



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

Consolidated Financial Statements and Schedules

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

To the Board of Directors
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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, 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 consolidated financial position of Anti-Defamation League and Anti-Defamation League Foundation as of December 31, 2018 and 2017, 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.



Emphasis of Matter

As discussed in note 2(k) to the consolidated financial statements, ADL adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, in 2018. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 consolidating and other supplementary information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the 2018 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 2018 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 2018 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 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 consolidated financial statements or to the 2018 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 2018 consolidated financial statements as a whole.

KPMG LLP

August 13, 2019

**ANTI-DEFAMATION LEAGUE AND
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Consolidated Balance Sheets

December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 20,807,348	27,407,035
Contributions receivable, net (note 4)	21,283,234	12,124,114
Prepaid expenses and other assets	4,076,392	4,589,899
Investments (note 3)	93,356,407	106,790,509
Property and equipment, net (note 5)	9,230,211	9,134,525
Total assets	<u>\$ 148,753,592</u>	<u>160,046,082</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,968,982	8,448,562
Borrowings under lines of credit (note 8)	8,000,000	8,000,000
Deferred rent (note 8)	6,421,886	6,745,677
Liabilities under charitable trusts and annuity agreements	6,889,012	7,820,848
Long-term pension obligations (note 6)	26,793,509	30,151,122
Total liabilities	<u>56,073,389</u>	<u>61,166,209</u>
Commitments and contingencies (note 8)		
Net assets (accumulated deficit) (notes 2(k) and 7):		
Net assets (deficit) without donor restrictions:		
Available for operations	22,162,092	24,940,538
Long-term pension obligations (note 6)	(26,793,509)	(30,151,122)
Board-designated endowment	3,269,782	3,763,860
Total net deficit, net of long-term pension obligations	<u>(1,361,635)</u>	<u>(1,446,724)</u>
Net assets with donor restrictions:		
Purpose or time restricted	21,030,623	23,198,033
Endowment fund	73,011,215	77,128,564
Total net assets with donor restrictions	<u>94,041,838</u>	<u>100,326,597</u>
Total net assets	<u>92,680,203</u>	<u>98,879,873</u>
Total liabilities and net assets	<u>\$ 148,753,592</u>	<u>160,046,082</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Years ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without donor restrictions:		
Operating revenues:		
Contributions (including special events revenue of \$18,324,000 and \$17,569,000, respectively)	\$ 71,712,122	70,553,053
Less:		
Provision for uncollectible contributions receivable	(1,145,729)	(1,692,692)
Direct special events expenses	(5,186,701)	(4,974,691)
Contributions, net	65,379,692	63,885,670
Endowment return expended and other investment return (note 3)	3,498,124	3,348,477
Other income	1,077,549	899,634
Net assets released from restrictions in satisfaction of time and purpose	8,594,510	6,031,600
Total operating revenues	78,549,875	74,165,381
Operating expenses:		
Program services:		
Regional operations	23,810,488	22,540,454
Education	6,148,182	5,976,741
Policy and programs	11,325,006	8,762,165
International affairs and interfaith programs	3,113,618	2,737,197
Leadership	4,045,246	3,528,664
Public awareness	8,041,547	6,713,365
	56,484,087	50,258,586
Supporting services:		
Administration	11,073,438	9,524,043
Development	11,196,857	10,356,398
	22,270,295	19,880,441
Total operating expenses	78,754,382	70,139,027
(Deficiency) excess of operating revenues over operating expenses	(204,507)	4,026,354
Nonoperating activities:		
Investment return (less) greater than amount appropriated (note 3)	(494,000)	176,557
Net periodic benefit cost (note 6)	(519,636)	(620,725)
Pension credit (charge) other than net periodic benefit cost (note 6)	1,350,811	(411,392)
Reclassification of net assets (note 7)	—	95,227
Other, net	(47,579)	(69,612)
Total nonoperating activities	289,596	(829,945)
Increase in net assets without donor restrictions	85,089	3,196,409
Changes in net assets with donor restrictions:		
Contributions:		
Endowment fund contributions	5,108,879	211,460
Other restricted contributions	7,283,585	13,127,730
Total contributions with donor restrictions	12,392,464	13,339,190
Change in the value of charitable trust and annuity agreements	(80,801)	(508,432)
Investment (loss) return (note 3)	(7,142,723)	10,406,338
Reclassification due to change in donor designation (note 7)	—	(95,227)
Net assets released from restrictions:		
Satisfaction of time and purpose	(8,594,510)	(6,031,600)
Endowment return appropriated	(2,859,189)	(2,613,893)
(Decrease) increase in net assets with donor restrictions	(6,284,759)	14,496,376
(Decrease) increase in net assets	(6,199,670)	17,692,785
Net assets at beginning of year	98,879,873	81,187,088
Net assets at end of year	\$ 92,680,203	98,879,873

See accompanying notes to consolidated financial statements.

**ANTI-DEFAMATION LEAGUE AND
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Consolidated Statement of Functional Expenses

Year ended December 31, 2018

	Program services						Supporting services				Total expenses
	Regional operations	Education	Policy and programs	International affairs and interfaith programs	Leadership	Public Awareness	Total program services	Administration	Development	Total supporting services	
Salaries	\$ 13,906,342	2,328,600	5,352,971	1,474,171	734,326	3,151,512	26,947,922	3,951,541	5,545,884	9,497,425	36,445,347
Personnel welfare and other related expenses	3,437,204	629,687	1,427,657	350,676	191,989	724,916	6,762,129	1,285,582	1,405,268	2,690,850	9,452,979
Total salaries and related expenses	<u>17,343,546</u>	<u>2,958,287</u>	<u>6,780,628</u>	<u>1,824,847</u>	<u>926,315</u>	<u>3,876,428</u>	<u>33,710,051</u>	<u>5,237,123</u>	<u>6,951,152</u>	<u>12,188,275</u>	<u>45,898,326</u>
Projects and functions	1,350,612	1,704,972	1,334,590	240,773	228,373	2,560,347	7,419,667	584,984	2,026,527	2,611,511	10,031,178
Office services and occupancy	3,799,860	917,064	2,461,075	465,984	397,942	1,393,024	9,434,949	3,196,867	1,618,926	4,815,793	14,250,742
Travel, meetings, and conferences	1,131,342	460,625	411,621	421,545	2,406,428	111,794	4,943,355	238,642	256,629	495,271	5,438,626
Research materials	23,231	1,387	222,609	3,739	53	45,293	296,312	6,882	135,669	142,551	438,863
Legal and financial	12,287	18,975	24,395	47,081	18,296	12,198	133,232	466,572	20,424	486,996	620,228
Other	149,610	86,872	90,088	109,649	67,839	42,463	546,521	1,342,368	187,530	1,529,898	2,076,419
Total operating expenses	<u>\$ 23,810,488</u>	<u>6,148,182</u>	<u>11,325,006</u>	<u>3,113,618</u>	<u>4,045,246</u>	<u>8,041,547</u>	<u>56,484,087</u>	<u>11,073,438</u>	<u>11,196,857</u>	<u>22,270,295</u>	<u>78,754,382</u>

See accompanying notes to consolidated financial statements.

**ANTI-DEFAMATION LEAGUE AND
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Consolidated Statement of Functional Expenses

Year ended December 31, 2017

	Program services						Supporting services				
	Regional operations	Education	Policy and programs	International affairs and interfaith programs	Leadership	Public Awareness	Total program services	Administration	Development	Total supporting services	Total expenses
Salaries	\$ 12,219,634	2,014,721	4,518,328	1,238,927	901,628	2,515,928	23,409,166	3,504,599	4,867,852	8,372,451	31,781,617
Personnel welfare and other related expenses	3,385,836	552,394	1,696,930	337,992	240,826	825,623	7,039,601	1,033,892	1,379,858	2,413,750	9,453,351
Total salaries and related expenses	15,605,470	2,567,115	6,215,258	1,576,919	1,142,454	3,341,551	30,448,767	4,538,491	6,247,710	10,786,201	41,234,968
Projects and functions	1,151,550	1,788,807	841,947	463,118	501,179	2,034,130	6,780,731	327,159	1,987,414	2,314,573	9,095,304
Office services and occupancy	4,676,491	698,330	1,211,870	476,539	459,364	1,222,953	8,745,547	2,181,839	1,399,033	3,580,872	12,326,419
Travel, meetings, and conferences	1,023,240	886,556	272,878	176,329	1,415,915	45,908	3,820,826	404,343	281,024	685,367	4,506,193
Research materials	15,299	1,497	204,952	4,820	179	62,716	289,463	17,455	234,777	252,232	541,695
Legal and financial	—	—	—	19,397	—	—	19,397	576,992	22,718	599,710	619,107
Other	68,404	34,436	15,260	20,075	9,573	6,107	153,855	1,477,764	183,722	1,661,486	1,815,341
Total operating expenses	\$ 22,540,454	5,976,741	8,762,165	2,737,197	3,528,664	6,713,365	50,258,586	9,524,043	10,356,398	19,880,441	70,139,027

See accompanying notes to consolidated financial statements.

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

Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (6,199,670)	17,692,785
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Pension (credit) charge other than net periodic benefit cost	(1,350,811)	411,392
Endowment fund contributions	(5,108,879)	(211,460)
Net depreciation (appreciation) in fair value of investments	9,074,047	(9,851,056)
Provision for uncollectible contributions receivable	1,145,729	1,692,692
Depreciation and amortization	1,618,744	1,298,606
Change in the value of charitable trust and annuity agreements	80,801	508,432
Changes in operating assets and liabilities:		
Contributions receivable	(5,620,996)	(1,376,489)
Prepaid expenses and other assets	513,507	(825,942)
Accounts payable and accrued expenses	(479,580)	49,561
Deferred rent	(323,791)	(285,729)
Long-term pension obligations	(2,006,802)	(1,462,792)
Net cash (used in) provided by operating activities	(8,657,701)	7,640,000
Cash flows from investing activities:		
Proceeds from sale of investments	24,499,304	29,760,272
Purchase of investments	(20,139,249)	(26,611,099)
Acquisition of property and equipment	(1,714,430)	(773,260)
Net cash provided by investing activities	2,645,625	2,375,913
Cash flows from financing activities:		
Endowment fund contributions	5,108,879	211,460
Change in contributions receivable restricted for endowment	(4,683,853)	328,000
Payments to charitable gift annuitants	(1,092,872)	(1,209,151)
Proceeds from charitable trusts and annuity gifts in excess of amounts recognized as contributions	80,235	182,590
Net cash used in financing activities	(587,611)	(487,101)
Net (decrease) increase in cash and cash equivalents	(6,599,687)	9,528,812
Cash and cash equivalents at beginning of year	27,407,035	17,878,223
Cash and cash equivalents at end of year	\$ 20,807,348	27,407,035

See accompanying notes to consolidated financial statements.

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(1) Organization

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

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

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

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

(a) Regional Operations

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

(b) Education

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

(c) Policy and Programs

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

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

(d) *International Affairs and Interfaith Programs*

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

(e) *Leadership*

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

(f) *Public Awareness*

Presents the public face of ADL. Manages ADL's awareness through website and digital material, social media marketing, online video and newspaper campaigns, communications, relationships and the media. Keeps constituents informed of breaking news and issues involved with ADL's work. Prepares visual and print materials on ADL issues, goals and objectives; writes, edits and produces materials for all ADL divisions (reports, brochures, invitations newsletters, publications); and handles special projects such as exhibits and events.

(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:

Without donor restrictions – Net assets that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification.

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With donor restrictions – Net assets that are subject to donor-imposed restrictions. These net assets include donor restricted contributions that are subject to time or purpose restrictions and donor restricted endowments. Generally, the donors' imposed restrictions on the endowment fund permit the League and the Foundation to use all or part of the income earned on related investments for certain general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(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) Allocation of Functional Expenses

The consolidated financial statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of ADL are reported as expenses of those functional areas. Expenses attributable to more than one program or supporting function are principally allocated based on headcount.

(d) Fair Value Measurements

Assets and liabilities reported at fair value are required to be classified within a fair value hierarchy which gives preference to the use of observable inputs over unobservable inputs. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

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

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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.

(e) 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.

(f) Investments

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

(g) Contributions

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

ADL reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit their use, except for those restrictions met in the same fiscal year as received, which are reported as revenues without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Net assets released from restrictions related to endowment appropriations are reported as endowment return appropriated.

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

(h) 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 with or without donor restrictions in the accompanying consolidated

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statements of activities based on the absence or presence of donor imposed restrictions. The liabilities are adjusted annually for changes in the value of the assets and changes in the estimates of future benefits and are classified as Level 3 in the fair value hierarchy. The adjustments are recorded as change in the value of charitable trust and annuity agreements in the accompanying consolidated statements of activities. The present value of payments to the donors and beneficiaries of the annuities is calculated using a discount rate of 4.15% and 3.5% in 2018 and 2017, respectively.

(i) 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.

(j) 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*).

(k) New Accounting Pronouncements

During 2018, ADL adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 reduces the number of net asset classes from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$31,785,679 and permanently restricted net assets of \$68,689,588 in 2017. Another main provision of this guidance includes recognition of underwater endowment funds as a reduction in net assets with donor restrictions. Such amount was \$1,381,058 in 2017. The guidance also expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. Additionally, in 2017, \$1,999,347 was reclassified from program service expenses to supporting service expenses based on direct conduct and direct supervision in accordance with the guidance. ADL applied the changes retrospectively.

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A summary of the reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

	ASU 2016-14 classifications		
	Without donor restrictions	With donor restrictions	Total
Net asset reclassification as of December 31, 2016:			
Endowment net assets at			
December 31, 2016, as previously reported	\$ 2,010,363	73,639,430	75,649,793
Reclassification of underwater endowments	<u>1,529,728</u>	<u>(1,529,728)</u>	<u>—</u>
Endowment net assets at			
December 31, 2016, as adjusted	<u>3,540,091</u>	<u>72,109,702</u>	<u>75,649,793</u>
Endowment appreciation reclassification for the year ended December 31, 2017:			
Net appreciation (realized and unrealized), as previously reported	1,621,937	5,954,628	7,576,565
Reclassification of return on underwater endowments	<u>(1,381,058)</u>	<u>1,381,058</u>	<u>—</u>
Net appreciation (realized and unrealized), as adjusted	<u>240,879</u>	<u>7,335,686</u>	<u>7,576,565</u>
Investment return reclassification for the year ended December 31, 2017:			
Investment return (nonoperating), as previously reported	1,557,615	9,025,280	10,582,895
Reclassification of return on underwater endowments	<u>(1,381,058)</u>	<u>1,381,058</u>	<u>—</u>
Investment return, as adjusted	<u>\$ 176,557</u>	<u>10,406,338</u>	<u>10,582,895</u>

During 2018, ADL also adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires the service cost component of net benefit cost to be presented in the statement of activities where compensation cost is reported and to present all other components of net benefit cost outside of operating income. ADL has no service cost recognized as a component of pension cost. In 2017, \$620,725 was reclassified from personnel welfare and other related expenses within operating expenses to net periodic benefit cost within nonoperating activities.

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(3) Investments

Investments at fair value as of December 31, 2018 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Receivables for investments sold (a)	\$ 57,319	57,319	—	—
Invested cash and short-term investments	826,223	826,223	—	—
Fixed income securities – government	1,223,372	1,019,072	204,300	—
Mutual funds – equities:				
Domestic	8,267,272	7,693,998	573,274	—
International	13,736,021	13,514,529	221,492	—
Mutual funds – fixed income:				
Domestic	3,831,394	3,622,931	208,463	—
Mutual funds – real assets	5,712,163	5,712,163	—	—
Common stocks:				
Domestic	11,382,228	11,382,228	—	—
International	639,143	639,143	—	—
Real estate limited partnership (b)	5,394,852	—	—	5,394,852
Equity investment trust	4,388,654	4,388,654	—	—
	<u>55,458,641</u>	<u>\$ 48,856,260</u>	<u>1,207,529</u>	<u>5,394,852</u>
Investments reported at net asset value:				
Absolute return funds:				
Multi-strategy hedge funds	14,519,794			
Global opportunities hedge funds	3,982,648			
Equity long/short hedge funds	9,135,322			
Global equity hedge funds	2,856,450			
Distressed debt hedge funds	4,592,222			
Other	1,717,917			
Limited partnerships:				
Other	<u>1,093,413</u>			
Total investments reported at net asset value	<u>37,897,766</u>			
Total investments	<u>\$ 93,356,407</u>			

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

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

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

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

The change in Level 3 investments in 2018 was due to depreciation in the fair value of real estate limited partnerships. The change in Level 3 investments in 2017 was due to the sale of other investments.

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

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

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

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

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

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

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

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

Information with respect to the redemption provisions of investments reported at net asset value is as follows as of December 31, 2018:

<u>Redemption period</u>	<u>Amount</u>
Daily with 30 days' notice	\$ 2,856,450
Monthly with 30–60 days' notice	5,992,179
Quarterly with 30–90 days' notice	17,082,313
Annually with 60–95 days' notice	7,560,811
Semi-Monthly with 5 days' notice	3,184,847
Closed end*	<u>1,221,166</u>
Total	<u>\$ 37,897,766</u>

* Distributions are made when investments are realized.

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Investments include charitable trust and annuity funds of approximately \$9.9 million and \$11.8 million at December 31, 2018 and 2017, respectively.

Investment (loss) return for the years ended December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,076,259	1,466,423
Net (depreciation) appreciation in fair value of investments	<u>(9,074,047)</u>	<u>9,851,056</u>
Total investment (loss) return	<u>\$ (6,997,788)</u>	<u>11,317,479</u>
Reported in the consolidated statements of activities as follows:		
Without donor restrictions – operating	\$ 638,935	734,584
Without donor restrictions – nonoperating	(494,000)	176,557
With donor restrictions	<u>(7,142,723)</u>	<u>10,406,338</u>
Total investment (loss) return	<u>\$ (6,997,788)</u>	<u>11,317,479</u>

(4) Contributions Receivable

Contributions receivable at December 31, 2018 and 2017 are scheduled to be collected as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 18,137,382	12,500,021
One to five years	7,639,447	3,741,578
More than five years	<u>522,466</u>	<u>679,966</u>
	26,299,295	16,921,565
Discount to present value at rates from 1.55% to 3.85%	(831,061)	(522,451)
Allowance for uncollectible contributions receivable	<u>(4,185,000)</u>	<u>(4,275,000)</u>
	<u>\$ 21,283,234</u>	<u>12,124,114</u>

In 2018 and 2017, 19% and 12% of contributions receivable is from one donor, respectively.

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(5) Property and Equipment

The components of property and equipment and their estimated useful lives at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Useful lives</u>
Land	\$ 1,150,224	1,150,224	N/A
Buildings	4,150,445	4,150,445	30 years
Leasehold and building improvements	16,120,407	15,640,285	4–10 years
Furniture and equipment	9,438,319	8,204,012	3–5 years
Artwork	197,470	197,470	N/A
Total	31,056,865	29,342,436	
Less accumulated depreciation and amortization	<u>(21,826,654)</u>	<u>(20,207,911)</u>	
Net property and equipment	<u>\$ 9,230,211</u>	<u>9,134,525</u>	

(6) Employee Benefit Plans

The Anti-Defamation League Retirement Plan (the Plan) is a qualified, noncontributory defined benefit pension plan sponsored by ADL and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Effective December 31, 2010, the Plan was amended to freeze benefit accruals and participation under the Plan. The compensation amounts and service period used to calculate benefits were frozen on that date resulting in accrued benefits that will not change over time. As a result, the projected benefit obligation is equal to the accumulated benefit obligation, and there is no service cost recognized as a component of pension cost.

Prior to the Plan's freeze, all ADL employees were eligible to participate in the Plan except for leased employees, as defined under the Internal Revenue Code (Code), and employees who performed services for ADL for a non-U.S. subsidiary or affiliate of ADL. Eligible employees became participants in the Plan on the first day of the month following the period in which they were credited with at least 1,000 service hours. The Plan provides full vesting upon completion of five years of service. On the freeze date, the Plan was closed to new participants.

ADL's funding policy is to satisfy the minimum funding requirements of the Code and ERISA and to satisfy any funding obligations established by the Plan's administrator. For the Plan years ended December 31, 2018 and 2017, ADL's contributions met the minimum funding requirements of ERISA.

The Plan's assets, which are held in trust by Wells Fargo Bank, N.A., as Trustee, are stated at fair value, and alternative investments are reported at net asset value. Plan assets are invested in accordance with the Plan's investment policy that sets forth a framework for the management and oversight of the assets, investment advisors, managers and funds of the Plan.

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The following table provides information with respect to the Plan as of December 31, 2018 and 2017 and for the years then ended:

	<u>2018</u>	<u>2017</u>
Projected benefit obligation	\$ 64,977,611	72,032,492
Plan assets, at fair value	<u>38,997,996</u>	<u>42,838,068</u>
Unfunded status	<u>\$ 25,979,615</u>	<u>29,194,424</u>
Net periodic benefit cost	\$ 519,636	620,725
Employer contributions	2,383,634	1,934,999
Benefits paid	3,726,392	3,684,512

The discount rate used to determine the pension benefit obligation was 4.15% and 3.49% at December 31, 2018 and 2017, respectively.

Weighted average assumptions used to determine net periodic benefit cost at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	3.49 %	3.96 %
Expected return on plan assets	6.50	6.50
Rate of compensation increases	N/A	N/A

As of December 31, 2018, the Plan's targeted and actual asset allocations are as follows:

	<u>Target</u>	<u>Actual</u>
Receivables for investments sold	0%	— %
Invested cash and short-term investments	0%–5%	3
Mutual funds – fixed income	15% - 45%	30
Mutual funds – equities	30% - 50%	42
Absolute return funds	10%–30%	13
Limited partnership – real estate	5%–15%	9
Commodities	0% - 5%	<u>3</u>
Total		<u>100 %</u>

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

	<u>Target</u>	<u>Actual</u>
Receivables for investments sold	0%	1 %
Invested cash and short-term investments	0%–5%	3
Mutual funds – fixed income	15%–45%	27
Mutual funds – equities	30%–50%	46
Absolute return funds	10%–30%	11
Limited partnership – real estate	5%–15%	9
Commodities	0%–5%	3
Total		<u>100 %</u>

The Plan's assets at fair value as of December 31, 2018 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Invested cash and short-term investments	\$ 1,351,300	1,351,300	—	—
Mutual funds – fixed income:				
Domestic	7,241,086	7,241,086	—	—
International	1,709,675	1,709,675	—	—
Balanced	2,633,132	2,633,132	—	—
Mutual funds – equities:				
Domestic	8,027,491	8,027,491	—	—
International	5,730,245	5,730,245	—	—
Balanced	2,610,573	2,610,573	—	—
Commodities trust	1,110,765	1,110,765	—	—
	<u>30,414,267</u>	<u>\$ 30,414,267</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi-strategy hedge fund	2,055,896			
Equity long/short hedge fund	2,838,665			
Limited partnership – real estate	3,689,168			
Total investments reported at net asset value	<u>8,583,729</u>			
Total investments	<u>\$ 38,997,996</u>			

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

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Receivable for investments sold	\$ 296,633	296,633	—	—
Invested cash and short-term investments	1,083,465	1,083,465	—	—
Mutual funds – fixed income:				
Domestic	7,282,732	7,282,732	—	—
International	1,683,310	1,683,310	—	—
Balanced	2,619,340	2,619,340	—	—
Mutual funds – equities:				
Domestic	8,957,501	8,957,501	—	—
International	8,033,212	8,033,212	—	—
Balanced	2,820,066	2,820,066	—	—
Commodities trust	1,270,400	1,270,400	—	—
	<u>34,046,659</u>	<u>\$ 34,046,659</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi-strategy hedge fund	2,013,312			
Equity long/short hedge fund	2,897,368			
Limited partnership – real estate	<u>3,880,729</u>			
Total investments reported at net asset value	<u>8,791,409</u>			
Total investments	<u>\$ 42,838,068</u>			

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

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

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

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

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Information with respect to the redemption provisions of investments reported at net asset value is as follows as of December 31, 2018:

Redemption period	Amount
Monthly with 15 days' notice	\$ 3,689,168
Quarterly with 45 days' notice	2,838,665
Quarterly with 65 days' notice	2,055,896
Total	\$ 8,583,729

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

2019	\$ 4,339,000
2020	4,322,000
2021	4,263,000
2022	4,276,000
2023	4,219,000
2024–2028	20,264,000

ADL expects to contribute \$2,333,000 to the Plan during the year ended December 31, 2019.

As of December 31, 2018 and 2017, amounts charged to net assets without donor restrictions but not yet recognized as a component of net periodic benefit cost total \$33,908,985 and \$35,259,796, respectively. The estimated net actuarial loss that will be amortized into net periodic benefit cost during 2019 is \$855,939.

ADL offers a defined contribution plan, the Anti-Defamation League 403(b) Defined Contribution Plan (403(b) Plan), which was established on January 1, 2012 pursuant to Section 403(b) of the Code. The 403(b) Plan covers all eligible employees of ADL and is subject to the provisions of ERISA. Employees are immediately eligible to participate in the 403(b) Plan for the purposes of making employee elective deferral contributions up to the maximum permitted under the Code. To be eligible to receive employer matching and non-matching contributions, participants must have completed one year of service with ADL.

ADL makes an annual non-matching contribution on behalf of each participant who is eligible for such contribution. For the years ended December 31, 2018 and 2017, the employer non-matching contribution was equal to 1% of eligible employees' compensation (as defined). Effective January 1, 2017, the 403(b) Plan was amended to include a provision for employer matching contributions, which are made to participants' accounts on a bi-weekly payroll basis. For the years ended December 31, 2018 and 2017, ADL matched 25% of the first 6% of eligible compensation that a participant contributed to the 403(b) Plan. Participants are 100% vested in the employer contribution (non-matching and matching contributions) after three years of credited service.

For the years ended December 31, 2018 and 2017, ADL made contributions (non-matching and matching) totaling \$594,000 and \$545,000, respectively.

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

(7) Net Assets

Net assets with purpose or time restrictions at December 31, 2018 and 2017 include the following restrictions:

	<u>2018</u>	<u>2017</u>
Regional operations	\$ 3,845,585	3,860,665
Education	9,364,459	7,931,098
Policy and programs	2,838,616	2,925,581
International affairs and interfaith programs	126,852	1,067,552
Leadership	47,451	153,505
Public awareness	236,550	250,000
Appropriated endowment gains for the general activities of ADL	304,398	550,442
Future periods	<u>4,266,712</u>	<u>6,459,190</u>
	<u>\$ 21,030,623</u>	<u>23,198,033</u>

Net assets with donor restrictions at December 31, 2018 and 2017 that are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<u>2018</u>	<u>2017</u>
Regional operations	\$ 15,344,428	16,594,248
Education	20,308,364	13,729,757
Policy and programs	4,062,763	4,792,777
International affairs and interfaith programs	1,145,106	6,856,199
Leadership	4,770,835	4,016,054
General activities of ADL	<u>27,379,719</u>	<u>31,139,529</u>
	<u>\$ 73,011,215</u>	<u>77,128,564</u>

ADL's endowment, held entirely by the Foundation, consists of individual donor-restricted endowment funds established for a variety of purposes. In 2015, ADL established two board-designated endowment funds totaling \$3.5 million. As of December 31, 2018, the value of total board-designated endowments was \$3.3 million.

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The following tables present the changes in ADL's donor-restricted endowment funds, inclusive of pledges, for the years ended December 31, 2018 and 2017:

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets at December 31, 2017	\$ 3,763,860	77,128,564	80,892,424
Investment income	63,289	1,227,777	1,291,066
Net depreciation (realized and unrealized)	(369,174)	(7,255,613)	(7,624,787)
Contributions	—	5,108,879	5,108,879
Appropriation for expenditure	(188,193)	(3,198,392)	(3,386,585)
Endowment net assets at December 31, 2018	<u>\$ 3,269,782</u>	<u>73,011,215</u>	<u>76,280,997</u>

	2017		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets at December 31, 2016, as adjusted	\$ 3,540,091	72,109,702	75,649,793
Investment income	187,728	769,208	956,936
Net appreciation (realized and unrealized), as adjusted	240,879	7,335,686	7,576,565
Contributions	—	211,460	211,460
Appropriation for expenditure	(204,838)	(3,202,265)	(3,407,103)
Reclassification of net assets	—	(95,227)	(95,227)
Endowment net assets at December 31, 2017, as adjusted	<u>\$ 3,763,860</u>	<u>77,128,564</u>	<u>80,892,424</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. Deficiencies of this nature are reported in net assets with donor restrictions in the accompanying consolidated balance sheets. As of December 31, 2018 and 2017, funds with an original gift value of \$54,566,026 and \$5,154,597, respectively, were "underwater" by \$5,140,217 and \$148,670, respectively. The investment policy permits spending of underwater endowments.

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(b) Return Objective and Risk Parameters

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

(c) Spending Policy

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

(d) Change in Donor Designations

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

(8) Commitments and Contingencies

(a) Operating Leases

ADL occupies its National and New York regional office space in New York City under a lease agreement that expires in 2027. The agreement includes landlord incentives, escalation clauses, and a renewal option. Office space occupied by ADL's other regional offices is under lease agreements expiring at various dates through 2029. The leases are accounted for on a straight-line basis. Certain regional office leases include rent escalations and periods of free rent. The deferred landlord incentives (which are being recognized over the life of the lease) and the difference between straight-lining the rental charges and actual payments are reported as deferred rent in the accompanying consolidated balance sheets. Total rent expense approximated \$5.6 million and \$5.7 million for the years ended December 31, 2018 and 2017, respectively. Minimum annual rentals are as follows:

Year ending December 31:		
2019	\$	5,318,000
2020		4,901,000
2021		4,754,000
2022		4,572,000
2023		4,585,000
2024 and thereafter		<u>16,150,000</u>
	\$	<u>40,280,000</u>

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

Year ending December 31:		
2019	\$	316,000
2020		316,000
2021		343,000
2022		343,000
2023		343,000
2024 and thereafter		<u>1,425,000</u>
	\$	<u><u>3,086,000</u></u>

(b) Lines of Credit

The League and the Foundation each had a \$4 million line of credit with a financial institution at December 31, 2017. On July 31, 2018, these lines were replaced by two \$5 million lines of credit with the same financial institution. The interest rate on all borrowings as of July 31, 2018 is LIBOR plus 55 basis points or the prime rate, as selected by ADL. These lines are due March 1, 2020. As of December 31, 2018 and 2017, the League and the Foundation each had an outstanding balance of \$4 million from these lines totaling \$8 million of borrowings under the credit lines. Interest paid as of December 31, 2018 and 2017 was approximately \$209,000 and \$146,000, respectively.

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December 31, 2018 and 2017

(9) Liquidity and Availability

As of December 31, 2018 and 2017, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2018	2017
Cash and cash equivalents	\$ 20,807,348	27,407,035
Contributions receivable, net	21,283,234	12,124,114
Investments	93,356,407	106,790,509
Total financial assets available	135,446,989	146,321,658
Less those unavailable for general expenditure within one year, due to:		
Restricted by donors with time and purpose restrictions that will not be available in the next year	(11,287,869)	(14,383,324)
Endowment funds	(73,011,215)	(77,128,564)
Total amounts unavailable for general expenditures within one year	(84,299,084)	(91,511,888)
Less amounts unavailable to management without board's approval that are board-designated	(3,269,782)	(3,763,860)
Add subsequent year's endowment payout available for general expenditures	3,005,756	2,859,189
Add liquidity resources from bank lines of credit	2,000,000	—
Total financial assets and liquidity resources available within one year	\$ 52,883,879	53,905,099

ADL's cash flows have seasonal variations during the year attributable to a concentration of contributions received at year-end. To manage liquidity, ADL maintains lines of credit that are drawn upon as needed during the year to manage cash flows. Amounts outstanding under these lines of credit were \$8,000,000 as of December 31, 2018 and 2017. See note 8(b) for a description of the lines of credit. In addition, ADL manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures. Regular, monthly actual-to-budget comparison reporting at the department level and quarterly comparison reporting to actual and current budget occur.

(10) Subsequent Events

In connection with the preparation of the consolidated financial statements, ADL evaluated events after the balance sheet date of December 31, 2018 through August 13, 2019, which was the date the consolidated financial statements were available to be issued. ADL determined that no matters are required to be disclosed.

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

Consolidating Balance Sheet

December 31, 2018

Assets	League	Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 16,845,796	3,961,552	—	20,807,348
Contributions receivable, net	9,205,636	12,077,598	—	21,283,234
Prepaid expenses and other assets	1,166,312	2,910,080	—	4,076,392
Investments	319,299	93,037,108	—	93,356,407
Property and equipment, net	7,405,064	1,825,147	—	9,230,211
Due from the Foundation	3,481,122	—	(3,481,122)	—
Total assets	<u>\$ 38,423,229</u>	<u>113,811,485</u>	<u>(3,481,122)</u>	<u>148,753,592</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,269,874	699,108	—	7,968,982
Borrowings under lines of credit	4,000,000	4,000,000	—	8,000,000
Deferred rent	6,421,886	—	—	6,421,886
Liabilities under charitable trusts and annuity agreements	—	6,889,012	—	6,889,012
Long-term pension obligations	24,195,547	2,597,962	—	26,793,509
Due to the League	—	3,481,122	(3,481,122)	—
Total liabilities	<u>41,887,307</u>	<u>17,667,204</u>	<u>(3,481,122)</u>	<u>56,073,389</u>
Net assets (accumulated deficit):				
Net assets (deficit) without donor restrictions:				
Available for operations	6,714,540	15,447,552	—	22,162,092
Long-term pension obligations	(24,195,547)	(2,597,962)	—	(26,793,509)
Board-designated endowment	—	3,269,782	—	3,269,782
Total net assets (deficit), net of long-term pension obligations	<u>(17,481,007)</u>	<u>16,119,372</u>	<u>—</u>	<u>(1,361,635)</u>
Net assets with donor restrictions:				
Purpose restricted	14,016,929	7,013,694	—	21,030,623
Endowment fund	—	73,011,215	—	73,011,215
Total net assets with donor restrictions	<u>14,016,929</u>	<u>80,024,909</u>	<u>—</u>	<u>94,041,838</u>
Total net assets	<u>(3,464,078)</u>	<u>96,144,281</u>	<u>—</u>	<u>92,680,203</u>
Total liabilities and net assets	<u>\$ 38,423,229</u>	<u>113,811,485</u>	<u>(3,481,122)</u>	<u>148,753,592</u>

See accompanying independent auditors' report.

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

Consolidating Statement of Activities

Year ended December 31, 2018

	<u>League</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Changes in net assets without donor restrictions:				
Operating revenues:				
Contributions (including the League's special events revenue of \$18,324,000)	\$ 60,936,113	10,776,009	—	71,712,122
Less:				
Provision for uncollectible contributions receivable	(1,018,329)	(127,400)	—	(1,145,729)
Direct special events expenses	(5,186,701)	—	—	(5,186,701)
Contributions, net	54,731,083	10,648,609	—	65,379,692
Rental income from the League	—	291,946	(291,946)	—
Endowment return expended and other investment return	—	3,498,124	—	3,498,124
Other income	1,077,549	—	—	1,077,549
Net assets released from restrictions in satisfaction of time and purpose	8,290,679	303,831	—	8,594,510
Transfer to the League from the Foundation	10,829,586	(10,829,586)	—	—
Total operating revenues	74,928,897	3,912,924	(291,946)	78,549,875
Operating expenses:				
Program services	55,543,127	1,232,906	(291,946)	56,484,087
Administration	8,508,007	2,565,431	—	11,073,438
Development	8,488,320	2,708,537	—	11,196,857
Total operating expenses	72,539,454	6,506,874	(291,946)	78,754,382
Excess (deficiency) of operating revenues over operating expenses	2,389,443	(2,593,950)	—	(204,507)
Nonoperating activities:				
Investment return greater (less) than amount appropriated	78	(494,078)	—	(494,000)
Net periodic benefit cost	(467,672)	(51,964)	—	(519,636)
Pension credit other than net periodic benefit cost	1,215,730	135,081	—	1,350,811
Other, net	—	(47,579)	—	(47,579)
Transfer to the League from the Foundation	241,344	(241,344)	—	—
Total nonoperating activities	989,480	(699,884)	—	289,596
Increase (decrease) in net assets without donor restrictions	3,378,923	(3,293,834)	—	85,089
Changes in net assets with donor restrictions:				
Contributions:				
Endowment fund contributions	—	5,108,879	—	5,108,879
Other restricted contributions	7,423,051	(139,466)	—	7,283,585
Total contributions with donor restrictions	7,423,051	4,969,413	—	12,392,464
Change in the value of charitable trust and annuity agreements	—	(80,801)	—	(80,801)
Investment loss	—	(7,142,723)	—	(7,142,723)
Net assets released from restrictions:				
Satisfaction of time and purpose	(8,290,679)	(303,831)	—	(8,594,510)
Endowment return appropriated	—	(2,859,189)	—	(2,859,189)
Transfer to the League from the Foundation	986,014	(986,014)	—	—
Increase (decrease) in net assets with donor restrictions	118,386	(6,403,145)	—	(6,284,759)
Increase (decrease) in net assets	3,497,309	(9,696,979)	—	(6,199,670)
(Accumulated deficit) net assets at beginning of year	(6,961,387)	105,841,260	—	98,879,873
(Accumulated deficit) net assets at end of year	\$ (3,464,078)	96,144,281	—	92,680,203

See accompanying independent auditors' report.

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

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

Year ended December 31, 2018

	<u>Program services</u>						<u>Supporting services</u>				
	<u>Regional operations</u>	<u>Education</u>	<u>Policy and programs</u>	<u>International affairs and interfaith programs</u>	<u>Leadership</u>	<u>Public Awareness</u>	<u>Total program services</u>	<u>Administration</u>	<u>Development</u>	<u>Total supporting services</u>	<u>Total expenses</u>
Salaries	\$ 13,654,419	2,139,328	5,262,629	1,422,477	598,103	3,151,512	26,228,468	2,949,831	3,884,082	6,833,913	33,062,381
Personnel welfare and other related expenses	3,363,027	573,957	1,401,056	335,455	151,880	724,916	6,550,291	990,635	915,961	1,906,596	8,456,887
Total salaries and related expenses	17,017,446	2,713,285	6,663,685	1,757,932	749,983	3,876,428	32,778,759	3,940,466	4,800,043	8,740,509	41,519,268
Projects and functions	1,626,780	1,611,640	1,333,614	239,361	226,881	2,556,876	7,595,152	584,984	2,026,527	2,611,511	10,206,663
Office services and occupancy	3,685,920	874,336	2,432,590	465,984	397,942	1,393,024	9,249,796	2,475,127	1,300,509	3,775,636	13,025,432
Travel, meetings, and conferences	1,131,342	460,625	411,621	421,545	2,406,428	111,794	4,943,355	119,939	247,898	367,837	5,311,192
Research materials	23,231	1,387	222,609	3,739	53	45,293	296,312	6,882	60,315	67,197	363,509
Legal and financial	12,287	18,975	24,395	47,081	18,296	12,198	133,232	266,099	19,324	285,423	418,655
Other	149,610	86,872	90,088	109,649	67,839	42,463	546,521	1,114,510	33,704	1,148,214	1,694,735
Total operating expenses	\$ 23,646,616	5,767,120	11,178,602	3,045,291	3,867,422	8,038,076	55,543,127	8,508,007	8,488,320	16,996,327	72,539,454

See accompanying independent auditors' report.

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

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

Year ended December 31, 2018

	Program services						Supporting services				
	Regional operations	Education	Policy and programs	International affairs and interfaith programs	Leadership	Public Awareness	Total program services	Administration	Development	Total supporting services	Total expenses
Salaries	\$ 251,923	189,272	90,342	51,694	136,223	—	719,454	1,001,710	1,661,802	2,663,512	3,382,966
Personnel welfare and other related expenses	74,177	55,730	26,601	15,221	40,109	—	211,838	294,947	489,307	784,254	996,092
Total salaries and related expenses	326,100	245,002	116,943	66,915	176,332	—	931,292	1,296,657	2,151,109	3,447,766	4,379,058
Projects and functions	15,778	93,332	976	1,412	1,492	3,471	116,461	—	—	—	116,461
Office services and occupancy	113,940	42,728	28,485	—	—	—	185,153	721,740	318,417	1,040,157	1,225,310
Travel, meetings, and conferences	—	—	—	—	—	—	—	118,703	8,731	127,434	127,434
Research materials	—	—	—	—	—	—	—	—	75,354	75,354	75,354
Legal and financial	—	—	—	—	—	—	—	200,473	1,100	201,573	201,573
Other	—	—	—	—	—	—	—	227,858	153,826	381,684	381,684
Total operating expenses	\$ 455,818	381,062	146,404	68,327	177,824	3,471	1,232,906	2,565,431	2,708,537	5,273,968	6,506,874

See accompanying independent auditors' report.

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

Consolidating Statement of Cash Flows

Year ended December 31, 2018

	<u>League</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ 3,497,309	(9,696,979)	—	(6,199,670)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Pension credit other than net periodic benefit cost	(1,215,730)	(135,081)	—	(1,350,811)
Endowment fund contributions	—	(5,108,879)	—	(5,108,879)
Net depreciation in fair value of investments	—	9,074,047	—	9,074,047
Provision for uncollectible contributions receivable	1,018,329	127,400	—	1,145,729
Depreciation and amortization	1,492,677	126,067	—	1,618,744
Change in the value of charitable trust and annuity agreements	—	80,801	—	80,801
Changes in operating assets and liabilities:				
Contributions receivable	(1,308,530)	(4,312,466)	—	(5,620,996)
Prepaid expenses and other assets	589,312	(75,805)	—	513,507
Accounts payable and accrued expenses	(659,758)	180,178	—	(479,580)
Deferred rent	(323,791)	—	—	(323,791)
Long-term pension obligations	(1,820,403)	(186,399)	—	(2,006,802)
Net cash provided by (used in) operating activities	<u>1,269,415</u>	<u>(9,927,116)</u>	<u>—</u>	<u>(8,657,701)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	3,144,496	21,354,808	—	24,499,304
Purchase of investments	(2,808,422)	(17,330,827)	—	(20,139,249)
Acquisition of property and equipment	(1,693,073)	(21,357)	—	(1,714,430)
Net cash (used in) provided by investing activities	<u>(1,356,999)</u>	<u>4,002,624</u>	<u>—</u>	<u>2,645,625</u>
Cash flows from financing activities:				
Endowment fund contributions	—	5,108,879	—	5,108,879
Change in contributions receivable restricted for endowment	—	(4,683,853)	—	(4,683,853)
Payments to charitable gift annuitants	—	(1,092,872)	—	(1,092,872)
Proceeds from charitable trusts and annuity gifts in excess of amounts recognized as contributions	—	80,235	—	80,235
Amounts due from the Foundation	(879,640)	—	879,640	—
Amounts due to the League	—	879,640	(879,640)	—
Net cash (used in) provided by financing activities	<u>(879,640)</u>	<u>292,029</u>	<u>—</u>	<u>(587,611)</u>
Net decrease in cash and cash equivalents	(967,224)	(5,632,463)	—	(6,599,687)
Cash and cash equivalents at beginning of year	<u>17,813,020</u>	<u>9,594,015</u>	<u>—</u>	<u>27,407,035</u>
Cash and cash equivalents at end of year	<u>\$ 16,845,796</u>	<u>3,961,552</u>	<u>—</u>	<u>20,807,348</u>

See accompanying independent auditors' report.