

Financial Statements Together with
Report of Independent Certified Public Accountants

THE BIRTHRIGHT ISRAEL FOUNDATION

For the year ended December 31, 2016, with comparative information for the
year ended December 31, 2015

THE BIRTHRIGHT ISRAEL FOUNDATION

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statement of Financial Position as of December 31, 2016, with comparative information as of December 31, 2015	3
Statement of Activities for the year ended December 31, 2016, with comparative information as of December 31, 2015	4
Statement of Functional Expenses for the year ended December 31, 2016, with comparative information as of December 31, 2015	5
Statement of Cash Flows for the year ended December 31, 2016, with comparative information as of December 31, 2015	6
Notes to Financial Statements	7 - 13



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Birthright Israel Foundation

Report on financial statements

We have audited the accompanying financial statements of The Birthright Israel Foundation, which comprise the statement of financial position as of December 31, 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Birthright Israel Foundation as of December 31, 2016, 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.

Report on 2015 summarized comparative information

We have previously audited the Foundation's 2015 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2016. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
May 30, 2017

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Financial Position

As of December 31, 2016, with comparative information as of December 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 14,705,600	\$ 17,595,962
Cash held in escrow (Note 4)	240,036	237,814
Accounts receivable - shared services	-	14,283
Contributions receivable - net (Note 3)	15,926,275	14,077,900
Prepaid expenses and other assets	358,345	311,379
Investments	11,353	8,612
Fixed assets - net (Note 5)	<u>287,744</u>	<u>375,932</u>
Total assets	<u>\$ 31,529,353</u>	<u>\$ 32,621,882</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,149,840	\$ 978,854
Accounts payable - shared services (Note 11)	11,245	-
Accrued severance	604,340	163,289
Capital leases payable (Note 6)	41,976	56,873
Deferred compensation (Note 8)	161,319	108,750
Obligations to annuitants	135,387	55,833
Deferred rent	<u>158,500</u>	<u>226,278</u>
Total liabilities	<u>2,262,607</u>	<u>1,589,877</u>
NET ASSETS		
Unrestricted		
Undesignated	7,314,911	11,393,438
Board designated (Note 9)	<u>4,500,000</u>	<u>4,750,000</u>
Total unrestricted	11,814,911	16,143,438
Temporarily restricted (Note 9)	17,451,835	14,788,567
Permanently restricted (Note 10)	<u>-</u>	<u>100,000</u>
Total net assets	<u>29,266,746</u>	<u>31,032,005</u>
Total liabilities and net assets	<u>\$ 31,529,353</u>	<u>\$ 32,621,882</u>

The accompanying notes are an integral part of this statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Activities

For the year ended December 31, 2016, with comparative information as of December 31, 2015

	2016			2015 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUES AND OTHER SUPPORT					
Contributions	\$ 81,306,991	\$ 12,834,880	\$ -	\$ 94,141,871	\$ 84,058,211
Special events - net	2,658,361	-	-	2,658,361	-
Interest	28,286	-	-	28,286	46,646
Realized loss on donated securities	(1,345)	-	-	(1,345)	(1,222)
Net assets released from restrictions (Note 9)	<u>10,271,612</u>	<u>(10,171,612)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>94,263,905</u>	<u>2,663,268</u>	<u>(100,000)</u>	<u>96,827,173</u>	<u>84,103,635</u>
EXPENSES					
Program expenses					
Educational trips (Note 7)	84,164,736	-	-	84,164,736	83,073,144
Post programming	<u>1,213,215</u>	<u>-</u>	<u>-</u>	<u>1,213,215</u>	<u>1,924,595</u>
Total program services	<u>85,377,951</u>	<u>-</u>	<u>-</u>	<u>85,377,951</u>	<u>84,997,739</u>
Supporting services					
Management and general	3,611,789	-	-	3,611,789	2,773,793
Fundraising	<u>9,602,692</u>	<u>-</u>	<u>-</u>	<u>9,602,692</u>	<u>8,937,077</u>
Total supporting services	<u>13,214,481</u>	<u>-</u>	<u>-</u>	<u>13,214,481</u>	<u>11,710,870</u>
Total expenses	<u>98,592,432</u>	<u>-</u>	<u>-</u>	<u>98,592,432</u>	<u>96,708,609</u>
Change in net assets	(4,328,527)	2,663,268	(100,000)	(1,765,259)	(12,604,974)
Net assets - beginning of year	<u>16,143,438</u>	<u>14,788,567</u>	<u>100,000</u>	<u>31,032,005</u>	<u>43,636,979</u>
Net assets - end of year	<u>\$ 11,814,911</u>	<u>\$ 17,451,835</u>	<u>\$ -</u>	<u>\$ 29,266,746</u>	<u>\$ 31,032,005</u>

The accompanying notes are an integral part of this statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Functional Expenses

For the year ended December 31, 2016, with comparative information as of December 31, 2015

	2016							2015 Total
	Program Services			Supporting Services				
	Educational Trips	Post Programming	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries and fringe benefits	\$ -	\$ 315,073	\$ 315,073	\$ 2,002,275	\$ 6,154,249	\$ 8,156,524	\$ 8,471,597	\$ 7,950,591
Grants	84,164,736	375,500	84,540,236	-	-	-	84,540,236	83,351,036
Professional fees	-	447,397	447,397	776,469	686,992	1,463,461	1,910,858	1,642,869
Travel	-	5,435	5,435	169,334	288,124	457,458	462,893	489,588
Conferences and meetings	-	4,058	4,058	51,187	262,717	313,904	317,962	525,039
Equipment rental and maintenance	-	-	-	17,945	46,332	64,277	64,277	31,201
Supplies and office expenses	-	-	-	21,464	16,264	37,728	37,728	33,487
Communications	-	30	30	101,306	16,377	117,683	117,713	83,577
Advertising	-	137	137	1,530	62,816	64,346	64,483	11,497
Postage and delivery	-	94	94	19,442	349,090	368,532	368,626	345,052
Dues and subscriptions	-	-	-	17,910	10,250	28,160	28,160	34,575
Printing and production	-	7,585	7,585	1,675	335,502	337,177	344,762	276,136
Computer maintenance	-	11,088	11,088	79,914	284,573	364,487	375,575	331,161
Website maintenance	-	-	-	923	1,108	2,031	2,031	39,922
Insurance	-	2,631	2,631	18,517	67,969	86,486	89,117	78,426
Occupancy	-	38,304	38,304	260,131	760,807	1,020,938	1,059,242	1,040,948
Depreciation	-	4,548	4,548	33,357	116,137	149,494	154,042	306,134
Bank charges	-	-	-	23,451	118,085	141,536	141,536	100,964
State registrations and filing fees	-	-	-	7,192	2	7,194	7,194	8,281
Miscellaneous	-	1,335	1,335	7,767	25,298	33,065	34,400	28,125
	<u>\$ 84,164,736</u>	<u>\$ 1,213,215</u>	<u>\$ 85,377,951</u>	<u>\$ 3,611,789</u>	<u>\$ 9,602,692</u>	<u>\$ 13,214,481</u>	<u>\$ 98,592,432</u>	<u>\$ 96,708,609</u>

The accompanying notes are an integral part of this statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2016, with comparative information as of December 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,765,259)	\$ (12,604,974)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	154,042	306,134
Donated securities	(478,378)	(308,268)
Realized loss on donated securities	1,345	1,222
Loss on disposal of fixed assets	-	641
Decrease (increase) in assets		
Accounts receivable - shared services	14,283	1,309,568
Contributions receivable	(1,848,375)	(1,099,568)
Prepaid expenses and other assets	(46,966)	5,037
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	170,986	(351,866)
Accounts payable - shared services	11,245	-
Accrued severance	441,051	(156,711)
Deferred revenue	-	(20,000,000)
Deferred compensation	52,569	39,375
Obligations to annuitants	79,554	22,441
Deferred rent	(67,778)	(43,736)
Net cash used in operating activities	<u>(3,281,681)</u>	<u>(32,880,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash held in escrow	(2,222)	(2,219)
Purchase of fixed assets	(80,751)	(39,064)
Purchase of investments	-	18,708
Proceeds from sale of investments	<u>474,292</u>	<u>307,046</u>
Net cash provided by investing activities	<u>391,319</u>	<u>284,471</u>
Net (decrease) increase in cash and cash equivalents	(2,890,362)	(32,596,234)
Cash and cash equivalents - beginning of year	<u>17,595,962</u>	<u>50,192,196</u>
Cash and cash equivalents - end of year	<u>\$ 14,705,600</u>	<u>\$ 17,595,962</u>
Asset acquired under capital lease agreement	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for interest	<u>\$ 1,502</u>	<u>\$ 1,942</u>

The accompanying notes are an integral part of this statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2016

1. NATURE OF ORGANIZATION

The Birthright Israel Foundation (the “Foundation”) was incorporated on December 10, 1999. It was formed to support the education of members of the Jewish community outside of Israel about Judaism, to strengthen the understanding of their heritage, and to foster stronger bonds between the Jews of the Diaspora and the State of Israel. In furtherance of these purposes, the Foundation provides funding to enable individuals aged 18-26 to participate in an educational peer-group trip to Israel.

The Foundation is funded primarily by contributions from public charities, private foundations and the general public.

The Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF PRESENTATION

The accompanying financial statements include the accounts of The Birthright Israel Foundation (referred to as the “Foundation”) and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - includes net assets that are not subject to donor-imposed stipulations.

Board Designated - includes net assets that are subject to board-imposed stipulations for future activities.

Temporarily restricted - includes net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by actions of the Foundation, pursuant to those stipulations. The income derived from temporarily restricted net assets is available for general purposes within unrestricted net assets unless otherwise specified by the donor.

Permanently restricted - includes net assets subject to donor-imposed stipulations that require the corpus to be maintained in perpetuity. The income derived from permanently restricted net assets is available for general or specific purposes, as stipulated by the respective donors.

Contributions with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted net assets. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted net assets.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions on the statement of activities. Expirations of temporary restrictions on net assets that have occurred in the same reporting period are reflected as unrestricted net assets on the accompanying statement of activities.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2016

Fair Value Measurements

The Foundation measures fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Foundation also prioritizes, within the measurement of fair value, the use of market based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and significant to overall fair value measurement.

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 Foundation's management. The Foundation 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 Foundation's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Foundation does not adjust the quoted price for such instruments, even in situations, if applicable, where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments and investments that qualify for use of the net asset value ("NAV") practical expedient. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2016

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for such securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach), as applicable. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

State of Israel Bonds are generally stated at cost, which approximate fair value. As of December 31, 2016, the Organization invested in State of Israel Bonds of \$11,353, which was included in investments on the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities when acquired of three months or less.

Cash Held in Escrow

Cash held in escrow includes collateral set aside for a letter of credit on the Foundation's lease agreements (Note 4).

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, inclusive of applicable credit adjusted rates, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Allowance for Doubtful Accounts

The Foundation determines whether an allowance for uncollectibles should be provided for contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables and other sources, current economic conditions, subsequent receipts and historical information. Pledges and accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed Assets

Fixed assets and leasehold improvements with a cost of \$1,000 or greater and estimated useful lives of more than one year are capitalized. Capitalized assets are depreciated and amortized on the straight-line method over the estimated useful life of the assets.

Donated Securities

Donated securities are recorded at their fair values the date they are received.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2016

Deferred Rent

Certain operating leases contain escalation clauses for base rentals. Accordingly, the Foundation has recorded the straight-line effects of such escalations and recognized a deferred rent liability within the accompanying statement of financial position of \$158,500 as of December 31, 2016.

Advertising

The Foundation uses advertising to promote its programs and events. The production costs of advertising are expensed as funds are disbursed and are presented in the accompanying statement of functional expenses. For the year ended December 31, 2016, the Foundation had advertising costs of \$64,483.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with US 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times, the Foundation's cash account balances may exceed federally insured limits. However, the Foundation has not experienced, nor does it anticipate, any losses with respect to such bank balances. For the year ended December 31, 2016, the Foundation received approximately 42% of its contribution revenue from one source.

Income Taxes

The Foundation 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 guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements 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 Foundation 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 was nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Financial Statements
For the year ended December 31, 2016

Subsequent Events

Subsequent events have been evaluated through May 30, 2017, which is the date the financial statements were issued. The Foundation is not aware of any subsequent events that would require additional disclosure.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, represent promises to pay from various sources. Amounts due in more than one year have been discounted using a discount rate of 2%.

Past due	\$ 23,675
2017	7,540,300
2018	7,552,300
2019	1,102,000
2020	237,000
2021	<u>25,000</u>
	16,480,275
Less: discount to present value	206,000
Less: allowance for uncollectible contributions	<u>348,000</u>
	<u>\$ 15,926,275</u>

For the year ended December 31, 2016, five pledgors comprised 94% of the total gross contributions receivable balance.

4. LEASE COMMITMENTS

In April 2008, the Foundation signed a 10-year lease, which commenced in August 2008, for new office space. Birthright Israel North America (“BRINA”) is responsible for 24% of the lease payments of this lease.

In December 2010, the Foundation signed an 8-year lease for additional space. This additional space was fully occupied by NEXT: A Division of Birthright Israel Foundation, which was responsible for the entire cost of the lease until their dissolution. Effective June 24, 2016, Birthright Israel Foundation became responsible for this additional space.

There is a letter of credit outstanding for \$240,036, which has been collateralized by an interest-bearing money market account at December 31, 2016, and is included within cash held in escrow on the accompanying statement of financial position.

The future minimum lease payments for all leases as of December 31, 2016 are as follows:

2017	\$ 1,043,912
2018	<u>656,844</u>
	<u>\$ 1,700,756</u>

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Financial Statements
For the year ended December 31, 2016

The original lease agreement provided for one month of free rent in the first year. The free rent is being amortized over the life of the lease. The net rent expense for the year ended December 31, 2016 totaled \$1,154,717 and is included within occupancy expenses on the accompanying statement of functional expenses.

5. FIXED ASSETS, NET

Fixed assets net consisted of the following:

	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Useful Lives</u>
Furniture and fixtures	\$ 367,410	\$ 312,463	\$ 54,947	5-7 years
Computers and computer systems	488,930	455,264	33,666	3 years
Internally developed software - website	761,412	761,412	-	5 years
Security equipment	35,425	17,065	18,360	5 years
Video and telephone equipment	175,852	134,765	41,087	5 years
Other equipment	9,970	9,970	-	3 years
Leasehold improvement	<u>687,314</u>	<u>547,630</u>	<u>139,684</u>	10 years
	<u>\$ 2,526,313</u>	<u>\$ 2,238,569</u>	<u>\$ 287,744</u>	

Depreciation expense for the year ended December 31, 2016 was \$154,042.

6. CAPITAL LEASE PAYABLE

The Foundation has entered into a lease for telephone equipment and is recorded in the financial statements as a capital lease. The related obligation, in the amount equal to the present value of the minimum lease payments payable during the remaining term of the lease, is recorded as a liability. As of December 31, 2016, the future minimum payments under the capital lease are as follows:

2017	\$ 16,398
2018	16,398
2019	<u>10,932</u>
	43,728
Less: amount representing interest	<u>1,752</u>
Present value of future minimum lease payments	<u>\$ 41,976</u>

7. GRANTS

The Foundation awards grants to organizations and individuals that implement its missions and goals. In 2016, the Foundation awarded and transferred \$83,974,736 to Birthright Israel International.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2016

8. PENSION PLAN AND DEFERRED COMPENSATION

The Foundation offers a defined contribution plan for eligible employees who have completed 12 months of service and have attained age 21. The Foundation's contributions equal 100% of the eligible employee's contributions of 5% of their compensation. Participants are fully vested after 5 years of service. Pension expense for the year ended December 31, 2016 totaled \$194,997. The Foundation also contributed to an executive deferred compensation plan. Deferred compensation expense for the year ended December 31, 2016 totaled \$52,569.

9. BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

Board designated net assets of \$4.75 million as of December 31, 2015 are designated by the Board for future activities. Pursuant to a Board resolution, \$250,000 was designated and transferred to Taglit in 2016 for a special project in Israel leaving a balance of \$4.5 million at December 31, 2016.

As of December 31, 2016, temporarily restricted net assets were as follows:

Restricted as to time	\$ 15,925,600
Restricted as to purpose (other programs)	1,506,235
Restricted as to time and purpose	<u>20,000</u>
	<u>\$ 17,451,835</u>

Temporarily restricted net assets in the amount of \$10,171,612 were released from time and purpose restrictions during the year ended December 31, 2016.

10. PERMANENTLY RESTRICTED NET ASSETS

In 2015, the Foundation received a contribution of \$100,000 as permanently restricted. The income generated from this gift is to be used for trip enhancements. Due to a change in donor intention which was communicated during 2016, the Foundation has subsequently reclassified this amount into unrestricted net assets.

11. RELATED PARTY TRANSACTIONS

Accounts payable - shared services represents shared services of amounts due to BRINA which shares space and common goals but are not consolidated with the financial statements of the Foundation, as the criteria for consolidation under US GAAP has not been met as of December 31, 2016 (Note 1).