

American Jewish World Service, Inc.

Financial Report
April 30, 2016

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RSM US LLP

Independent Auditor's Report

Board of Trustees
American Jewish World Service, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of American Jewish World Service, Inc., which comprise the statement of financial position as of April 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 American Jewish World Service, Inc. as of April 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited American Jewish World Service, Inc.'s April 30, 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
September 12, 2016

American Jewish World Service, Inc.

Statement of Financial Position

April 30, 2016

(with summarized comparative financial information as of April 30, 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 19,382,647	\$ 17,957,442
Contributions receivable, net	15,731,944	14,187,362
Investments	8,493,113	8,456,645
Prepaid expenses and other assets	571,406	730,990
Property and equipment, net of accumulated depreciation and amortization of \$4,106,552 and \$3,681,563, respectively	789,382	1,016,779
Total assets	\$ 44,968,492	\$ 42,349,218
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,159,848	\$ 1,630,981
Grants payable	5,642,496	5,774,615
Deferred rent	143,736	184,257
Unearned revenue	12,037	99,309
Charitable gift annuity obligation	181,916	224,569
Total liabilities	7,140,033	7,913,731
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	1,377,793	1,383,695
Unrestricted designated for donor-advised fund	5,985,474	6,790,396
Unrestricted designated for long-term investment	-	2,215,425
Board-designated for reserve fund	3,999,105	-
Board-designated for working capital fund	4,666,006	4,591,574
Total unrestricted	16,028,378	14,981,090
Restricted	21,800,081	19,454,397
Total net assets	37,828,459	34,435,487
Total liabilities and net assets	\$ 44,968,492	\$ 42,349,218

See notes to financial statements.

American Jewish World Service, Inc.

Statement of Activities

Year Ended April 30, 2016

(with summarized comparative information for the year ended April 30, 2015)

	2016			2015
	Unrestricted	Restricted	Total	Total
Contributions and revenue:				
Individuals	\$ 10,385,745	\$ 23,651,398	\$ 34,037,143	\$ 27,714,073
Donor-advised fund	28,354,951	-	28,354,951	25,500,000
Bequests	160,650	251,761	412,411	111,191
Foundations and corporations	880,189	2,790,442	3,670,631	4,071,050
Government agencies	-	252,852	252,852	-
Special event revenue, net of expenses of \$630,800 in 2016 and \$29,178 in 2015	1,665,537	-	1,665,537	4,669
Donated services and goods	102,938	-	102,938	119,343
Investment income, net of expenses of \$26,358 in 2016 and \$22,443 in 2015	31,428	5,040	36,468	300,073
Study tour fees and miscellaneous revenue	350,821	1,620	352,441	460,851
Net assets released from restrictions	24,607,429	(24,607,429)	-	-
Total contributions and revenue	66,539,688	2,345,684	68,885,372	58,281,250
Program services:				
Programs	52,032,089	-	52,032,089	48,796,829
Communications	2,992,602	-	2,992,602	2,157,635
Strategic learning, research and evaluation	1,979,890	-	1,979,890	1,812,453
Total program services expenses	57,004,581	-	57,004,581	52,766,917
Supporting services:				
Finance and administration	3,735,321	-	3,735,321	4,120,337
Development	4,752,498	-	4,752,498	4,696,879
Total supporting services expenses	8,487,819	-	8,487,819	8,817,216
Total expenses	65,492,400	-	65,492,400	61,584,133
Change in net assets	1,047,288	2,345,684	3,392,972	(3,302,883)
Net assets:				
Beginning	14,981,090	19,454,397	34,435,487	37,738,370
Ending	\$ 16,028,378	\$ 21,800,081	\$ 37,828,459	\$ 34,435,487

See notes to financial statements.

American Jewish World Service, Inc.

Statement of Functional Expenses

Year Ended April 30, 2016

(with summarized comparative financial information for the year ended April 30, 2015)

	Year Ended April 30, 2016							2015	
	Programs	Communications	Strategic Learning, Research and Evaluation	Program Services Total	Finance and Administration	Development	Supporting Services Total	Total	Total
Salaries and benefits	\$ 5,276,856	\$ 1,711,292	\$ 676,699	\$ 7,664,847	\$ 2,437,531	\$ 2,671,630	\$ 5,109,161	\$ 12,774,008	\$ 13,669,972
Program grants (donor-advised)	28,499,354	-	-	28,499,354	-	-	-	28,499,354	25,049,948
Program grants (non donor-advised)	14,897,626	-	915,000	15,812,626	-	-	-	15,812,626	14,355,618
Professional services	879,304	608,254	155,101	1,642,659	408,800	499,641	908,441	2,551,100	2,377,125
Donated services and goods	48,241	12,888	4,385	65,514	17,273	20,150	37,423	102,937	119,343
Conferences, meetings and travel	1,041,276	93,291	102,928	1,237,495	108,732	307,840	416,572	1,654,067	1,913,072
Occupancy	600,641	172,268	47,227	820,136	227,218	276,810	504,028	1,324,164	1,292,274
Telecommunications and systems applications	232,178	135,361	20,556	388,095	87,023	130,781	217,804	605,899	638,834
Printing and publications	13,929	53,790	47	67,766	72	348,685	348,757	416,523	478,565
Office supplies and other office expenses	98,020	45,613	10,346	153,979	46,443	53,478	99,921	253,900	270,334
Insurance	66,296	17,628	5,997	89,921	23,915	27,763	51,678	141,599	147,718
Postage	6,717	4,295	333	11,345	2,905	210,487	213,392	224,737	243,043
Dues and subscriptions	51,380	17,618	8,143	77,141	27,556	20,170	47,726	124,867	90,557
Advertising and promotion	6,003	52,295	525	58,823	2,566	11,565	14,131	72,954	45,233
Bad debts	-	-	-	-	126,841	-	126,841	126,841	125,132
Depreciation, amortization and loss on disposal	176,610	59,892	17,400	253,902	81,777	89,310	171,087	424,989	423,460
Other fees	124,309	5,393	13,793	143,495	127,566	54,983	182,549	326,044	276,841
Miscellaneous	13,349	2,724	1,410	17,483	9,103	29,205	38,308	55,791	67,064
Subtotal	52,032,089	2,992,602	1,979,890	57,004,581	3,735,321	4,752,498	8,487,819	65,492,400	61,584,133
Special event expenses	-	-	-	-	-	630,800	630,800	630,800	29,178
Investment management fee	-	-	-	-	26,358	-	26,358	26,358	22,443
Total	\$ 52,032,089	\$ 2,992,602	\$ 1,979,890	\$ 57,004,581	\$ 3,761,679	\$ 5,383,298	\$ 9,144,977	\$ 66,149,558	\$ 61,635,754

See notes to financial statements.

American Jewish World Service, Inc.

Statement of Cash Flows
Year Ended April 30, 2016

(with summarized comparative financial information for the year ended April 30, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 3,392,972	\$ (3,302,883)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	126,841	125,132
Depreciation and amortization	424,989	376,202
Net realized and unrealized losses (gains) on investments	139,860	(117,108)
Actuarial (gain) loss on charitable gift annuity obligation	(16,852)	37,165
Amortization of deferred rent	(40,521)	(62,780)
Loss on disposal of fixed assets	-	47,258
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(1,671,423)	7,816,132
Decrease (increase) in prepaid expenses and other assets	159,584	(185,347)
(Decrease) increase in accounts payable and accrued expenses	(471,133)	923,512
(Decrease) increase in grants payable	(132,119)	340,193
Decrease in unearned revenue	(87,272)	(7,200)
Net cash provided by operating activities	1,824,926	5,990,276
Cash flows from investing activities:		
Purchases of property and equipment	(197,592)	(337,094)
Purchases of investments	(1,190,691)	(5,242,537)
Proceeds from sale of investments	1,014,363	4,499,630
Net cash used in investing activities	(373,920)	(1,080,001)
Cash flows from financing activities:		
Contributions subject to charitable gift annuity obligation	-	4,863
Terminated annuity	-	(3,013)
Payments on obligations under charitable gift annuity obligation	(25,801)	(29,812)
Net cash used in financing activities	(25,801)	(27,962)
Net increase in cash and cash equivalents	1,425,205	4,882,313
Cash and cash equivalents:		
Beginning	17,957,442	13,075,129
Ending	\$ 19,382,647	\$ 17,957,442

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 United States 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.

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. 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 statement 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 and website) 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 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. 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 are recognized as unearned revenue.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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

The restricted net assets line includes both permanently and temporarily restricted net assets. Permanently restricted net assets totaled \$9,300 at April 30, 2016 and 2015.

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 approximately \$34,000, which is expected to be paid in fiscal year 2018.

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 summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AJWS's financial statements for the year ended April 30, 2015, from which the summarized information was derived.

For comparison, certain 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2016. Such reclassifications had no effect on the reported 2015 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.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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

Level 1: 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 years ended April 30, 2016 and 2015, 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 2012, 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 September 12, 2016 for these financial statements.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 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 August, 2016, the FASB issued ASU No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

Note 3. Contributions and Contributions Receivable

Contributions receivable are expected to be collected as follows:

	2016	2015
Within one year	\$ 8,593,325	\$ 6,975,120
One to five years	7,454,240	7,392,372
	<u>16,047,565</u>	<u>14,367,492</u>
Less discount to present value at rates ranging from 0.53% to 0.76%	(119,262)	(40,613)
Allowance for uncollectibles	(196,359)	(139,517)
	<u>\$ 15,731,944</u>	<u>\$ 14,187,362</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:

	2016	2015
Conditional receivables	<u>\$ 3,875,000</u>	<u>\$ 2,662,000</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.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 3. Contributions and Contributions Receivable (Continued)

A significant portion of AJWS's total contributions and revenue, excluding donated services and materials, were provided by one contributor during the years ended April 30, 2016 and 2015. When donor-advised funds from one of the contributions are included, these contributions amounted to 59% and 63% of total contributions and revenue, respectively. When donor-advised contributions are excluded, the percentages become 30% and 34%, respectively.

A significant portion of AJWS's total gross contributions receivable balances were provided by two contributors at April 30, 2016, which amounted to \$10,077,592 and one contributor at April 30, 2015, which amount to \$10,500,320. These contributions equal 63% and 73% of the gross contributions receivable at April 30, 2016 and 2015, respectively.

Note 4. Investments and Fair Value Measurements

Investments consist of the following as of April 30, 2016:

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	\$ 3,527,363	\$ 3,527,363	\$ -	\$ -
Investments:				
Money market funds	135,883	135,883	-	-
Exchange-traded funds	3,875,815	3,875,815	-	-
Mutual funds	4,302,905	4,302,905	-	-
Bonds:				
Municipal bond	178,510	-	178,510	-
Subtotal of investments	8,493,113	8,314,603	178,510	-
Total	\$ 12,020,476	\$ 11,841,966	\$ 178,510	\$ -

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.

American Jewish World Service, Inc.

Notes to Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

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.

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	\$ -

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:

	2016	2015
Interest and dividend income	\$ 202,686	\$ 205,408
Realized gains	26,739	54,409
Unrealized (losses) gains	(166,599)	62,699
Management fees	(26,358)	(22,443)
	\$ 36,468	\$ 300,073

American Jewish World Service, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment, at cost, are as follows as of April 30:

	2016	2015	Depreciation/ Amortization Period
Computer equipment	\$ 1,040,035	\$ 948,809	3 years
Computer software	622,151	622,151	4 years
Website	226,400	217,400	4 years
Office equipment	401,134	400,085	5 years
Office furniture	720,504	718,618	10 years
Leasehold improvements	1,885,710	1,791,279	Lease Term
	<u>4,895,934</u>	<u>4,698,342</u>	
Less accumulated depreciation and amortization	<u>(4,106,552)</u>	<u>(3,681,563)</u>	
	<u>\$ 789,382</u>	<u>\$ 1,016,779</u>	

Depreciation, amortization and loss on disposal expense are as follows for the years ended April 30:

	2016	2015
Depreciation, amortization and loss on disposal	<u>\$ 424,989</u>	<u>\$ 423,460</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 of April 30:

	2016	2015
Programs	\$ 11,177,444	\$ 15,292,625
Communications	775,708	495,000
Strategic learning, research and evaluation	281,900	-
Finance and administration	674,590	651,825
Development	191,123	483,661
Time-restricted (for board-designated reserve fund)	6,256,788	-
Time-restricted (for general support)	1,991,457	2,096,597
Philanthropy	441,771	425,389
Permanently restricted endowment	9,300	9,300
	<u>\$ 21,800,081</u>	<u>\$ 19,454,397</u>

Net assets released from restrictions consist of the following for the years ended April 30:

	2016	2015
Programs	\$ 21,082,320	\$ 20,383,196
Communications	655,049	708,592
Strategic learning, research and evaluation	100,000	158,444
Finance and administration	876,463	1,098,068
Development	926,102	370,983
Time-restricted (for general support)	966,643	1,023,643
Philanthropy	852	59,971
	<u>\$ 24,607,429</u>	<u>\$ 23,802,897</u>

Note 8. Joint Costs

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

	2016	2015
Program	\$ 12,609	\$ 17,727
Communications	68,519	82,114
Development	16,756	17,727
	<u>\$ 97,884</u>	<u>\$ 117,568</u>

American Jewish World Service, Inc.

Notes to Financial Statements

Note 9. Board-Designated Unrestricted Net Assets

Unrestricted net assets represent expendable funds that are available for support of AJWS's operations. The unrestricted net assets 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 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 the reserve fund to mitigate unexpected losses and undesirable financial events. In addition, AJWS expects to add \$6,256,788 to the reserve fund when pledges come due and are collected, which are currently included in the restricted net assets as time-restricted for board-designated reserve fund (See Note 7).

During fiscal year 2016, AJWS's board created a working capital fund and repurposed the existing reserve fund, which resulted in a reclassification of the prior year's reserve fund balance of \$4,591,574 to the newly created working capital fund. 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; the latter may be used only in the case of organizational emergencies or significant organizational opportunities. The amounts designated by the board of trustees for reserve fund and working capital fund are as follows as of April 30:

	2016	2015
Board-designated for reserve fund	\$ 3,999,105	\$ -
Board-designated for working capital fund	4,666,006	4,591,574
	<u>\$ 8,665,111</u>	<u>\$ 4,591,574</u>

Note 10. 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 for the years ended April 30:

	2016	2015
Donor-advised fund, net of administrative fees of \$660,518 in 2016 and \$876,215 in 2015	<u>\$ 27,694,433</u>	<u>\$ 24,623,785</u>

Grants expense from the Fund is as follows for the years ended April 30:

	2016	2015
Program grants (donor-advised)	<u>\$ 28,499,354</u>	<u>\$ 25,049,948</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 for the years ended April 30:

	2016	2015
Employer 403(b) plan contributions	\$ 366,175	\$ 381,154

Note 12. Conditional Grants and Contingencies

In 2016, the 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, 2016 amounted to approximately \$15,861,000.

Various claims and regulatory reviews may arise in the ordinary course of AJWS's activities. Based upon information currently available, management does not believe that if any liability arises from them will materially affect the financial position or operations of AJWS.

Note 13. Commitments

AJWS leases its office spaces under several noncancelable operating leases, which has 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 \$117,000 and \$108,000 for the years ended April 30, 2016 and 2015, 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:

Years ending April 30:	Gross Rent	Sublease	Net Total
2017	\$ 1,121,980	\$ (45,522)	\$ 1,076,458
2018	1,124,059	-	1,124,059
2019	1,128,373	-	1,128,373
2020	1,157,196	-	1,157,196
2021	1,186,758	-	1,186,758
Thereafter	13,976,386	-	13,976,386
	<u>\$ 19,694,752</u>	<u>\$ (45,522)</u>	<u>\$ 19,649,230</u>

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately \$1,125,000 and \$1,110,000 for the years ended April 30, 2016 and 2015, 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 statement 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 for the years ended April 30:

	2016	2015
Legal services	\$ 103,000	\$ 119,000

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. During the year ended April 30, 2016, AJWS's Board of Trustees approved the transfer of approximately \$2,167,000 from the previously established unrestricted designated for long-term investment fund to the board-designated for reserve fund.

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).

American Jewish World Service, Inc.

Notes to Financial Statements

Note 15. Endowments (Continued)

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, 2016 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	-	-	-	-	-
Total funds	\$ -	\$ -	\$ 3,399	\$ 9,300	\$ 12,699

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

American Jewish World Service, Inc.

Notes to Financial Statements

Note 15. Endowments (Continued)

Changes in endowment net assets for the years ended April 30, 2016 and 2015 are as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	LT Investment			
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
Investment return:					
Investment income	-	57,106	-	-	57,106
Unrealized and realized gains	-	(95,324)	-	-	(95,324)
Total investment return	-	(38,218)	-	-	(38,218)
Investment expenses:					
Management fee	-	(9,970)	-	-	(9,970)
Appropriation of endowment assets for board-designated reserve fund:					
Assets for board-designated for reserve fund	2,167,237	(2,167,237)	-	-	-
Transfer to reserve funds	(2,167,237)	-	-	-	(2,167,237)
Total appropriation of endowment assets for expenditures	-	(2,167,237)	-	-	(2,167,237)
Endowment net assets, April 30, 2016	\$ -	\$ -	\$ 3,399	\$ 9,300	\$ 12,699

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 \$50,600 and \$66,000 at April 30, 2016 and 2015, respectively, which is included in prepaid expenses and other assets in the accompanying statement of financial position.

Unemployment claims made through June 30, 2014 remained the responsibility of the state unemployment fund. AJWS had responsibility for 25% of claims made after June 30, 2014, which increased 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, 2016, AJWS has recognized a liability and expense of approximately \$89,000 for expected future claims, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.