

American Jewish World Service, Inc.

Financial Report

April 30, 2015



Assurance ■ Tax ■ Consulting

Contents

Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 21



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Jewish World Service, Inc. ("AJWS"), which comprise the statement of financial position as of April 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AJWS as of April 30, 2015, and the changes in its net assets and its cash flows for the for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AJWS's April 30, 2014 and December 31, 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the four months ended April 30, 2014 and the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

New York, New York
October 15, 2015

American Jewish World Service, Inc.

Statement of Financial Position

April 30, 2015

(with summarized comparative financial information as of April 30, 2014 and December 31, 2013)

	April 30,		December 31,
	2015	2014	2013
ASSETS			
Cash and cash equivalents	\$ 17,957,442	\$ 13,075,129	\$ 18,075,754
Contributions receivable, net	14,187,362	22,128,626	20,318,990
Investments	8,456,645	7,596,630	7,487,215
Prepaid expenses and other assets	730,990	545,643	345,420
Property and equipment, net of accumulated depreciation and amortization of \$3,681,563, \$3,324,426 and \$3,175,140, respectively	<u>1,016,779</u>	<u>1,103,145</u>	<u>1,234,096</u>
Total assets	<u>\$ 42,349,218</u>	<u>\$ 44,449,173</u>	<u>\$ 47,461,475</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,630,981	\$ 707,469	\$ 927,632
Grants payable	5,774,615	5,434,422	14,516,355
Deferred rent	184,257	247,037	262,840
Unearned revenue	99,309	106,509	91,876
Charitable gift annuity obligation	<u>224,569</u>	<u>215,366</u>	<u>216,372</u>
Total liabilities	<u>7,913,731</u>	<u>6,710,803</u>	<u>16,015,075</u>
Commitments and contingencies			
Net assets:			
Unrestricted:			
Undesignated	1,383,695	260,111	1,362,143
Unrestricted designated for donor-advised fund	6,790,396	7,201,359	788,221
Unrestricted designated for long-term investment	2,215,425	2,165,014	2,121,200
Board-designated for reserve funds	<u>4,591,574</u>	<u>4,491,321</u>	<u>4,443,861</u>
Total unrestricted	14,981,090	14,117,805	8,715,425
Restricted	<u>19,454,397</u>	<u>23,620,565</u>	<u>22,730,975</u>
Total net assets	<u>34,435,487</u>	<u>37,738,370</u>	<u>31,446,400</u>
Total liabilities and net assets	<u>\$ 42,349,218</u>	<u>\$ 44,449,173</u>	<u>\$ 47,461,475</u>

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statement of Activities

Year Ended April 30, 2015

(with summarized comparative financial information for the four months ended April 30, 2014 and the year ended December 31, 2013)

	Year ended April 30, 2015			Four months ended	Year ended
	Unrestricted	Restricted	Total	April 30, 2014	December 31, 2013
				Total	Total
Contributions and revenue:					
Individuals	\$ 10,882,223	\$ 16,831,850	\$ 27,714,073	\$ 6,364,514	\$ 29,049,260
Donor-advised fund	25,500,000	-	25,500,000	9,000,000	25,000,000
Bequests	111,191	-	111,191	2,500	37,699
Foundations and corporations	1,298,721	2,772,329	4,071,050	339,582	18,676,969
Special event revenue, net of expenses of \$29,178 in 2015, \$15,045 in 2014, and \$12,553 in 2013	4,669	-	4,669	(4,163)	5,640
Donated services and goods	119,343	-	119,343	24,606	60,304
Investment income, net of expenses of \$22,443 in 2015, \$9,069 in 2014 and \$9,240 in 2013	293,011	7,062	300,073	111,824	235,452
Study tour fees and miscellaneous revenue	435,363	25,488	460,851	116,092	342,555
Net assets released from restrictions	23,802,897	(23,802,897)	-	-	-
Total contributions and revenue	62,447,418	(4,166,168)	58,281,250	15,954,955	73,407,879
Program services:					
International	43,692,772	-	43,692,772	4,557,297	44,282,024
National	5,507,429	-	5,507,429	1,500,471	4,350,395
Communications	2,157,635	-	2,157,635	644,215	1,986,130
Strategic Learning, Research and Evaluation	1,812,453	-	1,812,453	286,453	905,883
Total program services expenses	53,170,289	-	53,170,289	6,988,436	51,524,432
Supporting services:					
Finance and administration	4,120,337	-	4,120,337	1,157,031	3,200,175
Development	4,293,507	-	4,293,507	1,517,518	4,212,063
Total supporting services expenses	8,413,844	-	8,413,844	2,674,549	7,412,238
Total expenses	61,584,133	-	61,584,133	9,662,985	58,936,670
Change in net assets	863,285	(4,166,168)	(3,302,883)	6,291,970	14,471,209
Net assets:					
Beginning	14,117,805	23,620,565	37,738,370	31,446,400	16,975,191
Ending	\$ 14,981,090	\$ 19,454,397	\$ 34,435,487	\$ 37,738,370	\$ 31,446,400

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statement of Functional Expenses

Year Ended April 30, 2015

(with summarized comparative financial information for the four months ended April 30, 2014 and the year ended December 31, 2013)

	Year ended April 30, 2015								Four months ended April 30, 2014	Year ended December 31, 2013	
	International	National	Communications	Strategic Learning, Research and Evaluation	Program Services Total	Finance and Administration	Development	Supporting Services Total	Total	Total	
Salaries and benefits	\$ 3,007,127	\$ 3,603,876	\$ 1,365,624	\$ 735,102	\$ 8,711,729	\$ 2,652,390	\$ 2,305,853	\$ 4,958,243	\$ 13,669,972	\$ 4,181,498	\$ 12,483,112
Program grants (donor-advised)	25,034,748	-	-	-	25,034,748	-	-	-	25,034,748	2,499,384	25,526,817
Program grants (non donor-advised)	13,819,818	-	-	551,000	14,370,818	-	-	-	14,370,818	670,234	13,832,616
Professional services	684,134	182,463	269,749	292,692	1,429,038	548,706	399,381	948,087	2,377,125	559,091	1,876,087
Donated services and goods	25,463	30,648	13,040	4,793	73,944	23,917	21,482	45,399	119,343	24,605	60,304
Travel and conference	448,157	826,380	54,592	114,876	1,444,005	108,124	212,244	320,368	1,764,373	539,612	1,159,277
Occupancy	346,458	425,255	169,083	62,061	1,002,857	309,948	278,826	588,774	1,591,631	502,912	1,485,332
Telecommunications and systems applications	68,382	128,238	115,305	11,726	323,651	44,117	87,381	131,498	455,149	100,924	380,090
Printing and publications	920	32,574	58,419	315	92,228	1,450	456,414	457,864	550,092	143,283	508,547
Office supplies and other office expenses	55,264	75,845	32,334	10,487	173,930	52,850	57,359	110,209	284,139	98,618	289,784
Postage	973	1,707	2,813	184	5,677	3,606	233,760	237,366	243,043	61,375	212,690
Advertising	1,345	13,678	7,744	-	22,767	9,160	11,569	20,729	43,496	11,521	123,431
Partner support	556	9,068	223	223	10,070	445	1,849	2,294	12,364	9,613	158,896
Bad debts (recoveries)	-	-	-	-	-	125,132	-	125,132	125,132	(30,284)	55,356
Depreciation and amortization	83,909	88,450	43,151	15,957	231,467	79,621	65,114	144,735	376,202	149,286	449,866
Miscellaneous	115,518	89,247	25,558	13,037	243,360	160,871	162,275	323,146	566,506	141,313	334,465
Subtotal	43,692,772	5,507,429	2,157,635	1,812,453	53,170,289	4,120,337	4,293,507	8,413,844	61,584,133	9,662,985	58,936,670
Special event expenses	-	-	-	-	-	-	29,178	29,178	29,178	15,045	12,553
Investment management fee	-	-	-	-	-	22,443	-	22,443	22,443	9,069	9,240
Total	\$ 43,692,772	\$ 5,507,429	\$ 2,157,635	\$ 1,812,453	\$ 53,170,289	\$ 4,142,780	\$ 4,322,685	\$ 8,465,465	\$ 61,635,754	\$ 9,687,099	\$ 58,958,463

See Notes to Financial Statements.

American Jewish World Service, Inc.

Statement of Cash Flows

Year Ended April 30, 2015

(with summarized comparative financial information for the four months ended April 30, 2014 and the year ended December 31, 2013)

	Year ended April 30, 2015	Four months ended April 30, 2014	Year ended December 31, 2013
Cash flows from operating activities:			
Change in net assets	\$ (3,302,883)	\$ 6,291,970	\$ 14,471,209
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Bad debt (recoveries)	125,132	(30,284)	55,356
Depreciation and amortization	376,202	149,286	449,866
Net realized and unrealized gains on investments	(117,108)	(74,018)	(132,747)
Actuarial loss (gain) on charitable gift annuity obligation	37,165	-	(11,001)
Amortization of deferred rent	(62,780)	(15,803)	(12,691)
Loss on disposal of fixed assets	47,258	-	-
Changes in operating assets and liabilities:			
Decrease (increase) in contributions receivable	7,816,132	(1,779,352)	(14,816,358)
(Increase) decrease in prepaid expenses and other assets	(185,347)	(194,363)	70,745
Increase (decrease) in accounts payable and accrued expenses	923,512	(220,163)	(223,953)
Increase (decrease) in grants payable	340,193	(9,081,933)	3,901,095
(Decrease) increase in unearned revenue	(7,200)	14,633	35,807
Net cash provided by (used in) operating activities	5,990,276	(4,940,027)	3,787,328
Cash flows from investing activities:			
Purchases of property and equipment	(337,094)	(18,335)	(228,485)
Purchases of investments	(5,242,537)	(5,117,748)	(8,167,431)
Proceeds from sale of investments	4,499,630	5,076,491	8,056,292
Net cash used in investing activities	(1,080,001)	(59,592)	(339,624)
Cash flows from financing activities:			
Contributions subject to charitable gift annuity obligation	4,863	6,641	-
Terminated annuity	(3,013)	-	-
Payments on obligations under charitable gift annuity obligation	(29,812)	(7,647)	(27,940)
Net cash used in financing activities	(27,962)	(1,006)	(27,940)
Net increase (decrease) in cash and cash equivalents	4,882,313	(5,000,625)	3,419,764
Cash and cash equivalents:			
Beginning	13,075,129	18,075,754	14,655,990
Ending	\$ 17,957,442	\$ 13,075,129	\$ 18,075,754

See Notes to Financial Statements.

American Jewish World Service, Inc.

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 the leading Jewish organization working to promote human rights and end poverty in the developing world. AJWS advances the health and rights of women, girls and LGBT people; promotes civil and political rights; defends access to food, land and water; and aids communities in the aftermath of disasters. AJWS pursues lasting change by supporting grassroots and global human rights organizations in Africa, Asia, Latin America and the Caribbean and by mobilizing supporters in the U.S. to advocate for global justice. Working together, the AJWS community strives to build a more just and equitable world.

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.

Fiscal Year Change: AJWS changed its fiscal year end from December 31 to April 30 in 2014. As a result, the comparative information in the accompanying financial statements reflect a 4-month period from January 1, 2014 to April 30, 2014 and a 12-month period from January 1, 2013 to December 31, 2013.

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 in the accompanying statements of financial position. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of investments are recorded on a trade-date basis. 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 a discount rate, which also considers the 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 fees are recognized in the period the trip takes place. Study tour fees received in advance is recognized as unearned revenue.

AJWS receives certain contributed services and materials that meet the criteria established by Accounting Standards Codification ("ASC") 958 for recognition as contributions.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

The restricted net assets line includes both permanently and temporarily restricted net assets. Permanently restricted net assets totaled \$9,300 at April 30, 2015 and 2014, and December 31, 2013.

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 except for \$86,667, which is expected to be paid in fiscal year 2017.

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 amounts 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.

Comparative Information: The financial statements include certain prior-year (2014 and 2013) 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 four months ended April 30, 2014 and the year ended December 31, 2013, from which the summarized information was derived.

For comparison, certain 2014 and 2013 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2015. Such reclassifications had no effect on the reported 2014 and 2013 total assets, liabilities, net assets and change in net assets.

Fair Value: AJWS applies Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*, 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.

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:

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

- Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or that can be derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For the year ended April 30, 2015, the four months ended April 30, 2014 and the year ended December 31, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is based on quoted market prices, when available, or bid or evaluation prices provided by recognized broker-dealers.

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.

Management evaluated AJWS's tax positions and concluded that AJWS had taken no uncertain tax positions that require adjustment or disclosure to the financial statements. Generally, AJWS is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2011, 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 and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 15, 2015 for these financial statements.

Recently Adopted or Issued Accounting Standards: In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. AJWS adopted ASU 2012-05 and, accordingly, reclassified the four months ended April 30, 2014 and year ended December 31, 2013 proceeds from sale of donated securities of \$115,931 and \$1,355,868, respectively, from investing activities to operating activities in the statement of cash flows.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on AJWS's financial statements or disclosures.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 3. Contributions and Contributions Receivable

Contributions receivable are expected to be collected as follows:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>	<u>December 31, 2013</u>
Within one year	\$ 6,975,120	\$ 10,511,887	\$ 8,144,727
One to five years	7,392,372	11,736,600	12,331,600
	14,367,492	22,248,487	20,476,327
Less discount to present value at rates ranging from 0.28% to 0.53%	(40,613)	(49,009)	(56,201)
Allowance for uncollectibles	(139,517)	(70,852)	(101,136)
	<u>\$ 14,187,362</u>	<u>\$ 22,128,626</u>	<u>\$ 20,318,990</u>

In addition to the contributions receivable noted above, certain donors provided conditional contributions or have confirmed their intentions to recommend approximate annual contributions over a period of one to five years, as follows:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>	<u>December 31, 2013</u>
Conditional receivables	<u>\$ 2,662,000</u>	<u>\$ 2,501,000</u>	<u>\$ 1,736,000</u>

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.

A significant portion of AJWS's total contributions and revenue, excluding donated services and materials, were provided by one contributor during the year ended April 30, 2015 and the four months ended April 30, 2014, and two contributors during the year ended December 31, 2013. When donor-advised funds from one of the contributions are included, these contributions amounted to 63%, 82% and 70% of total contributions and revenue, respectively. When donor-advised contributions are excluded, the percentages become 34%, 58% and 55%, respectively.

The receivable balances related to these contributions amounted to \$10,500,320, \$18,606,285, and \$14,606,285 at April 30, 2015 and 2014, and December 31, 2013, respectively. These contributions equal 73%, 84% and 71% of the gross contributions receivable at April 30, 2015 and 2014, and December 31, 2013, respectively.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 4. Investments and Fair Value Measurements

Investments consist of the following as of April 30, 2015:

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	\$ 3,521,578	\$ 3,521,578	\$ -	\$ -
Investments:				
Money market funds	33,309	33,309	-	-
Exchange-traded funds	3,902,668	3,902,668	-	-
Mutual funds	4,241,772	4,241,772	-	-
Bonds:				
Government securities	104,297	-	104,297	-
Municipal bond	174,599	-	174,599	-
Subtotal of investments	8,456,645	8,177,749	278,896	-
Total	\$ 11,978,223	\$ 11,699,327	\$ 278,896	\$ -

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. AJWS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by AJWS to measure different financial instruments at fair value.

Money market funds, exchange-traded funds and mutual funds listed on a national securities exchange are stated at the last reported sales, trade or evaluation, price on the day of valuation.

Investments in fixed income securities, including U.S. government debt, are stated at the last reported sales price on the day of valuation. Where no last sales price was recorded on that date, the last quoted bid or evaluation price was used.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

Investments consist of the following as of April 30, 2014:

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	\$ 3,616,486	\$ 3,616,486	\$ -	\$ -
Investments:				
Money market funds	350,708	350,708	-	-
Exchange-traded fund	3,039,297	3,039,297	-	-
Mutual funds	3,928,570	3,928,570	-	-
Bonds:				
Government securities	109,380	-	109,380	-
Municipal bond	168,675	-	168,675	-
Subtotal of investments	7,596,630	7,318,575	278,055	-
Total	\$ 11,213,116	\$ 10,935,061	\$ 278,055	\$ -

American Jewish World Service, Inc.

Notes to Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

Investments consist of the following as of December 31, 2013:

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	\$ 3,639,746	\$ 3,639,746	\$ -	\$ -
Investments:				
Money market funds	5,116,272	5,116,272	-	-
Exchange-traded fund	1,263,501	1,263,501	-	-
Mutual funds	680,683	680,683	-	-
Bonds:				
Government securities	259,763	-	259,763	-
Municipal bond	164,589	-	164,589	-
Corporate notes	2,407	2,407	-	-
Subtotal of investments	7,487,215	7,062,863	424,352	-
Total	\$ 11,126,961	\$ 10,702,609	\$ 424,352	\$ -

Investments are held by one financial institution and another financial institution holds the cash and cash equivalents.

The components of investment return are as follows:

	Year ended April 30, 2015	Four months ended April 30, 2014	Year ended December 31, 2013
Interest and dividend income	\$ 205,408	\$ 46,875	\$ 111,945
Realized gains (losses)	54,409	(11,531)	36,398
Unrealized gains	62,699	85,549	96,349
Management fees	(22,443)	(9,069)	(9,240)
	<u>\$ 300,073</u>	<u>\$ 111,824</u>	<u>\$ 235,452</u>

American Jewish World Service, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment, at cost, are as follows:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>	<u>December 31, 2013</u>	<u>Depreciation/ amortization period</u>
Computer equipment	\$ 948,809	\$ 909,839	\$ 903,552	3 years
Computer software	622,151	646,071	646,071	4 years
Website	217,400	-	-	4 years
Office equipment	400,085	390,166	390,166	5 years
Office furniture	718,618	718,618	718,618	10 years
Leasehold improvements	1,791,279	1,762,877	1,750,829	Lease Term
	<u>4,698,342</u>	<u>4,427,571</u>	<u>4,409,236</u>	
Less accumulated depreciation and amortization	<u>(3,681,563)</u>	<u>(3,324,426)</u>	<u>(3,175,140)</u>	
	<u><u>\$ 1,016,779</u></u>	<u><u>\$ 1,103,145</u></u>	<u><u>\$ 1,234,096</u></u>	

Depreciation and amortization expense are as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
Depreciation and amortization	<u>\$ 376,202</u>	<u>\$ 149,286</u>	<u>\$ 449,866</u>

Note 6. 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. Such liabilities are adjusted annually, based on actuarially determined mortality rates and risk adjusted discount rates. The discount rates used were 4.0% to 10.4%. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities.

AJWS's assets associated with these charitable gift annuity agreements are included in the statement of financial position as cash and cash equivalent.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 7. Restricted Net Assets

Restricted net assets are restricted for the following purposes as:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>	<u>December 31, 2013</u>
International	\$ 15,009,625	\$ 18,989,477	\$ 19,027,546
National	283,000	894,724	621,357
Communications	495,000	344,348	-
Strategic Learning, Research and Evaluation	-	58,444	-
Finance and Administration	651,825	754,893	281,987
Development	483,661	287,650	287,650
Time-restricted	2,096,597	1,915,318	2,140,357
Philanthropy	425,389	366,411	362,778
Permanently restricted endowment	9,300	9,300	9,300
	<u>\$ 19,454,397</u>	<u>\$ 23,620,565</u>	<u>\$ 22,730,975</u>

Net assets released from restrictions consist of the following:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
International	\$ 18,474,312	\$ 1,661,420	\$ 13,819,670
National	1,908,884	650,768	2,527,501
Communications	708,592	155,652	750,000
Strategic Learning, Research and Evaluation	158,444	41,556	485,000
Finance and Administration	1,098,068	227,093	796,389
Development	370,983	620,000	926,750
Time-restricted	1,023,643	227,348	733,194
Philanthropy	59,971	-	75,837
	<u>\$ 23,802,897</u>	<u>\$ 3,583,837</u>	<u>\$ 20,114,341</u>

Note 8. 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. The amounts designated by the board of trustees for reserve funds are as follows:

	<u>April 30, 2015</u>	<u>April 30, 2014</u>	<u>December 31, 2013</u>
Board-designated for reserve funds	<u>\$ 4,591,574</u>	<u>\$ 4,491,321</u>	<u>\$ 4,443,861</u>

American Jewish World Service, Inc.

Notes to Financial Statements

Note 9. Donor-Advised Fund

AJWS has 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.

Revenue for granting purposes is as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
Donor-advised fund, net of administrative fees	<u>\$ 24,623,785</u>	<u>\$ 8,912,522</u>	<u>\$ 24,106,561</u>

Grants expense from the Fund is as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
Program grants (donor-advised)	<u>\$ 25,034,748</u>	<u>\$ 2,499,384</u>	<u>\$ 25,526,817</u>

Note 10. Joint Costs

AJWS produced several publications to educate the public that included appeals for contributions. Joint costs were incurred and allocated as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
National	\$ 17,727	\$ 3,975	\$ 15,900
Communications	82,114	17,626	74,355
Development	17,727	3,975	22,567
Finance and Administration	-	-	6,667
	<u>\$ 117,568</u>	<u>\$ 25,576</u>	<u>\$ 119,489</u>

American Jewish World Service, Inc.

Notes to Financial Statements

Note 11. 403(b) Plan

AJWS established 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 are as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
Employer 403(b) plan contributions	<u>\$ 381,154</u>	<u>\$ 123,906</u>	<u>\$ 366,859</u>

Note 12. Conditional Grants and Contingencies

In 2015, 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 April 30, 2015 amounted to approximately \$7,775,000.

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 from them 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 \$108,000, \$29,000 and \$84,000 for the year ended April 30, 2015, the four months ended April 30, 2014 and year ended December 31, 2013, 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 April 30,</u>	<u>Gross Rent</u>	<u>Sublease</u>	<u>Net Total</u>
2016	\$ 1,087,365	\$ (116,970)	\$ 970,395
2017	1,025,840	(45,522)	980,318
2018	183,966	-	183,966
	<u>\$ 2,297,171</u>	<u>\$ (162,492)</u>	<u>\$ 2,134,679</u>

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately \$1,110,000, \$365,000 and \$1,099,000 for the year ended April 30, 2015, the four months ended April 30, 2014 and the year ended December 31, 2013, 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.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 14. Donated Services and Goods

AJWS received specialized service volunteers and donated goods, which are recorded in the accompanying financial statements at their approximate fair values as follows:

	<u>Year ended April 30, 2015</u>	<u>Four months ended April 30, 2014</u>	<u>Year ended December 31, 2013</u>
Legal services	\$ 119,000	\$ 22,000	\$ 60,000
Donated goods	-	3,000	-
	<u>\$ 119,000</u>	<u>\$ 25,000</u>	<u>\$ 60,000</u>

Note 15. Endowments

AJWS is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), and 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.

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 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.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 15. Endowments (Continued)

Endowment net asset composition by type of fund as of April 30, 2015 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	-	2,215,425	-	-	2,215,425
Total funds	\$ -	\$ 2,215,425	\$ 3,399	\$ 9,300	\$ 2,228,124

Endowment net asset composition by type of fund as of April 30, 2014 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	-	2,165,014	-	-	2,165,014
Total funds	\$ -	\$ 2,165,014	\$ 3,399	\$ 9,300	\$ 2,177,713

Endowment net asset composition by type of fund as of December 31, 2013 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	-	2,121,200	-	-	2,121,200
Total funds	\$ -	\$ 2,121,200	\$ 3,399	\$ 9,300	\$ 2,133,899

American Jewish World Service, Inc.

Notes to Financial Statements

Note 15. Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2013, the four months ended April 30, 2014 and the year ended April 30, 2015 are as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	LT Investment			
Endowment net assets, December 31, 2012	\$ -	\$ 2,037,438	\$ 3,399	\$ 9,300	\$ 2,050,137
Investment return:					
Investment income	-	70,805	-	-	70,805
Unrealized and realized gains	-	121,407	-	-	121,407
Total investment return	-	192,212	-	-	192,212
Investment expenses:					
Management fee	-	(8,450)	-	-	(8,450)
Appropriation of endowment assets for expenditure:					
Assets for expenditure	100,000	(100,000)	-	-	-
Release of funds	(100,000)	-	-	-	(100,000)
Total appropriation of endowment assets for expenditures	-	(100,000)	-	-	(100,000)
Endowment net assets, December 31, 2013	-	2,121,200	3,399	9,300	2,133,899
Investment return:					
Investment income	-	17,281	-	-	17,281
Unrealized and realized gains	-	29,186	-	-	29,186
Total investment return	-	46,467	-	-	46,467
Investment expenses:					
Management fee	-	(2,653)	-	-	(2,653)
Endowment net assets, April 30, 2014	-	2,165,014	3,399	9,300	2,177,713
Investment return:					
Investment income	-	56,288	-	-	56,288
Unrealized and realized gains	-	101,006	-	-	101,006
Total investment return	-	157,294	-	-	157,294
Investment expenses:					
Management fee	-	(6,883)	-	-	(6,883)
Appropriation of endowment assets for expenditure:					
Assets for expenditure	100,000	(100,000)	-	-	-
Release of funds	(100,000)	-	-	-	(100,000)
Total appropriation of endowment assets for expenditures	-	(100,000)	-	-	(100,000)
Endowment net assets, April 30, 2015	\$ -	\$ 2,215,425	\$ 3,399	\$ 9,300	\$ 2,228,124

Notes to Financial Statements

Note 16. Self-Insured Unemployment

AJWS is required to provide for unemployment claims for former employees by making payments to a state unemployment insurance program or by self-insurance. Since January 2014, AJWS is self-insured for unemployment claims under a plan monitored by a third-party administrator. Annually, the administrator determines AJWS's required contributions to the plan to pay future unemployment claims as they arise. AJWS had a deposit balance in the plan of approximately \$66,000 and \$15,500 at April 30, 2015 and April 30, 2014, respectively, which is included in prepaid expenses and other assets in the accompanying statement of financial position.

Unemployment claims made through June 30, 2014 remain the responsibility of the state unemployment fund and, beginning with claims made after June 30, 2014, AJWS has responsibility for 25% of such claims increasing to 100% for claims made after March 31, 2015.

In accordance with generally accepted accounting practices, AJWS is required to accrue for expected future claims during the period of employment of those eligible to make unemployment claims. At April 30, 2015, AJWS has recognized a liability and expense of approximately \$82,000 for expected future claims, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.