



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

Consolidated Financial Statements and Schedules

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)



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

## **Independent Auditors' Report**

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, 2014 and 2013, 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, 2014 and 2013, 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 2014 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 2014 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 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 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 2014 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2014 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 2014 consolidated financial statements or to the 2014 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 2014 consolidated financial statements as a whole.

*KPMG LLP*

August 17, 2015

**ANTI-DEFAMATION LEAGUE AND  
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Consolidated Balance Sheets

December 31, 2014 and 2013

| <b>Assets</b>   | <b>2014</b>           | <b>2013</b>        |
|---|-----------------------|--------------------|
| Cash and cash equivalents                                       | \$ 7,306,631          | 8,596,375          |
| Contributions receivable, net (note 4)                          | 12,505,365            | 16,060,651         |
| Prepaid expenses and other assets                               | 3,712,768             | 3,559,312          |
| Investments (notes 3 and 8)                                     | 122,329,210           | 128,222,166        |
| Property and equipment, net (note 5)                            | 10,234,018            | 10,891,411         |
| <b>Total assets</b>   | <b>\$ 156,087,992</b> | <b>167,329,915</b> |
| <b>Liabilities and Net Assets</b>                               |                       |                    |
| Liabilities:  |                       |                    |
| Accounts payable and accrued expenses                           | \$ 7,555,083          | 7,798,031          |
| Borrowings under lines of credit (note 8)                       | 8,000,000             | 8,000,000          |
| Deferred rent (note 8)  | 7,515,882             | 7,662,031          |
| Liabilities under charitable trusts and annuity agreements      | 9,975,782             | 7,668,061          |
| Long-term pension obligations (note 6)                          | 32,919,137            | 23,071,927         |
| <b>Total liabilities</b>  | <b>65,965,884</b>     | <b>54,200,050</b>  |
| Commitments and contingencies (note 8)                          |                       |                    |
| Net assets (accumulated deficit):                               |                       |                    |
| Unrestricted:   |                       |                    |
| Available for operations  | 21,856,483            | 31,437,997         |
| Long-term pension obligations (note 6)                          | (32,919,137)          | (23,071,927)       |
| <b>Total unrestricted, net of long-term pension obligations</b> | <b>(11,062,654)</b>   | <b>8,366,070</b>   |
| Temporarily restricted (note 7)                                 | 31,022,176            | 35,049,608         |
| Permanently restricted (note 7)                                 | 70,162,586            | 69,714,187         |
| <b>Total net assets</b>   | <b>90,122,108</b>     | <b>113,129,865</b> |
| <b>Total liabilities and net assets</b>                         | <b>\$ 156,087,992</b> | <b>167,329,915</b> |

See accompanying notes to consolidated financial statements.

**ANTI-DEFAMATION LEAGUE AND  
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Consolidated Statements of Activities

Years ended December 31, 2014 and 2013

|   | <b>2014</b>          | <b>2013</b>        |
|---|----------------------|--------------------|
| Changes in unrestricted net assets:   |                      |                    |
| Operating revenues:   |                      |                    |
| Contributions (including special events revenue of \$19,734,000 and \$20,829,000, respectively) | \$ 48,690,850        | 57,073,846         |
| Less:   |                      |                    |
| Provision for uncollectible contributions receivable  | (1,352,661)          | (1,133,736)        |
| Direct special events expenses  | <u>(6,125,243)</u>   | <u>(7,356,376)</u> |
| Contributions, net  | 41,212,946           | 48,583,734         |
| Endowment return expended and other investment return (note 3)                                  | 3,829,577            | 3,490,393          |
| Other income  | 940,467              | 804,576            |
| Net assets released from restrictions in satisfaction of time and purpose                       | <u>9,486,323</u>     | <u>12,067,991</u>  |
| Total operating revenues  | <u>55,469,313</u>    | <u>64,946,694</u>  |
| Operating expenses:   |                      |                    |
| Program services:   |                      |                    |
| Regional operations   | 21,253,179           | 20,901,060         |
| Education   | 6,731,925            | 6,657,293          |
| Civil rights  | 6,136,630            | 5,940,350          |
| International affairs and interfaith programs   | 3,657,885            | 7,454,751          |
| Leadership  | 2,401,731            | 3,035,921          |
| Marketing and communications  | <u>4,603,197</u>     | <u>4,328,374</u>   |
|   | 44,784,547           | 48,317,749         |
| Supporting services:  |                      |                    |
| Administration  | 7,290,103            | 7,316,223          |
| Development   | <u>9,049,696</u>     | <u>9,714,110</u>   |
|   | 16,339,799           | 17,030,333         |
| Total operating expenses  | <u>61,124,346</u>    | <u>65,348,082</u>  |
| Deficiency of operating revenues over operating expenses  | <u>(5,655,033)</u>   | <u>(401,388)</u>   |
| Nonoperating activities:  |                      |                    |
| Investment return greater than amount appropriated (note 3)                                     | 357,940              | 5,587,869          |
| Pension (charge) credit other than net periodic benefit cost (note 6)                           | (14,045,517)         | 7,383,093          |
| Other, net  | <u>(86,114)</u>      | <u>36,136</u>      |
| Total nonoperating activities   | <u>(13,773,691)</u>  | <u>13,007,098</u>  |
| (Decrease) increase in unrestricted net assets  | <u>(19,428,724)</u>  | <u>12,605,710</u>  |
| Changes in temporarily restricted net assets:   |                      |                    |
| Contributions   | 7,396,960            | 9,965,017          |
| Change in the value of charitable trust and annuity agreements                                  | (3,266,586)          | (680,721)          |
| Investment return (note 3)  | 4,602,701            | 13,001,057         |
| Net assets released from restrictions:  |                      |                    |
| Satisfaction of time and purpose  | (9,486,323)          | (12,067,991)       |
| Endowment return appropriated   | <u>(3,274,184)</u>   | <u>(2,920,823)</u> |
| (Decrease) increase in temporarily restricted net assets  | <u>(4,027,432)</u>   | <u>7,296,539</u>   |
| Change in permanently restricted net assets:  |                      |                    |
| Contributions (note 7)  | 448,399              | 372,287            |
| Increase in permanently restricted net assets   | 448,399              | 372,287            |
| (Decrease) increase in net assets   | (23,007,757)         | 20,274,536         |
| Net assets at beginning of year   | 113,129,865          | 92,855,329         |
| Net assets at end of year   | <u>\$ 90,122,108</u> | <u>113,129,865</u> |

See accompanying notes to consolidated financial statements.

**ANTI-DEFAMATION LEAGUE AND  
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Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

|   | <b>2014</b>         | <b>2013</b>        |
|---|---------------------|--------------------|
| Cash flows from operating activities:   |                     |                    |
| (Decrease) increase in net assets   | \$ (23,007,757)     | 20,274,536         |
| Adjustments to reconcile (decrease) increase in net assets to<br>net cash used in operating activities: |                     |                    |
| Pension charge (credit) other than net periodic benefit cost  | 14,045,517          | (7,383,093)        |
| Contributions of permanently restricted net assets  | (448,399)           | (372,287)          |
| Net appreciation in fair value of investments   | (3,494,332)         | (17,664,518)       |
| Provision for uncollectible contributions receivable  | 1,352,661           | 1,133,736          |
| Depreciation and amortization   | 1,182,721           | 1,142,860          |
| Change in the value of charitable trust and annuity agreements  | 3,266,586           | 680,721            |
| Changes in operating assets and liabilities:  |                     |                    |
| Contributions receivable  | 836,854             | (2,497,028)        |
| Prepaid expenses and other assets   | (153,456)           | 103,879            |
| Accounts payable and accrued expenses   | (242,948)           | (9,502)            |
| Deferred rent   | (146,149)           | (79,920)           |
| Accrued pension obligation and benefit plans  | <u>(4,198,307)</u>  | <u>(4,395,706)</u> |
| Net cash used in operating activities   | <u>(11,007,009)</u> | <u>(9,066,322)</u> |
| Cash flows from investing activities:   |                     |                    |
| Proceeds from sale of investments   | 23,520,317          | 25,797,305         |
| Purchase of investments   | (14,133,029)        | (18,090,146)       |
| Acquisition of property and equipment   | <u>(525,328)</u>    | <u>(312,478)</u>   |
| Net cash provided by investing activities   | <u>8,861,960</u>    | <u>7,394,681</u>   |
| Cash flows from financing activities:   |                     |                    |
| Contributions of permanently restricted net assets  | 448,399             | 372,287            |
| Change in contributions receivable restricted for permanent<br>investment                               | 1,365,771           | (380,044)          |
| Payments to charitable gift annuitants  | (1,303,659)         | (1,268,762)        |
| Proceeds from charitable trusts and annuity gifts in excess of<br>amounts recognized as contributions   | <u>344,794</u>      | <u>166,365</u>     |
| Net cash provided by (used in) financing activities   | <u>855,305</u>      | <u>(1,110,154)</u> |
| Net decrease in cash and cash equivalents   | <u>(1,289,744)</u>  | <u>(2,781,795)</u> |
| Cash and cash equivalents at beginning of year  | <u>8,596,375</u>    | <u>11,378,170</u>  |
| Cash and cash equivalents at end of year  | <u>\$ 7,306,631</u> | <u>8,596,375</u>   |

See accompanying notes to consolidated financial statements.

## ANTI-DEFAMATION LEAGUE AND ANTI-DEFAMATION LEAGUE FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

### **(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 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. Field staff and regional boards reach out to local communities with the substance of the League's programs. The regional offices provide local data, information about trends, and the perspective to help develop the League's policy and programs.

#### **(b) *Education***

Furthering 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. Assists groups in responding to identified concerns and bias-motivated incidents, educating people to respect diversity, remember and learn from the Holocaust, and eradicate anti-Semitism, racism, and bigotry of all kinds.

#### **(c) *Civil Rights***

Monitors, exposes, and counteracts groups and individuals that promote hate, extremism, anti-Semitism, and racism; combats bias-motivated criminal conduct and religious, racial, and other forms of discrimination through litigation, legislation, coalition-building, and educational efforts and by providing assistance to victims; and protects and defends the First Amendment rights of Jews and all Americans in the area of religious freedom. The Civil Rights Division's Center on Extremism works to gather, analyze, and provide the public, especially law enforcement, with information about anti-Semitism and extremism, producing important reports on such issues as hate on the Internet and the threat posed by organized extremist and hate movements from across the ideological spectrum. The Legal Affairs Department develops model legislation and other strategies to respond to the extremist threats, and also assists in formulating and implementing the League's agenda in the areas of church-state separation, hate crimes, discrimination, immigration, affirmative action, cyber-hate, and cyber-bullying. The Civil Rights Division's Research Center oversees the League's annual *Audit of Anti-Semitic Incidents* and provides research on a wide variety of topics, including anti-Israel activity on college campuses. The Civil Rights Division also has a Policy Planning Center based in

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Washington, D.C. that helps direct and implement the League's legislative advocacy program and formulates long-range strategies. A number of area counsel and investigative researchers work closely with the League's regional operations staff to gather information and to address specific local concerns about issues related to the League's civil rights agenda. The Civil Rights Division also includes the Rita and Leo Greenland Library, which archives all ADL's documents as well as mainstream and extremist publications.

**(d) *International Affairs and Interfaith Programs***

Maintains contacts throughout Europe, Latin America, the Middle East, and the United States 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 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.

**(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 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 prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

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- 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.

The carrying value of ADL's cash equivalents, receivables, prepaid expenses and other assets, and accounts payable and accrued expenses approximates their fair values because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs and are considered to be Level 3 in the fair value hierarchy.

In 2014, ADL early adopted the provisions of Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ADL applied the provision of the update retrospectively to 2013.

**(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, and equity securities are carried at fair value based on 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.

**(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. 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.

ADL reports gifts of cash and other assets as temporarily restricted contributions if they are received with donor stipulations that limit their use. 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

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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.

**(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*).

**(j) *Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation.

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December 31, 2014 and 2013

**(3) Investments**

Investments, stated at estimated fair value, consist of the following at December 31, 2014 and 2013:

|  | <b>2014</b>           | <b>2013</b>        |
|--|-----------------------|--------------------|
| Receivables for investments sold         | \$ 367,516            | 1,307,385          |
| Invested cash and short-term investments | 738,452               | 414,111            |
| Fixed income securities – government     | 5,947,010             | 6,149,582          |
| Mutual funds – equities                  | 20,328,529            | 21,790,230         |
| Mutual funds – fixed income              | 6,669,656             | 6,965,767          |
| Mutual funds – real assets               | 5,304,020             | 4,758,923          |
| Common stocks – domestic                 | 18,836,745            | 17,626,010         |
| Absolute return funds                    | 51,858,119            | 56,212,156         |
| Limited partnerships                     | 12,029,163            | 12,748,002         |
| Other                                    | 250,000               | 250,000            |
| <b>Total</b>                             | <b>\$ 122,329,210</b> | <b>128,222,166</b> |

Investments include charitable trust and annuity funds of approximately \$14.6 million and \$14.3 million at December 31, 2014 and 2013, respectively.

Investment return for the years ended December 31, 2014 and 2013 is summarized as follows:

|  | <b>2014</b>         | <b>2013</b>       |
|--|---------------------|-------------------|
| Interest and dividends   | \$ 2,021,702        | 1,493,978         |
| Net appreciation in fair value of investments                        | 3,494,332           | 17,664,518        |
| <b>Total investment return</b>                                       | <b>\$ 5,516,034</b> | <b>19,158,496</b> |
| Reported in the consolidated statements of activities<br>as follows: |                     |                   |
| Unrestricted – operating   | \$ 555,393          | 569,570           |
| Unrestricted – nonoperating  | 357,940             | 5,587,869         |
| Temporarily restricted   | 4,602,701           | 13,001,057        |
| <b>Total investment return</b>                                       | <b>\$ 5,516,034</b> | <b>19,158,496</b> |

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Investments at fair value as of December 31, 2014 are as follows:

|   | <b>Fair value</b>     | <b>Level 1</b>    | <b>Level 2</b>    | <b>Level 3</b>   |
|---|-----------------------|-------------------|-------------------|------------------|
| Receivables for investments sold (a)          | \$ 367,516            | 367,516           | —                 | —                |
| Invested cash and short-term investments      | 738,452               | 738,452           | —                 | —                |
| Fixed income securities – government          | 5,947,010             | 903,841           | 5,043,169         | —                |
| Mutual funds – equities:                      |                       |                   |                   |                  |
| Domestic                                      | 9,085,469             | 8,703,823         | 381,646           | —                |
| International                                 | 11,243,060            | 8,590,150         | 2,652,910         | —                |
| Mutual funds – fixed income:                  |                       |                   |                   |                  |
| Domestic                                      | 6,332,487             | 3,294,798         | 3,037,689         | —                |
| International                                 | 337,169               | 286,091           | 51,078            | —                |
| Mutual funds – real assets                    | 5,304,020             | 5,304,020         | —                 | —                |
| Common stocks                                 |                       |                   |                   |                  |
| Domestic                                      | 17,574,325            | 17,574,325        | —                 | —                |
| International                                 | 1,262,420             | 1,262,420         | —                 | —                |
| Real estate limited partnership (b)           | 6,775,000             | —                 | —                 | 6,775,000        |
| Other   | <u>250,000</u>        | <u>—</u>          | <u>—</u>          | <u>250,000</u>   |
|   | <u>\$ 65,216,928</u>  | <u>47,025,436</u> | <u>11,166,492</u> | <u>7,025,000</u> |
| Investments reported at net asset value:      |                       |                   |                   |                  |
| Absolute return funds:                        |                       |                   |                   |                  |
| Multi-strategy hedge funds                    | 26,228,898            |                   |                   |                  |
| Global opportunities hedge funds              | 5,647,022             |                   |                   |                  |
| Equity long/short hedge funds                 | 12,694,707            |                   |                   |                  |
| Distressed debt hedge funds                   | 6,962,390             |                   |                   |                  |
| Other   | 325,102               |                   |                   |                  |
| Limited partnerships:                         |                       |                   |                   |                  |
| Long-only securities                          | 4,128,135             |                   |                   |                  |
| Other   | <u>1,126,028</u>      |                   |                   |                  |
| Total investments reported at net asset value | <u>57,112,282</u>     |                   |                   |                  |
| Total investments                             | <u>\$ 122,329,210</u> |                   |                   |                  |

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

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Investments at fair value as of December 31, 2013 are as follows:

|   | <b>Fair value</b>           | <b>Level 1</b>          | <b>Level 2</b>          | <b>Level 3</b>         |
|---|-----------------------------|-------------------------|-------------------------|------------------------|
| Receivables for investments sold (a)          | \$ 1,307,385                | 1,307,385               | —                       | —                      |
| Invested cash and short-term investments      | 414,111                     | 414,111                 | —                       | —                      |
| Fixed income securities – government          | 6,149,582                   | 1,116,082               | 5,033,500               | —                      |
| Mutual funds – equities:                      |                             |                         |                         |                        |
| Domestic                                      | 10,594,869                  | 9,744,173               | 850,696                 | —                      |
| International                                 | 11,195,361                  | 8,443,539               | 2,751,822               | —                      |
| Mutual funds – fixed income:                  |                             |                         |                         |                        |
| Domestic                                      | 6,696,623                   | 3,120,185               | 3,576,438               | —                      |
| International                                 | 269,144                     | 269,144                 | —                       | —                      |
| Mutual funds – real assets                    | 4,758,923                   | 4,758,923               | —                       | —                      |
| Common stocks                                 |                             |                         |                         |                        |
| Domestic                                      | 16,738,647                  | 16,738,647              | —                       | —                      |
| International                                 | 887,363                     | 887,363                 | —                       | —                      |
| Real estate limited partnership (b)           | 6,775,000                   | —                       | —                       | 6,775,000              |
| Other   | 250,000                     | —                       | —                       | 250,000                |
|   | <hr/>                       | <hr/>                   | <hr/>                   | <hr/>                  |
|   | \$ 66,037,008               | <hr/> <b>46,799,552</b> | <hr/> <b>12,212,456</b> | <hr/> <b>7,025,000</b> |
| Investments reported at net asset value:      |                             |                         |                         |                        |
| Absolute return funds:                        |                             |                         |                         |                        |
| Multi-strategy hedge funds                    | 24,215,997                  |                         |                         |                        |
| Global opportunities hedge funds              | 10,886,121                  |                         |                         |                        |
| Equity long/short hedge funds                 | 15,590,728                  |                         |                         |                        |
| Distressed debt hedge funds                   | 5,519,310                   |                         |                         |                        |
| Limited partnerships:                         |                             |                         |                         |                        |
| Long-only securities                          | 4,906,057                   |                         |                         |                        |
| Other   | 1,066,945                   |                         |                         |                        |
| Total investments reported at net asset value | <hr/> <b>62,185,158</b>     |                         |                         |                        |
| Total investments                             | <hr/> <b>\$ 128,222,166</b> |                         |                         |                        |

- (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.

There were no transfers between levels or changes in Level 3 investments in 2014 and 2013.

# ANTI-DEFAMATION LEAGUE AND ANTI-DEFAMATION LEAGUE FOUNDATION

## Notes to Consolidated Financial Statements

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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.

**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 and venture capital.

**Long-only securities limited partnerships** – includes investments in companies that are believed to have overlooked value as well as event-driven stocks selling at discounts to their intrinsic values. Investments are in long positions predominately in developed markets.

**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, 2014:

| <b>Redemption period</b>                  | <b>Amount</b>        |
|---|----------------------|
| Next day                                  | \$ 4,727,768         |
| Monthly with no less than 60 days' notice | 6,191,162            |
| Quarterly with 30-180 days' notice        | 30,359,230           |
| Annually with 30-95 days' notice          | 12,012,949           |
| Closed end (a)                            | 1,991,436            |
| Lock-up (b)                               | 1,829,737            |
| <b>Total</b>                              | <b>\$ 57,112,282</b> |

(a) Distributions are made when investments are realized.

(b) Redemption lock-up expired on June 30, 2015.

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**(4) Contributions Receivable**

Contributions receivable at December 31, 2014 and 2013 are scheduled to be collected as follows:

|   | <b>2014</b>        | <b>2013</b>        |
|---|--------------------|--------------------|
| Within one year   | \$ 14,394,190      | 16,176,914         |
| One to five years                                       | 1,443,000          | 2,715,951          |
| More than five years                                    | <u>552,466</u>     | <u>600,000</u>     |
|   | 16,389,656         | 19,492,865         |
| Discount to present value, at rates from 0.76% to 4.70% | (285,041)          | (288,714)          |
| Allowance for uncollectible contributions receivable    | <u>(3,599,250)</u> | <u>(3,143,500)</u> |
|   | \$ 12,505,365      | 16,060,651         |

As of December 31, 2014 and 2013, 24% and 33%, respectively, of gross contributions receivable were due from five donors.

**(5) Property and Equipment**

The components of property and equipment and their estimated useful lives at December 31, 2014 and 2013 are as follows:

|  | <b>2014</b>    | <b>2013</b>    | <b>Useful lives</b> |
|--|----------------|----------------|---------------------|
| Land   | \$ 1,150,224   | 1,150,224      | N/A                 |
| Buildings                                      | 4,150,445      | 4,150,445      | 30 years            |
| Leasehold and building improvements            | 14,356,069     | 14,214,946     | 2–18 years          |
| Furniture and equipment                        | 7,062,061      | 7,008,747      | 5 years             |
| Artwork  | <u>197,470</u> | <u>197,470</u> | N/A                 |
| Total  | 26,916,269     | 26,721,832     |                     |
| Less accumulated depreciation and amortization | (16,682,251)   | (15,830,421)   |                     |
| Net property and equipment                     | \$ 10,234,018  | 10,891,411     |                     |

**(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.

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Notes to Consolidated Financial Statements

December 31, 2014 and 2013

The following table provides information with respect to the Plan as of December 31, 2014 and 2013, and for the years then ended:

|                              | <b>2014</b>                   | <b>2013</b>                |
|------------------------------|-------------------------------|----------------------------|
| Projected benefit obligation | \$ 77,603,776                 | 65,869,940                 |
| Plan assets, at fair value   | <u>46,092,600</u>             | <u>44,205,975</u>          |
| Unfunded status              | <u><u>\$ (31,511,176)</u></u> | <u><u>(21,663,965)</u></u> |
| Net periodic benefit cost    | \$ 145,762                    | 345,539                    |
| Employer contributions       | 4,344,068                     | 3,110,207                  |
| Benefits paid                | 3,830,477                     | 3,673,901                  |

The discount rate used to determine the pension benefit obligation was 3.80% and 4.62% at December 31, 2014 and 2013, respectively.

Weighted average assumptions used to determine net periodic benefit cost at December 31, 2014 and 2013 were as follows:

|                                | <b>2014</b> | <b>2013</b> |
|--------------------------------|-------------|-------------|
| Discount rate                  | 4.62%       | 3.77%       |
| Expected return on plan assets | 7.25%       | 7.25%       |
| Rate of compensation increases | N/A         | N/A         |

As of December 31, 2014, the Plan's targeted and actual asset allocations are as follows:

|  | <b>Target</b>   | <b>Actual</b>      |
|--|-----------------|--------------------|
| Receivables for investments sold         | —%              | 10%                |
| Invested cash and short-term investments | 0% - 5%         | 6%                 |
| Mutual funds – fixed income              | 15% - 45%       | 26%                |
| Mutual funds – equities                  | 25% - 45%       | 38%                |
| Absolute return funds                    | 10% - 30%       | 11%                |
| Limited partnership - real estate        | <u>5% - 10%</u> | <u>9%</u>          |
| Total                                    |                 | <u><u>100%</u></u> |

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

December 31, 2014 and 2013

As of December 31, 2013, the Plan's targeted and actual asset allocations are as follows:

|  | <b>Target</b>      | <b>Actual</b> |
|--|--------------------|---------------|
| Invested cash and short-term investments | —%                 | 3%            |
| Mutual funds – fixed income              | 25% - 45%          | 31%           |
| Mutual funds – equities                  | 25% - 45%          | 37%           |
| Absolute return funds                    | 10% - 30%          | 21%           |
| Limited partnership - real estate        | 5% - 10%           | 8%            |
| Total                                    | <u><u>100%</u></u> |               |

In 2014, ADL used the Society of Actuaries Base RP Mortality Table with a Generational Mortality Improvement Projection scale to value its pension obligation. The updated mortality table increased the projected benefit obligation for the pension plan by approximately \$5,143,000 in 2014.

The Plan's assets at fair value as of December 31, 2014 are as follows:

|   | <b>Fair value</b>           | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |
|---|-----------------------------|-------------------|----------------|----------------|
| Receivable for investments sold               | \$ 4,613,322                | 4,613,322         | —              | —              |
| Invested cash and short-term investments      | 2,926,665                   | 2,926,665         | —              | —              |
| Mutual funds – fixed income:                  |                             |                   |                |                |
| Domestic                                      | 6,896,214                   | 6,896,214         | —              | —              |
| International                                 | 2,728,784                   | 2,728,784         | —              | —              |
| Balanced                                      | 2,060,166                   | 2,060,166         | —              | —              |
| Mutual funds – equities:                      |                             |                   |                |                |
| Domestic                                      | 9,519,137                   | 9,519,137         | —              | —              |
| International                                 | 8,148,165                   | 8,148,165         | —              | —              |
|   | <u>\$ 36,892,453</u>        | <u>36,892,453</u> | <u>—</u>       | <u>—</u>       |
| Investments reported at net asset value:      |                             |                   |                |                |
| Multi-strategy hedge fund                     | 5,043,419                   |                   |                |                |
| Limited partnership – real estate             | <u>4,156,728</u>            |                   |                |                |
| Total investments reported at net asset value | <u>9,200,147</u>            |                   |                |                |
| Total investments                             | <u><u>\$ 46,092,600</u></u> |                   |                |                |

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Notes to Consolidated Financial Statements

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The Plan's assets at fair value as of December 31, 2013 are as follows:

|   | <b>Fair value</b>           | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |
|---|-----------------------------|-------------------|----------------|----------------|
| Invested cash and short-term investments      | \$ 1,276,875                | 1,276,875         | —              | —              |
| Mutual funds – fixed income:                  |                             |                   |                |                |
| Domestic                                      | 10,936,972                  | 10,936,972        | —              | —              |
| International                                 | 2,763,523                   | 2,763,523         | —              | —              |
| Mutual funds – equities:                      |                             |                   |                |                |
| Domestic                                      | 8,456,627                   | 8,456,627         | —              | —              |
| International                                 | <u>7,971,517</u>            | <u>7,971,517</u>  | <u>—</u>       | <u>—</u>       |
|   | <u>\$ 31,405,514</u>        | <u>31,405,514</u> | <u>—</u>       | <u>—</u>       |
| Investments measured at net asset value:      |                             |                   |                |                |
| Multi-strategy hedge fund                     | 4,806,976                   |                   |                |                |
| Equity long/short hedge fund                  | 4,545,647                   |                   |                |                |
| Limited partnership – real estate             | <u>3,447,838</u>            |                   |                |                |
| Total investments reported at net asset value | <u>12,800,461</u>           |                   |                |                |
| Total investments                             | <u><u>\$ 44,205,975</u></u> |                   |                |                |

The proceeds of receivables for investments sold were received in January 2015 and reinvested in absolute return funds.

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.

**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.

Information with respect to the redemption provisions is as follows as of December 31, 2014:

| <b>Redemption period</b>       | <b>Amount</b>              |
|--------------------------------|----------------------------|
| Monthly with 15 days' notice   | \$ 4,156,728               |
| Quarterly with 65 days' notice | <u>5,043,419</u>           |
| Total                          | <u><u>\$ 9,200,147</u></u> |

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

December 31, 2014 and 2013

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

|             |              |
|-------------|--------------|
| 2015        | \$ 4,293,000 |
| 2016        | 4,314,000    |
| 2017        | 4,454,000    |
| 2018        | 4,458,000    |
| 2019        | 4,448,000    |
| 2020 – 2024 | 21,910,000   |

ADL expects to contribute \$1,418,000 to the Plan during the year ended December 31, 2015.

As of December 31, 2014 and 2013, amounts charged to unrestricted net assets but not yet recognized as a component of net periodic benefit cost total \$35,247,882 and \$21,202,365, respectively. The estimated net actuarial loss that will be amortized into net periodic benefit cost during 2015 is \$938,000.

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 2014 contribution as of the first of the month following one year of employee service represents 3% of the participants' compensation. Benefits vest after three years of service. ADL's contribution of \$707,000 for 2014 was made during 2015 and \$595,000 for 2013 was made during 2014.

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

**(7) Temporarily Restricted and Permanently Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes or periods:

|  | <b>2014</b>            | <b>2013</b>         |
|--|------------------------|---------------------|
| Regional operations  | \$ 6,973,418           | 7,178,723           |
| Education  | 9,022,765              | 10,005,603          |
| Civil rights   | 2,121,700              | 2,585,747           |
| International affairs and interfaith programs                    | 2,160,016              | 2,380,328           |
| Leadership   | 610,773                | 612,866             |
| Unappropriated endowment gains for the general activities of ADL | 5,120,979              | 5,460,954           |
| Future periods   | 5,012,525              | 6,825,387           |
|  | <hr/><br>\$ 31,022,176 | <hr/><br>35,049,608 |

**ANTI-DEFAMATION LEAGUE AND  
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Permanently restricted net assets at December 31, 2014 and 2013 are restricted to investment in perpetuity, the income from which is expendable to support the following:

|   | <b>2014</b>          | <b>2013</b>       |
|---|----------------------|-------------------|
| Regional operations                           | \$ 14,085,342        | 14,067,909        |
| Education                                     | 11,536,178           | 11,511,327        |
| Civil rights                                  | 7,502,112            | 7,477,047         |
| International affairs and interfaith programs | 6,112,478            | 6,112,478         |
| Leadership                                    | 3,245,030            | 3,210,030         |
| General activities of ADL                     | <u>27,681,446</u>    | <u>27,335,396</u> |
|   | <u>\$ 70,162,586</u> | <u>69,714,187</u> |

ADL's endowment, held entirely by the Foundation, consists of individual donor-restricted endowment funds established for a variety of purposes. ADL has no board-designated endowment funds.

The following tables present the changes in ADL's donor-restricted endowment funds, inclusive of pledges, for the years ended December 31, 2014 and 2013:

|  | <b>2014</b>         |                               |                               |                    |
|--|---------------------|-------------------------------|-------------------------------|--------------------|
|  | <b>Unrestricted</b> | <b>Temporarily restricted</b> | <b>Permanently restricted</b> | <b>Total</b>       |
| Endowment net assets at December 31, 2013  | \$ (13,097)         | 10,760,483                    | 69,714,187                    | 80,461,573         |
| Investment income                          | 2,081               | 1,283,423                     | —                             | 1,285,504          |
| Net appreciation (realized and unrealized) | 10,272              | 1,764,517                     | —                             | 1,774,789          |
| Contributions                              | —                   | —                             | 448,399                       | 448,399            |
| Appropriation for expenditure              | <u>(19,786)</u>     | <u>(3,583,397)</u>            | <u>—</u>                      | <u>(3,603,183)</u> |
| Endowment net assets at December 31, 2014  | <u>\$ (20,530)</u>  | <u>10,225,026</u>             | <u>70,162,586</u>             | <u>80,367,082</u>  |

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

December 31, 2014 and 2013

|  | 2013               |                        |                        |                    |
|--|--------------------|------------------------|------------------------|--------------------|
|  | Unrestricted       | Temporarily restricted | Permanently restricted | Total              |
| Endowment net assets at December 31, 2012  | \$ (220,007)       | 4,986,402              | 69,341,900             | 74,108,295         |
| Investment income                          | 4,600              | 823,552                | —                      | 828,152            |
| Net appreciation (realized and unrealized) | 246,312            | 8,148,778              | —                      | 8,395,090          |
| Contributions                              | —                  | —                      | 372,287                | 372,287            |
| Appropriation for expenditure              | <u>(44,002)</u>    | <u>(3,198,249)</u>     | <u>—</u>               | <u>(3,242,251)</u> |
| Endowment net assets at December 31, 2013  | <u>\$ (13,097)</u> | <u>10,760,483</u>      | <u>69,714,187</u>      | <u>80,461,573</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 \$20,530 and \$13,097 at December 31, 2014 and 2013, respectively, and are recorded in unrestricted net assets in the accompanying consolidated balance sheets.

**(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.

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

December 31, 2014 and 2013

**(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 New York 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 \$5.3 million and \$5.4 million for the years ended December 31, 2014 and 2013, respectively. Minimum annual rentals are as follows:

| Year ending December 31: |                             |
|--------------------------|-----------------------------|
| 2015                     | \$ 5,032,000                |
| 2016                     | 4,967,000                   |
| 2017                     | 4,773,000                   |
| 2018                     | 4,674,000                   |
| 2019                     | 4,365,000                   |
| 2020 and thereafter      | <u>28,332,000</u>           |
|                          | <u><u>\$ 52,143,000</u></u> |

*(b) Lines of Credit*

The League and the Foundation each have a \$4 million line of credit with a financial institution. The interest rate on all borrowings for the years ended December 31, 2014 and 2013 is either LIBOR plus 60 basis points or the prime rate. As of December 31, 2014 and 2013, 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, which are due March 1, 2016, are secured by certain of the Foundation's investments.

**(9) Subsequent Events**

In connection with the preparation of the consolidated financial statements, ADL evaluated events after the balance sheet date of December 31, 2014 through August 17, 2015, which was the date the consolidated financial statements were available to be issued and determined that there were no matters that are required to be disclosed.

**Schedule 1**

**ANTI-DEFAMATION LEAGUE AND  
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Consolidating Balance Sheet

December 31, 2014

| <b>Assets</b>   | <b>League</b>        | <b>Foundation</b>  | <b>Eliminations</b> | <b>Consolidated total</b> |
|---|----------------------|--------------------|---------------------|---------------------------|
| Cash and cash equivalents                                     | \$ 5,783,761         | 1,522,870          | —                   | 7,306,631                 |
| Contributions receivable, net                                 | 9,804,673            | 2,700,692          | —                   | 12,505,365                |
| Prepaid expenses and other assets                             | 972,177              | 2,740,591          | —                   | 3,712,768                 |
| Investments   | 139,803              | 122,189,407        | —                   | 122,329,210               |
| Property and equipment, net                                   | 7,846,568            | 2,387,450          | —                   | 10,234,018                |
| Due from the Foundation                                       | 1,876,527            | —                  | (1,876,527)         | —                         |
| <b>Total assets</b>   | <b>\$ 26,423,509</b> | <b>131,541,010</b> | <b>(1,876,527)</b>  | <b>156,087,992</b>        |
| <b>Liabilities and Net Assets</b>                             |                      |                    |                     |                           |
| Liabilities:  |                      |                    |                     |                           |
| Accounts payable and accrued expenses                         | \$ 6,816,384         | 738,699            | —                   | 7,555,083                 |
| Borrowings under lines of credit                              | 4,000,000            | 4,000,000          | —                   | 8,000,000                 |
| Deferred rent   | 7,515,882            | —                  | —                   | 7,515,882                 |
| Liabilities under charitable trusts and<br>annuity agreements | —                    | 9,975,782          | —                   | 9,975,782                 |
| Due to the League   | —                    | 1,876,527          | (1,876,527)         | —                         |
| Long-term pension obligations                                 | 29,768,019           | 3,151,118          | —                   | 32,919,137                |
| Total liabilities   | <b>48,100,285</b>    | <b>19,742,126</b>  | <b>(1,876,527)</b>  | <b>65,965,884</b>         |
| Net assets (accumulated deficit):                             |                      |                    |                     |                           |
| Unrestricted:   |                      |                    |                     |                           |
| Available for operations                                      | 2,653,076            | 19,203,407         | —                   | 21,856,483                |
| Long-term pension obligations                                 | (29,768,019)         | (3,151,118)        | —                   | (32,919,137)              |
| Total unrestricted, net of long-term<br>pension obligations   | (27,114,943)         | 16,052,289         | —                   | (11,062,654)              |
| Temporarily restricted  | 5,438,167            | 25,584,009         | —                   | 31,022,176                |
| Permanently restricted  | —                    | 70,162,586         | —                   | 70,162,586                |
| Total (accumulated deficit) net assets                        | <b>(21,676,776)</b>  | <b>111,798,884</b> | <b>—</b>            | <b>90,122,108</b>         |
| Total liabilities and net assets                              | <b>\$ 26,423,509</b> | <b>131,541,010</b> | <b>(1,876,527)</b>  | <b>156,087,992</b>        |

See accompanying independent auditors' report.

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

Consolidating Statement of Activities

Year ended December 31, 2014

|   | <u>League</u>   | <u>Foundation</u> | <u>Eliminations</u> | <u>Consolidated total</u> |
|---|-----------------|-------------------|---------------------|---------------------------|
| <b>Changes in unrestricted net assets:</b>                                    |                 |                   |                     |                           |
| Operating revenues:   |                 |                   |                     |                           |
| Contributions (including the League's special events revenue of \$19,734,000) | \$ 43,637,924   | 5,052,926         | —                   | 48,690,850                |
| Less:   |                 |                   |                     |                           |
| Provision for uncollectible contributions receivable                          | (1,352,661)     | —                 | —                   | (1,352,661)               |
| Direct special events expenses  | (6,125,243)     | —                 | —                   | (6,125,243)               |
| Contributions, net  | 36,160,020      | 5,052,926         | —                   | 41,212,946                |
| Rental income from the League   | —               | 283,443           | (283,443)           | —                         |
| Endowment return expended and other investment return                         | —               | 3,829,577         | —                   | 3,829,577                 |
| Other income  | 940,467         | —                 | —                   | 940,467                   |
| Net assets released from restrictions in satisfaction of time and purpose     | 9,016,249       | 470,074           | —                   | 9,486,323                 |
| Transfer to the League from the Foundation                                    | 7,158,576       | (7,158,576)       | —                   | —                         |
| Total operating revenues  | 53,275,312      | 2,477,444         | (283,443)           | 55,469,313                |
| Operating expenses:   |                 |                   |                     |                           |
| Program services  | 43,401,604      | 1,666,386         | (283,443)           | 44,784,547                |
| Administration  | 4,901,401       | 2,388,702         | —                   | 7,290,103                 |
| Development   | 5,919,731       | 3,129,965         | —                   | 9,049,696                 |
| Total operating expenses  | 54,222,736      | 7,185,053         | (283,443)           | 61,124,346                |
| Deficiency of operating revenues over operating expenses                      | (947,424)       | (4,707,609)       | —                   | (5,655,033)               |
| <b>Nonoperating activities:</b>   |                 |                   |                     |                           |
| Investment return greater than amount appropriated                            | 2,504           | 355,436           | —                   | 357,940                   |
| Pension charge other than net periodic benefit cost                           | (12,640,965)    | (1,404,552)       | —                   | (14,045,517)              |
| Other, net  | (130,000)       | 43,886            | —                   | (86,114)                  |
| Transfer to the League from the Foundation                                    | 1,470,720       | (1,470,720)       | —                   | —                         |
| Total nonoperating activities   | (11,297,741)    | (2,475,950)       | —                   | (13,773,691)              |
| Decrease in unrestricted net assets   | (12,245,165)    | (7,183,559)       | —                   | (19,428,724)              |
| <b>Changes in temporarily restricted net assets:</b>                          |                 |                   |                     |                           |
| Contributions   | 6,501,117       | 895,843           | —                   | 7,396,960                 |
| Change in the value of charitable trust and annuity agreements                | —               | (3,266,586)       | —                   | (3,266,586)               |
| Investment return   | —               | 4,602,701         | —                   | 4,602,701                 |
| Net assets released from restrictions   | (9,016,249)     | (3,744,258)       | —                   | (12,760,507)              |
| Transfer to the League from the Foundation                                    | 1,895,472       | (1,895,472)       | —                   | —                         |
| Decrease in temporarily restricted net assets                                 | (619,660)       | (3,407,772)       | —                   | (4,027,432)               |
| <b>Change in permanently restricted net assets:</b>                           |                 |                   |                     |                           |
| Contributions   | —               | 448,399           | —                   | 448,399                   |
| Increase in permanently restricted net assets                                 | —               | 448,399           | —                   | 448,399                   |
| Decrease in net assets  | (12,864,825)    | (10,142,932)      | —                   | (23,007,757)              |
| (Accumulated deficit) net assets at beginning of year                         | (8,811,951)     | 121,941,816       | —                   | 113,129,865               |
| (Accumulated deficit) net assets at end of year                               | \$ (21,676,776) | 111,798,884       | —                   | 90,122,108                |

See accompanying independent auditors' report.

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

Schedule of Functional Operating Expenses

Year ended December 31, 2014

|  | Program services    |           |              |   |           |                              | Supporting services    |             |                           | Total expenses |  |
|--|---------------------|-----------|--------------|---|-----------|------------------------------|------------------------|-------------|---------------------------|----------------|--|
|  |                     |           |              | International affairs and interfaith programs |           | Marketing and communications | Total program services |             |                           |                |  |
|  | Regional operations | Education | Civil rights | Leadership                                    |           |                              | Administration         | Development | Total supporting services |                |  |
| Salaries                                     | \$ 10,778,432       | 2,554,075 | 3,302,102    | 1,206,927                                     | 507,758   | 1,843,986                    | 20,193,280             | 2,468,580   | 5,073,599                 | 27,735,459     |  |
| Personnel welfare and other related expenses | 3,381,440           | 846,377   | 968,094      | 436,586                                       | 128,484   | 647,842                      | 6,408,823              | 754,988     | 1,933,565                 | 9,097,376      |  |
| Total salaries and related expenses          | 14,159,872          | 3,400,452 | 4,270,196    | 1,643,513                                     | 636,242   | 2,491,828                    | 26,602,103             | 3,223,568   | 7,007,164                 | 10,230,732     |  |
| Projects and functions                       | 1,315,447           | 2,282,049 | 366,752      | 1,261,333                                     | 256,038   | 805,814                      | 6,287,433              | 304,683     | 534,856                   | 839,539        |  |
| Office services and occupancy                | 4,586,721           | 547,251   | 986,879      | 470,729                                       | 289,896   | 1,204,272                    | 8,085,748              | 2,230,826   | 692,714                   | 2,923,540      |  |
| Travel, meetings, and conferences            | 1,067,023           | 468,210   | 414,090      | 198,748                                       | 1,190,514 | 44,642                       | 3,383,227              | 223,092     | 224,739                   | 11,009,288     |  |
| Research materials                           | 18,454              | 960       | 65,762       | 4,795   | —         | 41,624                       | 131,595                | 14,538      | 262,031                   | 3,831,058      |  |
| Legal and financial                          | —                   | —         | —            | 23,548  | —         | —                            | 23,548                 | 382,744     | 17,883                    | 276,569        |  |
| Other  | 105,662             | 33,003    | 32,951       | 55,219  | 29,041    | 15,017                       | 270,893                | 910,652     | 310,309                   | 408,164        |  |
| Total operating expenses                     | \$ 21,253,179       | 6,731,925 | 6,136,630    | 3,657,885                                     | 2,401,731 | 4,603,197                    | 44,784,547             | 7,290,103   | 9,049,696                 | 16,339,799     |  |
|  |                     |           |              |   |           |                              |                        |             |                           | 61,124,346     |  |

See accompanying independent auditors' report.

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

Schedule of Functional Expenses – Operating for  
Anti-Defamation League

Year ended December 31, 2014

|  | Program services                              |                  |                     |                              |                                     |                               | Supporting services   |                    |                                  |            | <b>Total expenses</b> |  |
|--|---|------------------|---------------------|------------------------------|-------------------------------------|-------------------------------|-----------------------|--------------------|----------------------------------|------------|-----------------------|--|
|  | International affairs and interfaith programs |                  |                     | Marketing and communications |                                     | <b>Total program services</b> | Administration        |                    | <b>Total supporting services</b> |            |                       |  |
|  | <b>Regional operations</b>                    | <b>Education</b> | <b>Civil rights</b> | <b>Leadership</b>            | <b>Marketing and communications</b> |                               | <b>Administration</b> | <b>Development</b> |                                  |            |                       |  |
| Salaries                                     | \$ 10,634,909                                 | 2,269,803        | 3,149,340           | 1,201,994                    | 493,499                             | 19,593,531                    | 1,374,644             | 3,316,640          | 4,691,284                        | 24,284,815 |                       |  |
| Personnel welfare and other related expenses | 3,335,174                                     | 754,738          | 918,849             | 434,996                      | 123,887                             | 6,215,486                     | 402,344               | 1,367,187          | 1,769,531                        | 7,985,017  |                       |  |
| Total salaries and related expenses          | 13,970,083                                    | 3,024,541        | 4,068,189           | 1,636,990                    | 617,386                             | 25,809,017                    | 1,776,988             | 4,683,827          | 6,460,815                        | 32,269,832 |                       |  |
| Projects and functions                       | 1,167,553                                     | 1,989,121        | 209,338             | 1,256,250                    | 241,345                             | 5,669,421                     | 304,683               | 534,856            | 839,539                          | 6,508,960  |                       |  |
| Office services and occupancy                | 4,718,371                                     | 492,054          | 938,581             | 470,729                      | 289,896                             | 8,113,903                     | 1,688,915             | 488,678            | 2,177,593                        | 10,291,496 |                       |  |
| Travel, meetings, and conferences            | 1,067,023                                     | 468,210          | 414,090             | 198,748                      | 1,190,514                           | 44,642                        | 3,383,227             | 66,891             | 80,583                           | 147,474    |                       |  |
| Research materials                           | 18,454  | 960              | 65,762              | 4,795                        | —                                   | 41,624                        | 131,595               | 14,538             | 23,409                           | 37,947     |                       |  |
| Legal and financial                          | —   | —                | —                   | 23,548                       | —                                   | —                             | 23,548                | 274,999            | 15,823                           | 290,822    |                       |  |
| Other  | 105,662                                       | 33,003           | 32,951              | 55,219                       | 29,041                              | 15,017                        | 270,893               | 774,387            | 92,555                           | 866,942    |                       |  |
| Total operating expenses                     | \$ 21,047,146                                 | 6,007,889        | 5,728,911           | 3,646,279                    | 2,368,182                           | 4,603,197                     | 43,401,604            | 4,901,401          | 5,919,731                        | 10,821,132 | 54,222,736            |  |

See accompanying independent auditors' report.

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

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

Year ended December 31, 2014

|  | Program services                              |           |              |                              |                              |                        | Supporting services |             |             |                           | Total expenses |  |
|--|---|-----------|--------------|------------------------------|------------------------------|------------------------|---------------------|-------------|-------------|---------------------------|----------------|--|
|  | International affairs and interfaith programs |           |              | Marketing and communications |                              | Total program services | Administration      |             | Development | Total supporting services |                |  |
|  | Regional operations                           | Education | Civil rights | Leadership                   | Marketing and communications |                        | Administration      | Development |             |                           |                |  |
| Salaries                                     | \$ 143,523                                    | 284,272   | 152,762      | 4,933                        | 14,259                       | 599,749                | 1,093,936           | 1,756,959   | 2,850,895   | 3,450,644                 |                |  |
| Personnel welfare and other related expenses | 46,266  | 91,639    | 49,245       | 1,590                        | 4,597                        | 193,337                | 352,644             | 566,378     | 919,022     | 1,112,359                 |                |  |
| Total salaries and related expenses          | 189,789                                       | 375,911   | 202,007      | 6,523                        | 18,856                       | 793,086                | 1,446,580           | 2,323,337   | 3,769,917   | 4,563,003                 |                |  |
| Projects and functions                       | 147,894                                       | 292,928   | 157,414      | 5,083                        | 14,693                       | 618,012                | —                   | —           | —           | 618,012                   |                |  |
| Office services and occupancy                | 151,793                                       | 55,197    | 48,298       | —                            | —                            | 255,288                | 541,911             | 204,036     | 745,947     | 1,001,235                 |                |  |
| Travel, meetings, and conferences            | —   | —         | —            | —                            | —                            | —                      | 156,201             | 144,156     | 300,357     | 300,357                   |                |  |
| Research materials                           | —   | —         | —            | —                            | —                            | —                      | —                   | 238,622     | 238,622     | 238,622                   |                |  |
| Legal and financial                          | —   | —         | —            | —                            | —                            | —                      | 107,745             | 2,060       | 109,805     | 109,805                   |                |  |
| Other  | —   | —         | —            | —                            | —                            | —                      | 136,265             | 217,754     | 354,019     | 354,019                   |                |  |
| Total operating expenses                     | \$ 489,476                                    | 724,036   | 407,719      | 11,606                       | 33,549                       | 1,666,386              | 2,388,702           | 3,129,965   | 5,518,667   | 7,185,053                 |                |  |

See accompanying independent auditors' report.

Schedule 6

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

Consolidating Statement of Cash Flows

Year ended December 31, 2014

|  | <b>League</b>       | <b>Foundation</b>  | <b>Eliminations</b> | <b>Consolidated total</b> |
|--|---------------------|--------------------|---------------------|---------------------------|
| Cash flows from operating activities:  |                     |                    |                     |                           |
| Decrease in net assets   | \$ (12,864,825)     | (10,142,932)       | —                   | (23,007,757)              |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities:          |                     |                    |                     |                           |
| Pension charge other than net periodic benefit cost  | 12,640,965          | 1,404,552          | —                   | 14,045,517                |
| Contributions of permanently restricted net assets   | —                   | (448,399)          | —                   | (448,399)                 |
| Net appreciation in fair value of investments  | (2,504)             | (3,491,828)        | —                   | (3,494,332)               |
| Provision for uncollectible contributions receivable   | 1,352,661           | —                  | —                   | 1,352,661                 |
| Depreciation and amortization  | 984,523             | 198,198            | —                   | 1,182,721                 |
| Change in the value of charitable trust and annuity agreements                                     | —                   | 3,266,586          | —                   | 3,266,586                 |
| Changes in operating assets and liabilities:   |                     |                    |                     |                           |
| Contributions receivable   | (1,528,882)         | 2,365,736          | —                   | 836,854                   |
| Prepaid expenses and other assets  | 251,544             | (405,000)          | —                   | (153,456)                 |
| Accounts payable and accrued expenses  | (353,480)           | 110,532            | —                   | (242,948)                 |
| Deferred rent  | (146,149)           | —                  | —                   | (146,149)                 |
| Accrued pension obligation and benefit plans   | (3,778,476)         | (419,831)          | —                   | (4,198,307)               |
| Net cash used in operating activities  | <u>(3,444,623)</u>  | <u>(7,562,386)</u> | <u>—</u>            | <u>(11,007,009)</u>       |
| Cash flows from investing activities:  |                     |                    |                     |                           |
| Proceeds from sale of investments  | 147,746             | 23,372,571         | —                   | 23,520,317                |
| Purchase of investments  | —                   | (14,133,029)       | —                   | (14,133,029)              |
| Acquisition of property and equipment  | (453,179)           | (72,149)           | —                   | (525,328)                 |
| Net cash (used in) provided by investing activities  | <u>(305,433)</u>    | <u>9,167,393</u>   | <u>—</u>            | <u>8,861,960</u>          |
| Cash flows from financing activities:  |                     |                    |                     |                           |
| Contributions of permanently restricted net assets   | —                   | 448,399            | —                   | 448,399                   |
| Change in contributions receivable restricted for permanent investment                             | —                   | 1,365,771          | —                   | 1,365,771                 |
| Payments to charitable gift annuitants   | —                   | (1,303,659)        | —                   | (1,303,659)               |
| Proceeds from charitable trusts and annuity gifts in excess of amounts recognized as contributions | —                   | 344,794            | —                   | 344,794                   |
| Amounts due from the Foundation  | 2,856,940           | —                  | (2,856,940)         | —                         |
| Amounts due to the League  | —                   | (2,856,940)        | 2,856,940           | —                         |
| Net cash provided by (used in) financing activities  | <u>2,856,940</u>    | <u>(2,001,635)</u> | <u>—</u>            | <u>855,305</u>            |
| Net decrease in cash and cash equivalents  | <u>(893,116)</u>    | <u>(396,628)</u>   | <u>—</u>            | <u>(1,289,744)</u>        |
| Cash and cash equivalents at beginning of year   | <u>6,676,877</u>    | <u>1,919,498</u>   | <u>—</u>            | <u>8,596,375</u>          |
| Cash and cash equivalents at end of year   | <u>\$ 5,783,761</u> | <u>1,522,870</u>   | <u>—</u>            | <u>7,306,631</u>          |

See accompanying independent auditors' report.