

# **American Jewish World Service, Inc.**

Financial Report

December 31, 2011

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## 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, 2011, 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 2010 financial statements and, in our report dated May 10, 2011, 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, 2011, 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 LLP*

New York, New York  
May 3, 2012

**American Jewish World Service, Inc.**

**Statement of Financial Position**

(with summarized comparative financial information as of December 31, 2010)

December 31, 2011

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,024,230	\$ 16,559,298
Contributions Receivable, net	5,963,722	4,849,328
Investments	7,112,265	7,153,694
Prepaid Expenses and Other Assets	407,010	456,077
Notes Receivable	50,000	50,000
Property and Equipment, net of accumulated depreciation of \$2,232,542 and \$1,857,997, respectively	<u>1,767,143</u>	<u>1,935,046</u>
<b>Total assets</b>	<b><u>\$ 33,324,370</u></b>	<b><u>\$ 31,003,443</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 735,549	\$ 702,709
Grants payable	12,285,122	6,955,221
Deferred rent	265,800	271,591
Unearned revenue	225,030	178,800
Charitable gift annuity obligation	<u>249,609</u>	<u>234,471</u>
<b>Total liabilities</b>	<b><u>13,761,110</u></b>	<b><u>8,342,792</u></b>
Commitments and Contingencies		
Net Assets:		
Unrestricted:		
Undesignated	2,463,268	3,760,365
Unrestricted designated for donor-advised funds	516,847	1,559,584
Unrestricted designated for long-term investment	2,000,000	2,023,298
Board-designated for reserve funds	<u>4,498,331</u>	<u>4,051,869</u>
<b>Total unrestricted</b>	<b>9,478,446</b>	11,395,116
Restricted	<u>10,084,814</u>	<u>11,265,535</u>
<b>Total net assets</b>	<b><u>19,563,260</u></b>	<b><u>22,660,651</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 33,324,370</u></b>	<b><u>\$ 31,003,443</u></b>

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statement of Activities

(with summarized comparative financial information for the year ended December 31, 2010)

Year Ended December 31, 2011

	2011			2010
	Unrestricted	Restricted	Total	Total
Contributions and Revenue:				
Individual	\$ 11,152,650	\$ 14,229,297	\$ 25,381,947	\$ 30,352,217
Donor-advised fund	17,600,000	-	17,600,000	11,250,000
Bequest	221,349	-	221,349	300,756
Foundations and corporations	846,549	4,688,900	5,535,449	4,346,342
Special event revenue, net of expenses of \$38,954 in 2011	11,629	-	11,629	1,249,616
Donated services	178,087	637,138	815,225	1,049,125
Investment income, net of expenses of \$7,330 in 2011	135,832	2,796	138,628	204,434
Study tours and miscellaneous revenue	412,896	2,907	415,803	377,846
Net assets released from restrictions	20,741,759	(20,741,759)	-	-
<b>Total contributions and revenue</b>	<b>51,300,751</b>	<b>(1,180,721)</b>	<b>50,120,030</b>	<b>49,130,336</b>
Program Services:				
Grants	35,950,193	-	35,950,193	27,734,096
Service	3,854,291	-	3,854,291	4,100,206
Education and community engagement	5,041,266	-	5,041,266	4,691,770
Advocacy	1,564,807	-	1,564,807	1,499,654
<b>Total program services expenses</b>	<b>46,410,557</b>	<b>-</b>	<b>46,410,557</b>	<b>38,025,726</b>
Supporting Services:				
Finance and administration	3,403,690	-	3,403,690	3,274,739
Development	3,403,174	-	3,403,174	3,122,311
<b>Total supporting services expenses</b>	<b>6,806,864</b>	<b>-</b>	<b>6,806,864</b>	<b>6,397,050</b>
<b>Total expenses</b>	<b>53,217,421</b>	<b>-</b>	<b>53,217,421</b>	<b>44,422,776</b>
<b>Change in net assets</b>	<b>(1,916,670)</b>	<b>(1,180,721)</b>	<b>(3,097,391)</b>	<b>4,707,560</b>
Net Assets:				
Beginning	11,395,116	11,265,535	22,660,651	17,953,091
Ending	\$ 9,478,446	\$ 10,084,814	\$ 19,563,260	\$ 22,660,651

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statement of Functional Expenses

(with summarized comparative financial information for the year ended December 31, 2010)

Year Ended December 31, 2011

	Grants	Service	Education and Community Engagement	Advocacy	Program Services Total	Finance and Administration	Development	Supporting Services Total	2011 Total	2010 Total
Salaries and benefits	\$ 2,551,656	\$ 1,533,978	\$ 2,990,351	\$ 588,596	\$ 7,664,581	\$ 2,356,490	\$ 1,778,742	\$ 4,135,232	\$ 11,799,813	\$ 10,926,421
Program grants (non donor-advised)	13,638,526	-	-	500,000	14,138,526	-	-	-	14,138,526	13,924,064
Program grants (donor-advised)	18,050,904	-	-	-	18,050,904	-	-	-	18,050,904	10,455,655
Partner support	20,000	369,803	245,573	4,600	639,976	2,500	4,651	7,151	647,127	596,967
Professional services	795,419	272,356	290,090	87,297	1,445,162	197,051	260,362	457,413	1,902,575	1,864,401
Donated services	37,625	659,429	47,422	7,377	751,853	35,477	25,390	60,867	812,720	1,046,766
Office supplies and expenses	52,988	44,893	72,635	18,290	188,806	55,943	46,638	102,581	291,387	255,901
Postage	517	4,605	23,745	1,218	30,085	14,542	249,504	264,046	294,131	285,549
Occupancy	280,817	165,584	354,433	137,952	938,786	267,344	199,773	467,117	1,405,903	1,381,976
Telecommunications	42,616	36,912	120,496	39,910	239,934	56,541	66,136	122,677	362,611	334,048
Travel and conference	338,069	650,256	586,617	75,666	1,650,608	68,051	194,236	262,287	1,912,895	1,802,548
Printing and publications	4,750	28,215	87,923	13,141	134,029	24,831	429,202	454,033	588,062	568,187
Advertising expense	523	7,901	24,131	32,575	65,130	22,184	6,011	28,195	93,325	117,351
Miscellaneous	26,341	15,802	59,717	36,500	138,360	149,154	70,125	219,279	357,639	347,027
Bad debt	-	-	-	-	-	46,939	-	46,939	46,939	6,781
Depreciation and amortization	109,442	64,557	138,133	21,685	333,817	106,643	72,404	179,047	512,864	509,134
<b>Subtotal</b>	<b>35,950,193</b>	<b>3,854,291</b>	<b>5,041,266</b>	<b>1,564,807</b>	<b>46,410,557</b>	<b>3,403,690</b>	<b>3,403,174</b>	<b>6,806,864</b>	<b>53,217,421</b>	<b>44,422,776</b>
Special event expenses	-	-	-	-	-	-	38,954	38,954	38,954	755,120
Investment management fee	-	-	-	-	-	7,330	-	7,330	7,330	8,368
<b>Total</b>	<b>\$ 35,950,193</b>	<b>\$ 3,854,291</b>	<b>\$ 5,041,266</b>	<b>\$ 1,564,807</b>	<b>\$ 46,410,557</b>	<b>\$ 3,411,020</b>	<b>\$ 3,442,128</b>	<b>\$ 6,853,148</b>	<b>\$ 53,263,705</b>	<b>\$ 45,186,264</b>

See Notes to Financial Statements.

**American Jewish World Service, Inc.**

**Statement of Cash Flows**

**(with summarized comparative financial information for the year ended December 31, 2010)**

**Year Ended December 31, 2011**

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	<b>\$ (3,097,391)</b>	\$ 4,707,560
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	46,939	6,781
Donated securities	(446,681)	(376,158)
Depreciation and amortization	512,864	509,134
Net realized and unrealized gains on investments	(95,558)	(153,305)
Actuarial loss on charitable gift annuity obligation	16,846	3,839
(Decrease) increase in deferred rent	(5,791)	4,634
Changes in operating assets and liabilities:		
Increase in contributions receivable	(1,161,333)	(567,201)
Decrease (increase) in prepaid expenses and other assets	49,067	(29,885)
Increase (decrease) in accounts payable and accrued expenses	32,840	(89,347)
Increase (decrease) in grants payable	5,329,901	(510,964)
Increase in unearned revenue	46,230	10,699
<b>Net cash provided by operating activities</b>	<b>1,227,933</b>	<b>3,515,787</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of equipment	(344,961)	(251,896)
Proceeds from sale of marketable securities and equities	1,915,315	9,175,220
Purchases of marketable securities and equities	(1,331,647)	(7,299,451)
<b>Net cash provided by investing activities</b>	<b>238,707</b>	<b>1,623,873</b>
<b>Cash Flows From Financing Activities:</b>		
Contributions subject to split-interest agreements	11,230	5,023
Payments on obligations under split-interest agreements	(12,938)	(11,471)
<b>Net cash used in financing activities</b>	<b>(1,708)</b>	<b>(6,448)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,464,932</b>	<b>5,133,212</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	16,559,298	11,426,086
Ending	<b>\$ 18,024,230</b>	<b>\$ 16,559,298</b>

See Notes to Financial Statements.

## American Jewish World Service, Inc.

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended December 31, 2010)

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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 which, inspired by Judaism's commitment to justice, works to realize human rights and end poverty in the developing world. AJWS pursues this goal through two avenues that work in tandem:

Internationally, AJWS makes grants to over 400 grassroots organizations in 32 countries. AJWS seeks to pursue change in three impact areas: promoting land and livelihood rights; sexual health and gender equality; and empowering people in repressive and violent contexts to gain a voice in civil society. To increase the impact of their grants and engage North American Jews as change-makers, AJWS also sends approximately 400 volunteers to the developing world each year to work alongside and learn from our grantees and partners.

Domestically, AJWS mobilizes the American Jewish community to support global change from here at home. Through education and political advocacy, AJWS and its community pursue changes to U.S. laws and policies that will impact global struggles for human rights.

#### 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 statements 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 in change 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 are recorded using the straight-line method over the lesser of the estimated useful life of the assets or lease term.

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 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 is provided by management based on AJWS's experience with the donors and their ability to pay.

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



**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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

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 \$637,000 and \$861,000 for the years ended December 31, 2011 and 2010, respectively. AJWS received approximately \$176,000 and \$185,000 in donated legal services for the years ended December 31, 2011 and 2010, respectively.

In 2010 and 2011, 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, 2011 and 2010.

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 2010 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used in 2011. 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, 2010, 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.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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**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, 2011 and 2010, 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. Generally, AJWS is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2008, which is the standard statute of limitations look-back period.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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**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 3, 2012 for these financial statements.

**Note 3. Contributions and Contributions Receivable**

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

	<u>2011</u>	<u>2010</u>
Within one year	\$ 4,398,524	\$ 4,233,646
One to five years	1,678,625	720,500
Beyond five years	<u>-</u>	<u>10,000</u>
	6,077,149	4,964,146
Less discount to present value at rates ranging from .45% to 3.25%	(21,543)	(12,537)
Allowance for uncollectibles	<u>(91,884)</u>	<u>(102,281)</u>
	<u>\$ 5,963,722</u>	<u>\$ 4,849,328</u>

In addition to the contributions receivable noted above, certain donors have confirmed their intentions to recommend annual contributions aggregating approximately \$1,325,000 at December 31, 2011 over a period of one to five years from donor-advised funds. These anticipated contributions have not been recognized in the accompanying financial statements as they do not meet the criteria for recognition of contributions revenue under FASB ASC 958-605.

In 2011 and 2010, approximately 58% and 50%, respectively, of AJWS's total contributions and revenue, excluding investment income, were provided by one contributor. The 2011 and 2010 percentage includes donor-advised fund contributions from this contributor. If these donor-advised contributions are excluded from 2011 and 2010, the percentage would be approximately 35% and 34%, respectively.

**Note 4. 403(b) Plan**

AJWS has adopted a 403(b) plan, available to all eligible employees who qualify, 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 \$314,000 and \$282,000 for the years ended December 31, 2011 and 2010, respectively.

American Jewish World Service, Inc.

Notes to Financial Statements

(with summarized comparative information as of and for the year ended December 31, 2010)

Note 5. Investments and Fair Value of Financial Instruments

Investments consist of the following as of December 31, 2011:

Description	Fair Value	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)
Financial Assets:				
Cash and cash equivalents:				
Money market funds	\$ 4,306,011	\$ 4,306,011	\$ -	\$ -
Investments:				
Money market funds	67,343	67,343	-	-
Exchange-traded fund	612,110	612,110	-	-
Bonds:				
Government securities	1,119,990	-	1,119,990	-
Fixed income	102,722	-	102,722	-
Municipal bond	172,235	172,235	-	-
Corporate notes	5,037,865	5,037,865	-	-
<b>Subtotal of investments</b>	<b>7,112,265</b>	<b>5,889,553</b>	<b>1,222,712</b>	<b>-</b>
<b>Total</b>	<b>\$ 11,418,276</b>	<b>\$ 10,195,564</b>	<b>\$ 1,222,712</b>	<b>\$ -</b>
Financial Liability:				
Charitable gift annuity obligation	\$ 249,609	\$ -	\$ -	\$ 249,609

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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

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

Description	Fair Value	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>Financial Assets:</b>				
Cash and cash equivalents:				
Money market funds	\$ 3,302,667	\$ 3,302,667	\$ -	\$ -
<b>Investments:</b>				
Money market funds	30,195	30,195	-	-
Exchange-traded fund	645,133	645,133	-	-
<b>Bonds:</b>				
Government securities	816,061	-	816,061	-
Fixed income	614,574	-	614,574	-
Corporate notes	5,047,731	5,047,731	-	-
<b>Subtotal of investments</b>	<b>7,153,694</b>	<b>5,723,059</b>	<b>1,430,635</b>	<b>-</b>
<b>Total</b>	<b>\$ 10,456,361</b>	<b>\$ 9,025,726</b>	<b>\$ 1,430,635</b>	<b>\$ -</b>
<b>Financial Liability:</b>				
Charitable gift annuity obligation	\$ 234,471	\$ -	\$ -	\$ 234,471

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

The following table presents a reconciliation for Level 3 liabilities measured at fair value during the years ended December 31, 2011 and 2010:

	2011	2010
Balance, January 1	\$ 234,471	\$ 237,080
Payments to annuitants	(12,938)	(11,471)
Market value change	16,846	3,839
New agreement	11,230	5,023
Balance, December 31	<b>\$ 249,609</b>	<b>\$ 234,471</b>

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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

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

	<u>2011</u>	<u>2010</u>
Beginning balance, January 1	\$ 7,153,694	\$ 8,500,000
Donated securities	446,681	376,158
Proceeds from sales	(1,915,315)	(9,175,220)
Investment return	95,558	153,305
Purchases	<u>1,331,647</u>	<u>7,299,451</u>
Ending balance, December 31	<u>\$ 7,112,265</u>	<u>\$ 7,153,694</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 153,028	\$ 136,694
Realized (losses) gains	(12,159)	944
Unrealized gain	5,089	75,164
Management fees	<u>(7,330)</u>	<u>(8,368)</u>
	<u>\$ 138,628</u>	<u>\$ 204,434</u>

**Note 6. Property and Equipment**

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

	<u>2011</u>	<u>2010</u>	<u>Depreciation/ Amortization Period</u>
Computer equipment	\$ 649,330	\$ 572,759	3 years
Computer software	580,204	525,230	4 years
Office equipment	380,790	345,294	5 years
Office furniture	686,632	667,769	10 years
Leasehold improvement	<u>1,702,729</u>	<u>1,681,991</u>	Lease Term
	3,999,685	3,793,043	
Less accumulated depreciation and amortization	<u>(2,232,542)</u>	<u>(1,857,997)</u>	
	<u>\$ 1,767,143</u>	<u>\$ 1,935,046</u>	

Depreciation and amortization expense for the years ended December 31, 2011 and 2010 was \$512,864 and \$509,134, respectively.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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**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 \$17,000 and \$4,000 for the years ended December 31, 2011 and 2010, respectively.

**Note 8. Restricted Net Assets**

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

	<u>2011</u>	<u>2010</u>
Grants - project and disaster relief	\$ 6,521,990	\$ 7,220,358
Service	736,299	627,825
Education and advocacy	1,025,645	1,741,565
Administration and infrastructure	498,968	657,479
Time-restricted	853,453	558,350
Philanthropy	439,159	450,658
Permanently restricted endowment	9,300	9,300
	<u>\$ 10,084,814</u>	<u>\$ 11,265,535</u>

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

	<u>2011</u>	<u>2010</u>
Grants - project and disaster relief	\$ 11,803,049	\$ 12,761,252
Service	2,471,910	2,609,174
Education and advocacy	2,415,190	2,248,382
Administration and infrastructure	3,208,510	3,274,924
Development	500,000	500,000
Philanthropy	20,600	9,848
Time-restricted	322,500	145,000
	<u>\$ 20,741,759</u>	<u>\$ 21,548,580</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. 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, 2011 and 2010, the amount designated by the board of trustees for reserve funds was \$4,498,331 and \$4,051,869, respectively.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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**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. AJWS recognized approximately \$17,000,000 of revenue for granting purposes and granted out approximately \$18,000,000 from the Fund.

**Note 11. Joint Costs**

During the years ended December 31, 2011 and 2010, AJWS produced several publications to educate the public that included appeals for contributions. Joint costs of \$143,357 and \$163,208, respectively, were incurred and allocated as follows:

	<u>2011</u>	<u>2010</u>
Communications	\$ 87,118	\$ 98,390
Development	30,644	33,401
Finance and administration	7,150	16,829
Advocacy	13,259	12,488
Service	5,186	2,100
	<u>\$ 143,357</u>	<u>\$ 163,208</u>

**Note 12. Contingencies**

In 2011, the donor-advised fund awarded certain conditional grants to various grantee organizations. The remaining portions of these grants are conditional to AJWS's determination of the grantees' proper use of the previously distributed funds as well as sufficient funds being on deposit with AJWS. Conditional grants as of December 31, 2011 amounted to \$8,291,000.

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.



**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

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**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 \$86,000 and \$133,400 for the years ended December 31, 2011 and 2010, 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>
2012	\$ 1,041,804	\$ (79,204)	\$ 962,600
2013	1,016,187	(67,220)	948,967
2014	1,038,887	-	1,038,887
2015	982,668	-	982,668
2016	947,226	-	947,226
Thereafter	480,534	-	480,534
	<u>\$ 5,507,306</u>	<u>\$ (146,424)</u>	<u>\$ 5,360,882</u>

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately \$1,067,000 and \$1,054,000 for the years ended December 31, 2011 and 2010, 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**

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.

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

**Note 14. Endowments (Continued)**

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 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.

Endowment net asset composition by type of fund as of December 31, 2011 is as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	LT Investment			
Donor-restricted endowment funds	\$ -	\$ -	\$ 3,399	\$ 9,300	\$ 12,699
Board-designated endowment funds	90,311	2,000,000	-	-	2,090,311
Total funds	<u>\$ 90,311</u>	<u>\$ 2,000,000</u>	<u>\$ 3,399</u>	<u>\$ 9,300</u>	<u>\$ 2,103,010</u>

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

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

**American Jewish World Service, Inc.**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended December 31, 2010)**

**Note 14. Endowments (Continued)**

Changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	LT Investment			
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
Investment return:					
Investment income	-	82,156	-	-	82,156
Unrealized and realized losses	-	(7,813)	-	-	(7,813)
Total investment return	-	74,343	-	-	74,343
Investment expenses:					
Management fee	-	(7,330)	-	-	(7,330)
Appropriation of endowment assets for expenditure:					
Assets for expenditure	90,311	(90,311)	-	-	-
Release of funds	(100,000)	-	-	-	(100,000)
Total appropriation of endowment assets for expenditure	(9,689)	(90,311)	-	-	(100,000)
Endowment net assets, December 31, 2011	\$ 90,311	\$ 2,000,000	\$ 3,399	\$ 9,300	\$ 2,103,010