HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

To the Board of Directors
Hadassah, The Women's Zionist Organization of America, Inc.:

We have audited the accompanying consolidated financial statements of Hadassah, The Women's Zionist Organization of America, Inc. and related entities, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Hadassah, The Women's Zionist Organization of America, Inc. and related entities as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Hadassah, The Women's Zionist Organization of America, Inc.'s 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

August 30, 2018

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Balance Sheet

December 31, 2017

(with summarized comparative financial information for the year ended December 31, 2016)

Assets		**2017**	**2016**
Cash and cash equivalents	$	91,168,594	78,971,454
Accounts receivable for medical services, net (note 5)		121,270,297	132,906,397
Accrued interest income and other receivables		933,863	1,740,778
Prepaid expenses and other assets (notes 12 and 17)		47,617,384	61,255,174
Contributions and bequests receivable, net (notes 3 and 6)		21,834,896	28,475,660
Investments (notes 3, 4, and 12)		700,164,176	587,600,236
Investments of charitable gift annuities held by Hadassah (notes 3 and 4)		57,665,646	53,589,483
Assets of trusts and other split-interest agreements held by others (notes 3 and 4)		29,481,953	30,984,507
Property, plant, and equipment, net (notes 7 and 15)		792,936,272	712,249,800
Total assets	$	1,863,073,081	1,687,773,489
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	163,613,480	147,256,044
Short-term debt (note 14)		5,099,309	4,601,023
Liabilities under deferred giving and annuity trust arrangements		46,415,068	49,285,297
Malpractice and other liabilities (note 12)		117,282,657	106,512,084
Accrued employees' benefits liabilities (note 13)		147,361,482	134,010,705
Advance from Government of Israel (note 17)		6,134,231	15,947,903
Loan from Government of Israel (note 17)		28,852,035	26,032,718
Long-term debt (note 15)		16,602,037	19,580,768
Total liabilities		531,360,299	503,226,542
Commitments and contingencies (note 16)			
Net assets:			
Unrestricted (notes 7, 8, and 10)		961,515,125	853,842,298
Temporarily restricted (notes 8 and 10)		267,143,762	220,943,617
Permanently restricted (notes 9 and 10)		103,053,895	109,761,032
Total net assets		1,331,712,782	1,184,546,947
Total liabilities and net assets	$	1,863,073,081	1,687,773,489

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Activities

Year ended December 31, 2017
(with summarized comparative financial information for the year ended December 31, 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2017	Total 2016
Revenues:					
Patient service revenue (note 5)	$ 603,811,187	—	—	603,811,187	528,072,880
Contributions and bequests (note 3)	51,238,687	82,147,080	258,711	133,644,478	142,352,233
Change in value of split-interest agreements	(149,894)	1,223,101	—	1,073,207	736,957
Member dues	504,813	—	—	504,813	780,280
Investment return (note 4)	48,451,945	22,247,831	—	70,699,776	22,176,903
Net income from recovery agreement (note 17)	25,948,499	—	—	25,948,499	28,782,038
Income from affiliation agreement	9,558,188	—	—	9,558,188	8,241,907
Government grants	95,526	—	—	95,526	1,077,646
Magazine revenue	496,126	—	—	496,126	465,617
Other revenue	9,114,086	55,611	—	9,169,697	9,858,664
Net assets released from restrictions	73,445,589	(73,445,589)	—	—	—
Total revenues	822,514,752	32,228,034	258,711	855,001,497	742,545,125
Expenses:					
Program services:					
Medical services	584,586,865	—	—	584,586,865	511,740,163
Education and research	70,254,658	—	—	70,254,658	67,898,260
Grants and allocations (note 11)	1,934,423	—	—	1,934,423	3,182,849
Magazine	1,811,996	—	—	1,811,996	1,861,740
Membership services	7,970,805	—	—	7,970,805	8,129,922
Communications and public affairs	2,831,307	—	—	2,831,307	3,191,053
Young Judaea programs (note 1)	306,264	—	—	306,264	457,265
Total program services	669,696,318	—	—	669,696,318	596,461,252
Supporting services:					
Fund-raising	11,313,280	—	—	11,313,280	10,832,042
Management and general	93,529,914	—	—	93,529,914	77,341,158
Total supporting services	104,843,194	—	—	104,843,194	88,173,200
Total expenses	774,539,512	—	—	774,539,512	684,634,452
Increase in net assets before foreign currency translation gain and other changes	47,975,240	32,228,034	258,711	80,461,985	57,910,673
Foreign currency translation gain	59,262,857	7,929,800	156,193	67,348,850	8,450,897
Reclassification of funds and other changes	434,730	6,042,311	(7,122,041)	(645,000)	—
Transfer of net assets (notes 1, 9, and 10)	—	—	—	—	(5,280,784)
Increase in net assets	107,672,827	46,200,145	(6,707,137)	147,165,835	61,080,786
Net assets at beginning of year	853,842,298	220,943,617	109,761,032	1,184,546,947	1,123,466,161
Net assets at end of year	$ 961,515,125	267,143,762	103,053,895	1,331,712,782	1,184,546,947

See accompanying notes to consolidated financial statements.

HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF AMERICA, INC. AND RELATED ENTITIES

Consolidated Statement of Cash Flows

Year ended December 31, 2017
(with summarized comparative financial information for the year ended December 31, 2016)

		2017	2016
Cash flows from operating activities:			
Increase in net assets	$	147,165,835	61,080,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(65,652,455)	(19,783,387)
Foreign currency translation gain		(67,348,850)	(8,450,897)
Depreciation		36,338,081	35,335,027
Recovery of bad debt		(10,372,077)	(5,738,690)
Contributions and bequests restricted for capital and endowment		(32,050,888)	(18,188,967)
Transfer of endowment net assets		—	5,280,784
Change in value of split-interest agreements		(1,073,207)	(736,957)
Changes in operating assets and liabilities:			
Accounts receivable for medical services		33,850,726	(20,855,831)
Accrued interest income and other receivables		806,915	(823,336)
Prepaid expenses and other assets		19,574,486	(3,897,052)
Contributions and bequests receivable		7,754,908	6,841,480
Accounts payable and accrued expenses		(1,223,701)	18,765,357
Malpractice and other liabilities		(741,530)	(2,487,153)
Accrued employees benefits liabilities		(1,127,406)	2,179,096
Advance from Government of Israel		(11,192,913)	—
Net cash provided by operating activities		54,707,924	48,520,260
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(40,786,216)	(25,164,396)
Change in accrued expenses for fixed assets		2,494,900	(8,010,016)
Purchase of investments		(297,134,599)	(216,308,702)
Proceeds from sale of investments		262,940,771	171,617,685
Net cash used in investing activities		(72,485,144)	(77,865,429)
Cash flows from financing activities:			
Repayment of debt		(4,945,588)	(4,610,168)
Contributions and bequests restricted for capital and endowment		32,050,888	18,188,967
Decrease in contributions receivable restricted for capital and endowment		652,262	1,032,000
Transfer of endowment net assets		—	(5,280,784)
(Decrease) increase in liabilities under deferred giving and annuity trust arrangements, net of change in related assets		(294,468)	631,895
Net cash provided by financing activities		27,463,094	9,961,910
Effect of exchange rate changes on cash		2,511,266	769,038
Net increase (decrease) in cash and cash equivalents		12,197,140	(18,614,221)
Cash and cash equivalents at beginning of year		78,971,454	97,585,675
Cash and cash equivalents at end of year	$	91,168,594	78,971,454
Supplemental disclosure:			
Interest paid	$	1,081,235	1,831,129

See accompanying notes to consolidated financial statements.

(1) Organization

Hadassah, The Women's Zionist Organization of America, Inc. (HWZOA) is a not-for-profit organization under the U.S. Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The accompanying consolidated financial statements include the accounts of HWZOA and its related entities (collectively, Hadassah or the Organization). Related entities comprise Hadassah Medical Relief Association, Inc. (HMRA), Hadassah International, Ltd. (a Bermuda corporation) (HIL), The Hadassah Foundation, Inc. (Hadassah Foundation), The Hadassah Office in Israel (an Israeli not-for-profit entity), Fabulous Finds LLC (a for-profit entity) (Fabulous Finds), Hadassah Medical Organization (HMO), Hadassah Stiftung Deutschland (Hadassah Foundation Germany) and Hadassah Mexico, A.C.

HWZOA is a volunteer organization that inspires a passion for and commitment to its partnership with the land and people of Israel. It enhances the health of people worldwide through its support of medical care and research at HMO in Jerusalem. HWZOA empowers its members and supporters, as well as youth in Israel and America through opportunities for personal growth, education, advocacy, and Jewish continuity.

In Israel, in addition to supporting activities at HMO, HWZOA, and HMRA support a variety of projects conducted by unconsolidated entities. Hadassah Academic College provides academic degree programs. Hadassah-supported Youth Aliyah villages provide housing, education, and support to disadvantaged Israeli and immigrant youth. Together with the Jewish National Fund, HWZOA and HMRA build parks and reservoirs, make parks disabled-accessible, plants trees, and supports reforestation projects.

In the United States, HWZOA members are engaged in a variety of educational, advocacy, and community service initiatives. Education services include women's health and wellness programs for heart health and breast cancer. Hadassah members help to shape public policy through advocacy work on important issues, including U.S.-Israel relations, women's health equity, human trafficking, and other issues related to the Jewish community. HWZOA is a staunch advocate against the Boycott, Divestment and Sanctions movement and all efforts aimed to tarnish and delegitimize the State of Israel. In communities nationwide, HWZOA members take the lead on a program called Curriculum Watch, which challenges publishers and educational institutions when their textbooks and materials indicate a bias against Jews or other minorities, or when the history of the United States, Israel, or the world is clearly misstated or "sanitized" in favor of one group over another.

On July 1, 2012, HWZOA transferred the programs and activities (except for the endowment funds and earnings accumulated but not yet appropriated) for Jewish youth known as "Young Judaea," Hadassah's Zionist youth movement, which include, without limitation, Young Judaea activities and programs in the United States and Israel, Young Judaea Sprout Lake Camp, Inc., Young Judaea Inc. (doing business as Camp Tel Yehudah), Hadassah Youth Services Amuta, and Hadassah WUJS Arad, Ltd. to Young Judaea Global, Inc. (YJG), an independent and separate not-for-profit corporation. In 2016, the Supreme Court of the State of New York, County of New York approved the transfer of endowment funds and earnings accumulated but not yet appropriated. Accordingly, the endowment corpus and accumulated earnings of $4,664,968 and $615,816, respectively, were transferred to YJG in 2016 (note 10).

HMO, located in Israel, is a provider of medical care, rehabilitation, and medical research. HMO is engaged primarily in providing medical services at two medical centers in Jerusalem – Ein Kerem and Mount Scopus. HMO is a nonsectarian institution providing state-of-the-art treatment to nearly one million patients a year at its two hospitals, a community health center, and outpatient clinics. HMO has been recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law – 1975. In accordance with HMO's Articles of Association and pursuant to Section 345 of the State of Israel Companies Law, 1999 (the Companies Law), HMO is a public benefit company. Pursuant to the Companies Law, a public benefit company operates only for public purposes, its income and property are applied solely toward the objects of the public benefit company, and it is prohibited from making the distribution of profits or any other distribution to its members (the Distribution Prohibition). HMRA is the sole corporate member of HMO, and HWZOA's designees are members of HMO. HWZOA and HMRA have control over HMO and are required to operate under requirements of the above-mentioned Articles of Association and the Distribution Prohibition, as well as under the Recovery Plan and Recovery Agreement entered into in 2014 that is in effect for seven years until December 31, 2020 (note 17). HMO owns and controls four wholly owned subsidiaries: Hadasit Medical Research and Development Company Ltd, S.R.Y (Medical Services) Ltd., Hadassah Medical Ltd., and the Research Fund of the Hadassah Medical Organization Amuta (R.A.).

HIL is a Bermuda exempted company limited by guaranty incorporated in August 1995, which coordinates Hadassah's international units whose purposes are to raise funds for HMO and develop exchange programs between HMO and medical institutions around the world. The members of the board of HIL are composed of members of the National Board of HWZOA (Board of Directors), as well as international representatives from HIL units. The sole corporate member is HMRA.

HMRA is a not-for-profit corporation incorporated in the State of New York on June 10, 1925, whose mission is identical to HWZOA. The members of HMRA consist of the National Board (Board of Directors) of HWZOA, the Board of Directors of HMRA consists of the members of the Executive Committee of HWZOA and the Officers of HMRA are the National Officers of HWZOA.

Hadassah Foundation, founded in 1998, grants funds to charitable organizations in the United States and in Israel that have a mission to serve the needs of women and girls in the United States and Israel for the purpose of funding seed projects related to the respective organization's mission.

Hadassah Foundation Germany is a nonprofit organization founded by HMRA in 2016 under German law whose purpose is to raise funds and direct these funds to promote science and research, medical, and public healthcare, as well as professional training by a tax-privileged or a public corporation. The authorized representatives of HMRA (and therefore of Hadassah Foundation Germany) are currently officers of HWZOA.

Hadassah Mexico, A.C. is a nonprofit association founded in 1999 in Mexico. The Associates of Hadassah Mexico, A.C. are HWZOA board members who elect the Board of Hadassah Mexico, A.C. The Board of Hadassah Mexico, A.C. includes members of the Board of HWZOA. The sole corporate member of Hadassah Mexico, A.C. is HWZOA. The purpose of Hadassah Mexico, A.C. is similar to the purpose of HIL regarding HMO and includes promotional activities and the development of programs, lectures, etc. in Mexico and pursuant to Mexican law.

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Fabulous Finds, founded in 2006, is managed by HWZOA, and was created for the purpose of selling donated items on eBay. Fabulous Finds is currently inactive.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by Hadassah are described below:

(a) Basis of Presentation

The consolidated financial statements do not include the financial position or changes in net assets of the Hadassah chapters or the international affiliates (autonomous geographical units) except as mentioned in note 1. All material intercompany transactions have been eliminated in consolidation.

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions, which stipulate that the principal be maintained permanently, but permit the Organization to expend part or all of the income and gains derived therefrom.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies 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 these consolidated financial statements include the fair value of investments, estimated net realizable value of receivables, valuation of medical malpractice liability, liabilities under deferred giving and annuity trust arrangements, HMO accrued employees' benefits liabilities, foreign currency translation gain, and functional expense allocations. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash equivalents consist of highly liquid debt instruments purchased with an original maturity of three months or less, except for such investments purchased by the Organization's investment managers as part of their long-term investment strategies, amounts that are restricted by donors for specific purposes or amounts designated by HMO management for specific purposes. At December 31, 2017 and 2016, cash and cash equivalents consist primarily of money market instruments of approximately $91,000,000 and $79,000,000, respectively. Cash and cash equivalents held at HMO approximated $61,000,000 and $25,000,000 at December 31, 2017 and 2016, respectively.

(d) Accounts Receivable for Medical Services (HMO)

Accounts receivable for medical services are recorded at the reimbursed or contracted amounts and do not bear interest. HMO grants credit to patients and generally does not require collateral or other security. The allowance for doubtful accounts is HMO's best estimate of probable credit losses in HMO's existing accounts receivable for medical services. HMO determines the allowance based on historical collection experience.

(e) Fair Value of Financial Instruments

The Organization follows the provisions of accounting standards for *Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers. 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 underlying assets and liabilities.

Fair value is defined as the exchange price that would be received for 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 at the measurement date.

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

Level 1 – Inputs are published or unadjusted quoted prices 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 other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

(f) Investments

Investments in debt and readily marketable equity securities are reported at fair value based upon quoted or published market prices. Alternative investments that are not readily marketable are stated at fair value as a practical expedient based on the net asset value reported by investment managers and general partners. Those net asset values may differ significantly from values that would have been used had a ready market for these securities existed. The Organization reviews and evaluates the

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values provided by the investment managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset value of these alternative investments.

(g) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions receivable, less an allowance for uncollectible amounts, are reported at their net present value. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

(h) Government Grants

Government grants and contracts are accounted for as exchange transactions and revenue is recognized as earned.

(i) Deferred Giving Arrangements

The Organization enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts, unitrusts, and pooled income funds, the beneficiaries of which include the Organization. The Organization manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. In addition, the Organization is the beneficiary of other deferred giving agreements that are held and administered by others.

Such split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or the specified annuity amounts. Assets held under these arrangements are reported at fair value in the accompanying consolidated balance sheet as assets of trusts and other split-interest agreements held by others, except for charitable gift annuities, which are reported as investments. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments.

(j) Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the Organization's fund-raising activities, programs, and administrative services. Since the criteria for recognizing revenues for contributed services have not been met, no revenue or expense has been recognized in the accompanying consolidated financial statements.

(k) Property, Plant, and Equipment and Depreciation

Property, plant, and equipment are recorded at cost or fair value at date of gift if contributed.

Depreciation on fixed assets is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	15 to 50 years
Furniture and equipment (including computer equipment and software)	3 to 15 years

(l) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges have been recognized for the years ended December 31, 2017 and 2016.

(m) Patient Service Revenue (HMO)

Net patient service revenue is recognized in the period services are performed and consist primarily of net patient service revenue that is reported at estimated net realizable amounts from Sick Funds, patients, and others for services rendered, and include an estimated reduction for reimbursement caps (note 5).

(n) Accounts Payable and Accrued Expenses at HMO

Accounts payable and accrued expenses at HMO approximated $155,756,000 and $138,751,000 at December 31, 2017 and 2016, respectively.

(o) Tax Status

The Organization recognizes the effect of income tax provisions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under Internal Revenue Code Section 511. Taxes on disallowed expenses and Value Added Tax paid were included in the sections of the expenses on which the tax was imposed. As of December 31, 2017 and 2016, the Organization does not have any uncertain tax positions or any unrelated income tax liability, which would have a material impact on its consolidated financial statements.

(p) Prior-Year Summarized Financial Information

The accompanying consolidated statement of activities is presented with prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(q) Reclassifications

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

(3) Fair Value

Unconditional promises to give are recognized initially at fair value as contributions and bequests revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

(4) Investments

At December 31, 2017, investments (including those associated with charitable gift annuities) at fair value consist of the following:

	Fair value	Level 1
Assets:		
Investments:		
Money market instruments	$ 140,887,621	140,887,621
State of Israel bonds	50,484,631	50,484,631
U.S. equity	20,335,714	20,335,714
International equity	26,612,684	26,612,684
Mutual funds – U.S. equity	133,618,539	133,618,539
Mutual funds – fixed income	98,832,448	98,832,448
Mutual funds – emerging equity	18,386,963	18,386,963
Mutual funds – global equity	65,568,346	65,568,346
Mutual funds – REITs	2,727,538	2,727,538
Corporate bonds	4,211,820	4,211,820
Other	3,196,789	3,196,789
	564,863,093	$ 564,863,093
Investments measured at net asset value (or its equivalent):		
Event-driven equities	27,256,151	
Absolute return	22,251,755	
Real estate	29,672,216	
Private equity	33,219,388	
Opportunistic fixed income	30,534,135	
Non-U.S. developed and emerging market equities	28,919,164	
Equity hedge	21,113,920	
Total investments measured at net assets value (or its equivalent)	192,966,729	
Total investments	$ 757,829,822	

	Fair value	Level 1	Level 2	Level 3
Assets held in trust by others:				
Money market instruments	$ 3,837,996	1,406,856	—	2,431,140
Mutual funds – equity	12,741,478	12,741,478	—	—
Mutual funds – fixed income	3,710,284	3,710,284	—	—
Large cap funds	4,004,019	4,004,019	—	—
Small cap funds	1,473,702	1,473,702	—	—
International equity	3,242,615	3,242,615	—	—
REITS	456,748	456,748	—	—
Other debt securities	15,111	15,111	—	—
Total assets held in trust by others	$ 29,481,953	27,050,813	—	2,431,140

At December 31, 2016, investments (including those associated with charitable gift annuities) at fair value consist of the following:

	Fair value	Level 1
Assets:		
Investments:		
Money market instruments	$ 99,834,114	99,834,114
Time deposits	238,181	238,181
State of Israel bonds	44,335,703	44,335,703
U.S. Treasury obligations	4,995,500	4,995,500
U.S. equity	23,599,542	23,599,542
International equity	2,207,222	2,207,222
Mutual funds – U.S. equity	120,945,942	120,945,942
Mutual funds – fixed income	61,691,899	61,691,899
Mutual funds – emerging equity	57,246,892	57,246,892
Mutual funds – global equity	12,930,197	12,930,197
Mutual funds – REITs	2,973,960	2,973,960
Corporate bonds	4,384,691	4,384,691
Other	1,995,947	1,995,947
	437,379,790	$ 437,379,790

	Fair value	Level 1
Investments measured at net asset value (or its equivalent):		
Event-driven equities	$ 36,979,190	
Absolute return	24,597,209	
Real estate	17,191,444	
Private equity	24,666,024	
Opportunistic fixed income	45,580,717	
Non-U.S. developed and emerging market equities	22,821,914	
U.S. equity	12,584,912	
Equity hedge	19,388,519	
Total investments measured at net assets value (or its equivalent)	203,809,929	
Total investments	$ 641,189,719	

	Fair value	Level 1	Level 2	Level 3
Assets held in trust by others:				
Money market instruments	$ 4,913,628	2,482,488	—	2,431,140
Mutual funds – equity	15,760,843	15,760,843	—	—
Mutual funds – fixed income	1,338,788	1,338,788	—	—
Large cap funds	3,479,672	3,479,672	—	—
Small cap funds	1,243,797	1,243,797	—	—
International equity	2,455,711	2,455,711	—	—
REITS	546,601	546,601	—	—
Other debt securities	1,245,467	1,245,467	—	—
Total assets held in trust by others	$ 30,984,507	28,553,367	—	2,431,140

Alternative investments and certain institutional equity funds contain restrictions with required written notice ranging from 4 days to 90 days. In addition, certain of these investments are restricted by initial lockup periods.

The following table summarizes the composition of investments measured at net asset value fair value (or its equivalent) by the various redemption provisions as of December 31, 2017:

	December 31, 2017	
	Amount	**Notice period**
Redemption period:		
Monthly:		
Equity hedge	$ 9,612,231	30 days
Non-U.S. developed and emerging market equities	28,919,164	6 days
Quarterly:		
Opportunistic fixed income	30,534,135	60 days
Event-driven equities	17,156,594	65 days
Equity hedge	11,501,689	45 days
Annual:		
Absolute return	17,866,248	90 days
Lockup:		
Absolute return	4,385,507	
Event-driven equities	10,099,557	
Real estate	29,672,216	
Private equity	33,219,388	
Lockup subtotal	77,376,668	
Total	$ 192,966,729	

The amounts subject to redemption restrictions for the lockup category are set to expire as follows:

	Amount
Year ending:	
2018	$ 10,099,557
2019	—
2020 and beyond	67,277,111
	$ 77,376,668

Investments held at HMO approximated $193,724,000 and $146,269,000 at December 31, 2017 and 2016, respectively.

The Organization's alternative investments follow eight basic strategies as follows:

(a) Event-Driven Equities

This strategy involves investing in companies experiencing significant change due to changing markets and business conditions, such as companies facing bankruptcy, or in need of capital restructuring, and in companies whose operations can benefit by restructuring the consolidated balance sheets, typically through debt to equity conversion. Upon recovery of target-company, an exit strategy is utilized and, depending on market conditions, may include sale of the company, sale of securities, or sale of assets.

This strategy may also involve purchasing severely discounted securities, such as subprime securities, asset-backed securities, collateralized debt obligations, and whole loans, against perceived intrinsic value.

(b) Non-U.S. Developed and Emerging Market Equities

This is a long-only equity strategy that invests in companies, located in Non-U.S. developed and emerging market countries, with strong financial characteristics, earnings, consistency, attractive long-term free cash flow yield, and high returns on invested capital.

(c) Private Equities

Private equity refers to equity securities that are not regulated by a governing body, such as the Securities and Exchange Commission. These securities are not publicly traded and are available only to "sophisticated" investors, such as pension plans, financial institutions, endowments, and high-net-worth individuals. Private equity investments are generally structured as limited partnerships with the private equity fund manager serving as the general partner and the investors serving as limited partners. Private equity investments are primarily made by private equity firms, venture capital firms, or angel firms, each with their own set of goals, preferences, and investment strategies, yet each providing working capital to a target company to nurture expansion, new product development, or restructuring of the company's operations, management, or ownership.

(d) Real Estate

This strategy involves investing in private properties, which may include residential, retail, industrial, hotel, assisted living, and office either directly or through a diversified fund structure.

(e) Opportunistic Fixed Income

This strategy focuses primarily on seasoned residential mortgage-backed securities using structured credit products including subprime residential mortgage-backed security, home equity line of credits, asset-backed security collateralized debt obligations, commercial loans, etc. The primary goal is to maximize total return. Other fixed income strategies include investments in high-yield bonds and leveraged loans with a primary goal of generating current income with the potential for price appreciation.

(Continued)

(f) U.S. Equity

This is a long-only equity strategy that invests in companies with strong financial characteristics, earnings consistency, attractive long-term free cash flow yield and high returns on invested capital.

(g) Absolute Return

Absolute return hedge fund strategies include multistrategy hedge funds, fixed income relative value funds and distressed-focused funds. Broadly defined, absolute return strategies emphasize consistency of performance and low correlation to the broad market indices (typically defined by the S&P 500 Index).

(h) Equity Hedge

Hedged equity managers typically manage a portfolio of domestic and international equities and have the ability to manage both long and short positions in equity securities. Such investments would be included to provide exposure to the equity markets with somewhat lower volatility than "long-only" equity investments. It is expected that hedged equity strategies would have a closer correlation to the broad equity markets than absolute-return focused strategies.

Certain limited partnerships carry minimum subscription or capital commitments. At December 31, 2017 and 2016, outstanding future capital commitments amount to approximately $60,619,000 and $31,246,000, respectively.

Components of investment return are as follows:

		2017	2016
Interest and dividends	$	6,609,390	4,247,768
Net appreciation in fair value of investments		65,652,455	19,783,387
Investment management fees		(1,551,495)	(1,508,448)
Unrelated business income tax		(10,574)	(345,804)
Total	$	70,699,776	22,176,903

The Organization permits certain investment managers to use nonspeculative off-balance-sheets forward foreign currency contracts to manage the currency risk inherent in owning securities denominated in foreign currencies. Such contracts involve, to varying degrees, risk of loss arising from either the potential change in market prices (market risk) or from the possible inability of the counterparties to meet the terms of their contracts (credit risk). The Organization did not purchase or sell any foreign currencies contracts during the years ended December 31, 2017 and 2016.

(5) Patient Service Revenue and Accounts Receivable for Medical Services

Patient service revenue consisted of the following:

		2017	2016
Sick Funds	$	423,012,069	377,112,594
Government of Israel		67,992,187	57,156,881
Healthcare Maintenance Organization		57,980,407	52,745,953
Other		54,826,524	41,057,452
Total	$	603,811,187	528,072,880

According to the National Health Insurance Act (1994), every Israeli resident (as defined in the law) is entitled to receive certain health services (including hospitalization) included in a basic defined package funded by the State of Israel. The program is administered mainly through Clalit Health Services, Maccabi Health Services, Leumit, and Meuhedet (collectively referred to as the Sick Funds), which are responsible to provide or fund those services to residents registered.

HMO receives reimbursement from the Sick Funds for services provided (fee for service) based on a price list published by the Ministry of Health. The Ministry of Health publishes a price list prospectively for medical services included in the basic defined package several times a year. In addition, the Israeli government sets a cap on collections by a hospital from each Sick Fund whereby reimbursement for charges above the cap are further discounted and may be collected at a range of 30% to 65% of published rates depending on the agreements with each Sick Fund.

HMO had a three-year contract with each Sick Fund, which was renewed during 2011. The contracts determine credit terms and discount rates. Maximum rates for most of the services and types of services within the capping are regulated by the Government of Israel and the agreements with the Sick Funds are negotiated based on those regulations. Approximately 70% and 71% of HMO's patient service revenue is from the Sick Funds for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, HMO had signed cooperation agreements with Clalit, Meuhedet, and Leumit health funds. The manner of accounting with the Maccabi health fund is in accordance with the provisions of the Arrangements Law (note 16).

HMO and others in the healthcare industry are subject to certain inherent risks based on substantial dependence on revenues derived from a limited number of sources and the pressure to increase discounts on published rates (reduce reimbursement) for healthcare services being provided. Additionally, the current economic environment increases collection risk of account receivable. The ultimate outcome of these factors and other market changes cannot presently be determined.

Accounts receivable for medical services consisted of the following:

	2017	2016
Sick Funds	$ 105,193,943	129,626,795
Government of Israel	7,807,938	5,250,018
Healthcare Maintenance Organizations	19,266,524	16,502,661
Other	5,250,493	4,193,871
Less allowance for doubtful accounts	(16,248,601)	(22,666,948)
	$ 121,270,297	132,906,397

As of December 31, 2017 and 2016, approximately 76% and 83%, respectively, of gross receivables are from the various Sick Funds in Israel.

Amounts are charged to allowance for doubtful accounts after reasonable collection efforts have been exhausted. The following reflects the estimates made and the changes reflecting those estimates:

Allowance for doubtful accounts at December 31, 2015	$ (24,236,553)
Bad debt recovery	1,569,605
Allowance for doubtful accounts at December 31, 2016	(22,666,948)
Bad debt recovery	6,418,347
Allowance for doubtful accounts at December 31, 2017	$ (16,248,601)

Write-offs are primarily related to patients who are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

(6) Contributions and Bequests Receivable

Contributions and bequests receivable consist of the following at December 31, 2017 and 2016:

		2017	2016
Amounts expected to be collected in:			
Less than one year	$	12,858,622	22,582,759
One to five years		13,897,642	14,912,950
Over five years		3,097,955	1,860,656
		29,854,219	39,356,365
Less:			
Allowance for uncollectible amounts		(7,452,816)	(10,283,720)
Discount to net present value (0.750%–4.875%)		(566,507)	(596,985)
	$	21,834,896	28,475,660

Of the total amounts expected to be collected in less than one year, \$9,185,103 and \$17,919,529 represents bequests receivable at December 31, 2017 and 2016, respectively.

Gross contributions receivable at December 31, 2017 and 2016 include amounts due from five donors totaling approximately \$10,304,160 and \$13,952,860, respectively.

(7) Property, Plant, and Equipment

At December 31, 2017 and 2016, property, plant, and equipment consist of the following:

		2017	2016
Land	$	301,479	301,479
Building and building improvements		1,321,568,088	1,172,155,133
Furnishings and equipment		234,627,111	198,440,206
Computer equipment and software		48,300,385	42,784,939
		1,604,797,063	1,413,681,757
Less accumulated depreciation		(811,860,791)	(701,431,957)
Property, plant, and equipment, net	$	792,936,272	712,249,800

Property, plant, and equipment, net, held at HMO approximated \$787,898,000 and \$706,504,000 at December 31, 2017 and 2016, respectively.

(8) Unrestricted and Temporarily Restricted Net Assets

Unrestricted net assets at December 31, 2017 and 2016 consist of the following:

		2017	2016
General operating	$	92,917,819	77,000,877
Board-designated endowment		97,296,310	85,376,895
Net investment in property and equipment		771,300,996	691,464,526
Total unrestricted net assets	$	961,515,125	853,842,298

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

		2017	2016
Purpose restricted:			
Healthcare services	$	120,301,788	111,077,499
Research		68,110,581	58,135,768
Capital projects		46,093,506	20,611,284
Fellowships and awards		1,784,787	1,705,143
Advancement of medical services		471,731	254,860
Hadassah Academic College		580,928	384,986
Education		2,332,604	1,423,364
Youth Aliyah		3,858,083	3,657,967
Young Movement – Young Judaea		433,242	698,476
Israeli Crisis Campaign		1,374,198	1,374,198
Other		5,308,316	5,982,191
Time restricted:			
Deferred giving arrangements		16,493,998	15,637,881
Total temporarily restricted net assets	$	267,143,762	220,943,617

(9) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2017 and 2016 are restricted to investment in perpetuity with investment return available to support the following:

		2017	2016
Healthcare services	$	75,793,236	82,507,621
Research		12,975,873	12,969,210
Hadassah Academic College		1,163,733	1,163,303
Education		3,906,877	3,906,722
Youth Aliyah		2,298,366	2,298,366
Hadassah's greatest need		4,413,072	4,413,072
Other		2,502,738	2,502,738
Total permanently restricted net assets	$	103,053,895	109,761,032

(10) Endowment Funds

The Organization's endowment consists of approximately 500 individual funds, including both donor-restricted endowment funds and amounts designated by the Board of Directors to function as endowments.

(a) Interpretation of Relevant Law

The Organization follows the provisions of the New York Prudent Uniform Management of Institutional Funds Act (NYPMIFA). In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization.

The Organization classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include appreciation reported as temporarily restricted net assets (not yet appropriated for expenditures by the board) and the underwater amount of endowment funds (i.e., endowment funds whose fair values are below corpus), reported as unrestricted net assets.

The following table represents the net asset classes of the Organization's endowment funds as of December 31, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment	$	(13,614)	63,244,030	103,053,895	166,284,311
		(13,614)	63,244,030	103,053,895	166,284,311
Board-designated funds:					
HMRA		973,785	—	—	973,785
Hadassah Foundation		12,307,648	—	—	12,307,648
HWZOA		84,014,877	—	—	84,014,877
		97,296,310	—	—	97,296,310
Total endowment	$	97,282,696	63,244,030	103,053,895	263,580,621

The following table represents the net asset classes of the Organization's endowment funds as of December 31, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment	$	(392,857)	38,521,926	109,761,032	147,890,101
		(392,857)	38,521,926	109,761,032	147,890,101
Board-designated funds:					
HMRA		893,211	—	—	893,211
Hadassah Foundation		11,224,691	—	—	11,224,691
HWZOA		73,258,993	—	—	73,258,993
		85,376,895	—	—	85,376,895
Total endowment	$	84,984,038	38,521,926	109,761,032	233,266,996

(Continued)

The following table presents changes in endowments/board-designated funds for the year ended December 31, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment/board-designated net assets, December 31, 2016	$ 84,984,038	38,521,926	109,761,032	233,266,996
Interest and dividends	1,268,498	2,094,323	—	3,362,821
Net appreciation in fair value of investments	11,213,690	18,593,937	—	29,807,627
Contributions	—	—	258,711	258,711
Amounts utilized for operations	(562,773)	(2,443,197)	—	(3,005,970)
Additions to board-designated endowment	379,243	—	—	379,243
Reclassification of funds and other changes	—	6,477,041	(7,122,041)	(645,000)
Other	—	—	156,193	156,193
Endowment/board-designated net assets, December 31, 2017	$ 97,282,696	63,244,030	103,053,895	263,580,621

The following table presents changes in endowments/board-designated funds for the year ended December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment/board-designated net assets, December 31, 2015	$ 81,163,041	36,274,546	115,017,802	232,455,389
Interest and dividends	802,519	1,352,087	—	2,154,606
Net appreciation in fair value of investments	3,285,908	5,498,488	—	8,784,396
Contributions	—	—	1,260,128	1,260,128
Amounts utilized for operations	(639,901)	(3,987,379)	—	(4,627,280)
Additions to board-designated endowment	372,471	—	—	372,471
Reclassification of fund based on donor intent	—	—	(1,840,000)	(1,840,000)
Transfer of net assets	—	(615,816)	(4,664,968)	(5,280,784)
Other	—	—	(11,930)	(11,930)
Endowment/board-designated net assets, December 31, 2016	$ 84,984,038	38,521,926	109,761,032	233,266,996

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise as unrestricted net assets. The deficiencies as of December 31, 2017 and 2016 approximated $13,600 and $393,000, respectively.

(c) Return Objectives and Risk Parameters

The long-term objective of the endowment fund is to preserve the real purchasing power of its assets, while maximizing grant payments and program-related funding, covering expenses, and allowing for inflation.

The investment objective of the fund is to achieve a compound annualized rate of return over a market cycle, including current interest and dividend and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk taking.

(d) Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage of its donor-restricted endowment funds for spending (3% for 2017 and 2016) unless explicitly stipulated by the donor or relevant law.

(11) Grants and Allocations

Grants and allocations for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Youth Aliyah	$	1,065,771	1,152,298
Hadassah Academic College		112,942	424,587
Other		755,710	1,605,964
Total	$	1,934,423	3,182,849

In 2008, an agreement was entered into among HMRA, HMO, and the Israeli government to obtain a contribution from the Israeli government for the construction of a new hospital facility for HMO (the HMO Capital Project) (note 16). In the Recovery Agreement (note 17), it was agreed that during the Recovery Period, HMRA and HWZOA (jointly) undertook to transfer annually to HMO during the Recovery Period an amount of $19 million, and that the implementation of the said undertaking of HMRA and HWZOA pursuant to the Recovery Agreement, will constitute implementation of the undertakings of HMRA pursuant to the said 2008 Agreement (the HMO Capital Project). The 2008 Agreement requires HMRA to allocate to HMO the annual amount of no less than $19 million for the operation of HMO up to completion of the new hospital facility.

The construction of the HMO Capital Project was substantially completed in August 2018. The Recovery Agreement also requires HWZOA and HMRA to transfer all funds for the HMO Capital Project to an HMO special bank account, which is separate from the remaining financial activities of HMO. Since the inception of the project, HWZOA and HMRA have transferred to HMO annually $19 million for operations and funds for the HMO Capital Project.

See note 17 for Recovery Agreement and transactions with the Government of Israel.

(12) Medical Malpractice

HMO provides for potential medical malpractice losses through purchased primary insurance. The current policy has a deductible per event of $2,300,000 with a limit of $7,200,000 per event and $14,400,000 in aggregate for all events. The present value (based on a discount rate of 2%) of medical malpractice liabilities approximates $109,900,000 and $101,300,000 at December 31, 2017 and 2016, respectively, and is included in malpractice and other liabilities in the consolidated balance sheets. Such amounts exclude the current portion of medical malpractice liabilities of $10,963,773 and $9,632,156 at December 31, 2017 and 2016, respectively, which is included in accounts payable and accrued expenses in the consolidated balance sheets.

Pledged securities provided as security for the contingent liabilities and claims due to medical malpractice of $64,000,000 and $54,000,000 as of December 31, 2017 and 2016, respectively, are included in investments in the consolidated balance sheets. Pledged securities are used for the payment of deductible amount.

In accordance with Accounting Standards Update No. 2010-24, HMO has accrued medical malpractice claims liability and an insurance recoveries receivable in the consolidated balance sheets as of December 31, 2017 and 2016. Such amounts are included in prepaid expenses and other assets and malpractice and other liabilities as follows:

	2017	2016
Estimated long-term malpractice liability	$ 109,897,979	101,320,119
Insurance claims receivable	(16,128,288)	(18,951,819)
	$ 93,769,691	82,368,300

(13) Accrued Employees' Benefits Liabilities

(a) HWZOA

HWZOA has defined-contribution pension plans for eligible nonunion and union employees for which it contributes a percentage of each participating employee's gross salary. The contributions for the years ended December 31, 2017 and 2016 were $1,098,000 and $1,096,000, respectively.

(b) HMO Pension

HMO's liability for pension to employees is covered by current deposits to the Amitim-Hadassah Employees Pension Fund Ltd. (Amitim-HEPF), outside pension funds, and insurance companies.

HMO, together with certain other organizations, participates in a pension plan of the Israeli government, Amitim. Amitim-HEPF is a participant in a multiemployer pension plan, and accordingly, expenses are recognized as payments are made to the plan. The plan covers future retirement pension obligations of an employer. HMO's retirement plan expense is for its employees who began working prior to the year 1995 and participate in the plan, which equals to the required annual contributions to the plans, and is calculated based on 13.5% of the employee's monthly salary.

The following table discloses the name and funded status of the pension plan as of December 31, 2017 (based on the fund's audited financial statements):

Legal name and plan number		Present value of accumulated plan benefits	Market value of plan assets
Amitimim-Hadassah Employee Pension Fund	$	622,722,132	511,684,029

The following table discloses the name and funded status of the pension plan as of December 31, 2016 (based on the fund's audited financial statements):

Legal name and plan number		Present value of accumulated plan benefits	Market value of plan assets
Amitim-Hadassah Employee Pension Fund	$	516,672,915	443,590,485

The contributions to the plan during fiscal years 2017 and 2016 were approximately $6,685,000 and $6,695,000, respectively.

(c) HMO Severance

HMO employee's severance pay is covered by current deposits to the Amitim-Hadassah Employee Pension Fund. Employees who resign after attaining seniority of at least five years are entitled to, in addition to their pension rights, compensation at the rate of 28% of their last salary multiplied by the years of employment. Employees insured with Amitim-HEPF who resign before reaching retirement age and who liquidate their pension rights are entitled to full severance pay from the Hospital, part of which is to be reimbursed by Amitim-HEPF.

The accrual for additional severance pay is approximately $65,000,000 and $56,000,000 at December 31, 2017 and 2016, respectively, and is included in accrued employee benefits liabilities in the consolidated balance sheets.

(d) Accrued Sick Leave and Deferred Wages

HMO employees who reach retirement age are entitled to compensation for sick days not used as determined in labor agreements. The accrual has been calculated on the basis of an actuarial calculation. The total liability recorded related to these agreements was approximately $51,000,000 and $43,000,000, respectively, at December 31, 2017 and 2016, and is included in accrued employee benefits liabilities in the consolidated balance sheets.

An agreement was signed between HMO and its employees whereby payments between 2%–4% of the employees' salaries during the period from 2009 to 2010 would be deferred and paid in 2017 and 2018. The balances are linked to the consumer price index (CPI) in Israel. As of December 31, 2017 and 2016, the liabilities are approximately $2,900,000 and $5,500,000, respectively. The liabilities are included in accrued employee benefits liabilities in the consolidated balance sheets.

As part of the Recovery Agreement, payments between 2%–4% of employees' salaries during the years 2014–2016 would be deferred and paid beginning in January 2024 on a monthly basis for three years. The balances are linked to the CPI and do not bear interest. As of December 31, 2017 and 2016, these liabilities to employees are approximately $28,700,000 and $27,100,000, respectively, and are included in accrued employee benefits liabilities in the consolidated balance sheets.

(14) Short-Term Debt

The current portion of long-term debt (note 15) was approximately $5,100,000 and $4,600,000, respectively, at December 31, 2017 and 2016. Interest expense was approximately $700,000 and $855,000 for the years ended December 31, 2017 and 2016, respectively.

(15) Long-Term Debt

HMO has the following loans outstanding as of December 31, 2017 and 2016 as follows:

		2017	2016
Long-term bank loan – Tower	$	21,701,346	24,181,791
Less current maturities		(5,099,309)	(4,601,023)
	$	16,602,037	19,580,768

(a) On October 6, 2010, an agreement was signed between HMO and a bank. In accordance with this agreement, HMO will receive from the bank a line of credit in an amount of $51,000,000 to finance the Hospitalization Tower. The maturity of the line of credit is 10 years, out of which in the first 2 years, only interest will be paid while the principal will be returned over the following 8 years. The amount utilized from the line of credit is linked to the CPI and bears interest of 2.3%–4.5% per year.

In order to receive the line of credit, HMO provided the following guaranties:

(i) A lien on real estate assets, and

(ii) Current and future payments from the National Insurance Institute of Israel due to births and premature babies born in the hospital.

(b) Scheduled principal payments on long-term debt are as follows:

Year ending December 31:		
2018	$	5,099,309
2019		5,099,309
2020		5,099,309
2021		5,099,309
2022		1,304,110
	$	21,701,346

(16) Commitments and Contingencies

(a) Line of Credit

The Organization has a $25,000,000 secured revolving credit agreement which matures on March 31, 2019. The revolving credit agreement requires collateral equal to the principal balance, which is held in cash and investment accounts with the lender. There is no outstanding balance as of December 31, 2017 and 2016.

(b) Construction Projects

Construction of a new inpatient hospital is estimated to cost approximately $363,000,000, and is expected to be fully completed in 2018. At December 31, 2017, construction commitments were approximately $5,500,000.

(c) Minimum Lease Payments

On March 18, 2015, Hadassah moved to office space located at 40 Wall Street, New York, New York. Per the terms of the agreement, Hadassah did not make any rental payments until October 2015. However, in accordance with U.S. GAAP, the rent expense is recognized over the lease term. The lease is for a 20-year period commencing on December 1, 2014. Rent expense for the years ended December 31, 2017 and 2016 was $1,708,512.

Scheduled minimum lease payments are as follows:

Year ending December 31:		
2018	$	1,569,950
2019		1,569,950
2020		1,604,581
2021		1,708,475
2022		1,708,475
Thereafter		23,860,932
	$	32,022,363

(d) Reimbursement Contingencies

Over 60% of HMO's patient service revenue is from Sick Funds. All of the Sick Funds in Israel have deficits and are included in the framework of recovery and efficiency programs supervised by the Government of Israel. The maximum rates for most health services – fee for day of hospitalizations, fees for differential activities, emergency charges, and various services are determined by the Ministry of Health.

In an amendment to the Arrangements Law, 2007, it was stipulated that, commencing from 2008, there would be discounts for Sick Funds in respect of deviations from the consumption ceiling as follows: on deviations up to 13% in excess of the capping, the Sick Funds pay 30% of the price; and in excess of a deviation of 13%, the Sick Funds pay 65% of the price.

During 2010, the Ministry of Health effected changes in rates and in the model for accountability between the hospitals and the Sick Funds, which included the following:

- Exclusion of ambulatory healthcare from the capping
- Raising the rates for a day of hospitalization
- Updating the rates for medical services

(e) Legal Proceedings

The Organization is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the Organization's financial condition or results of operations.

(17) Recovery Agreement

At December 31, 2014, HMO's unrestricted accumulated deficit, excluding net investment in property, plant and equipment, approximated $218 million. In February 2014, and as a result of financial difficulties caused by continuing operational and cash deficits, HMO submitted a request to the District Court in Jerusalem (the Court) for a Stay of Proceedings status. On February 11, 2014, the Court approved the Stay of Proceedings status in accordance with Section 350 of the Companies Law for a 90-day period and required the trustees and management to conduct intense discussions with the Unions, Government and Hadassah in order to reach a recovery plan.

On May 22, 2014, the Court approved a recovery plan (the Recovery Agreement) for the period of seven years beginning January 1, 2014 through December 31, 2020, and canceled the Stay of Proceedings status. On June 24, 2014, and pursuant to the terms of the recovery plan, the Recovery Agreement was signed by HMO, Hadassah, and the Government of Israel, which includes various operational, financial and corporate governance matters. In accordance with the recovery plan and Recovery Agreement, HMO undertook to transfer to the Government all the Hospital's rights in the properties which do not serve for the functioning of the Hospital and will pledge additional assets and certain sources of income to the Government. The Agreement is effective as of July 28, 2014. Net income from the Recovery Agreement in 2017 and 2016 includes grants of $25,948,499 and $28,782,038, respectively, from the Government of Israel. Included in prepaid expenses and other assets in the accompanying 2017 and 2016 consolidated balance sheets is a receivable from the Government of Israel in the amount of $1,157,000 and $15,900,000, respectively.

In accordance with the Recovery Agreement, HMO received a long-term loan from Government of Israel with an outstanding balance of $28,852,035 and $26,032,718 at December 31, 2017 and 2016, respectively. The loan bears interest of 3.85% annually. During the years of the Recovery Agreement (through December 31, 2020), HMO will pay interest only and beginning in January 2021, the principal will be paid in 120 monthly installments. In 2017, HWZOA, HMO and the Government of Israel agreed to freeze the collection of the interest on the loan from June 2017 – June 2018. At December 31, 2017 and 2016, advances from the Government of Israel represent $6,134,231 and $15,947,903, respectively, received in advance relating to repayment of SHARAP funds.

(18) Subsequent Events

Management evaluated all events that occurred after December 31, 2017 and through August 30, 2018, which is the date the consolidated financial statements were available for issuance, and has concluded that there are no additional subsequent events requiring disclosure.