

**McGladrey & Pullen**  
Certified Public Accountants

**American Jewish World Service, Inc.**

Financial Report

December 31, 2009

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
American Jewish World Service, Inc.  
New York, New York

We have audited the accompanying statement of financial position of American Jewish World Service, Inc. as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of American Jewish World Service, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2008 financial statements and, in our report dated May 14, 2009, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jewish World Service, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
May 24, 2010

American Jewish World Service, Inc.

Statements of Financial Position  
December 31, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,426,086	\$ 4,639,555
Contributions Receivable	4,288,908	5,248,240
Investments	8,500,000	8,782,459
Prepaid Expenses and Other Assets	426,192	319,712
Notes Receivable	50,000	50,000
Property and Equipment, net of accumulated depreciation of \$1,392,283 and \$899,383, respectively	<u>2,192,284</u>	<u>2,493,306</u>
<b>Total assets</b>	<b><u>\$ 26,883,470</u></b>	<b><u>\$ 21,533,272</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 792,056	\$ 532,287
Grants payable	7,466,185	6,977,125
Deferred rent	266,957	228,456
Unearned revenue	168,101	51,854
Charitable gift annuity obligation	<u>237,080</u>	<u>237,942</u>
<b>Total liabilities</b>	<b><u>8,930,379</u></b>	<b><u>8,027,664</u></b>
Commitments and Contingencies		
Net Assets:		
Unrestricted:		
Undesignated	4,053,415	1,154,608
Unrestricted designated for donor-advised funds	1,171,200	-
Unrestricted designated for long-term investment	2,000,131	-
Board-designated for reserve funds	<u>3,441,015</u>	<u>3,441,015</u>
<b>Total unrestricted</b>	<b>10,665,761</b>	<b>4,595,623</b>
Restricted	<u>7,287,330</u>	<u>8,909,985</u>
<b>Total net assets</b>	<b><u>17,953,091</u></b>	<b><u>13,505,608</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 26,883,470</u></b>	<b><u>\$ 21,533,272</u></b>

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statements of Activities

(with summarized comparative financial information for the year ended December 31, 2008)

Years Ended December 31, 2009 and 2008

	2009			2008
	Unrestricted	Restricted	Total	Total
Contributions and Revenue:				
Individual	\$ 10,893,745	\$ 15,486,136	\$ 26,379,881	\$ 25,305,001
Donor-advised fund	12,000,000	-	12,000,000	-
Bequest	164,907	178,789	343,696	34,296
Foundations and corporations	551,750	2,452,808	3,004,558	4,798,441
Special event revenue, net of expenses of \$35,148	86,362	3,070	89,432	92,328
Donated services	227,368	551,561	778,929	1,630,780
Investment income, net of expenses of \$10,150	108,751	2,089	110,840	(3,392,516)
Study tours and miscellaneous revenue	278,037	30,736	308,773	392,982
Net assets released from restrictions	20,327,844	(20,327,844)	-	-
<b>Total contributions and revenue</b>	<b>44,638,764</b>	<b>(1,622,655)</b>	<b>43,016,109</b>	<b>28,861,312</b>
Program Expenses:				
Grants	24,833,907	-	24,833,907	15,562,007
Service	3,467,055	-	3,467,055	4,762,166
Education and community engagement	3,801,559	-	3,801,559	3,754,845
Advocacy	1,048,899	-	1,048,899	1,444,400
<b>Total program expenses</b>	<b>33,151,420</b>	<b>-</b>	<b>33,151,420</b>	<b>25,523,418</b>
Supporting Services Expenses:				
Finance and administration	2,891,765	-	2,891,765	2,663,666
Development	2,525,441	-	2,525,441	3,126,544
<b>Total supporting services expenses</b>	<b>5,417,206</b>	<b>-</b>	<b>5,417,206</b>	<b>5,790,210</b>
<b>Total expenses</b>	<b>38,568,626</b>	<b>-</b>	<b>38,568,626</b>	<b>31,313,628</b>
<b>Change in net assets</b>	<b>6,070,138</b>	<b>(1,622,655)</b>	<b>4,447,483</b>	<b>(2,452,316)</b>
Net Assets:				
Beginning	4,595,623	8,909,985	13,505,608	15,957,924
Ending	<u>\$ 10,665,761</u>	<u>\$ 7,287,330</u>	<u>\$ 17,953,091</u>	<u>\$ 13,505,608</u>

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statements of Functional Expenses

(with summarized comparative financial information for the year ended December 31, 2008)

Years Ended December 31, 2009 and 2008

	Grants	Service	Education and Community Engagement	Advocacy	Program Services Total	Finance and Administration	Development	Supporting Services Total	2009 Total	2008 Total
Salaries and benefits	\$ 1,590,990	\$ 1,392,075	\$ 2,386,975	\$ 270,975	\$ 5,641,015	\$ 1,911,797	\$ 1,263,322	\$ 3,175,119	\$ 8,816,134	\$ 8,336,784
Program grants (non-donor-advised)	11,881,415	-	-	500,000	12,381,415	-	-	-	12,381,415	13,503,712
Program grants (donor-advised)	10,175,000	-	-	-	10,175,000	-	-	-	10,175,000	-
Partner support	-	305,959	48,134	-	354,093	-	-	-	354,093	503,811
Professional services	440,896	258,961	199,422	3,219	902,498	70,589	196,845	267,434	1,169,932	1,659,813
Donated services	43,775	576,612	64,436	1,510	686,333	61,493	31,103	92,596	778,929	1,630,780
Office supplies and expenses	37,983	26,356	56,861	13,203	134,403	58,305	32,378	90,683	225,086	285,359
Postage	381	3,445	22,335	748	26,909	3,642	220,349	223,991	250,900	258,015
Occupancy	232,813	132,961	340,999	130,769	837,542	329,671	164,490	494,161	1,331,703	1,295,215
Telecommunications	28,970	27,344	94,798	28,261	179,373	35,804	42,079	77,883	257,256	306,467
Travel and conference	274,416	636,008	314,653	36,438	1,261,515	55,918	97,795	153,713	1,415,228	1,908,797
Printing and publications	11,053	12,698	69,232	8,578	101,561	7,190	334,734	341,924	443,485	595,893
Advertising expense	3,694	11,580	10,277	6,556	32,107	7,703	4,761	12,464	44,571	234,884
Miscellaneous	20,476	30,813	59,977	25,383	136,649	122,836	74,509	197,345	333,994	344,937
Bad debt	-	-	-	-	-	98,000	-	98,000	98,000	10,000
Depreciation and amortization	92,045	52,243	133,460	23,259	301,007	128,817	63,076	191,893	492,900	439,161
<b>Subtotal</b>	<b>24,833,907</b>	<b>3,467,055</b>	<b>3,801,559</b>	<b>1,048,899</b>	<b>33,151,420</b>	<b>2,891,765</b>	<b>2,525,441</b>	<b>5,417,206</b>	<b>38,568,626</b>	<b>31,313,628</b>
Special event expenses	-	-	-	-	-	-	35,148	35,148	35,148	58,897
Investment management fee	-	-	-	-	-	10,150	-	10,150	10,150	61,918
<b>Total</b>	<b>\$ 24,833,907</b>	<b>\$ 3,467,055</b>	<b>\$ 3,801,559</b>	<b>\$ 1,048,899</b>	<b>\$ 33,151,420</b>	<b>\$ 2,901,915</b>	<b>\$ 2,560,589</b>	<b>\$ 5,462,504</b>	<b>\$ 38,613,924</b>	<b>\$ 31,434,443</b>

See Notes to Financial Statements.

**American Jewish World Service, Inc.**

**Statements of Cash Flows  
Years Ended December 31, 2009 and 2008**

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	\$ 4,447,483	\$ (2,452,316)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	98,000	10,000
Donated securities	(287,851)	-
Depreciation and amortization	492,900	439,161
Net realized and unrealized losses on investments	25,621	3,819,679
Actuarial loss on charitable gift annuity obligation	5,370	38,384
Increase in deferred rent	38,501	57,088
Loss on disposal of fixed assets	-	1,648
Changes in operating assets and liabilities:		
Decrease (increase) in contributions receivable	861,332	(2,354,347)
(Increase) decrease in prepaid expenses and other assets	(106,480)	2,514
Increase (decrease) in accounts payable and accrued expenses	259,769	(140,193)
Increase (decrease) in grants payable	489,060	(882,825)
Increase (decrease) in unearned revenue	116,247	(57,715)
Decrease in charitable gift annuity obligation	(6,232)	(6,444)
<b>Net cash provided by (used in) operating activities</b>	<b>6,433,720</b>	<b>(1,525,366)</b>
Cash Flows From Investing Activities:		
Purchases of equipment	(191,878)	(580,601)
Proceeds from sales of marketable securities and equities	9,486,012	5,993,784
Purchases of marketable securities and equities	(8,941,323)	(5,221,317)
<b>Net cash provided by investing activities</b>	<b>352,811</b>	<b>191,866</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,786,531</b>	<b>(1,333,500)</b>
Cash and Cash Equivalents:		
Beginning	4,639,555	5,973,055
Ending	<u>\$ 11,426,086</u>	<u>\$ 4,639,555</u>

See Notes to Financial Statements.

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 1. Organization

American Jewish World Service, Inc. ("AJWS"), a not-for-profit organization incorporated under the laws of the State of New York, is an international development organization motivated by Judaism's imperative to pursue justice. AJWS is dedicated to alleviating poverty, hunger and disease among the people of the developing world regardless of race, religion or nationality. Through grants to grassroots organizations, volunteer service, advocacy and education, AJWS fosters civil society, sustainable development and human rights for all people, while promoting the values and responsibilities of global citizenship within the Jewish community.

AJWS works in partnership with grassroots organizations to support projects that expand basic educational opportunities, improve medical care and health, foster economic development and build civil society. AJWS sponsors projects that respect the dignity, culture and heritage of the people with whom it works.

AJWS's service programs send individuals and groups to volunteer with grassroots non-governmental organizations ("NGOs") in Africa, Asia and Latin America. Volunteers contribute their skills and labor to leverage the effectiveness of the grants these groups receive and engage in cross-cultural exchange.

#### Note 2. Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: AJWS maintains cash in bank accounts which, at times, may exceed federally insured limits. AJWS has not experienced any losses in such accounts.

For the purpose of the statement of cash flows, AJWS considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments are stated at fair value, which is the prevailing market value, in the accompanying statements of financial position. Realized and unrealized gains and losses are recognized as changes in net assets in the statements of activities.

Property and Equipment: AJWS's policy for capitalization of property and equipment is limited to purchases of \$1,000 and more. Property and equipment, consisting of leasehold improvements, furniture and office equipment, is recorded at cost or, if donated, at fair value at the date of donation. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition and Classification of Net Assets: AJWS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises due in less than one year are recorded at their net realizable value. Unconditional promises to give due in one year or more are recorded at the present value of their net realizable value, using applicable risk-free interest rates at the time the promise is received. Amortization of the discount is offset against contributions revenue. Allowance for doubtful contributions received are provided by management based on AJWS's experience with the donors and their ability to pay.



## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

Study tour revenue is recognized in the period the tour takes place. Study tour revenue received in advance is recognized as unearned revenue.

AJWS receives certain contributed services that meet the criteria established by Statement of Financial Accounting Standards ("SFAS") No. 116, now referred to as Accounting Standards Codification ("ASC") 958, for recognition as contributions. Such specialized service volunteers are recorded in the accompanying financial statements at fair value of approximately \$552,000 and \$1,416,000 for the years ended December 31, 2009 and 2008, respectively. AJWS received approximately \$227,000 and \$215,000 in donated legal services for the years ended December 31, 2009 and 2008.

A number of unpaid volunteers have made a significant contribution of time and services to help develop AJWS's programs by working with AJWS's grassroots partners overseas. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition under ASC 958.

Restricted net assets include both permanently and temporarily restricted net assets. Permanently restricted net assets totaled \$9,300 at December 31, 2009 and 2008.

Temporarily restricted net assets contain donor-imposed restrictions that permit AJWS to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of AJWS.

Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit AJWS to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Expenses: The costs of providing program services and supporting services have been allocated in the financial statements among functional categories depending upon the ultimate purpose of the expense. Functional expenses that are not exclusively attributable to program services or supporting services have been allocated by management in accordance with various criteria.

Grants are recorded as an expense and a payable when grants are approved and communicated to the grantees. All grants payable are expected to be paid within the following year.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: For comparability, certain 2008 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used in 2009. Such reclassifications had no effect on previously reported results.

Comparative Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AJWS's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Notes to Financial Statements

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**Note 2. Significant Accounting Policies (Continued)**

Fair Value: AJWS applies ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, AJWS uses various methods including market, income and cost approaches. Based on these approaches, AJWS often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. AJWS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, AJWS is required to provide the following information according to the fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2009 and 2008, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Income Taxes: AJWS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and from state income taxes. In addition, AJWS is not classified as a private foundation.

On January 1, 2009, AJWS adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, AJWS may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

Management evaluated AJWS's tax positions and concluded that AJWS had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, AJWS is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2006, which is the standard statute of limitations look-back period.

Subsequent Events: AJWS evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements were available for issuance, which was May 24, 2010, for these financial statements

#### Note 3. Contributions and Contributions Receivable

Contributions receivable were expected to be collected as follows as of December 31:

	<u>2009</u>	<u>2008</u>
Within one year	\$ 3,794,395	\$ 3,945,848
One to five years	590,000	1,307,500
Beyond five years	<u>20,000</u>	<u>30,000</u>
	4,404,395	5,283,348
Less discount to present value at rates ranging from .76% to 3.25%	(19,987)	(35,108)
Allowance for uncollectibles	<u>(95,500)</u>	<u>-</u>
	<u>\$ 4,288,908</u>	<u>\$ 5,248,240</u>

In 2009 and 2008, approximately 58% and 38%, respectively, of AJWS's total contributions and revenue, excluding investment income, were provided by one contributor. The 2009 percentage includes donor-advised fund contributions from this contributor. If these donor-advised contributions are excluded from 2009, the percentage would be approximately 39%. There were no donor-advised contributions in 2008.

#### Note 4. Pension Plan

AJWS has a defined contribution plan qualified under Section 401(a) of the Code available to all eligible employees, pursuant to which AJWS makes contributions at the end of each year at the discretion of the board of trustees. Contributions under the plan were approximately \$191,000 and \$164,000 for the years ended December 31, 2009 and 2008, respectively.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**Note 5. Investments and Fair Value of Financial Instruments**

Investments consist of the following at December 31 2009 and 2008:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2009</b>				
Sweep investment account	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Money market fund	<u>2,502,325</u>	<u>2,502,325</u>	<u>-</u>	<u>-</u>
Subtotal of cash and cash	<b>4,502,325</b>	4,502,325	-	-
Investments - certificates of deposit account registry	<u>8,500,000</u>	<u>-</u>	<u>8,500,000</u>	<u>-</u>
Total	<u><b>\$ 13,002,325</b></u>	<u>\$ 4,502,325</u>	<u>\$ 8,500,000</u>	<u>\$ -</u>
<b>2008</b>				
Mutual funds - fixed income	\$ 7,219,186	\$ 7,219,186	\$ -	\$ -
Equities	<u>1,563,273</u>	<u>1,563,273</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 8,782,459</b></u>	<u>\$ 8,782,459</u>	<u>\$ -</u>	<u>\$ -</u>

The activities of AJWS's investments for the year ended December 31, 2009 are as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance, January 1	\$ 8,782,459	\$ 13,374,605
Withdrawals	(9,198,160)	(1,121,000)
Investment return	(25,622)	(3,471,146)
Purchases	<u>8,941,323</u>	<u>-</u>
Ending balance, December 31	<u><b>\$ 8,500,000</b></u>	<u>\$ 8,782,459</u>

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 5. Investments and Fair Value of Financial Instruments (Continued)

The components of investment income are as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 147,048	\$ 489,081
Realized losses	(1,661,216)	(2,631,244)
Unrealized gains (losses)	1,635,158	(1,188,435)
Management fees	(10,150)	(61,918)
	<u>\$ 110,840</u>	<u>\$ (3,392,516)</u>

#### Note 6. Property and Equipment

Property and equipment, at cost, consist of the following at December 31:

	<u>2009</u>	<u>2008</u>	<u>Depreciation/ Amortization Period</u>
Computer equipment	\$ 528,739	\$ 435,900	3 years
Computer software	411,615	374,368	4 years
Office equipment	325,002	317,096	5 years
Office furniture	651,859	648,534	10 years
Leasehold improvement	1,667,352	1,616,791	Lease term
	<u>3,584,567</u>	<u>3,392,689</u>	
Less accumulated depreciation and amortization	<u>(1,392,283)</u>	<u>(899,383)</u>	
	<u>\$ 2,192,284</u>	<u>\$ 2,493,306</u>	

Depreciation and amortization expense for the years ended December 31, 2009 and 2008 is \$492,900 and \$439,161, respectively.

#### Note 7. Charitable Gift Annuity Obligations

AJWS has established a gift annuity program whereby donors may contribute assets to AJWS in exchange for the right to receive a fixed-dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuities and the present value of the liabilities for future payments, determined on an actuarial basis, is recognized as an unrestricted contribution on the date of the gift.

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 7. Charitable Gift Annuity Obligations (Continued)

Actuarial losses and amortization of the present value discount on annuity obligations are recorded as miscellaneous unrestricted revenue and amounted to approximately \$5,400 and \$38,400 for the years ended December 31, 2009 and 2008, respectively.

#### Note 8. Restricted Net Assets

Restricted net assets are restricted for the following purposes as of December 31:

	<u>2009</u>	<u>2008</u>
Grants - project and disaster relief	\$ 4,016,809	\$ 5,205,701
Service	390,245	593,841
Education and advocacy	1,323,957	1,388,089
Administration and infrastructure	882,402	1,000,730
Time-restricted	213,753	268,228
Philanthropy	450,864	444,096
Permanently restricted endowment	9,300	9,300
	<u>\$ 7,287,330</u>	<u>\$ 8,909,985</u>

Net assets released from restrictions consist of the following for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Grants - project and disaster relief	\$ 12,228,076	\$ 12,772,680
Service	2,580,239	3,106,373
Education and advocacy	1,989,789	1,923,505
Administration and infrastructure	2,896,328	2,290,192
Development	500,000	487,000
Philanthropy	3,412	5,688
Time-restricted	130,000	70,011
	<u>\$ 20,327,844</u>	<u>\$ 20,655,449</u>

#### Note 9. Board-Designated Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of AJWS's operations. They also include the net assets of a reserve fund which are designated by the board of trustees. The objective of the reserve fund is to meet expenses occurring during times of financial shortfall. As of the years ended December 31, 2009 and 2008, the amount designated by the board for reserve funds was \$3,441,015.

In February 2010, AJWS increased the reserve fund to \$4,051,869.

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 10. Donor-Advised Fund

In July 2009, AJWS established a Donor-Advised Fund (the "Fund") within the meaning of Section 4966(d)(2) of the Internal Revenue Code of 1986, for the purpose of facilitating grants to non-U.S. grantee organizations. The Fund is owned and controlled by AJWS, which serves as the "sponsoring organization" of the Fund within the meaning of Code Section 4966(d)(1). The assets of the Fund include the initial gift made upon its creation and any subsequent gifts. The Fund's assets are held as cash or cash equivalents with any earnings from the investment of the assets of the Fund transferred to AJWS for its own charitable purposes and operations. AJWS makes grants from the Fund based on donor recommendations with all donor-imposed restrictions being honored by AJWS; however, AJWS has full discretion to accept or reject a grant recommendation. In 2009, AJWS received \$12,000,000 and granted out \$10,175,000.

#### Note 11. Joint Costs

During the years ended December 31, 2009 and 2008, AJWS produced several publications to educate the public that included appeals for contributions. Joint costs of \$169,106 and \$352,532, respectively, were incurred and allocated as follows:

	<u>2009</u>	<u>2008</u>
Education and community engagement	\$ 120,656	\$ 195,646
Development	30,740	111,760
Finance and administration	-	45,126
Advocacy	15,610	-
Service	2,100	-
	<u>\$ 169,106</u>	<u>\$ 352,532</u>

#### Note 12. Contingencies

In 2009, the Fund awarded certain conditional grants to various grantee organizations. The remaining portion of these grants are conditional to AJWS's determination of the grantee's proper use of the previously distributed funds as well as sufficient funds being on deposit with AJWS. Conditional grants at December 31, 2009 amounted to \$2,852,268.

Various claims, lawsuits and regulatory reviews arise in the ordinary course of AJWS's activities. Based upon information currently available, management believes that any liability arising therefrom will not materially affect the financial position or operations of AJWS.

## American Jewish World Service, Inc.

### Notes to Financial Statements

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#### Note 13. Commitments

AJWS leases its office space under noncancelable operating leases expiring in June 2017. Rent under these leases is subject to escalations for their share of increases in real estate taxes. AJWS subleased part of its office space under noncancelable operating leases. Sublease income under the leases amounted to approximately \$153,400 and \$143,500 for the years ended December 31, 2009 and 2008, respectively. Minimum future obligations under the leases, net of sublease income and exclusive of required payments for increases in real estate taxes, are as follows:

<u>Year ending December 31,</u>	<u>Gross Rent</u>	<u>Sublease</u>	<u>Net Total</u>
2010	\$ 1,049,139	\$ (118,702)	\$ 930,437
2011	1,059,385	(77,462)	981,923
2012	1,039,804	(79,204)	960,600
2013	1,016,187	(67,220)	948,967
2014	1,038,887	-	1,038,887
Thereafter	2,399,484	-	2,399,484
	<u>\$ 7,602,886</u>	<u>\$ (342,588)</u>	<u>\$ 7,260,298</u>

Rent expense under these leases, inclusive of escalations, charged to operations amounted to approximately \$1,060,000 and \$1,033,000 for the years ended December 31, 2009 and 2008, respectively.

For financial statement purposes, rent expense is recognized on a straight-line basis over the term of the lease. The difference between rental payments made under these leases and rent expense calculated on a straight-line basis is reflected in the accompanying statements of financial position as deferred rent.

#### Note 14. Endowments

AJWS's endowment includes both donor-restricted endowment funds and unrestricted funds designated for long-term investment. At December 31, 2009, endowment funds totaled \$2,012,830, of which \$12,699 was donor-restricted. The unrestricted endowment funds designated for long-term investment resulted from a donation received in December 2009. The board of trustees has not yet adopted specific investment and spending policies for the management of endowment fund.