaluated its September 30, 2020 financial statements for subsequent events through March 17, 2021, the date the financial statements were available to be issued. Except as noted in Note 21, the Society is not aware of any other subsequent events which would require recognition or disclosure in the accompanying financial statements.