American Jewish World Service, Inc.

Financial Report

December 31, 2010

Contents

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

1185 Avenue of the Americas
New York, NY 10036
O 212.372.1000 **F** 212.372.1001
www.mcgladrey.com

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, 2010, 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 2009 financial statements and, in our report dated May 24, 2010, 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, 2010, 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 10, 2011

American Jewish World Service, Inc.

Statements of Financial Position
(with summarized comparative financial information as of December 31, 2009)
December 31, 2010

	2010	2009
ASSETS		
Cash and Cash Equivalents	**$ 16,559,298**	$ 11,426,086
Contributions Receivable	**4,849,328**	4,288,908
Investments	**7,153,694**	8,500,000
Prepaid Expenses and Other Assets	**456,077**	426,192
Notes Receivable	**50,000**	50,000
Property and Equipment, net of accumulated depreciation of $1,857,997 and $1,392,283, respectively	**1,935,046**	2,192,284
Total assets	**$ 31,003,443**	$ 26,883,470
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 702,709**	$ 792,056
Grants payable	**6,955,221**	7,466,185
Deferred rent	**271,591**	266,957
Unearned revenue	**178,800**	168,101
Charitable gift annuity obligation	**234,471**	237,080
Total liabilities	**8,342,792**	8,930,379
Commitments and Contingencies		
Net Assets:		
Unrestricted:		
Undesignated	**3,760,365**	4,053,415
Unrestricted designated for donor-advised funds	**1,559,584**	1,171,200
Unrestricted designated for long-term investment	**2,023,298**	2,000,131
Board-designated for reserve funds	**4,051,869**	3,441,015
Total unrestricted	**11,395,116**	10,665,761
Restricted	**11,265,535**	7,287,330
Total net assets	**22,660,651**	17,953,091
Total liabilities and net assets	**$ 31,003,443**	$ 26,883,470

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statements of Activities
(with summarized comparative financial information for the year ended December 31, 2009)
Year Ended December 31, 2010

	2010			2009
	Unrestricted	**Restricted**	**Total**	Total
Contributions and Revenue:				
Individual	$ 9,580,829	$ 20,771,388	**$ 30,352,217**	$ 26,379,881
Donor-advised fund	11,250,000	-	**11,250,000**	12,000,000
Bequest	46,300	254,456	**300,756**	343,696
Foundations and corporations	713,358	3,632,984	**4,346,342**	3,004,558
Special event revenue, net of expenses of $755,120	1,249,616	-	**1,249,616**	89,432
Donated services	187,889	861,236	**1,049,125**	778,929
Investment income, net of expenses of $8,368	201,390	3,044	**204,434**	110,840
Study tours and miscellaneous revenue	374,169	3,677	**377,846**	308,773
Net assets released from restrictions	21,548,580	(21,548,580)	**-**	-
Total contributions and revenue	45,152,131	3,978,205	**49,130,336**	43,016,109
Program Expenses:				
Grants	27,734,096	-	**27,734,096**	24,833,907
Service	4,100,206	-	**4,100,206**	3,467,055
Education and community engagement	4,691,770	-	**4,691,770**	3,801,559
Advocacy	1,499,654	-	**1,499,654**	1,048,899
Total program expenses	38,025,726	-	**38,025,726**	33,151,420
Supporting Services:				
Finance and administration	3,274,739	-	**3,274,739**	2,891,765
Development	3,122,311	-	**3,122,311**	2,525,441
Total supporting services expenses	6,397,050	-	**6,397,050**	5,417,206
Total expenses	44,422,776	-	**44,422,776**	38,568,626
Change in net assets	729,355	3,978,205	**4,707,560**	4,447,483
Net Assets:				
Beginning	10,665,761	7,287,330	**17,953,091**	13,505,608
Ending	$ 11,395,116	$ 11,265,535	**$ 22,660,651**	$ 17,953,091

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, 2009)
Year Ended December 31, 2010

	Grants	Service	Education and Community Engagement	Advocacy	Program Services Total	Finance and Administration	Development	Supporting Services Total	2010 Total	2009 Total
Salaries and benefits	$ 2,259,294	$ 1,537,763	$ 2,784,910	$ 534,308	$ 7,116,275	$ 2,117,797	$ 1,692,349	$ 3,810,146	**$ 10,926,421**	$ 8,816,134
Program grants (nondonor-advised)	13,424,064	-	-	500,000	13,924,064	-	-	-	**13,924,064**	12,425,312
Program grants (donor-advised)	10,455,655	-	-	-	10,455,655	-	-	-	**10,455,655**	10,175,000
Partner support	-	344,281	238,653	11,733	594,667	200	2,100	2,300	**596,967**	354,093
Professional services	684,896	287,183	251,650	46,734	1,270,463	289,949	303,989	593,938	**1,864,401**	1,169,932
Donated services	38,142	885,498	49,020	9,738	982,398	39,921	24,447	64,368	**1,046,766**	778,929
Office supplies and expenses	47,134	33,810	63,047	23,143	167,134	52,582	36,185	88,767	**255,901**	225,086
Postage	1,028	4,384	28,465	827	34,704	21,138	229,707	250,845	**285,549**	250,900
Occupancy	271,128	172,899	343,654	138,144	925,825	278,966	177,185	456,151	**1,381,976**	1,331,703
Telecommunications	46,536	31,543	115,201	30,866	224,146	55,469	54,433	109,902	**334,048**	257,256
Travel and conference	379,097	674,937	475,410	75,079	1,604,523	71,385	126,640	198,025	**1,802,548**	1,371,331
Printing and publications	2,227	25,207	126,359	8,385	162,178	41,254	364,755	406,009	**568,187**	443,485
Advertising expense	50	15,641	20,085	68,085	103,861	9,991	3,499	13,490	**117,351**	44,571
Miscellaneous	19,046	20,056	61,144	28,087	128,333	178,210	40,484	218,694	**347,027**	333,994
Bad debt	-	-	-	-	-	6,781	-	6,781	**6,781**	98,000
Depreciation and amortization	105,799	67,004	134,172	24,525	331,500	111,096	66,538	177,634	**509,134**	492,900
Subtotal	27,734,096	4,100,206	4,691,770	1,499,654	38,025,726	3,274,739	3,122,311	6,397,050	**44,422,776**	38,568,626
Special event expenses	-	-	66,484	7,500	73,984	14,197	666,939	681,136	**755,120**	35,148
Investment management fee	-	-	-	-	-	8,368	-	8,368	**8,368**	10,150
Total	$ 27,734,096	$ 4,100,206	$ 4,758,254	$ 1,507,154	$ 38,099,710	$ 3,297,304	$ 3,789,250	$ 7,086,554	**$ 45,186,264**	$ 38,613,924

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statements of Cash Flows
(with summarized comparative financial information for the year ended December 31, 2009)
Year Ended December 31, 2010

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	**$ 4,707,560**	$ 4,447,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	**6,781**	98,000
Donated securities	**(376,158)**	(287,851)
Depreciation and amortization	**509,134**	492,900
Net realized and unrealized (gains) losses on investments	**(153,305)**	25,621
Actuarial loss on charitable gift annuity obligation	**12,224**	5,370
Increase in deferred rent	**4,634**	38,501
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	**(567,201)**	861,332
Increase in prepaid expenses and other assets	**(29,885)**	(106,480)
(Decrease) increase in accounts payable and accrued expenses	**(89,347)**	259,769
(Decrease) increase in grants payable	**(510,964)**	489,060
Increase in unearned revenue	**10,699**	116,247
Decrease in charitable gift annuity obligation	**(14,833)**	(6,232)
Net cash provided by operating activities	**3,509,339**	6,433,720
Cash Flows From Investing Activities:		
Purchases of equipment	**(251,896)**	(191,878)
Proceeds from sale of marketable securities and equities	**9,175,220**	9,486,012
Purchases of marketable securities and equities	**(7,299,451)**	(8,941,323)
Net cash provided by investing activities	**1,623,873**	352,811
Net increase in cash and cash equivalents	**5,133,212**	6,786,531
Cash and Cash Equivalents:		
Beginning	**11,426,086**	4,639,555
Ending	**$ 16,559,298**	$ 11,426,086

See Notes to Financial Statements.

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 funds projects that respect the dignity, culture and heritage of the recipient communities. AJWS's service programs send individuals and groups to volunteer with grassroots nongovernmental organizations (“NGOs”) in Africa, Asia and the Americas. Volunteers contribute their skills and labor to leverage the effectiveness of the grants these groups receive and engage in cross-cultural exchange.

Domestically, AJWS advocates in Washington for policies that promote social justice, human rights, global health and an end to poverty, violence, hunger and disease worldwide. Through education and community engagement within the Jewish community, AJWS also inspires critical thinking about global issues and promotes meaningful and active participation by American Jews in the global justice movement.

Note 2. Significant Accounting Policies

<u>Basis of Accounting</u>: 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.

<u>Cash and Cash Equivalents</u>: 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 statements of cash flows, AJWS considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

<u>Investments</u>: 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 in change in net assets in the statements of activities.

<u>Property and Equipment</u>: 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 are recorded using the straight-line method over the lesser of the estimated useful life of the assets or lease term.

<u>Revenue Recognition and Classification of Net Assets</u>: 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 as 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 and credit risk factors of the donor 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.

Note 2. Significant Accounting Policies (Continued)

Study tour revenue is recognized in the period the trip 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 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 $861,000 and $552,000 for the years ended December 31, 2010 and 2009, respectively. AJWS received approximately $185,000 and $227,000 in donated legal services for the years ended December 31, 2010 and 2009, respectively.

In 2009 and 2010, AJWS sent several hundred unpaid volunteers to work with AJWS's grassroot partners overseas. They have made a significant contribution of time and services that have helped develop AJWS's programs at these organizations; however, 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.

The restricted net assets line includes both permanently and temporarily restricted net assets. Permanently restricted net assets totaled $9,300 at December 31, 2010 and 2009.

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 comparison, certain 2009 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used in 2010. 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, 2009, from which the summarized information was derived.

Fair Value: AJWS applies Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

Note 2. Significant Accounting Policies (Continued)

As defined in ASC 820, 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 price, 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, 2010 and 2009, 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 price 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.

AJWS has adopted the 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.

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 2007, which is the standard statute of limitations look-back period.

Note 2. Significant Accounting Policies (Continued)

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 and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was May 10, 2011 for these financial statements

Note 3. Contributions and Contributions Receivable

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

	2010	2009
Within one year	**$ 4,233,646**	$ 3,794,395
One to five years	**720,500**	590,000
Beyond five years	**10,000**	20,000
	4,964,146	4,404,395
Less discount to present value at rates ranging from .70% to 3.25%	**(12,537)**	(19,987)
Allowance for uncollectibles	**(102,281)**	(95,500)
	$ 4,849,328	$ 4,288,908

In 2010 and 2009, approximately 49% and 58%, respectively, of AJWS's total contributions and revenue, excluding investment income, were provided by one contributor. The 2010 and 2009 percentage includes donor-advised fund contributions from this contributor. If these donor-advised contributions are excluded from 2010 and 2009, the percentage would be approximately 34% and 38%, respectively.

Note 4. Pension Plans

AJWS has adopted a 403(b) plan, available to all eligible employees that qualifies, under Section 401(a) of the Code. AJWS also makes a safe-harbor matching contribution to each participant who makes salary deferrals to the plan. Employer contributions under the plan were approximately $282,000 for the year ended December 31, 2010.

In 2009, AJWS made pension contributions totaling approximately $191,000 to participants within the plan. At the end of 2009, this plan was closed and all assets were transferred in 2010 to the AJWS 403(b) plan.

Note 5. Investments and Fair Value of Financial Instruments

Investments consist of the following as of December 31, 2010:

		Fair Value Measurements Using		
Description	**Fair Value 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs Level 3)**
Financial Assets:				
Cash and cash equivalents:				
Money market funds	**$ 3,302,667**	**$ 3,302,667**	**$ -**	**$ -**
Investments:				
Money market funds	**30,195**	**30,195**	**-**	**-**
Exchange-traded fund	**645,133**	**645,133**	**-**	**-**
Bonds:				
Government securities	**816,061**	**-**	**816,061**	**-**
Fixed income	**614,574**	**-**	**614,574**	**-**
Corporate notes	**5,047,731**	**5,047,731**	**-**	**-**
Subtotal of investments	**7,153,694**	**5,723,059**	**1,430,635**	**-**
Total	**$ 10,456,361**	**$ 9,025,726**	**$ 1,430,635**	**$ -**
Financial Liability:				
Charitable gift annuity obligation	**$ 234,471**	**$ -**	**$ -**	**$ 234,471**

Investments held in money market funds and corporate notes are each held at one financial institution.

Investments consist of the following as of December 31, 2009:

		Fair Value Measurements Using		
Description	Fair Value 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3)
Financial Assets:				
Cash and cash equivalents:				
Money market funds	$ 4,502,325	$ 4,502,325	$ -	$ -
Investments:				
Certificates of deposit account registry	8,500,000	-	8,500,000	-
Total	$ 13,002,325	$ 4,502,325	$ 8,500,000	$ -
Financial Liability:				
Charitable gift annuity obligation	$ 237,080	$ -	$ -	$ 237,080

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

The following table presents a reconciliation for Level 3 liabilities measured at fair value during the years ended December 31, 2010 and 2009:

	2010	2009
Balance, January 1	$ 237,080	$ 237,941
Payments to annuitants	(11,471)	(11,349)
Market value change	3,839	(3,533)
New agreement	5,023	14,021
Balance, December 31	$ 234,471	$ 237,080

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

	2010	2009
Beginning balance, January 1	$ 8,500,000	$ 8,782,459
Donated securities	376,158	287,851
Proceeds from sales	(9,175,220)	(9,486,012)
Investment return (loss)	153,305	(25,621)
Purchases	7,299,451	8,941,323
Ending balance, December 31	$ 7,153,694	$ 8,500,000

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

	2010	2009
Interest and dividend income	$ 136,694	$ 147,048
Realized gains (losses)	944	(1,661,216)
Unrealized gains	75,164	1,635,158
Management fees	(8,368)	(10,150)
	$ 204,434	$ 110,840

Note 6. Property and Equipment

Property and equipment, at cost, are as follows as of December 31:

	2010	2009	Depreciation/ Amortization Period
Computer equipment	**$ 572,759**	$ 528,739	3 years
Computer software	**525,230**	411,615	4 years
Office equipment	**345,294**	325,002	5 years
Office furniture	**667,769**	651,859	10 years
Leasehold improvements	**1,681,991**	1,667,352	Lease term
	3,793,043	3,584,567	
Less accumulated depreciation and amortization	**(1,857,997)**	(1,392,283)	
	$ 1,935,046	$ 2,192,284	

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was $509,134 and $492,900, 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 lifetimes. 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.

Actuarial losses and amortization of the present value discount on annuity obligations are recorded as miscellaneous unrestricted revenue and amounted to approximately a $4,000 gain and a $4,000 loss for the years ended December 31, 2010 and 2009, respectively.

Note 8. Restricted Net Assets

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

	2010	2009
Grants - project and disaster relief	**$ 7,220,358**	$ 4,016,809
Service	**627,825**	390,245
Education and advocacy	**1,741,565**	1,323,957
Administration and infrastructure	**657,479**	882,402
Time-restricted	**558,350**	213,753
Philanthropy	**450,658**	450,864
Permanently restricted endowment	**9,300**	9,300
	$ 11,265,535	$ 7,287,330

Note 8. Restricted Net Assets (Continued)

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

	2010	2009
Grants - project and disaster relief	**$ 12,761,252**	$ 12,228,076
Service	**2,609,174**	2,580,239
Education and advocacy	**2,248,382**	1,989,789
Administration and infrastructure	**3,274,924**	2,896,328
Development	**500,000**	500,000
Philanthropy	**9,848**	3,412
Time-restricted	**145,000**	130,000
	$ 21,548,580	$ 20,327,844

Note 9. Board-Designated Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of AJWS's operations. This line item also includes 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 December 31, 2010 and 2009, the amount designated by the board of trustees for reserve funds was $4,051,869 and $3,441,015, respectively.

In January 2011, AJWS increased the reserve fund to $4,498,331.

Note 10. Donor-Advised Fund

In 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 2010, AJWS received $11,250,000 and granted $10,455,655 from the Fund.

Note 11. Joint Costs

During the years ended December 31, 2010 and 2009, AJWS produced several publications to educate the public that included appeals for contributions. Joint costs of $163,208 and $169,106, respectively, were incurred and allocated as follows:

	2010	2009
Communications	**$ 98,390**	$ 120,656
Development	**33,401**	30,740
Finance and administration	**16,829**	-
Advocacy	**12,488**	15,610
Service	**2,100**	2,100
	$ 163,208	$ 169,106

Note 12. Contingencies

In 2010, the donor-advised 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 as of December 31, 2010 amounted to $1,860,000.

Various claims 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.

Note 13. Commitments

AJWS leases its office space under noncancelable operating leases expiring in June 2017. Rents under these leases are 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 $133,400 and $153,400 for the years ended December 31, 2010 and 2009, 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:

Year ending December 31,	Gross Rent	Sublease	Net Total
2011	$ 1,059,925	$ (77,462)	$ 982,463
2012	1,040,359	(79,204)	961,155
2013	1,016,757	(67,220)	949,537
2014	1,039,473	-	1,039,473
2015	949,836	-	949,836
Thereafter	1,427,760	-	1,427,760
	$ 6,534,110	$ (223,886)	$ 6,310,224

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately $1,054,000 and $1,060,000 for the years ended December 31, 2010 and 2009, respectively.

Note 13. Commitments (Continued)

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

On September 17, 2010, the State of New York adopted a version of the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). AJWS has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. AJWS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AJWS in a manner consistent with the standard of prudence prescribed by NYPMIFA. No change was required in the financial statements as a result of the enactment of NYPMIFA.

AJWS's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. In conjunction with a contribution received by AJWS in 2009, AJWS has established a fund designated for long-term (“LT”) investments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees has determined that when AJWS receives a contribution and the donor restricts AJWS from spending the principal, New York law requires AJWS to maintain the original historical dollar value of the contribution received as an endowment. This amount is recorded as permanently restricted and income from interest and dividends is recorded as unrestricted or temporarily restricted, depending on the donor’s specification.

AJWS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that AJWS must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that provide a high total return (income and capital gains) over the long term, consistent with the preservation of principal. AJWS expects that earnings growth will match or exceed inflation and that the real (i.e., inflation-adjusted) value of the endowment will be maintained. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, AJWS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

AJWS’s board of trustees determines the amount of appropriation each year. In establishing this policy, AJWS considered the long-term expected return on its endowment. Accordingly, over the long term, AJWS expects the current spending policy to support the objective of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 14. Endowments (Continued)

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	Unrestricted		Temporarily	Permanently	
	Undesignated	LT Investment	Restricted	Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 3,399	$ 9,300	$ 12,699
Board-designated endowment funds	100,000	2,023,298	-	-	2,123,298
Total funds	$ 100,000	$ 2,023,298	$ 3,399	$ 9,300	$ 2,135,997

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	Unrestricted		Temporarily	Permanently	
	Undesignated	LT Investment	Restricted	Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 3,399	$ 9,300	$ 12,699
Board-designated endowment funds	-	2,000,131	-	-	2,000,131
Total funds	$ -	$ 2,000,131	$ 3,399	$ 9,300	$ 2,012,830

Changes in endowment net assets for the years ended December 31, 2010 and 2009 are as follows:

	Unrestricted		Temporarily	Permanently	
	Undesignated	LT Investment	Restricted	Restricted	Total
Endowment net assets, December 31, 2008	$ -	$ -	$ 3,380	$ 9,300	$ 12,680
Investment Return:					
Investment income	-	131	19	-	150
Total investment return	-	131	19	-	150
Contributions		2,000,000	-	-	2,000,000
Endowment net assets, December 31, 2009	-	2,000,131	3,399	9,300	2,012,830
Investment Return:					
Investment income	-	55,218	-	-	55,218
Unrealized and realized gains	-	76,317	-	-	76,317
Total investment return	-	131,535	-	-	131,535
Investment Expenses:					
Management fee	-	(8,368)	-	-	(8,368)
Appropriation of endowment assets for expenditure	100,000	(100,000)	-	-	-
Endowment net assets, December 31, 2010	$ 100,000	$ 2,023,298	$ 3,399	$ 9,300	$ 2,135,997