

**FINANCIAL STATEMENTS WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

AMERICAN JEWISH WORLD SERVICE, INC.

For the year ended April 30, 2019,
with summarized comparative information for the year ended April 30, 2018

AMERICAN JEWISH WORLD SERVICE, INC.

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Report of Independent Certified Public Accountants

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

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, 2019, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 of material misstatements.

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 AJWS'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 AJWS'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 American Jewish World Service, Inc. as of April 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matter

We have previously audited AJWS's 2018 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended April 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
September 20, 2019

AMERICAN JEWISH WORLD SERVICE, INC.

Statement of Financial Position

As of April 30, 2019, with summarized comparative information as of April 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 6,167,601	\$ 13,988,899
Contributions receivable, net	21,610,112	27,102,721
Investments, at fair value	21,099,354	14,549,652
Prepaid expenses and other assets	680,438	821,055
Property and equipment, net	<u>1,081,678</u>	<u>888,164</u>
Total assets	<u>\$ 50,639,183</u>	<u>\$ 57,350,491</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 794,112	\$ 545,706
Grants payable	3,205,198	6,375,101
Deferred rent	868,293	731,708
Unearned revenue	254,891	108,162
Charitable gift annuity obligations	<u>187,297</u>	<u>194,707</u>
Total liabilities	<u>5,309,791</u>	<u>7,955,384</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions		
Undesignated	2,026,487	228,838
Designated for donor-advised fund	653,383	2,849,243
Board-designated for reserve fund	12,096,982	9,761,210
Board-designated for working capital fund	<u>3,993,375</u>	<u>3,993,375</u>
Total without donor restrictions	<u>18,770,227</u>	<u>16,832,666</u>
With donor restrictions	<u>26,559,165</u>	<u>32,562,441</u>
Total net assets	<u>45,329,392</u>	<u>49,395,107</u>
Total liabilities and net assets	<u>\$ 50,639,183</u>	<u>\$ 57,350,491</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN JEWISH WORLD SERVICE, INC.

Statement of Activities

For the year ended April 30, 2019, with summarized comparative information for the year ended April 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORT				
Contributions:				
Individuals	\$ 14,652,318	\$ 15,524,269	\$ 30,176,587	\$ 35,795,545
Donor-advised fund	3,438,300	-	3,438,300	8,500,000
Bequests	679,942	152,400	832,342	576,541
Foundations and corporations	891,418	3,022,303	3,913,721	18,431,293
Government agencies	331,447	-	331,447	258,014
Special event revenue, net of expenses of \$0 in 2019 and \$51,269 in 2018	-	-	-	104,733
Donated services and goods	404,449	-	404,449	577,857
Investment return, net of expenses of \$64,857 in 2019 and \$54,162 in 2018	689,488	21,116	710,604	469,363
Study tour fees and miscellaneous revenue	419,688	504	420,192	374,824
Net assets released from restrictions				
Satisfaction of purpose restrictions	22,581,024	(22,581,024)	-	-
Satisfaction of time restrictions	2,142,844	(2,142,844)	-	-
Total revenues and support	46,230,918	(6,003,276)	40,227,642	65,088,170
Program services:				
Programs	30,122,911	-	30,122,911	39,350,299
Communications	3,587,028	-	3,587,028	3,544,231
Strategic learning, research and evaluation	2,352,068	-	2,352,068	2,346,766
Total program services expenses	36,062,007	-	36,062,007	45,241,296
Supporting services:				
Finance and administration	2,635,522	-	2,635,522	2,415,865
Development	5,595,828	-	5,595,828	5,318,991
Total supporting services expenses	8,231,350	-	8,231,350	7,734,856
Total expenses	44,293,357	-	44,293,357	52,976,152
Change in net assets	1,937,561	(6,003,276)	(4,065,715)	12,112,018
NET ASSETS				
Beginning of year	16,832,666	32,562,441	49,395,107	37,283,089
End of year	\$ 18,770,227	\$ 26,559,165	\$ 45,329,392	\$ 49,395,107

The accompanying notes are an integral part of this financial statement.

AMERICAN JEWISH WORLD SERVICE, INC.

Statement of Functional Expenses

For the year ended April 30, 2019, with summarized comparative information for the year ended April 30, 2018

	2019							2018 Total	
	Programs	Communications	Strategic Learning, Research and Evaluation	Program Services Total	Finance and Administration	Development	Supporting Services Total		Total
Salaries and benefits	\$ 5,991,926	\$ 2,034,780	\$ 1,033,337	\$ 9,060,043	\$ 1,801,997	\$ 3,286,184	\$ 5,088,181	\$ 14,148,224	\$13,660,256
Program grants (donor-advised)	5,380,000	-	-	5,380,000	-	-	-	5,380,000	15,251,422
Program grants (non donor-advised)	14,990,810	-	705,000	15,695,810	-	-	-	15,695,810	14,622,306
Professional services	1,158,572	449,026	360,598	1,968,196	274,270	506,222	780,492	2,748,688	3,221,632
Conferences, meetings and travel	1,067,667	89,267	70,705	1,227,639	120,390	183,066	303,456	1,531,095	1,585,671
Occupancy	714,952	272,319	86,927	1,074,198	194,756	389,838	584,594	1,658,792	1,636,100
Telecommunications and systems applications	334,586	209,349	38,841	582,776	79,260	197,227	276,487	859,263	773,474
Printing and publications	10,082	65,046	682	75,810	14,988	452,029	467,017	542,827	424,680
Office supplies and other office expenses	96,291	73,856	13,381	183,528	31,104	53,492	84,596	268,124	278,323
Insurance	53,717	18,167	6,694	78,578	12,870	26,394	39,264	117,842	122,778
Postage	6,860	6,469	427	13,756	3,730	221,666	225,396	239,152	231,746
Dues and subscriptions	43,521	13,539	5,259	62,319	36,004	31,465	67,469	129,788	106,504
Advertising and promotion	5,684	307,696	518	313,898	2,051	13,016	15,067	328,965	395,163
Bad debt recovery	-	-	-	-	(50,065)	-	(50,065)	(50,065)	(3,820)
Depreciation and amortization	100,632	37,769	12,838	151,239	26,839	55,733	82,572	233,811	265,390
Other fees	155,854	8,644	16,175	180,673	83,974	100,704	184,678	365,351	356,927
Miscellaneous	11,757	1,101	686	13,544	3,354	78,792	82,146	95,690	47,600
Subtotal	30,122,911	3,587,028	2,352,068	36,062,007	2,635,522	5,595,828	8,231,350	44,293,357	52,976,152
Special event expenses	-	-	-	-	-	-	-	-	51,269
Investment management fee	-	-	-	-	64,857	-	64,857	64,857	54,162
Total	<u>\$30,122,911</u>	<u>\$ 3,587,028</u>	<u>\$ 2,352,068</u>	<u>\$36,062,007</u>	<u>\$ 2,700,379</u>	<u>\$ 5,595,828</u>	<u>\$ 8,296,207</u>	<u>\$44,358,214</u>	<u>\$53,081,583</u>

The accompanying notes are an integral part of this financial statement.

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Statement of Cash Flows

For the year ended April 30, 2019, with summarized comparative information for the year ended April 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,065,715)	\$ 12,112,018
Adjustments to reconcile change in net assets to net cash used in operating activities		
Change in present value discount on contributions receivable	(132,823)	123,377
Change in allowance for doubtful accounts	(50,065)	(3,820)
Depreciation and amortization	233,811	265,390
Net realized and unrealized gains on investments	(226,203)	(146,980)
Actuarial loss on charitable gift annuity obligation	18,441	17,955
Loss on disposal of property and equipment	-	23,560
Changes in operating assets and liabilities		
Decrease (increase) in contributions receivable	5,675,497	(16,865,494)
Decrease (increase) in prepaid expenses and other assets	140,617	(228,896)
Increase (decrease) in accounts payable and accrued expenses	248,406	(957,665)
Decrease in grants payable	(3,169,903)	(437,476)
Increase in deferred rent	136,585	174,351
Increase (decrease) in unearned revenue	<u>146,729</u>	<u>(3,787)</u>
Net cash used in operating activities	<u>(1,044,623)</u>	<u>(5,927,467)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(427,325)	(353,721)
Purchases of investments	(32,204,797)	(13,785,195)
Proceeds from sale of investments	<u>25,881,298</u>	<u>11,924,253</u>
Net cash used in investing activities	<u>(6,750,824)</u>	<u>(2,214,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions subject to charitable gift annuity obligation	-	24,061
Payment on obligations under charitable gift annuity obligation	<u>(25,851)</u>	<u>(23,322)</u>
Net cash (used in) provided by financing activities	<u>(25,851)</u>	<u>739</u>
Net decrease in cash and cash equivalents	(7,821,298)	(8,141,391)
Cash and cash equivalents at beginning of year	<u>13,988,899</u>	<u>22,130,290</u>
Cash and cash equivalents at end of year	<u>\$ 6,167,601</u>	<u>\$ 13,988,899</u>

The accompanying notes are an integral part of this financial statement.

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Notes to Financial Statements

April 30, 2019 and 2018

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 fight poverty and pursue justice in the developing world. By supporting hundreds of social change organizations in 19 countries, we respond to the most pressing issues of our time—from disasters, genocide and hunger, to the persecution of women and minorities worldwide. 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 United States to advocate for global justice. AJWS’s international grantmaking and U.S. advocacy focuses on five central issues that we believe are key to securing human rights and ending poverty: the health and rights of women, girls and LGBT people; ending child marriage; promoting civil and political rights; defending access to food, land and water; and aiding communities in the aftermath of disasters. With Jewish values and a global reach, AJWS is making a difference in millions of lives and bringing a more just and equitable world closer for all.

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 (“US GAAP”).

Basis of Presentation

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

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ASU 2016-14 is effective for AJWS's fiscal year beginning May 1, 2018, and AJWS has applied the amendments retrospectively as required by the standard. A presentation of net assets as previously reported as of April 30, 2018, and 2017, and as required under ASU 2016-14 follows:

	April 30, 2018			
	Presentation under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	\$ 16,832,666	\$ 16,832,666	\$ -	\$ 16,832,666
Restricted	<u>32,562,441</u>	<u>-</u>	<u>32,562,441</u>	<u>32,562,441</u>
Total net assets	<u>\$ 49,395,107</u>	<u>\$ 16,832,666</u>	<u>\$ 32,562,441</u>	<u>\$ 49,395,107</u>
	April 30, 2017			
	Presentation under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	\$ 21,965,499	\$ 21,965,499	\$ -	\$ 21,965,499
Restricted	<u>15,317,590</u>	<u>-</u>	<u>15,317,590</u>	<u>15,317,590</u>
Total net assets	<u>\$ 37,283,089</u>	<u>\$ 21,965,499</u>	<u>\$ 15,317,590</u>	<u>\$ 37,283,089</u>

Net Asset Classification

AJWS classifies its net assets in the following categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include funds that have not been restricted by an outside donor and are therefore available for use in carrying out the general operations of AJWS. Net assets without donor restrictions may be designated for specific purposes by actions of the Board of Trustees (Note 9).

Net Assets With Donor Restrictions

Net assets with donor restrictions include funds that been restricted by donor-imposed stipulations and either expire with the passage of time or can be fulfilled and removed by actions of AJWS pursuant to stipulations (see Note 7). When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net asset released from restrictions.

Net assets with donor restrictions also include 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 (Note 15).

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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 statement 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 and included within investment returns in the accompanying statements of activities. Purchases and sales of investments are recorded on a trade-date basis.

Property and Equipment

AJWS's policy for capitalization of property and equipment is limited to purchases of \$1,000 or more. Property and equipment (consisting of leasehold improvements, furniture and office equipment and website) are 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

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 the purpose of the restriction is accomplished—net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement 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. An allowance for doubtful contributions received is provided by management based upon 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 are 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 (Note 14).

Expenses

The costs of providing program services and supporting services have been allocated among functional categories depending upon the ultimate purpose of the expense. Functional expenses that are not

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exclusively attributable to program services or supporting services have been allocated by management among the program and supporting services benefited based on time and effort.

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 US GAAP 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 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 US GAAP. Accordingly, such information should be read in conjunction with AJWS's financial statements for the year ended April 30, 2018, from which the summarized information was derived.

Reclassification

Certain 2018 amounts have been reclassified, to conform with the financial statement presentation used in 2019. Such reclassifications had no effect on the 2018 totals reported for assets, liabilities, net assets, revenues, expenses, and change in net assets.

Fair Value Measurement

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 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 assess the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

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

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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.

For the years ended April 30, 2019 and 2018, 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.

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.

Income Taxes

AJWS follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

AJWS is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. AJWS has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. AJWS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, AJWS has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

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 September 20, 2019.

Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for

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all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. AJWS is currently evaluating the impact of the adoption of the new standard on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For contributions received by AJWS, this update is effective for the fiscal year beginning October 1, 2019. For contributions made, this update is effective for the fiscal year beginning October 1, 2020. AJWS is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

3. CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 16,682,828	\$ 15,711,575
One to five years	<u>5,115,800</u>	<u>11,767,450</u>
	21,798,628	27,479,025
Less discount to present value at rates ranging from 0.76% to 2.60%	(79,569)	(212,392)
Allowance for uncollectibles	<u>(108,947)</u>	<u>(163,912)</u>
	<u>\$ 21,610,112</u>	<u>\$ 27,102,721</u>

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

	<u>2019</u>	<u>2018</u>
Conditional receivables	<u>\$ 4,256,000</u>	<u>\$ 4,509,000</u>

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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 revenues and support, excluding donated services and goods, were provided by a single donor during the year ended April 30, 2019, and two donors during the year ended April 30, 2018. These contributions amounted to 38% and 64%, respectively, of total revenues and support when donor-advised funds from one of the donors is included. When donor-advised contributions are excluded, such percentages were 33% and 59%, respectively.

A significant portion of AJWS's total gross contributions receivable balances were provided by three donors at April 30, 2019, which amounted to \$15,954,000; and three donors at April 30, 2018, which amounted to \$20,900,000. These contributions represent 73% and 76% of the gross contributions receivable at April 30, 2019 and 2018, respectively.

4. INVESTMENTS AT FAIR VALUE

Investments, at fair value consisted of the following as of April 30, 2019 and 2018:

<u>Description</u>	<u>2019</u>	<u>2018</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments		
Money market funds	\$ 7,993	\$ 25,935
Exchange-traded funds	5,893,986	5,160,403
Mutual funds	13,179,143	9,363,314
Government securities	<u>2,018,232</u>	<u>-</u>
 Total	 <u>\$ 21,099,354</u>	 <u>\$ 14,549,652</u>

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.

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The components of investment return, follow:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 549,258	\$ 376,545
Realized (losses) gains	(77,724)	322,228
Unrealized gains (losses)	303,927	(175,248)
Management fees	<u>(64,857)</u>	<u>(54,162)</u>
	<u>\$ 710,604</u>	<u>\$ 469,363</u>

5. PROPERTY AND EQUIPMENT, NET

At April 30, 2019 and 2018, property and equipment, at cost, consisted of the following:

	Depreciation/ Amortization Period	<u>2019</u>	<u>2018</u>
Computer equipment	3-5 years	\$ 260,409	\$ 237,943
Computer software	3-7 years	634,391	274,948
Website	4 years	226,400	226,400
Office equipment	5-15 years	260,462	242,388
Office furniture	5-15 years	767,505	757,690
Leasehold improvements	Lease term	<u>2,053,229</u>	<u>2,035,702</u>
		4,202,396	3,775,071
Less: Accumulated depreciation and amortization		<u>(3,120,718)</u>	<u>(2,886,907)</u>
Property and equipment, net		<u>\$ 1,081,678</u>	<u>\$ 888,164</u>

Depreciation and amortization expense is as follows, for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Depreciation and amortization expense	<u>\$ 233,811</u>	<u>\$ 265,390</u>

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6. CHARITABLE GIFT ANNUITY OBLIGATIONS

AJWS has an established 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. 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 a contribution without donor restrictions on the date of the gift and, therefore, is considered a charitable contribution for the respective donor's income tax purposes. 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% in 2019 and 2018, respectively. 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 category in the accompanying statements of activities.

AJWS's assets associated with these charitable gift annuity agreements are included in the accompanying statements of financial position as investments and cash and cash equivalents.

7. NET ASSETS WITH DONOR RESTRICTIONS

At April 30, 2019 and 2018, net assets with donor restrictions consisted of and were restricted for the following purposes, as of:

	<u>2019</u>	<u>2018</u>
Programs	\$ 17,381,117	\$ 22,077,142
Communications	920,065	866,976
Strategic learning, research and evaluation	305,923	356,870
Finance and administration	700,000	575,989
Development	824,272	681,856
Time-restricted (for board-designated reserve fund)	4,603,727	4,942,522
Time-restricted (for general support)	1,407,266	2,654,833
Family philanthropy funds	402,980	393,350
Donor-restricted endowment (Note 15)	<u>13,815</u>	<u>12,903</u>
	<u>\$ 26,559,165</u>	<u>\$ 32,562,441</u>

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Net assets released from restrictions consisted of the following for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Programs	\$ 20,038,432	\$ 18,787,400
Communications	1,046,911	1,361,544
Strategic learning, research and evaluation	445,759	495,060
Finance and administration	575,989	922,931
Development	459,033	762,426
Family philanthropy funds	<u>14,900</u>	<u>34,718</u>
	<u>22,581,024</u>	<u>22,364,079</u>
Time-restricted (for board-designated reserve fund)	522,400	685,000
Time-restricted (for general support)	<u>1,620,444</u>	<u>1,603,920</u>
	<u>2,142,844</u>	<u>2,288,920</u>
	<u>\$ 24,723,868</u>	<u>\$ 24,652,999</u>

8. JOINT COSTS

AJWS produced several publications to educate the public that included appeals for contributions. Joint costs were incurred and allocated as follows, for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Programs	\$ 18,099	\$ 17,378
Communications	100,464	81,096
Finance and administration	16,002	-
Development	<u>34,101</u>	<u>17,378</u>
	<u>\$ 168,666</u>	<u>\$ 115,852</u>

9. BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions represent expendable funds that are available for support of AJWS's operations. Net assets without donor restrictions include amounts that the board designated for a reserve fund and a working capital fund.

The reserve fund is a distinct pool of liquid assets that AJWS can, with Board approval, access to ensure the sustainability of its programs and to pursue opportunities of strategic importance. It was created to cover at least six months of operational and grant expenses, and AJWS may use both the principal and earnings of

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the reserve fund to mitigate unexpected losses and undesirable financial events. In addition, AJWS expects to add \$4,603,727 to the reserve fund when pledges come due and are collected, which are currently included in net assets with donor restrictions as time-restricted for board-designated reserve fund (Note 7).

The working capital fund is to be used to cover expenses when AJWS anticipates receiving replacement funds later in the same fiscal year. The anticipated replacement funds are expected either based on a pledge due later in the fiscal year and/or from renewal gifts. The working capital fund is different from the reserve fund as the latter may be used only in the case of organizational emergencies or significant organizational opportunities. The total amounts designated by the Board of Trustees for reserve fund and working capital fund were as follows as of April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board-designated for reserve fund	\$ 12,096,982	\$ 9,761,210
Board-designated for working capital fund	<u>3,993,375</u>	<u>3,993,375</u>
	<u>\$ 16,090,357</u>	<u>\$ 13,754,585</u>

10. DONOR-ADVISED FUND

AJWS administers 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; however, AJWS has full discretion to accept or reject a grant recommendation.

Revenue for grant purposes was as follows for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donor-advised fund, excluding administrative fees of \$252,810 in 2019 and \$626,242 in 2018	<u>\$ 3,185,490</u>	<u>\$ 7,873,758</u>

Grants expense from the Fund follows for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Program grants (donor-advised)	<u>\$ 5,380,000</u>	<u>\$ 15,251,422</u>

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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 for the year ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Employer 403(b) plan contributions	\$ 375,291	\$ 378,274

12. CONDITIONAL GRANTS AND CONTINGENCIES

In 2019, 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, 2019, amounted to approximately \$1,100,000.

Various claims and regulatory reviews may arise in the ordinary course of AJWS's activities. Based upon information currently available, management believes that such matters, if any, will not have a material effect on the financial position or operations of AJWS.

13. COMMITMENTS

AJWS leases its office spaces under several noncancelable operating leases, which have various expiring terms with the latest expiring in June 2032. 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 \$170,000 for the year ended April 30, 2019. Minimum future obligations under the leases, net of sublease income and exclusive of required payments for increases in real estate taxes, follow:

	<u>Gross Rent</u>	<u>Sublease</u>	<u>Net Total</u>
Years ending April 30:			
2020	\$ 1,286,594	\$ (137,396)	\$ 1,149,198
2021	1,283,903	(65,245)	1,218,658
2022	1,301,166	(10,927)	1,290,239
2023	1,288,051	-	1,288,051
2024	1,226,971	-	1,226,971
Thereafter	<u>10,450,131</u>	<u>-</u>	<u>10,450,131</u>
	<u>\$ 16,836,816</u>	<u>\$ (213,568)</u>	<u>\$ 16,623,248</u>

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately \$1,417,000 and \$1,402,000 for the years ended April 30, 2019 and 2018.

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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 statement of financial position as deferred rent.

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, for the years ended April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donated legal services	\$ 96,545	\$ 199,450
Donated online-advertisement service	274,592	329,383
Donated computer software	33,312	33,600
Donated event services	-	9,740
Donated event goods	-	5,684
	<u>\$ 404,449</u>	<u>\$ 577,857</u>

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 net assets with donor restrictions: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund includes the accumulated unspent earnings on the donor-restricted endowment fund that remains within net assets with donor restrictions 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. 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 and income from interest and dividends are recorded as net assets with donor restrictions.

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,

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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 April 30, 2019 and 2018 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 13,815</u>	<u>\$ 13,815</u>	<u>\$ 12,903</u>	<u>\$ 12,903</u>

Changes in endowment net assets for the years ended April 30, 2019 and 2018 is as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, April 30, 2017	\$ 12,882	\$ 12,882
Investment return		
Investment income	427	427
Unrealized and realized losses	<u>(363)</u>	<u>(363)</u>
Total investment return	64	64
Investment expenses		
Management fee	<u>(43)</u>	<u>(43)</u>
Endowment net assets, April 30, 2018	12,903	12,903
Investment return		
Investment income	507	507
Unrealized and realized gains	<u>430</u>	<u>430</u>
Total investment return	937	937
Investment expenses		
Management fee	<u>(25)</u>	<u>(25)</u>
Endowment net assets, April 30, 2019	<u>\$ 13,815</u>	<u>\$ 13,815</u>

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16. LIQUIDITY AND AVAILABILITY OF RESOURCES

AJWS receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions as well as support without donor restrictions. AJWS regularly monitors the availability of resources required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. AJWS's financial assets available within one-year of the statement of financial position date for general expenditures are as follows:

Financial Assets as of April 30, 2019

Cash and cash equivalents	\$ 6,167,601
Contributions receivable, gross	21,798,628
Investments, at fair value	21,099,354
Other assets	<u>30,602</u>
Total financial assets available	<u>49,096,185</u>

Less:

Contractual, legal or donor-imposed restrictions:

Amounts subject to board appropriation (board-designated for reserve fund and board-designated for working capital fund)	16,090,357
Amounts reserved for donor-advised fund	200,000
Amounts reserved for charitable gift annuity obligation	427,567
Satisfaction of donor restrictions	<u>10,934,795</u>
Total amounts unavailable for general expenditures within one year	<u>27,652,719</u>
Total financial assets available within one year to meet general expenditures	<u>\$ 21,443,466</u>

As part of AJWS's liquidity management, AJWS structures its financial assets to be available as its general operations, liabilities, and other obligations require. To manage its liquidity, AJWS operates within a prudent range of financial soundness and stability and maintains adequate liquid assets to fund near term operating needs and continues to build its reserves to provide reasonable assurance that long term obligations will be met.

17. 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 plan balance of approximately \$120,600 and \$121,000 at April 30, 2019 and 2018, respectively, which is included in prepaid expenses and other assets in the accompanying statements of financial position.

In accordance with generally accepted accounting principles, AJWS is required to accrue for expected future claims during the period of employment of those eligible to make unemployment claims. At April 30, 2019, AJWS has recognized a liability and expense of approximately \$82,000 for possible future claims, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.