

Financial Statements and Report of
Independent Certified Public
Accountants

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

For the year ended September 30, 2022, with
summarized comparative information for the year
ended September 30, 2021

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of financial position as of September 30, 2022, with summarized comparative totals as of September 30, 2021	5
Statement of activities for the year ended September 30, 2022, with summarized comparative totals for the year ended September 30, 2021	6
Statement of functional expenses for the year ended September 30, 2022, with summarized comparative totals for the year ended September 30, 2021	7
Statement of cash flows for the year ended September 30, 2022, with summarized comparative totals for the year ended September 30, 2021	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**Opinion**

We have audited the 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, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of September 30, 2022, 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 (U.S.).

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on 2021 summarized comparative information

We have previously audited the Society's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
March 9, 2023

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

STATEMENT OF FINANCIAL POSITION

As of September 30, 2022, with summarized comparative totals as of September 30, 2021

	2022	2021
ASSETS		
Cash	\$ 2,616,068	\$ 2,805,798
Investments - pooled (Note 3)	355,277,361	410,363,412
Investments - nonpooled (Note 4)	86,255,394	84,664,774
Contributions receivable, net (Note 7)	28,867,353	31,850,689
Beneficial interests in trusts (Note 8)	43,157,905	52,227,868
Other receivables	125,404	135,696
Cash surrender value of life insurance policies	2,126,555	2,163,406
Prepaid expenses and other assets	2,865,096	3,211,639
Loan receivable (Note 6)	34,436,652	35,618,589
Fixed assets, net (Note 9)	6,033,772	6,375,174
	\$ 561,761,560	\$ 629,417,045
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses and other liabilities (Notes 8 and 13)	\$ 4,729,362	\$ 4,826,543
Loan payable (Note 11)	11,300,000	11,300,000
Transmissions payable	5,088,759	3,435,120
Annuity obligations (Note 8)	21,387,370	22,598,716
	42,505,491	42,160,379
Total liabilities		
Commitments and contingencies (Note 14)		
Net assets		
Without donor restrictions (Notes 2 and 18)	18,676,623	25,863,550
With donor restrictions (Notes 2 and 18)	500,579,446	561,393,116
	519,256,069	587,256,666
Total net assets		
Total liabilities and net assets	\$ 561,761,560	\$ 629,417,045

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, 2022, with summarized comparative totals for the year ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenues, gains, losses, and other support				
Contributions	\$ 8,459,457	\$ 57,535,872	\$ 65,995,329	\$ 47,421,295
Legacies and bequests	1,726,465	7,491,539	9,218,004	17,064,285
Total public support (Note 12)	10,185,922	65,027,411	75,213,333	64,485,580
Investment income (loss), net (Note 5)	6,275,576	(57,319,444)	(51,043,868)	80,311,154
Changes in value of split-interest agreements (Note 8)	(5,887,856)	(10,618,380)	(16,506,236)	13,634,507
Interest on loan receivable and other income	37,034	1,870,621	1,907,655	2,733,638
Grant revenue (Note 20)	-	-	-	1,486,300
Net assets released from restrictions (Note 18)				
Satisfaction of program restrictions	57,621,944	(57,621,944)	-	-
Satisfaction of time restrictions	89,571	(89,571)	-	-
Total revenues, gains, losses and other support	68,322,191	(58,751,307)	9,570,884	162,651,179
Expenses				
Program services:				
Grants to Technion-Israel Institute of Technology and other beneficiaries	58,142,294	-	58,142,294	66,272,654
Education and other programs	1,866,361	-	1,866,361	1,101,789
Total program services	60,008,655	-	60,008,655	67,374,443
Supporting services:				
Management and general	6,327,914	2,062,363	8,390,277	6,124,096
Fundraising	9,172,549	-	9,172,549	8,119,644
Total supporting services	15,500,463	2,062,363	17,562,826	14,243,740
Total expenses	75,509,118	2,062,363	77,571,481	81,618,183
CHANGE IN NET ASSETS	(7,186,927)	(60,813,670)	(68,000,597)	81,032,996
Net assets, beginning of year	25,863,550	561,393,116	587,256,666	506,223,670
Net assets, end of year	<u>\$ 18,676,623</u>	<u>\$ 500,579,446</u>	<u>\$ 519,256,069</u>	<u>\$ 587,256,666</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, 2022, with summarized comparative totals for the year ended September 30, 2021

	Grants	Education and Other Programs	Total	Management and General	Fundraising	Total	Total 2022	Total 2021
Grants to Technion-Israel Institute of Technology and other beneficiaries	\$ 58,142,294	\$ -	\$ 58,142,294	\$ -	\$ -	\$ -	\$ 58,142,294	\$ 66,272,654
Personnel costs:								
Payroll	-	619,401	619,401	2,959,992	5,932,158	8,892,150	9,511,551	8,444,043
Employee benefits	-	129,726	129,726	695,503	1,267,241	1,962,744	2,092,470	1,504,270
Total personnel costs	-	749,127	749,127	3,655,495	7,199,399	10,854,894	11,604,021	9,948,313
Other expenses:								
Occupancy (includes interest expense of \$456,559 in fiscal 2022 and 2021)	-	12,343	12,343	542,414	679,519	1,221,933	1,234,276	1,206,565
Travel	-	-	-	12,093	235,153	247,246	247,246	89,414
Travel - Israeli speakers	-	120,365	120,365	-	-	-	120,365	23,914
Marketing	-	-	-	91,152	374,360	465,512	465,512	386,520
Communications - telephone and internet	-	-	-	45,544	67,728	113,272	113,272	107,056
Conference and meetings	-	-	-	-	97,383	97,383	97,383	17,113
Postage and shipping	-	2,102	2,102	28,454	74,546	103,000	105,102	95,009
Supplies (includes dues and subscriptions)	-	-	-	27,270	25,466	52,736	52,736	49,669
Equipment rental and maintenance	-	-	-	55,950	-	55,950	55,950	57,785
Information systems	-	-	-	449,279	-	449,279	449,279	465,478
Professional fees	-	-	-	874,963	237,786	1,112,749	1,112,749	797,222
Insurance	-	-	-	279,857	-	279,857	279,857	239,338
Campaign events	-	982,424	982,424	-	-	-	982,424	45,752
Bad debt expense	-	-	-	2,062,363	-	2,062,363	2,062,363	1,375,042
Other	-	-	-	45,685	2,045	47,730	47,730	44,677
Total personnel costs and other expenses before depreciation and amortization	-	1,866,361	1,866,361	8,170,519	8,993,385	17,163,904	19,030,265	14,948,867
Depreciation and amortization	-	-	-	219,758	179,164	398,922	398,922	396,662
Total personnel costs and other expenses	-	1,866,361	1,866,361	8,390,277	9,172,549	17,562,826	19,429,187	15,345,529
Total expenses	<u>\$ 58,142,294</u>	<u>\$ 1,866,361</u>	<u>\$ 60,008,655</u>	<u>\$ 8,390,277</u>	<u>\$ 9,172,549</u>	<u>\$ 17,562,826</u>	<u>\$ 77,571,481</u>	<u>\$ 81,618,183</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, 2022, with summarized
comparative totals for the year ended September 30, 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (68,000,597)	\$ 81,032,996
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	398,922	396,662
Unrealized/realized loss (gain) on investments	58,254,557	(87,596,687)
Actuarial loss (gain) on annuity obligations	7,821,106	(7,561,001)
Contributions restricted for long-term investment purposes	(6,345,871)	(7,124,761)
Contributions restricted for annuity agreements	(602,793)	(791,866)
Proceeds from beneficial interest in remainder trusts	1,403,182	419,495
Change in value of beneficial interest in remainder trusts	7,666,781	(6,766,779)
Decrease (increase) in assets:		
Contributions receivable	2,983,336	11,398,254
Other receivables	10,292	413,340
Cash surrender value of life insurance policies	36,851	(93,178)
Prepaid expenses and other assets	346,543	(583,727)
Loan receivable	1,181,937	3,340,644
(Decrease) increase in liabilities:		
Accounts payable, accrued expenses and other liabilities	(97,181)	(509,345)
Transmissions payable	1,653,639	(713,113)
	6,710,704	(14,739,066)
Net cash used in operating activities		
Cash flows from investing activities:		
Fixed asset acquisitions	(57,520)	(104,327)
Purchase of investments	(72,869,099)	(79,463,280)
Proceeds from sale of investments	68,109,973	81,764,318
	(4,816,646)	2,196,711
Net cash provided by (used in) investing activities		

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, 2022, with summarized
comparative totals for the year ended September 30, 2021**

	2022	2021
Cash flows from financing activities:		
Proceeds from contributions for long-term investment purposes	\$ 6,345,871	\$ 7,124,761
Proceeds from contributions restricted for investment subject to annuity agreements	1,621,144	1,485,140
Payment of annuity obligations	(2,588,985)	(2,734,526)
Investment income subject to annuity agreements	(7,461,818)	7,043,262
Net cash provided by financing activities	(2,083,788)	12,918,637
NET CHANGE IN CASH	(189,730)	376,282
Cash, beginning of year	2,805,798	2,429,516
Cash, end of year	\$ 2,616,068	\$ 2,805,798
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 456,559	\$ 456,559
Noncash items:		
Interest on loan receivable	\$ 1,420,517	\$ 1,549,692
Grants to Technion-Israel Institute of Technology, Inc.	\$ (1,420,517)	\$ (1,549,692)

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, 2022 and 2021

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, 2022 and 2021

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes 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, 2022. 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, 2022 and 2021

The present values of payments to beneficiaries of split-interest agreements are calculated using discount rates of 0.891% 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.

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.

In the fiscal years ended September 30, 2022 and 2021, the Board of Directors of the Society approved to designate \$2,000,000 and \$596,045, respectively, of its net assets without donor restrictions to create a quasi-endowment fund, which will be utilized for purposes to be determined and approved by the Board of Directors (see Note 18).

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. 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, 2022 and 2021

Contributions

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-605, 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 FASB ASC 606. 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.

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 number of employees and related personnel costs.

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, 2022 and 2021

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 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.

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, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the September 30, 2021 financial statements, as previously presented, have been reclassified to conform to the September 30, 2022 presentation. Such changes had no impact on the change in net assets for the year ended September 30, 2021.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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, 2022 and 2021. See Note 2 for a full description of the various levels.

	2022	
	Level 1	Total
Money market mutual funds	\$ 5,308,565	\$ 5,308,565
Stocks:		
Commodities and materials, industrial	2,826,516	2,826,516
Consumer staples/discretionary	4,899,707	4,899,707
Financial	5,973,520	5,973,520
Technology	2,855,098	2,855,098
Communication services	7,775,546	7,775,546
Energy	1,169,271	1,169,271
Healthcare	2,436,708	2,436,708
Total stocks	27,936,366	27,936,366
Exchange traded and index funds:		
U.S. and foreign equities	92,776,366	92,776,366
Commodities and natural resources	23,482,267	23,482,267
Bond market index fund	15,780,209	15,780,209
Total exchange traded and index funds	132,038,842	132,038,842
Mutual funds:		
Fixed income	20,768,465	20,768,465
Total pooled investments, at fair value	\$ 186,052,238	186,052,238
Cash on deposit		189,342
Time deposits		15,550,806
Alternative investments measured at NAV		153,484,975
Total pooled investments		\$ 355,277,361

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021	
	Level 1	Total
Money market mutual funds	\$ 18,374,563	\$ 18,374,563
Stocks:		
Commodities and materials, industrial	3,119,266	3,119,266
Consumer staples/discretionary	6,551,793	6,551,793
Financial	10,095,287	10,095,287
Technology	3,178,077	3,178,077
Communication services	14,042,861	14,042,861
Healthcare	2,437,312	2,437,312
Total stocks	39,424,596	39,424,596
Exchange traded and index funds:		
U.S. and foreign equities	122,567,248	122,567,248
Commodities and natural resources	21,379,688	21,379,688
Bond market index fund	18,488,025	18,488,025
Total exchange traded and index funds	162,434,961	162,434,961
Mutual funds:		
Fixed income	24,508,048	24,508,048
Total pooled investments, at fair value	\$ 244,742,168	244,742,168
Cash on deposit		150,590
Time deposits		15,701,694
Alternative investments measured at NAV		149,768,960
Total pooled investments		\$ 410,363,412

The Society has invested a total of \$94.1 million and \$105.2 million with thirteen and eleven limited partnerships administered offshore as of September 30, 2022 and 2021, respectively. Of this amount, nine and seven limited partnership investments totaling \$74.4 million and \$80.1 million as of September 30, 2022 and 2021, respectively, are managed in the United States.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following tables present the alternative investments as of September 30, 2022 and 2021:

	2022			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
Global public equity ^(a)	\$ 50,412,608	4	Monthly/Quarterly	6-10 days
Flexible capital ^(b)	59,188,534	5	Quarterly/Semi-Annual/Annual	45-90 days
Emerging market equity ^(c)	3,825,483	1	Monthly	7 days
Private equity and venture capital partnerships ^(d)	<u>40,058,350</u>	19	Illiquid	N/A
	<u>\$ 153,484,975</u>			
	2021			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
Global public equity ^(a)	\$ 56,764,493	3	Monthly/Quarterly	6-10 days
Flexible capital ^(b)	63,850,036	5	Quarterly/Semi-Annual/Annual	45-90 days
Emerging market equity ^(c)	5,568,970	1	Monthly	7 days
Private equity and venture capital partnerships ^(d)	<u>23,585,461</u>	16	Illiquid	N/A
	<u>\$ 149,768,960</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. This includes a new investment in a fund that allows for quarterly redemption, subject to 24 months holding period from commitment date. 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 are: 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: Investments in various global private equity funds that specialize in buyouts, distressed, venture capital funds and growth equity strategies, and private real assets funds. These are non-marketable and illiquid investments in closed-end private investment funds that have terms over 10 years. The managers, 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, 2022 and 2021

The Society has subscription agreement commitments totaling \$68.4 million and \$58.4 million in various alternative investments as of September 30, 2022 and 2021, 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, 2022 and 2021, the Society has paid a total of \$40.7 million and \$28.0 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, 2022 and 2021. See Note 2 for a full description of the various levels.

	2022	
	Level 1	Total
Money market mutual funds	\$ 13,952,488	\$ 13,952,488
Stocks:		
Consumer growth/staples/cyclical	3,056,306	3,056,306
Financial	2,118,864	2,118,864
Technology	4,186,697	4,186,697
Communication services	1,821,891	1,821,891
Energy	517,571	517,571
Industrial commodities and capital equipment	1,521,652	1,521,652
Utilities	312,283	312,283
Healthcare	2,166,107	2,166,107
Homebuilding, transportation and others	275,427	275,427
Total stocks	15,976,798	15,976,798
Mutual funds:		
Fixed income	5,878,730	5,878,730
Equities:		
International value	8,350,028	8,350,028
U.S. and foreign equities	402,187	402,187
Total mutual funds	14,630,945	14,630,945
U.S. government obligations	5,573,075	5,573,075
Total nonpooled investments, at fair value	\$ 50,133,306	50,133,306
Cash on deposit		24,179,189
Alternative investments measured at NAV		5,484,237
Time deposits and Israeli bonds		6,458,662
Total nonpooled investments		\$ 86,255,394

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021	
	Level 1	Total
Money market mutual funds	\$ 13,810,147	\$ 13,810,147
Stocks:		
Consumer growth/staples/cyclical	4,503,027	4,503,027
Financial	2,924,682	2,924,682
Technology	5,305,786	5,305,786
Communication services	3,157,061	3,157,061
Energy	372,945	372,945
Industrial commodities and capital equipment	1,782,394	1,782,394
Utilities	429,051	429,051
Healthcare	2,044,955	2,044,955
Homebuilding, transportation and others	816,419	816,419
	21,336,320	21,336,320
Total stocks		
Mutual funds:		
Fixed income	7,646,205	7,646,205
Equities:		
International value	8,426,208	8,426,208
U.S. and foreign equities	3,193,469	3,193,469
	19,265,882	19,265,882
Total mutual funds		
U.S. government obligations	6,871,515	6,871,515
	61,283,864	61,283,864
Total nonpooled investments, at fair value		
Cash on deposit		10,405,331
Alternative investments measured at NAV		6,492,417
Time deposits and Israeli bonds		6,483,162
		84,664,774
Total nonpooled investments		\$ 84,664,774

The following tables present alternative investments as of September 30, 2022 and 2021:

	2022			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
International developed equity ^(a)	\$ 1,497,986	1	Monthly	10 days
Flexible capital ^(b)	2,953,885	1	Quarterly	90 days
Limited partnership ^(c)	1,032,366	1	Illiquid	N/A
	\$ 5,484,237			

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021			
	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Alternative investments:				
International developed equity ^(a)	\$ 2,117,352	1	Monthly	10 days
Flexible capital ^(b)	3,342,699	1	Quarterly	90 days
Limited partnership ^(c)	1,032,366	1	Illiquid	N/A
	<u>\$ 6,492,417</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

	2022	2021
Interest and dividends	\$ 8,526,855	\$ 6,343,093
Realized and unrealized gains on investments	<u>(58,572,542)</u>	<u>75,085,811</u>
Investment income	(50,045,687)	81,428,904
Less: investment management fees	<u>(998,181)</u>	<u>(1,117,750)</u>
Total investment income, net	<u>\$ (51,043,868)</u>	<u>\$ 80,311,154</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 \$181,937 and \$373,513 from the amounts recovered from the Trustee for the Liquidation of Bernard Madoff Investments Securities LLC in 2022 and 2021, respectively, as described in Note 10, and \$1,000,000 and \$2,967,131 payments made by the Technion in 2022 and 2021, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 0.88% and 6%. The receivables at September 30, 2022 and 2021 were due as follows:

	<u>2022</u>
Due as of September 30, 2022	\$ 6,110,579
Due in 2023	13,612,872
Due after 2023:	
2024	4,771,906
2025	4,079,361
2026	2,991,326
2027	2,887,486
Thereafter	<u>6,739,156</u>
	21,469,235
Less: discount to present value	<u>(2,752,900)</u>
Present value of contributions receivable due after 2023	<u>18,716,335</u>
Present value of contributions receivable	38,439,786
Less: allowance for doubtful accounts	<u>(9,572,433)</u>
Present value of contributions receivable - net of allowance for doubtful accounts	<u>\$ 28,867,353</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021
Due as of September 30, 2021	\$ 8,268,045
Due in 2022	13,100,914
Due after 2022:	
2023	5,495,164
2024	3,130,649
2025	2,505,696
2026	1,687,486
Thereafter	7,514,876
	20,333,871
Less: discount to present value	(1,679,709)
Present value of contributions receivable due after 2022	18,654,162
Present value of contributions receivable	40,023,121
Less: allowance for doubtful accounts	(8,172,432)
Present value of contributions receivable - net of allowance for doubtful accounts	\$ 31,850,689

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, 2022 and 2021 are \$5,000,000 annual installments received from the family foundation. Funds totaling \$4.95 million were distributed as annual grants to Technion in 2022 and 2021.

In the fiscal year ended September 30, 2021, the Society wrote off a \$924,000 outstanding pledge from one donor, and such write-off is included in bad debt expense on the accompanying statement of functional expenses.

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 3.77%. 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).

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following table summarizes the changes in the Society's Level 3 liabilities under split-interest agreements for the years ended September 30, 2022 and 2021:

	Annuity Obligations	
	2022	2021
Balance, beginning of year	\$ 22,598,716	\$ 25,157,707
New agreements	1,018,351	693,273
Payments to annuitants	(2,588,985)	(2,734,526)
Terminated contracts	(523,582)	(2,470,179)
Change in value due to actuarial valuations	882,870	1,952,441
	<u>\$ 21,387,370</u>	<u>\$ 22,598,716</u>
Balance, end of year	<u>\$ 21,387,370</u>	<u>\$ 22,598,716</u>

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

The Society's assets of trusts and other split-interest agreements held by others are classified as Level 3 within the fair value hierarchy. The following table summarizes the changes in the Society's Level 3 assets of trusts and other split-interest agreements held by others for the years ended September 30, 2022 and 2021:

	Beneficial Interests in Trusts	
	2022	2021
Balance, beginning of year	\$ 52,227,868	\$ 45,880,584
New agreements	-	-
Terminated contracts	(1,403,182)	(419,495)
Change in value of trust assets	(7,666,781)	6,766,779
	<u>\$ 43,157,905</u>	<u>\$ 52,227,868</u>
Balance, end of year	<u>\$ 43,157,905</u>	<u>\$ 52,227,868</u>

The investments in split-interest agreements are included in nonpooled investments in the statement of financial position and are summarized within the fair value hierarchy (see Note 2) included with the nonpooled investments (Note 4). The assets of the split-interest agreements are allocated to net assets without donor restrictions and net assets with donor restrictions as follows:

	2022	2021
Net assets without donor restrictions	\$ 5,562,589	\$ 11,568,727
Net assets with donor restrictions	48,606,312	58,383,751
	<u>\$ 54,168,901</u>	<u>\$ 69,952,478</u>

Contribution revenue from split interest agreements totaled \$1,621,144 and \$1,485,140 for the years ended September 30, 2022 and 2021, respectively, and are included within contributions on the accompanying statement of activities. Changes in the value of split interest agreements and beneficial interests in trusts totaled (\$16,506,236) and \$13,634,507 for the years ended September 30, 2022 and 2021, respectively, and are reflected on the accompanying statement of activities.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 9 - FIXED ASSETS

	2022				2021			
	Cost	Accumulated Depreciation	Net	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Estimated Useful Lives
Office condominium	\$ 9,801,289	\$ 5,339,660	\$ 4,461,629	40 years	\$ 9,801,289	\$ 5,094,628	\$ 4,706,661	40 years
Office condominium improvements	3,008,522	1,620,742	1,387,780	35-40 years	3,008,522	1,544,525	1,463,997	35-40 years
Furniture and equipment	4,339,519	4,155,156	184,363	3-7 years	4,281,999	4,077,483	204,516	3-7 years
	<u>\$ 17,149,330</u>	<u>\$ 11,115,558</u>	<u>\$ 6,033,772</u>		<u>\$ 17,091,810</u>	<u>\$ 10,716,636</u>	<u>\$ 6,375,174</u>	

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

NOTE 10 - 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 \$189,656 and \$389,360 during the years ended September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, the Society has received partial distributions of \$23,012,475 and \$22,822,819, respectively, which represents 73.29% and 72.68% 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 11 - LOAN PAYABLE

On August 3, 2018, the Society obtained a five-year term credit and security facility in the amount of \$11.3 million (the "2018 Loan") with Citibank N.A. 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"). 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. The Society is in the process of evaluating its refinancing options.

Interest expense was \$456,559 in 2022 and 2021.

The loan is collateralized by certain investments of the Society.

NOTE 12 - 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 17), 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, 2022 and 2021

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

	2022		2021
Total campaign (for internal purposes)	\$ 101,714,040		\$ 100,987,298
Direct payments to Technion *	(1,173,595)		(3,664,826)
Discount on pledges and reversal of internal campaign discount			
Recapture of prior years' discount	\$ (185,842)		\$ 487,310
Current year's discount	(576,777)	(762,619)	475,679
			962,989
Bequest receivables and non-binding pledges:			
New bequest receivables and non-binding pledges	(63,539,752)		(65,702,263)
Bequest receivables converted to binding pledge receivables	250,000		339,000
Payment on bequest receivables and non-binding pledges	38,762,110	(24,527,642)	31,470,204
			(33,893,059)
Recognition of cash surrender value of insurance policies		(36,851)	93,178
Total public support (statement of activities)	\$ 75,213,333		\$ 64,485,580

* 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 13 - 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 executives' salaries. Covered employees are entitled to the proceeds only upon retirement.

The expense for the year relating to these plans was \$469,628 in 2022 and \$444,564 in 2021.

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, 2022 and 2021

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, 2022 and 2021.

	2022	2021
Projected benefit obligation at September 30	\$ (2,254,439)	\$ (2,184,094)
Funded status	<u>\$ (2,254,439)</u>	<u>\$ (2,184,094)</u>
Accrued benefit costs recognized in the statements of financial position	\$ 2,254,439	\$ 2,184,094
Weighted-average assumptions as of September 30:		
Discount rate	3.05%	3.05%
Expected return on plan assets	N/A	N/A
Benefit (credit) cost	\$ 100,000	\$ (281,145)

In general, 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 \$393,106.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Society leases its regional offices under various operating leases. The rent expense incurred for the years ended September 30, 2022 and 2021 was \$297,896 and \$284,815, respectively, exclusive of rent tax and rubbish removal. The leases terminate on various dates through December 2025. The Society also has an employment agreement with a key employee that extends through September 2022. The contract was renewed for another three years through September 2025.

The estimated minimum lease and employment commitments are as follows:

2023	\$	796,265
2024		796,501
2025		634,594
2026		<u>1,885</u>
	<u>\$</u>	<u>2,229,245</u>

In August 2018, ATS entered into a credit and security agreement with a local bank for an \$8.7 million revolving demand loan that bears interest equivalent to the 1-month SOFR (benchmark updated by the bank in 2022 from 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, 2022 and 2021, 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, 2022 and 2021

NOTE 15 - 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 in the statement of activities. The total charges for the years ended September 30, 2022 and 2021 were \$5,948,702 and \$3,841,160, respectively.

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

NOTE 16 - 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, 2022 and 2021 include \$25,097,500 and \$24,467,500, from five and six donors, respectively. The current discounted value of these contributions receivable is \$23,698,549 and \$23,290,193, respectively.

Total contribution revenue for the years ended September 30, 2022 and 2021 include \$46,753,500 from eleven donors and \$30,938,464 from nine donors, respectively.

NOTE 17 - 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 \$469,551,616 (unaudited) is not reflected as an asset on the financial statements. During the years ended September 30, 2022 and 2021, \$38,762,111 and \$31,470,204, respectively, were collected from bequest commitments and non-binding pledges and recorded as contributions in the financial statements, and bequest commitments totaling \$250,000 and \$339,000 were recorded as binding pledge receivables for the years ended September 30, 2022 and 2021, respectively.

NOTE 18 - 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, 2022 and 2021

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 2022 and 2021, 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, 2022 and 2021

Endowment net assets are comprised of the following:

	<u>2022</u>	<u>2021</u>
Endowments for funds held in perpetuity:		
Original corpus	\$ 376,008,929	\$ 369,497,543
Unappropriated accumulated earnings	21,633,033	85,754,771
	<u>397,641,962</u>	<u>455,252,314</u>
Term endowment (inclusive of accumulated earnings of \$385,749 and \$1,608,392, respectively)	<u>9,070,749</u>	<u>10,293,392</u>
Donor-restricted endowment funds	406,712,711	465,545,706
Board-designed endowment fund	<u>2,635,499</u>	<u>596,045</u>
Total endowment net assets	<u>\$ 409,348,210</u>	<u>\$ 466,141,751</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Changes in endowment net assets for the years ended September 30, 2022 and 2021 are composed of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 596,045	\$ 465,545,706	\$ 466,141,751
Interest and dividends	-	12,839,083	12,839,083
Unrealized and realized gains	39,454	(61,429,058)	(61,389,604)
Contributions	2,000,000	8,724,227	10,724,227
Present value discount/appreciation of contributions receivable	-	23,818	23,818
Contribution of and change in value of beneficial interest in remainder trusts	-	(2,402,173)	(2,402,173)
Appropriation for expenses/satisfaction of program restrictions	-	(16,588,892)	(16,588,892)
Endowment net assets, at end of year	<u>\$ 2,635,499</u>	<u>\$ 406,712,711</u>	<u>\$ 409,348,210</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 400,204,735	\$ 400,204,735
Interest and dividends	-	7,469,323	7,469,323
Unrealized and realized gains	-	71,220,170	71,220,170
Contributions	596,045	4,756,420	5,352,465
Present value discount/appreciation of contributions receivable	-	42,991	42,991
Contribution of and change in value of beneficial interest in remainder trusts	-	2,325,351	2,325,351
Appropriation for expenses/satisfaction of program restrictions	-	(20,473,284)	(20,473,284)
Endowment net assets, at end of year	<u>\$ 596,045</u>	<u>\$ 465,545,706</u>	<u>\$ 466,141,751</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 totaled \$998,048 as of September 30, 2022. There were no donor-restricted endowment funds with deficiencies as of September 30, 2021. Underwater endowment net assets are comprised of the following:

	2022
Original gift	\$ 20,840,929
Accumulated losses	(998,048)
	\$ 19,842,881

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. There were no appropriations from underwater endowment funds for the year ended September 30, 2022.

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:

	2022	2021
Education	\$ 402,712,354	\$ 441,850,500
Research	60,199,718	75,548,153
Capital projects	10,097,041	8,981,057
Time restrictions	27,570,333	35,013,406
	\$ 500,579,446	\$ 561,393,116

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.

	2022	2021
Purpose restriction accomplished:		
Education	\$ 33,186,867	\$ 34,641,837
Research	17,288,343	22,641,617
Capital projects	7,146,734	7,450,215
	\$ 57,621,944	\$ 64,733,669
Time restrictions	\$ 89,571	\$ 1,161,189

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 19 - 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 62% of its annual operating needs, with the remainder funded from appropriated earnings from gifts with donor restrictions and donor approved share on non-endowed cash gifts for Technion programs.

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,	
	2022	2021
Cash	\$ 2,616,068	\$ 2,805,798
Investments	441,532,755	495,028,186
Contributions receivable	28,867,353	31,850,689
Other receivables and other assets	125,404	135,696
Total financial assets available within one year	473,141,580	529,820,369
Less:		
Contractual, legal or donor-imposed restrictions:		
Amounts subject to appropriation and satisfaction of donor restrictions	426,497,409	480,271,799
Pledges with donor restrictions	28,844,183	31,155,414
Other receivables and other assets, available after one year	125,404	135,696
Illiquid investment	1,032,366	1,032,366
Total amounts unavailable for general expenditures within one year	456,499,362	512,595,275
Total financial assets available to management for general expenditure before amounts subject to the Board of Directors' approval	16,642,218	17,225,094
Less:		
Amounts unavailable to management without Board of Directors' approval		
Board-designated endowment fund	2,635,499	596,045
Total financial assets available within one year to meet general expenditures	\$ 14,006,719	\$ 16,629,049

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 14), in the event of financial distress or immediate liquidity need resulting from events outside general operations.

NOTE 20 - 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 were tangible during half of the year in 2020, full year in 2021 and a few months of setback during the beginning of 2022. From thereon, the Society has been thriving in all of its activities to get back to normalcy.

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.

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.

The Society used the PPP loan proceeds for purposes consistent with the PPP. As of September 30, 2021 and 2020, the Society satisfied the requirements for its PPP loans to be forgiven, and therefore the Society recorded grant revenue totaling \$1,486,300 on its accompanying statement of activities. The Society's Second and First Draw PPP loans were fully forgiven on January 10, 2022 and January 1, 2021, respectively.

NOTE 21 - SUBSEQUENT EVENTS

The Society evaluated its September 30, 2022 financial statements for subsequent events through March 9, 2023, the date the financial statements were available to be issued. Except as noted in Note 20, the Society is not aware of any other subsequent events which would require recognition or disclosure in the accompanying financial statements.