



**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidated Financial Statements and Schedules

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

To the National Commission
Anti-Defamation League
and
Board of Trustees
Anti-Defamation League Foundation:

We have audited the accompanying consolidated financial statements of the Anti-Defamation League and Anti-Defamation League Foundation (collectively referred to as ADL), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anti-Defamation League and Anti-Defamation League Foundation as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 consolidating and other supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the 2017 consolidated financial statements. In addition, the accompanying consolidating balance sheet, statements of activities and cash flows are presented for purposes of additional analysis of the 2017 consolidated financial statements rather than to present the financial position or changes in net assets of the individual entities, and are not a required part of the 2017 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements or to the 2017 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 consolidated financial statements as a whole.

KPMG LLP

August 21, 2018

**ANTI-DEFAMATION LEAGUE AND
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Consolidated Balance Sheets

December 31, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 27,407,035	17,878,223
Contributions receivable, net (note 4)	12,124,114	12,768,317
Prepaid expenses and other assets	4,589,899	3,763,957
Investments (notes 3 and 8)	106,790,509	100,088,626
Property and equipment, net (note 5)	9,134,525	9,659,871
Total assets	\$ 160,046,082	144,158,994
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,448,562	8,399,001
Borrowings under lines of credit (note 8)	8,000,000	8,000,000
Deferred rent (note 8)	6,745,677	7,031,406
Liabilities under charitable trusts and annuity agreements	7,820,848	8,338,977
Long-term pension obligations (note 6)	30,151,122	31,202,522
Total liabilities	61,166,209	62,971,906
Commitments and contingencies (note 8)		
Net assets (accumulated deficit):		
Unrestricted:		
Available for operations	28,555,728	25,029,661
Long-term pension obligations (note 6)	(30,151,122)	(31,202,522)
Total unrestricted, net of long-term pension obligations	(1,595,394)	(6,172,861)
Temporarily restricted (note 7)	31,785,679	18,786,594
Permanently restricted (note 7)	68,689,588	68,573,355
Total net assets	98,879,873	81,187,088
Total liabilities and net assets	\$ 160,046,082	144,158,994

See accompanying notes to consolidated financial statements.

**ANTI-DEFAMATION LEAGUE AND
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Consolidated Statements of Activities

Years ended December 31, 2017 and 2016

	2017	2016
Changes in unrestricted net assets:		
Operating revenues:		
Contributions (including special events revenue of \$17,569,000 and \$20,644,000, respectively)	\$ 70,553,053	61,295,400
Less:		
Provision for uncollectible contributions receivable	(1,692,692)	(2,603,957)
Direct special events expenses	(4,974,691)	(6,473,906)
Contributions, net	63,885,670	52,217,537
Endowment return expended and other investment return (note 3)	3,348,477	2,945,767
Other income	899,634	695,342
Net assets released from restrictions in satisfaction of time and purpose	6,031,600	10,231,641
Total operating revenues	74,165,381	66,090,287
Operating expenses:		
Program services:		
Regional operations	25,635,582	23,450,791
Education	5,852,346	6,160,487
Policy and programs	8,496,047	6,987,860
International affairs and interfaith programs	2,554,141	3,799,006
Leadership	3,502,890	2,872,211
Marketing and communications	6,837,652	4,261,346
Supporting services:		
Administration	7,566,315	7,647,820
Development	10,314,779	8,406,156
Total operating expenses	17,881,094	16,053,976
Excess of operating revenues over operating expenses	70,759,752	63,585,677
Nonoperating activities:		
Investment return greater than amount appropriated (note 3)	1,557,615	910,463
Pension (charge) credit other than net periodic benefit cost (note 6)	(411,392)	834,674
Reclassification of net assets (note 7)	95,227	2,449,968
Other, net	(69,612)	12,232
Total nonoperating activities	1,171,838	4,207,337
Increase in unrestricted net assets	4,577,467	6,711,947
Changes in temporarily restricted net assets:		
Contributions	13,127,730	6,523,919
Change in the value of charitable trust and annuity agreements	(508,432)	(735,436)
Investment return (note 3)	9,025,280	4,491,702
Reclassification due to change in donor designation (note 7)	—	(1,244,732)
Net assets released from restrictions:		
Satisfaction of time and purpose	(6,031,600)	(10,231,641)
Endowment return appropriated	(2,613,893)	(2,852,422)
Increase (decrease) in temporarily restricted net assets	12,999,085	(4,048,610)
Change in permanently restricted net assets:		
Contributions (note 7)	211,460	1,988,604
Reclassification of net assets (note 7)	(95,227)	(1,205,236)
Increase in permanently restricted net assets	116,233	783,368
Increase in net assets	17,692,785	3,446,705
Net assets at beginning of year	81,187,088	77,740,383
Net assets at end of year	\$ 98,879,873	81,187,088

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 17,692,785	3,446,705
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Pension charge (credit) other than net periodic benefit cost	411,392	(834,674)
Contributions of permanently restricted net assets	(211,460)	(1,988,604)
Net appreciation in fair value of investments	(9,851,056)	(3,750,826)
Provision for uncollectible contributions receivable	1,692,692	2,603,957
Depreciation and amortization	1,298,606	1,270,707
Change in the value of charitable trust and annuity agreements	508,432	735,436
Changes in operating assets and liabilities:		
Contributions receivable	(1,376,489)	(2,648,761)
Prepaid expenses and other assets	(825,942)	75,493
Accounts payable and accrued expenses	49,561	341,625
Deferred rent	(285,729)	(272,299)
Accrued pension obligation and benefit plans	(1,462,792)	(585,979)
Net cash provided by (used in) operating activities	7,640,000	(1,607,220)
Cash flows from investing activities:		
Proceeds from sale of investments	29,760,272	29,660,149
Purchase of investments	(26,611,099)	(17,810,774)
Acquisition of property and equipment	(773,260)	(1,270,457)
Net cash provided by investing activities	2,375,913	10,578,918
Cash flows from financing activities:		
Contributions of permanently restricted net assets	211,460	1,988,604
Change in contributions receivable restricted for permanent investment	328,000	514,675
Payments to charitable gift annuitants	(1,209,151)	(1,193,574)
Proceeds from charitable trusts and annuity gifts in excess of amounts recognized as contributions	182,590	218,173
Net cash (used in) provided by financing activities	(487,101)	1,527,878
Net increase in cash and cash equivalents	9,528,812	10,499,576
Cash and cash equivalents at beginning of year	17,878,223	7,378,647
Cash and cash equivalents at end of year	\$ 27,407,035	17,878,223

See accompanying notes to consolidated financial statements.

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(1) Organization

The Anti-Defamation League (the League) is a nonprofit organization formed in 1913 for the purpose of defending democratic ideals and eliminating anti-Semitism and bigotry in the United States (U.S.) and around the world, while providing knowledgeable leadership on a national level for the American Jewish community.

The Anti-Defamation League Foundation (the Foundation) was established in 1976 to assist the League in its principal objectives and to encourage and administer endowments.

Both the League and the Foundation (collectively referred to as ADL) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income, if applicable.

The following functional classifications have been established to account for the program services of ADL:

(a) Regional Operations

Supervises and coordinates the League's coast-to-coast network of regional offices. Establishes and monitors operating plans for each region, with particular focus on priority programs and activities, including anti-bias training for educators, students and law enforcement professionals; civil rights advocacy; monitoring and exposing of extremist activity; victim assistance; promotion of intergroup collaboration and understanding; and, response to hate crimes and bias incidents. Assists regions in their recruitment and engagement of qualified leadership and their expansion of philanthropic support. Creates measures and metrics to evaluate regional reach and impact.

(b) Education

Furthers the League's mission through the design and delivery of intergroup, Holocaust, anti-bias, and other educational programs and materials for use in P-12 classrooms, on college campuses, and with community groups, corporations, civic associations, religious organizations, youth movements, and other nontraditional learning contexts.

(c) Policy and Programs

Encompasses the work of Civil Rights; Government Relations, Advocacy, and Community Engagement; the Center on Technology and Society; Law Enforcement and Community Security; the Center on Extremism; and Hispanic Affairs. The Civil Rights team, with three attorneys in New York, five area counsels around the country, and a Washington, D.C.-based Policy Planning Center, formulates and implements the League's civil rights agenda in a range of areas including anti-Semitism and all forms of bigotry, discrimination and bias motivated violence; religious freedom and church state separation; and immigration and refugee rights, preparing reports and memoranda, filing amicus briefs, and engaging in other forms of public advocacy. The Government Relations, Advocacy, and Community Engagement team promotes the League's mission in Washington, D.C. and around the country with a focus on legislative advocacy, outreach to government officials, and coalition building. The Center on Technology and Society, based in Silicon Valley, California, works to develop new strategies in the fight against hate online, analyzing and preparing reports on hate speech and cyber harassment, providing insights to government and policymakers, and exposing and countering specific

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cases of abuse and offensive content on the Internet. ADL's Rita and Leo Greenland Library, which archives all of ADL's documents as well as mainstream and extremist publications, also resides in the Policy group. The Center on Extremism monitors and exposes extremist movements and individuals across the ideological spectrum, and provides actionable intelligence and data-based analysis to law enforcement, public officials, community leaders and technology companies. The Law Enforcement and Community Security team conducts training for law enforcement agencies on hate crimes, extremism and implicit bias, as well as programs on community security. Hispanic Affairs expands ADL's work with Hispanic/Latino communities in the US.

(d) *International Affairs and Interfaith Programs*

Maintains contacts throughout Europe, Latin America, the Middle East, and the U.S. from which information is gathered relating to political and social movements that impact anti-Semitism and bigotry. Observes and analyzes trends around the world related to anti-Semitism and related issues. Prepares and disseminates reports and data regarding Israel's security, U.S.-Israel relations and anti-Semitism in the Middle East. Initiates educational programs on the Middle East and Israeli issues, as well as on international best practices on fighting anti-Semitism and bigotry. Maintains contact with faith leaders in the U.S. and other countries. Develops programs of cooperation on intergroup understanding and human relations with Catholic and Protestant religious groups at community, regional, and national levels. Participates in educational and action programs in interfaith efforts. Organizes training programs and curriculum development for seminars and religious oriented educational institutions.

(e) *Leadership*

Recruits and develops and engages new leadership through special programmatic meetings and dissemination of programmatic materials.

(f) *Marketing and Communications*

Presents the public face of ADL. Manages the League's awareness through Internet initiatives, social marketing, online video, and newspaper campaigns; produces the national newsletter ADL on the Frontline; and handles direct marketing. Prepares audiovisual and print materials on ADL issues, goals, and objectives; writes, edits, and produces materials for all ADL divisions (reports, brochures, displays, invitations, newsletters, periodicals, journals, ads, and special publications); and handles special projects such as exhibits.

(2) *Summary of Significant Accounting Policies*

The consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the League and the Foundation. All significant interorganizational balances and transactions have been eliminated in consolidation.

(a) *Basis of Presentation*

ADL's net assets (including those associated with endowment funds), revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

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Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of ADL and/or the passage of time. ADL follows the provisions of Accounting Standards Codification (ASC) 958, *Section 205-45, Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, which requires the portion of a donor restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by ADL. The donors of these assets may specify the use of the income earned. In addition, ADL classifies as permanently restricted net assets the original value of gifts to the permanent endowment, as well as accumulations to the permanent endowment made at the direction of the donor. ADL follows the provisions of NYPMIFA in managing its donor-restricted endowment. ADL has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

Operations include all expenses incurred and unrestricted revenues, except for investment return greater or less than the amount appropriated for spending, pension charges or credits other than net periodic benefit cost, and nonrecurring items.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include the fair value of alternative investments, net realizable value of contributions receivable, pension assumptions, and functional expense allocation. Actual results could differ from those estimates.

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(c) Fair Value Measurements

Assets and liabilities reported at fair value are required to be classified within a fair value hierarchy which gives preference to the use of observable inputs over unobservable inputs. Fair value is defined as the exchange price that would be received to sell 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. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted or published prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- Level 3 inputs are unobservable inputs for the assets or liabilities.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(d) Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at the time of purchase, except for those short-term investments managed by ADL's investment managers as part of their long-term investment strategies, which are included in investments in the accompanying consolidated balance sheets.

(e) Investments

Investments in short-term instruments, fixed income securities, mutual funds, equity securities and the equity investment trust are carried at fair value based on quoted or published market prices. Investments in absolute return funds, limited partnerships, and other nonpublicly traded investments are stated at estimated fair value which, as a practical expedient, is the net asset value as provided by the investment managers, and evaluated for reasonableness by ADL. The real estate limited partnership is stated at fair value based on an independent appraisal.

(f) Contributions

Contributions, including unconditional promises to give, are recorded as contributions in the accompanying consolidated statements of activities when pledged, less an estimated amount for contributions deemed uncollectible and less a discount for pledges due in future years. Contributions are considered to be available for unrestricted use unless restricted by donors to specific purposes. Conditional contributions, including promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

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ADL reports gifts of cash and other assets as temporarily restricted contributions if they are received with donor stipulations that limit their use, except for those restrictions met in the same fiscal year as received, which are reported as revenues in the unrestricted net assets category. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Net assets released from restrictions related to endowment appropriations are reported as endowment return appropriated.

Donated assets and contributed services that meet the criteria for recognition are recorded at fair value at date of gift. The fair value of readily marketable donated assets is based upon published market prices. The fair value of all other assets is based on independent appraisal or estimates of proceeds to be received upon disposition.

(g) Split-Interest Agreements

Contributions of assets placed in trusts in which ADL has a remainder interest and charitable gift annuities are recorded at the date the assets are received after recording liabilities for the actuarial present value of the estimated payments to be made to the donors and/or other beneficiaries. Such contributions are recorded as unrestricted or temporarily restricted in the accompanying consolidated statements of activities based on the absence or presence of donor imposed restrictions. The liabilities are adjusted annually for changes in the value of the assets and changes in the estimates of future benefits and are classified as Level 3 in the fair value hierarchy. The adjustments are recorded as change in the value of charitable trust and annuity agreements in the accompanying consolidated statements of activities. The present value of payments to the donors and beneficiaries of the annuities is calculated using a discount rate of 3.5% and 4.0% in 2017 and 2016, respectively.

(h) Fixed Assets

Property and equipment are stated at cost except those assets received by gift, which are stated at fair value at date of gift. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

(i) Income Tax

ADL recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to ADL's exempt purpose is subject to tax under Internal Revenue Code Section 511 and is reported and paid with the Internal Revenue Service Form 990-T (*Exempt Organization Business Income Tax Return*).

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(3) Investments

Investments, stated at estimated fair value, consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivables for investments sold	\$ 91,165	2,785,966
Invested cash and short-term investments	926,409	612,599
Fixed income securities – government	1,553,913	6,877,223
Mutual funds – equities	25,611,605	18,437,678
Mutual funds – fixed income	10,267,701	6,092,811
Mutual funds – real assets	6,229,775	5,083,361
Common stocks	14,311,862	12,171,736
Absolute return funds	35,310,940	35,541,321
Limited partnerships	12,487,139	12,485,931
Total	<u>\$ 106,790,509</u>	<u>100,088,626</u>

Investments include charitable trust and annuity funds of approximately \$11.8 million and \$11.6 million at December 31, 2017 and 2016, respectively.

Investment return for the years ended December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,466,423	1,744,684
Net appreciation in fair value of investments	9,851,056	3,750,826
Total investment return	<u>\$ 11,317,479</u>	<u>5,495,510</u>
Reported in the consolidated statements of activities as follows:		
Unrestricted – operating	\$ 734,584	93,345
Unrestricted – nonoperating	1,557,615	910,463
Temporarily restricted	9,025,280	4,491,702
Total investment return	<u>\$ 11,317,479</u>	<u>5,495,510</u>

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Investments at fair value as of December 31, 2017 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Receivables for investments sold (a)	\$ 91,165	91,165	—	—
Invested cash and short-term investments	926,409	926,409	—	—
Fixed income securities – government	1,553,913	1,124,613	429,300	—
Mutual funds – equities:				
Domestic	8,991,803	8,325,972	665,831	—
International	16,619,802	14,272,878	2,346,924	—
Mutual funds – fixed income:				
Domestic	10,267,701	8,421,176	1,846,525	—
Mutual funds – real assets	6,229,775	6,229,775	—	—
Common stocks:				
Domestic	13,602,343	13,602,343	—	—
International	709,519	709,519	—	—
Real estate limited partnership (b)	6,563,966	—	—	6,563,966
Equity investment trust	4,911,180	4,911,180	—	—
	<u>70,467,576</u>	<u>\$ 58,615,030</u>	<u>5,288,580</u>	<u>6,563,966</u>
Investments reported at net asset value:				
Absolute return funds:				
Multi-strategy hedge funds	14,738,446			
Global opportunities hedge funds	4,511,447			
Equity long/short hedge funds	6,203,279			
Global equity hedge funds	3,375,256			
Distressed debt hedge funds	4,564,169			
Other	1,918,343			
Limited partnerships:				
Other	<u>1,011,993</u>			
Total investments reported at net asset value	<u>36,322,933</u>			
Total investments	<u>\$ 106,790,509</u>			

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Investments at fair value as of December 31, 2016 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Receivables for investments sold (a)	\$ 2,785,966	2,785,966	—	—
Invested cash and short-term investments	612,599	612,599	—	—
Fixed income securities – government	6,877,223	1,380,023	5,497,200	—
Mutual funds – equities:				
Domestic	8,602,857	7,976,608	626,249	—
International	9,834,821	7,999,840	1,834,981	—
Mutual funds – fixed income:				
Domestic	6,018,127	2,899,396	3,118,731	—
International	74,684	—	74,684	—
Mutual funds – real assets	5,083,361	5,083,361	—	—
Common stocks:				
Domestic	11,561,160	11,561,160	—	—
International	610,576	610,576	—	—
Real estate limited partnership (b)	6,955,681	—	—	6,955,681
Equity investment trust	4,482,506	4,482,506	—	—
	<u>63,499,561</u>	<u>\$ 45,392,035</u>	<u>11,151,845</u>	<u>6,955,681</u>
Investments reported at net asset value:				
Absolute return funds:				
Multi-strategy hedge funds	17,575,286			
Global opportunities hedge funds	4,470,126			
Equity long/short hedge funds	6,876,462			
Distressed debt hedge funds	4,610,126			
Other	2,009,321			
Limited partnerships:				
Other	<u>1,047,744</u>			
Total investments reported at net asset value	<u>36,589,065</u>			
Total investments	<u>\$ 100,088,626</u>			

(a) Receivables for investments sold were collected subsequent to year-end.

(b) Represents a noncontrolling 13.69% interest in a real estate limited partnership which owns a residential apartment building located in Woodland Hills, California. The estimated fair value is based upon an independent appraisal of market value. Distributions are made when investments are realized.

The change in Level 3 investments in 2017 was due to depreciation in the fair value of real estate limited partnerships. The change in Level 3 investments in 2016 was due to the sale of other investments.

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Information with respect to the strategies for investments which are reported at estimated fair value based upon net asset value per share (or its equivalent) is as follows:

Multi-strategy hedge funds – includes investments in funds that pursue multiple investment strategies that attempt to diversify risks and reduce volatility. Capital allocated to each of the strategies, as well as geographical areas, varies depending on market opportunities.

Global opportunities hedge funds – includes investments in funds that invest primarily in equity securities of Asian-Pacific and emerging market companies. A portion of the investment attempts to focus on event-driven investing while also using other hedging strategies.

Equity long/short hedge funds – includes investments in funds that invest both long and short primarily in U.S. equities. Investments are also made in fixed income securities and funds, depending on market conditions and opportunities to increase capital allocation to investments in foreign markets.

Global equity hedge funds – includes investments in common stocks of non-U.S. domiciled companies. Investments include both large-cap and small-cap issuers as well as opportunistic exposure to issuers in the emerging markets.

Distressed debt hedge funds – includes investments in funds that attempt to invest opportunistically in troubled companies. Investments encompass distressed debt, private equity, real estate, high yield bonds, and a number of hedge fund strategies.

Other absolute return – includes investments in funds that invest mainly in private equity, venture capital and income-producing publically traded master limited partnerships.

Other limited partnerships – includes investments in a domestic limited partnership, which invests in short-term liquid assets, stocks, and bonds. The partnership may also buy and sell put and call options for hedging purposes.

Information with respect to the redemption provisions of investments reported at net asset value is as follows as of December 31, 2017:

<u>Redemption period</u>	<u>Amount</u>
Daily with 30 days' notice	\$ 3,375,256
Monthly with 30–60 days' notice	6,182,109
Quarterly with 45–90 days' notice	13,863,449
Annually with 60–95 days' notice	7,887,902
Semi-Monthly with 5 days' notice	3,219,274
Closed end*	<u>1,794,943</u>
Total	<u>\$ 36,322,933</u>

* Distributions are made when investments are realized.

**ANTI-DEFAMATION LEAGUE AND
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(4) Contributions Receivable

Contributions receivable at December 31, 2017 and 2016 are scheduled to be collected as follows:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 12,500,021	14,833,269
One to five years	3,741,578	1,483,334
More than five years	<u>679,966</u>	<u>472,466</u>
	16,921,565	16,789,069
Discount to present value, at rates from 1.55% to 3.85%	(522,451)	(255,752)
Allowance for uncollectible contributions receivable	<u>(4,275,000)</u>	<u>(3,765,000)</u>
	<u>\$ 12,124,114</u>	<u>12,768,317</u>

(5) Property and Equipment

The components of property and equipment and their estimated useful lives at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>	<u>Useful lives</u>
Land	\$ 1,150,224	1,150,224	N/A
Buildings	4,150,445	4,150,445	30 years
Leasehold and building improvements	15,640,285	15,652,946	4–10 years
Furniture and equipment	8,204,012	7,442,835	3–5 years
Artwork	<u>197,470</u>	<u>197,470</u>	N/A
Total	29,342,436	28,593,920	
Less accumulated depreciation and amortization	<u>(20,207,911)</u>	<u>(18,934,049)</u>	
Net property and equipment	<u>\$ 9,134,525</u>	<u>9,659,871</u>	

(6) Employee Benefit Plans

The Anti-Defamation League Retirement Plan (the Plan) was frozen on December 31, 2010. Effectively, ADL froze benefit accruals for all participants under the Plan. The Plan is administered by a trustee and plan assets, which are held by such trustee, are stated at fair value. Since benefit accruals are suspended, the projected benefit obligation is equal to the accumulated benefit obligation. ADL will continue to make contributions to the Plan in amounts sufficient to meet applicable funding requirements.

**ANTI-DEFAMATION LEAGUE AND
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

The following table provides information with respect to the Plan as of December 31, 2017 and 2016 and for the years then ended:

	<u>2017</u>	<u>2016</u>
Projected benefit obligation	\$ 72,032,492	70,235,683
Plan assets, at fair value	<u>42,838,068</u>	<u>40,138,377</u>
Unfunded status	<u>\$ 29,194,424</u>	<u>30,097,306</u>
Net periodic benefit cost	\$ 620,725	579,989
Employer contributions	1,934,999	1,011,739
Benefits paid	3,684,512	3,771,400

The discount rate used to determine the pension benefit obligation was 3.49% and 3.96% at December 31, 2017 and 2016, respectively.

Weighted average assumptions used to determine net periodic benefit cost at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.96 %	4.14 %
Expected return on plan assets	6.50	7.00
Rate of compensation increases	N/A	N/A

As of December 31, 2017, the Plan's targeted and actual asset allocations are as follows:

	<u>Target</u>	<u>Actual</u>
Receivables for investments sold	0%	1 %
Invested cash and short-term investments	0%–5%	2
Mutual funds – fixed income	15%–45%	34
Mutual funds – equities	30%–50%	40
Absolute return funds	10%–35%	14
Limited partnership – real estate	5%–15%	<u>9</u>
Total		<u><u>100 %</u></u>

**ANTI-DEFAMATION LEAGUE AND
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

As of December 31, 2016, the Plan's targeted and actual asset allocations are as follows:

	<u>Target</u>	<u>Actual</u>
Invested cash and short-term investments	0%–5%	2 %
Mutual funds – fixed income	15%–45%	32
Mutual funds – equities	25%–45%	40
Absolute return funds	10%–30%	16
Limited partnership – real estate	5%–10%	10
Total		<u>100 %</u>

The Plan's assets at fair value as of December 31, 2017 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Receivable for investments sold	\$ 296,633	296,633	—	—
Invested cash and short-term investments	1,083,465	1,083,465	—	—
Mutual funds – fixed income:				
Domestic	7,282,732	7,282,732	—	—
International	1,683,310	1,683,310	—	—
Balanced	5,439,406	5,439,406	—	—
Mutual funds – equities:				
Domestic	8,957,501	8,957,501	—	—
International	8,033,212	8,033,212	—	—
Commodities trust	1,270,400	1,270,400	—	—
	<u>34,046,659</u>	<u>\$ 34,046,659</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi-strategy hedge fund	2,013,312			
Equity long/short hedge fund	2,897,368			
Limited partnership – real estate	<u>3,880,729</u>			
Total investments reported at net asset value	<u>8,791,409</u>			
Total investments	<u>\$ 42,838,068</u>			

**ANTI-DEFAMATION LEAGUE AND
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

The Plan's assets at fair value as of December 31, 2016 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Invested cash and short-term investments	\$ 823,133	823,133	—	—
Mutual funds – fixed income:				
Domestic	6,299,811	6,299,811	—	—
International	2,671,132	2,671,132	—	—
Balanced	3,769,837	3,769,837	—	—
Mutual funds – equities:				
Domestic	8,791,928	8,791,928	—	—
International	7,198,705	7,198,705	—	—
Commodities trust	1,165,949	1,165,949	—	—
	<u>30,720,495</u>	<u>\$ 30,720,495</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi-strategy hedge fund	2,876,972			
Equity long/short hedge fund	2,564,700			
Limited partnership – real estate	<u>3,976,210</u>			
Total investments reported at net asset value	<u>9,417,882</u>			
Total investments	<u>\$ 40,138,377</u>			

Information with respect to the strategies of the Plan's investments which are reported at estimated fair value based upon net asset value per share (or its equivalent) is as follows:

Multi-strategy hedge fund – a fund that pursues multiple investment strategies that attempt to diversify risks and reduce volatility. Capital allocated to each of the strategies, as well as geographical areas, varies depending on market opportunities.

Equity long/short hedge fund – a fund that seeks capital appreciation through investing in investment funds each of which utilizing various investment strategies including leverage.

Real estate limited partnership – a fund that invests in real estate securities. Depending on market conditions and opportunities, investments can shift between geographical regions in an attempt to enhance returns.

**ANTI-DEFAMATION LEAGUE AND
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Information with respect to the redemption provisions of investments reported at net asset value is as follows as of December 31, 2017:

Redemption period	Amount
Monthly with 15 days' notice	\$ 3,880,729
Quarterly with 45 days' notice	2,897,368
Quarterly with 65 days' notice	2,013,312
Total	\$ 8,791,409

Plan benefits are expected to be paid from the Plan as follows:

2018	\$ 4,337,000
2019	4,355,000
2020	4,333,000
2021	4,277,000
2022	4,285,000
2023–2027	20,564,000

ADL expects to contribute \$2,392,000 to the Plan during the year ended December 31, 2018.

As of December 31, 2017 and 2016, amounts charged to unrestricted net assets but not yet recognized as a component of net periodic benefit cost total \$35,259,800 and \$34,848,408, respectively. The estimated net actuarial loss that will be amortized into net periodic benefit cost during 2018 is \$952,853.

ADL has a contributory defined contribution retirement plan, covering substantially all employees, under arrangements with a financial institution. The plan is subject to the provisions of Title I of the Employee Retirement Income Security Act and Section 403(b) of the Internal Revenue Code of 1986, as amended. ADL's 2017 and 2016 contribution as of the first of the month following one year of employee service represents up to 2.50% of the participants' eligible compensation and 2.25% of the participants' eligible compensation, respectively. Benefits vest after three years of service. ADL's contribution of approximately \$260,000 for 2017 was made during 2018 and approximately \$501,000 for 2016 was made during 2017.

Long-term pension obligations also include amounts for a supplemental pension arrangement with a former key employee.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(7) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Regional operations	\$ 6,205,043	3,566,059
Education	9,363,481	6,908,914
Policy and programs	3,342,352	1,058,775
International affairs and interfaith programs	1,356,945	277,102
Leadership	793,029	541,629
Marketing and communications	250,000	—
Unappropriated endowment gains for the general activities of ADL	3,866,969	2,641,895
Future periods	<u>6,607,860</u>	<u>3,792,220</u>
	<u>\$ 31,785,679</u>	<u>18,786,594</u>

Permanently restricted net assets at December 31, 2017 and 2016 are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<u>2017</u>	<u>2016</u>
Regional operations	\$ 14,249,870	14,178,628
Education	12,297,374	12,175,269
Policy and programs	4,376,006	4,376,006
International affairs and interfaith programs	6,566,806	6,566,806
Leadership	3,376,530	3,471,221
General activities of ADL	<u>27,823,002</u>	<u>27,805,425</u>
	<u>\$ 68,689,588</u>	<u>68,573,355</u>

ADL's endowment, held entirely by the Foundation, consists of individual donor-restricted endowment funds established for a variety of purposes. In 2015, ADL established two board-designated endowment funds totaling \$3.5 million. As of December 31, 2017, the value of total board-designated endowments was \$3.8 million.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

The following tables present the changes in ADL's donor-restricted endowment funds, inclusive of pledges, for the years ended December 31, 2017 and 2016:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at					
December 31, 2016	\$	2,010,363	5,066,075	68,573,355	75,649,793
Investment income		187,728	769,208	—	956,936
Net appreciation (realized and unrealized)		1,621,937	5,954,628	—	7,576,565
Contributions		—	—	211,460	211,460
Appropriation for expenditure		(204,838)	(3,202,265)	—	(3,407,103)
Reclassification of net assets		—	—	(95,227)	(95,227)
Endowment net assets at					
December 31, 2017	\$	<u>3,615,190</u>	<u>8,587,646</u>	<u>68,689,588</u>	<u>80,892,424</u>
		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at					
December 31, 2015	\$	1,744,552	4,657,507	67,789,987	74,192,046
Investment income		128,257	1,218,903	—	1,347,160
Net appreciation (realized and unrealized)		311,374	2,370,943	—	2,682,317
Contributions		—	—	1,988,604	1,988,604
Appropriation for expenditure		(173,820)	(3,181,278)	—	(3,355,098)
Reclassification of net assets		—	—	(1,205,236)	(1,205,236)
Endowment net assets at					
December 31, 2016	\$	<u>2,010,363</u>	<u>5,066,075</u>	<u>68,573,355</u>	<u>75,649,793</u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund (i.e., the amount classified as permanently restricted). These deficiencies aggregated \$148,670 and \$1,529,728 at December 31, 2017 and 2016, respectively, and are recorded in unrestricted net assets in the accompanying consolidated balance sheets.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(b) Return Objective and Risk Parameters

ADL has adopted investment policies for its endowment that attempt to provide a level of support, as determined by ADL's spending policy, while seeking to preserve the real value of the endowment assets over time. ADL relies on a total return strategy under which investment returns are achieved through both appreciation (realized and unrealized) and yield (interest and dividends). Investments are diversified by asset class, as well as by investment manager and style, with a focus on achieving long-term return objectives within prudent risk constraints.

(c) Spending Policy

The Foundation has a policy of appropriating investment return on the endowment funds for spending at a rate of 5% of the fair value of the endowment, unless otherwise explicitly stipulated by the donor.

(d) Change in Donor Designations

Reclassifications of net assets in 2017 and 2016 includes releases of restrictions from donors and other adjustments to net assets based upon review of gift instruments.

(8) Commitments and Contingencies

(a) Operating Leases

ADL occupies its National and New York regional office space in New York City under a lease agreement that expires in 2027. The agreement includes landlord incentives, escalation clauses, and a renewal option. Office space occupied by ADL's other regional offices is under lease agreements expiring at various dates through 2023. The leases are accounted for on a straight-line basis. Certain regional office leases include rent escalations and periods of free rent. The deferred landlord incentives (which are being recognized over the life of the lease) and the difference between straight-lining the rental charges and actual payments are reported as deferred rent in the accompanying consolidated balance sheets. Total rent expense approximated \$5.7 and \$5.5 million for the years ended December 31, 2017 and 2016, respectively. Minimum annual rentals are as follows:

Year ending December 31:	
2018	\$ 5,068,000
2019	4,942,000
2020	4,433,000
2021	4,310,000
2022	4,149,000
2023 and thereafter	<u>18,281,000</u>
	<u>\$ 41,183,000</u>

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

On October 29, 2015, the League entered into an 11 year sublease to rent 6,722 usable square feet of space within its National and New York City regional office beginning January 15, 2016. The lease terms provided for six months of tenant rent abatement. Future minimum rental receipts under the lease are as follows:

Year ending December 31:		
2018	\$	316,000
2019		316,000
2020		316,000
2021		343,000
2022		343,000
2023 and thereafter		<u>1,768,000</u>
	\$	<u><u>3,402,000</u></u>

(b) Lines of Credit

The League and the Foundation each had a \$4 million line of credit with a financial institution. The interest rate on all borrowings for the years ended December 31, 2017 and 2016 were either LIBOR plus 60 basis points or the prime rate, as selected by ADL. Interest paid as of December 31, 2017 and 2016 was approximately \$146,000 and \$93,000, respectively. As of December 31, 2017 and 2016, the League and the Foundation each had an outstanding balance of the full \$4 million from these lines totaling \$8 million of borrowings under the credit lines. These lines were secured by certain of the Foundation's investments.

On July 31, 2018, these lines were replaced by two \$5 million lines of credit with the same financial institution. The interest rate on all borrowings as of July 31, 2018 is LIBOR plus 55 basis points or the prime rate, as selected by ADL. These lines are due March 1, 2019.

(9) Subsequent Events

In connection with the preparation of the consolidated financial statements, ADL evaluated events after the balance sheet date of December 31, 2017 through August 21, 2018, which was the date the consolidated financial statements were available to be issued. ADL determined that, except for the disclosure in note 8(b), no other matters are required to be disclosed.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidating Balance Sheet

December 31, 2017

Assets	League	Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 17,813,020	9,594,015	—	27,407,035
Contributions receivable, net	8,915,435	3,208,679	—	12,124,114
Prepaid expenses and other assets	1,755,624	2,834,275	—	4,589,899
Investments	655,373	106,135,136	—	106,790,509
Property and equipment, net	7,204,668	1,929,857	—	9,134,525
Due from the Foundation	2,601,482	—	(2,601,482)	—
Total assets	<u>\$ 38,945,602</u>	<u>123,701,962</u>	<u>(2,601,482)</u>	<u>160,046,082</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,929,632	518,930	—	8,448,562
Borrowings under lines of credit	4,000,000	4,000,000	—	8,000,000
Deferred rent	6,745,677	—	—	6,745,677
Liabilities under charitable trusts and annuity agreements	—	7,820,848	—	7,820,848
Long-term pension obligations	27,231,680	2,919,442	—	30,151,122
Due to the League	—	2,601,482	(2,601,482)	—
Total liabilities	<u>45,906,989</u>	<u>17,860,702</u>	<u>(2,601,482)</u>	<u>61,166,209</u>
Net assets (accumulated deficit):				
Unrestricted:				
Available for operations	6,371,750	22,183,978	—	28,555,728
Long-term pension obligations	(27,231,680)	(2,919,442)	—	(30,151,122)
Total unrestricted, net of long-term pension obligations	(20,859,930)	19,264,536	—	(1,595,394)
Temporarily restricted	13,898,543	17,887,136	—	31,785,679
Permanently restricted	—	68,689,588	—	68,689,588
Total (accumulated deficit) net assets	<u>(6,961,387)</u>	<u>105,841,260</u>	<u>—</u>	<u>98,879,873</u>
Total liabilities and net assets	<u>\$ 38,945,602</u>	<u>123,701,962</u>	<u>(2,601,482)</u>	<u>160,046,082</u>

See accompanying independent auditors' report.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidating Statement of Activities

Year ended December 31, 2017

	<u>League</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Changes in unrestricted net assets:				
Operating revenues:				
Contributions (including the League's special events revenue of \$17,569,000)	\$ 58,223,724	12,329,329	—	70,553,053
Less:				
Provision for uncollectible contributions receivable	(1,663,092)	(29,600)	—	(1,692,692)
Direct special events expenses	(4,974,691)	—	—	(4,974,691)
Contributions, net	51,585,941	12,299,729	—	63,885,670
Rental income from the League	—	291,946	(291,946)	—
Endowment return expended and other investment return	—	3,348,477	—	3,348,477
Other income	899,634	—	—	899,634
Net assets released from restrictions in satisfaction of time and purpose	5,042,434	989,166	—	6,031,600
Transfer to the League from the Foundation	7,743,784	(7,743,784)	—	—
Total operating revenues	65,271,793	9,185,534	(291,946)	74,165,381
Operating expenses:				
Program services	51,924,451	1,246,153	(291,946)	52,878,658
Administration	4,880,656	2,685,659	—	7,566,315
Development	7,784,106	2,530,673	—	10,314,779
Total operating expenses	64,589,213	6,462,485	(291,946)	70,759,752
Excess of operating revenues over operating expenses	682,580	2,723,049	—	3,405,629
Nonoperating activities:				
Investment return greater than amount appropriated	9,464	1,548,151	—	1,557,615
Pension charge other than net periodic benefit cost	(370,253)	(41,139)	—	(411,392)
Reclassification of net assets	—	95,227	—	95,227
Other, net	—	(69,612)	—	(69,612)
Transfer to the League from the Foundation	201,891	(201,891)	—	—
Total nonoperating activities	(158,898)	1,330,736	—	1,171,838
Increase in unrestricted net assets	523,682	4,053,785	—	4,577,467
Changes in temporarily restricted net assets:				
Contributions	13,113,040	14,690	—	13,127,730
Change in the value of charitable trust and annuity agreements	—	(508,432)	—	(508,432)
Investment return	—	9,025,280	—	9,025,280
Net assets released from restrictions:				
Satisfaction of time and purpose	(5,042,434)	(989,166)	—	(6,031,600)
Endowment return appropriated	—	(2,613,893)	—	(2,613,893)
Transfer to the League from the Foundation	985,756	(985,756)	—	—
Increase in temporarily restricted net assets	9,056,362	3,942,723	—	12,999,085
Change in permanently restricted net assets:				
Contributions	—	211,460	—	211,460
Reclassification of net assets	—	(95,227)	—	(95,227)
Increase in permanently restricted net assets	—	116,233	—	116,233
Increase in net assets	9,580,044	8,112,741	—	17,692,785
(Accumulated deficit) net assets at beginning of year	(16,541,431)	97,728,519	—	81,187,088
(Accumulated deficit) net assets at end of year	\$ (6,961,387)	105,841,260	—	98,879,873

See accompanying independent auditors' report.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**
Consolidating Schedule of Functional Operating Expenses
Year ended December 31, 2017

	<u>Program services</u>						<u>Supporting services</u>				<u>Total expenses</u>
	<u>Regional operations</u>	<u>Education</u>	<u>Policy and programs</u>	<u>International affairs and interfaith programs</u>	<u>Leadership</u>	<u>Marketing and communications</u>	<u>Total program services</u>	<u>Administration</u>	<u>Development</u>	<u>Total supporting services</u>	
Salaries	\$ 13,860,464	1,957,455	4,425,972	1,170,355	893,076	2,589,053	24,896,375	2,058,922	4,826,320	6,885,242	31,781,617
Personnel welfare and other related expenses	4,090,583	570,125	1,757,050	339,925	255,838	895,428	7,908,949	730,158	1,434,935	2,165,093	10,074,042
Total salaries and related expenses	17,951,047	2,527,580	6,183,022	1,510,280	1,148,914	3,484,481	32,805,324	2,789,080	6,261,255	9,050,335	41,855,659
Projects and functions	1,151,550	1,788,808	712,949	398,619	501,179	2,034,135	6,587,240	456,156	2,051,908	2,508,064	9,095,304
Office services and occupancy	5,426,042	613,469	1,110,991	426,623	427,130	1,204,305	9,208,560	1,840,519	1,277,374	3,117,893	12,326,453
Travel, meetings, and conferences	1,023,240	886,556	272,759	176,269	1,415,915	45,908	3,820,647	404,463	281,083	685,546	4,506,193
Research materials	15,299	1,497	204,833	4,761	179	62,716	289,285	17,574	234,836	252,410	541,695
Legal and financial	—	—	—	19,397	—	—	19,397	576,992	22,718	599,710	619,107
Other	68,404	34,436	11,493	18,192	9,573	6,107	148,205	1,481,531	185,605	1,667,136	1,815,341
Total operating expenses	\$ 25,635,582	5,852,346	8,496,047	2,554,141	3,502,890	6,837,652	52,878,658	7,566,315	10,314,779	17,881,094	70,759,752

See accompanying independent auditors' report.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidating Schedule of Functional Expenses – Operating for
Anti-Defamation League

Year ended December 31, 2017

	<u>Program services</u>						<u>Supporting services</u>				
	<u>Regional operations</u>	<u>Education</u>	<u>Policy and programs</u>	<u>International affairs and interfaith programs</u>	<u>Leadership</u>	<u>Marketing and communications</u>	<u>Total program services</u>	<u>Administration</u>	<u>Development</u>	<u>Total supporting services</u>	<u>Total expenses</u>
Salaries	\$ 13,734,046	1,699,980	4,364,778	1,041,945	890,482	2,589,053	24,320,284	1,036,729	3,406,603	4,443,332	28,763,616
Personnel welfare and other related expenses	4,049,674	486,807	1,737,248	298,372	254,999	895,428	7,722,528	399,378	975,517	1,374,895	9,097,423
Total salaries and related expenses	17,783,720	2,186,787	6,102,026	1,340,317	1,145,481	3,484,481	32,042,812	1,436,107	4,382,120	5,818,227	37,861,039
Projects and functions	1,093,659	1,670,908	684,928	339,819	499,991	2,034,135	6,323,440	456,156	2,051,908	2,508,064	8,831,504
Office services and occupancy	5,563,285	580,900	1,078,422	426,623	427,130	1,204,305	9,280,665	1,111,438	991,488	2,102,926	11,383,591
Travel, meetings, and conferences	1,023,240	886,556	272,759	176,269	1,415,915	45,908	3,820,647	295,143	269,882	565,025	4,385,672
Research materials	15,299	1,497	204,833	4,761	179	62,716	289,285	17,574	60,476	78,050	367,335
Legal and financial	—	—	—	19,397	—	—	19,397	357,957	15,515	373,472	392,869
Other	68,404	34,436	11,493	18,192	9,573	6,107	148,205	1,206,281	12,717	1,218,998	1,367,203
Total operating expenses	\$ 25,547,607	5,361,084	8,354,461	2,325,378	3,498,269	6,837,652	51,924,451	4,880,656	7,784,106	12,664,762	64,589,213

See accompanying independent auditors' report.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidating Schedule of Functional Expenses – Operating for
Anti-Defamation League Foundation

Year ended December 31, 2017

	Program services						Supporting services				
	Regional operations	Education	Policy and programs	International affairs and interfaith programs	Leadership	Marketing and communications	Total program services	Administration	Development	Total supporting services	Total expenses
Salaries	\$ 126,418	257,475	61,194	128,410	2,594	—	576,091	1,022,193	1,419,717	2,441,910	3,018,001
Personnel welfare and other related expenses	40,909	83,318	19,802	41,553	839	—	186,421	330,780	459,418	790,198	976,619
Total salaries and related expenses	167,327	340,793	80,996	169,963	3,433	—	762,512	1,352,973	1,879,135	3,232,108	3,994,620
Projects and functions	57,891	117,900	28,021	58,800	1,188	—	263,800	—	—	—	263,800
Office services and occupancy	154,703	32,569	32,569	—	—	—	219,841	729,081	285,886	1,014,967	1,234,808
Travel, meetings, and conferences	—	—	—	—	—	—	—	109,320	11,201	120,521	120,521
Research materials	—	—	—	—	—	—	—	—	174,360	174,360	174,360
Legal and financial	—	—	—	—	—	—	—	219,035	7,203	226,238	226,238
Other	—	—	—	—	—	—	—	275,250	172,888	448,138	448,138
Total operating expenses	\$ 379,921	491,262	141,586	228,763	4,621	—	1,246,153	2,685,659	2,530,673	5,216,332	6,462,485

See accompanying independent auditors' report.

**ANTI-DEFAMATION LEAGUE AND
ANTI-DEFAMATION LEAGUE FOUNDATION**

Consolidating Statement of Cash Flows

Year ended December 31, 2017

	<u>League</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Cash flows from operating activities:				
Increase in net assets	\$ 9,580,044	8,112,741	—	17,692,785
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Pension charge other than net periodic benefit cost	370,253	41,139	—	411,392
Contributions of permanently restricted net assets	—	(211,460)	—	(211,460)
Net appreciation in fair value of investments	—	(9,851,056)	—	(9,851,056)
Provision for uncollectible contributions receivable	1,663,092	29,600	—	1,692,692
Depreciation and amortization	1,123,430	175,176	—	1,298,606
Change in the value of charitable trust and annuity agreements	—	508,432	—	508,432
Changes in operating assets and liabilities:				
Contributions receivable	(3,389,811)	2,013,322	—	(1,376,489)
Prepaid expenses and other assets	(719,568)	(106,374)	—	(825,942)
Accounts payable and accrued expenses	(16,728)	66,289	—	49,561
Deferred rent	(285,729)	—	—	(285,729)
Accrued pension obligation and benefit plans	(1,331,363)	(131,429)	—	(1,462,792)
Net cash provided by operating activities	<u>6,993,620</u>	<u>646,380</u>	<u>—</u>	<u>7,640,000</u>
Cash flows from investing activities:				
Proceeds from sale of investments	6,113,256	23,647,016	—	29,760,272
Purchase of investments	(5,868,320)	(20,742,779)	—	(26,611,099)
Acquisition of property and equipment	(761,178)	(12,082)	—	(773,260)
Net cash (used in) provided by investing activities	<u>(516,242)</u>	<u>2,892,155</u>	<u>—</u>	<u>2,375,913</u>
Cash flows from financing activities:				
Contributions of permanently restricted net assets	—	211,460	—	211,460
Change in contributions receivable restricted for permanent investment	—	328,000	—	328,000
Payments to charitable gift annuitants	—	(1,209,151)	—	(1,209,151)
Proceeds from charitable trusts and annuity gifts in excess of amounts recognized as contributions	—	182,590	—	182,590
Amounts due from the Foundation	641,797	—	(641,797)	—
Amounts due to the League	—	(641,797)	641,797	—
Net cash provided by (used in) financing activities	<u>641,797</u>	<u>(1,128,898)</u>	<u>—</u>	<u>(487,101)</u>
Net increase in cash and cash equivalents	7,119,175	2,409,637	—	9,528,812
Cash and cash equivalents at beginning of year	<u>10,693,845</u>	<u>7,184,378</u>	<u>—</u>	<u>17,878,223</u>
Cash and cash equivalents at end of year	<u>\$ 17,813,020</u>	<u>9,594,015</u>	<u>—</u>	<u>27,407,035</u>

See accompanying independent auditors' report.