

Financial Statements Together with
Report of Independent Certified Public Accountants

THE BIRTHRIGHT ISRAEL FOUNDATION

For the year ended December 31, 2017,
with comparative information for the year ended December 31, 2016

THE BIRTHRIGHT ISRAEL FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Birthright Israel Foundation:

We have audited the accompanying financial statements of The Birthright Israel Foundation (the “Foundation”), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 of 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 Foundation'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 Foundation'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, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2016 summarized comparative information

We have previously audited the Foundation's 2016 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2017. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
June 22, 2018

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Financial Position

As of December 31, 2017, with comparative information as of December 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 21,311,142	\$ 14,705,600
Cash held in escrow (Note 4)	242,267	240,036
Contributions receivable - net (Note 3)	12,521,750	15,926,275
Prepaid expenses and other assets	716,442	358,346
Investments	29,005	11,353
Fixed assets - net (Note 5)	<u>274,095</u>	<u>287,744</u>
Total assets	<u>\$ 35,094,701</u>	<u>\$ 31,529,354</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,321,189	\$ 1,149,841
Due to BRI International	772,879	-
Accounts payable - shared services (Note 11)	6,809	11,245
Accrued severance	231,846	604,340
Deferred revenue	168,200	-
Capital leases payable (Note 6)	26,627	41,976
Deferred compensation (Note 8)	-	161,319
Obligations to annuitants	126,986	135,387
Deferred rent	<u>68,113</u>	<u>158,500</u>
Total liabilities	<u>2,722,649</u>	<u>2,262,608</u>
NET ASSETS		
Unrestricted		
Undesignated	13,742,414	7,314,911
Board designated (Note 9)	<u>4,500,000</u>	<u>4,500,000</u>
Total unrestricted	18,242,414	11,814,911
Temporarily restricted (Note 9)	13,129,638	17,451,835
Permanently restricted (Note 10)	<u>1,000,000</u>	<u>-</u>
Total net assets	<u>32,372,052</u>	<u>29,266,746</u>
Total liabilities and net assets	<u>\$ 35,094,701</u>	<u>\$ 31,529,354</u>

The accompanying notes are an integral part of this statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Statement of Activities

For the year ended December 31, 2017, with comparative information as of December 31, 2016

	2017			2016 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUES AND OTHER SUPPORT					
Contributions	\$ 88,721,763	\$ 7,112,561	\$ 1,000,000	\$ 96,834,324	\$ 94,141,871
Special events - net	-	-	-	-	2,658,361
Interest	74,225	-	-	74,225	28,286
Realized gain (loss) on donated securities	(250)	-	-	(250)	(1,345)
Net assets released from restrictions (Note 9)	<u>11,434,758</u>	<u>(11,434,758)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>100,230,496</u>	<u>(4,322,197)</u>	<u>1,000,000</u>	<u>96,908,299</u>	<u>96,827,173</u>
EXPENSES					
Program expenses					
Educational trips (Note 7)	78,929,396	-	-	78,929,396	84,164,736
Post programming	<u>1,093,454</u>	<u>-</u>	<u>-</u>	<u>1,093,454</u>	<u>1,213,215</u>
Total program services	<u>80,022,850</u>	<u>-</u>	<u>-</u>	<u>80,022,850</u>	<u>85,377,951</u>
Supporting services					
Management and general	4,233,465	-	-	4,233,465	3,611,789
Fundraising	<u>9,546,678</u>	<u>-</u>	<u>-</u>	<u>9,546,678</u>	<u>9,602,692</u>
Total supporting services	<u>13,780,143</u>	<u>-</u>	<u>-</u>	<u>13,780,143</u>	<u>13,214,481</u>
Total expenses	<u>93,802,993</u>	<u>-</u>	<u>-</u>	<u>93,802,993</u>	<u>98,592,432</u>
Change in net assets	6,427,503	(4,322,197)	1,000,000	3,105,306	(1,765,259)
Net assets - beginning of year	<u>11,814,911</u>	<u>17,451,835</u>	<u>-</u>	<u>29,266,746</u>	<u>31,032,005</u>
Net assets - end of year	<u>\$ 18,242,414</u>	<u>\$ 13,129,638</u>	<u>\$ 1,000,000</u>	<u>\$ 32,372,052</u>	<u>\$ 29,266,746</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, 2017, with comparative information as of December 31, 2016

	2017							2016 Total
	Program Services			Supporting Services				
	Educational Trips	Post Programming	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries and fringe benefits	\$ -	\$ 148,902	\$ 148,902	\$ 2,404,041	\$ 5,260,966	\$ 7,665,007	\$ 7,813,909	\$ 8,471,597
Grants	78,929,396	550,000	79,479,396	-	-	-	79,479,396	84,540,236
Professional fees	-	318,926	318,926	904,494	326,953	1,231,447	1,550,373	1,467,299
Direct Marketing	-	-	-	-	1,965,163	1,965,163	1,965,163	992,207
Travel	-	793	793	150,913	181,213	332,126	332,919	462,893
Conferences and meetings	-	265	265	50,132	521,336	571,468	571,733	317,962
Equipment rental and maintenance	-	-	-	22,027	38,045	60,072	60,072	64,277
Supplies and office expenses	-	-	-	24,123	12,609	36,732	36,732	37,728
Communications	-	-	-	71,583	19,285	90,868	90,868	117,713
Advertising	-	-	-	2,619	63,168	65,787	65,787	14,937
Postage and delivery	-	-	-	15,047	34,226	49,273	49,273	53,207
Dues and subscriptions	-	-	-	5,003	3,039	8,042	8,042	28,160
Printing and production	-	538	538	693	138,111	138,804	139,342	162,187
Computer maintenance	-	11,021	11,021	85,207	170,266	255,473	266,494	376,498
Insurance	-	3,298	3,298	27,640	55,134	82,774	86,072	89,117
Occupancy	-	52,915	52,915	359,745	522,465	882,210	935,125	1,059,242
Depreciation	-	6,796	6,796	56,956	112,416	169,372	176,168	154,042
Bank charges	-	-	-	39,601	110,242	149,843	149,843	141,536
State registrations and filing fees	-	-	-	7,129	-	7,129	7,129	7,194
Miscellaneous	-	-	-	6,512	12,041	18,553	18,553	34,400
	<u>\$ 78,929,396</u>	<u>\$ 1,093,454</u>	<u>\$ 80,022,850</u>	<u>\$ 4,233,465</u>	<u>\$ 9,546,678</u>	<u>\$ 13,780,143</u>	<u>\$ 93,802,993</u>	<u>\$ 98,592,432</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, 2017, with comparative information as of December 31, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,105,306	\$ (1,765,259)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	176,168	154,042
Donated securities	(881,067)	(478,378)
Realized gain (loss) on donated securities	820	1,345
Decrease (increase) in assets		
Contributions receivable	3,404,525	(1,848,375)
Prepaid expenses and other assets	(358,096)	(46,967)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	171,348	170,987
Due to BRI International	772,879	-
Accounts payable - shared services	(4,436)	25,528
Accrued severance	(372,494)	441,051
Deferred revenue	168,200	-
Deferred compensation	(161,319)	52,569
Obligations to annuitants	(8,401)	79,554
Deferred rent	(90,387)	(67,778)
Net cash provided by (used in) operating activities	<u>5,923,046</u>	<u>(3,281,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash held in escrow	(2,231)	(2,222)
Purchase of fixed assets	(177,868)	(80,751)
Proceeds from sale of investments	<u>862,595</u>	<u>474,292</u>
Net cash provided by investing activities	<u>682,496</u>	<u>391,319</u>
Net increase in cash and cash equivalents	6,605,542	(2,890,362)
Cash and cash equivalents - beginning of year	<u>14,705,600</u>	<u>17,595,962</u>
Cash and cash equivalents - end of year	<u>\$ 21,311,142</u>	<u>\$ 14,705,600</u>
Cash paid from interest	<u>\$ 1,049</u>	<u>\$ 1,502</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, 2017

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 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, 2017

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, 2017

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, 2017, the Foundation invested in State of Israel Bonds of \$29,005, 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, 2017

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 \$68,113 as of December 31, 2017.

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, 2017, the Foundation had advertising costs of \$65,787.

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, 2017, the Foundation received approximately 41% 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, 2017

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2017 financial statements.

Subsequent Events

Subsequent events have been evaluated through June 22, 2018, 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	\$	996,450
2018		9,322,300
2019		1,652,000
2020		566,000
2021		<u>354,000</u>
		12,890,750
Less: discount to present value		75,000
Less: allowance for uncollectible contributions		<u>294,000</u>
	\$	<u>12,521,750</u>

For the year ended December 31, 2017, six pledgors comprised 76% 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 the Foundation, which was responsible for the entire cost of the lease until their dissolution. Effective June 24, 2016, the Foundation became responsible for this additional space. Effective August 2017, this additional space was sub-leased. The total amount received in 2017 under this sub-lease was \$85,174.

There is a letter of credit outstanding for \$242,267, which has been collateralized by an interest-bearing money market account at December 31, 2017, and is included within cash held in escrow on the accompanying statement of financial position.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Financial Statements
For the year ended December 31, 2017

The future minimum lease payments for all leases as of December 31, 2017 are as follows:

2018	\$ 670,894
2019	<u>17,196</u>
	<u>\$ 688,090</u>

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, 2017 totaled \$1,054,957 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>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 367,410	\$ 329,569	\$ 37,841	5-7 years
Computers and computer systems	651,449	500,889	150,560	3 years
Internally developed software - website	761,412	761,412	-	5 years
Security equipment	35,425	21,145	14,280	5 years
Video and telephone equipment	175,852	151,003	24,849	5 years
Other equipment	9,970	9,970	-	3 years
Leasehold improvement	<u>687,314</u>	<u>640,749</u>	<u>46,565</u>	10 years
	<u>\$ 2,688,832</u>	<u>\$ 2,414,737</u>	<u>\$ 274,095</u>	

Depreciation expense for the year ended December 31, 2017 was \$176,168.

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, 2017, the future minimum payments under the capital lease are as follows:

2018	\$ 16,398
2019	<u>10,932</u>
	27,330
Less: amount representing interest	<u>703</u>
	<u>\$ 26,627</u>

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Financial Statements

For the year ended December 31, 2017

7. GRANTS

The Foundation awards grants to organizations and individuals that implement its missions and goals. In 2017, the Foundation awarded and transferred \$78,914,396 to Birthright Israel International.

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, 2017 totaled \$219,231.

9. BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

Board designated net assets of \$4.75 million as of December 31, 2016 are designated by the Board for future activities. Pursuant to a Board resolution, \$250,000 was designated and transferred to Taglit in 2017 for a special project in Israel leaving a balance of \$4.5 million at December 31, 2017.

As of December 31, 2017, temporarily restricted net assets were as follows:

Restricted as to time	\$ 11,721,750
Restricted as to purpose (other programs)	1,387,888
Restricted as to time and purpose	<u>20,000</u>
	<u>\$ 13,129,638</u>

Temporarily restricted net assets in the amount of \$11,434,758 were released from time and purpose restrictions during the year ended December 31, 2017.

10. PERMANENTLY RESTRICTED NET ASSETS

In 2016, 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 2017, the Foundation has subsequently reclassified this amount into unrestricted net assets. In 2017, the Foundation received a \$1 million commitment towards a permanently restricted gift the income of which is unrestricted. \$200,000 was received in 2017 and the balance is to be received in equal installments over the following 4 years.

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, 2017 (Note 1).