

Financial Statements with Report of  
Independent Certified Public Accountants

**AMERICAN JEWISH WORLD SERVICE, INC.**

For the year ended April 30, 2018,  
with summarized comparative information for the year ended April 30, 2017

# 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, 2018, 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 the 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 the 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, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements of American Jewish World Service, Inc. as of and for the year ended April 30, 2017 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2017 financial statements in their report dated September 21, 2017. The accompanying summarized comparative information as of and for the year ended April 30, 2017 was derived from the 2017 financial statements audited by those other auditors. Accordingly, we do not express an opinion or any other form of assurance on it.

*Grant Thornton LLP*

New York, New York  
September 17, 2018

# AMERICAN JEWISH WORLD SERVICE, INC.

## Statement of Financial Position

As of April 30, 2018, with summarized comparative information as of April 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,988,899	\$ 22,130,290
Contributions receivable, net	27,102,721	10,356,784
Investments, at fair value	14,549,652	12,541,730
Prepaid expenses and other assets	821,055	592,159
Property and equipment, net	<u>888,164</u>	<u>823,393</u>
Total assets	<u>\$ 57,350,491</u>	<u>\$ 46,444,356</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 545,706	\$ 1,503,371
Grants payable	6,375,101	6,812,577
Deferred rent	731,708	557,357
Unearned revenue	108,162	111,949
Charitable gift annuity obligations	<u>194,707</u>	<u>176,013</u>
Total liabilities	<u>7,955,384</u>	<u>9,161,267</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	228,838	652,667
Designated for donor-advised fund	2,849,243	10,226,907
Board-designated for reserve fund	9,761,210	6,364,952
Board-designated for working capital fund	<u>3,993,375</u>	<u>4,720,973</u>
Total unrestricted	<u>16,832,666</u>	<u>21,965,499</u>
Restricted	<u>32,562,441</u>	<u>15,317,590</u>
Total net assets	<u>49,395,107</u>	<u>37,283,089</u>
Total liabilities and net assets	<u>\$ 57,350,491</u>	<u>\$ 46,444,356</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, 2018, with summarized comparative information for the year ended April 30, 2017

	2018			2017
	Unrestricted	Restricted	Total	Total
REVENUES AND SUPPORT				
Contributions:				
Individuals	\$ 12,025,251	\$ 23,770,294	\$ 35,795,545	\$ 26,743,044
Donor-advised fund	8,500,000	-	8,500,000	34,000,000
Bequests	276,541	300,000	576,541	298,238
Foundations and corporations	604,742	17,826,551	18,431,293	3,785,547
Government agencies	258,014	-	258,014	261,499
Special event revenue, net of expenses of \$51,269 in 2018 and \$289,731 in 2017	104,733	-	104,733	729,439
Donated services and goods	577,857	-	577,857	530,179
Investment return, net of expenses of \$54,162 in 2018 and \$35,371 in 2017	468,865	498	469,363	317,950
Study tour fees and miscellaneous revenue	374,317	507	374,824	353,284
Net assets released from restrictions	<u>24,652,999</u>	<u>(24,652,999)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>47,843,319</u>	<u>17,244,851</u>	<u>65,088,170</u>	<u>67,019,180</u>
Program services:				
Programs	39,350,299	-	39,350,299	53,389,852
Communications	3,544,231	-	3,544,231	3,958,231
Strategic learning, research and evaluation	<u>2,346,766</u>	<u>-</u>	<u>2,346,766</u>	<u>2,256,955</u>
Total program services expenses	<u>45,241,296</u>	<u>-</u>	<u>45,241,296</u>	<u>59,605,038</u>
Supporting services:				
Finance and administration	2,415,865	-	2,415,865	2,720,750
Development	<u>5,318,991</u>	<u>-</u>	<u>5,318,991</u>	<u>5,238,762</u>
Total supporting services expenses	<u>7,734,856</u>	<u>-</u>	<u>7,734,856</u>	<u>7,959,512</u>
Total expenses	<u>52,976,152</u>	<u>-</u>	<u>52,976,152</u>	<u>67,564,550</u>
Change in net assets	(5,132,833)	17,244,851	12,112,018	(545,370)
NET ASSETS				
Beginning of year	<u>21,965,499</u>	<u>15,317,590</u>	<u>37,283,089</u>	<u>37,828,459</u>
End of year	<u>\$ 16,832,666</u>	<u>\$ 32,562,441</u>	<u>\$ 49,395,107</u>	<u>\$ 37,283,089</u>

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, 2018, with summarized comparative information for the year ended April 30, 2017

	2018							2017 Total	
	Programs	Communications	Strategic Learning, Research and Evaluation	Program Services Total	Finance and Administration	Development	Supporting Services Total		Total
Salaries and benefits	\$ 6,134,706	\$ 1,932,286	\$ 917,508	\$ 8,984,500	\$ 1,596,640	\$ 3,079,116	\$ 4,675,756	\$ 13,660,256	\$13,241,029
Program grants (donor-advised)	15,251,422	-	-	15,251,422	-	-	-	15,251,422	29,228,061
Program grants (non donor-advised)	14,122,306	-	500,000	14,622,306	-	-	-	14,622,306	15,604,766
Professional services	1,248,017	512,571	679,198	2,439,786	249,031	532,815	781,846	3,221,632	3,025,770
Conferences, meetings and travel	1,020,532	108,513	81,253	1,210,298	106,576	268,797	375,373	1,585,671	1,551,441
Occupancy	747,583	243,233	80,351	1,071,167	178,239	386,694	564,933	1,636,100	1,787,490
Telecommunications and systems applications	307,972	192,149	32,759	532,880	64,585	176,009	240,594	773,474	726,483
Printing and publications	18,117	57,286	912	76,315	2,317	346,048	348,365	424,680	479,295
Office supplies and other office expenses	107,621	69,039	14,551	191,211	28,218	58,894	87,112	278,323	274,257
Insurance	64,035	15,844	6,130	86,009	11,386	25,383	36,769	122,778	118,163
Postage	5,983	1,893	361	8,237	1,838	221,671	223,509	231,746	218,197
Dues and subscriptions	32,881	11,080	3,609	47,570	36,696	22,238	58,934	106,504	133,640
Advertising and promotion	12,901	352,196	-	365,097	779	29,287	30,066	395,163	382,481
Bad debts	-	-	-	-	(3,820)	-	(3,820)	(3,820)	(21,067)
Depreciation and amortization	119,481	38,968	13,538	171,987	28,465	64,938	93,403	265,390	399,163
Other fees	149,589	7,651	16,062	173,302	111,648	71,977	183,625	356,927	355,470
Miscellaneous	7,153	1,522	534	9,209	3,267	35,124	38,391	47,600	59,911
Subtotal	39,350,299	3,544,231	2,346,766	45,241,296	2,415,865	5,318,991	7,734,856	52,976,152	67,564,550
Special event expenses	-	-	-	-	-	51,269	51,269	51,269	289,731
Investment management fee	-	-	-	-	54,162	-	54,162	54,162	35,371
Total	<u>\$39,350,299</u>	<u>\$ 3,544,231</u>	<u>\$ 2,346,766</u>	<u>\$45,241,296</u>	<u>\$ 2,470,027</u>	<u>\$ 5,370,260</u>	<u>\$ 7,840,287</u>	<u>\$53,081,583</u>	<u>\$67,889,652</u>

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

# AMERICAN JEWISH WORLD SERVICE, INC.

## Statement of Cash Flows

For the year ended April 30, 2018, with summarized comparative information for the year ended April 30, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 12,112,018	\$ (545,370)
Adjustments to reconcile change in net assets net cash (used in) provided by operating activities		
Bad debt recovery	(3,820)	(21,067)
Depreciation and amortization	265,390	399,163
Net realized and unrealized gains on investments	(146,980)	(98,868)
Actuarial loss on charitable gift annuity obligation	17,955	16,448
Loss on disposal of property and equipment	23,560	19,534
Changes in operating assets and liabilities		
(Increase) decrease in contributions receivable	(16,742,117)	5,396,227
Increase in prepaid expenses and other assets	(228,896)	(20,753)
(Decrease) increase in accounts payable and accrued expenses	(957,665)	343,523
(Decrease) increase in grants payable	(437,476)	1,170,081
Increase in deferred rent	174,351	413,621
(Decrease) increase in unearned revenue	(3,787)	99,912
	<u>(5,927,467)</u>	<u>7,172,451</u>
Net cash (used in) provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(353,721)	(452,708)
Purchases of investments	(13,785,195)	(9,831,398)
Proceeds from sale of investments	11,924,253	5,881,649
	<u>(2,214,663)</u>	<u>(4,402,457)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions subject to charitable gift annuity obligation	24,061	-
Payment on obligations under charitable gift annuity obligation	(23,322)	(22,351)
	<u>739</u>	<u>(22,351)</u>
Net cash provided by (used in) financing activities		
Net (decrease) increase in cash and cash equivalents	(8,141,391)	2,747,643
Cash and cash equivalents at beginning of year	<u>22,130,290</u>	<u>19,382,647</u>
Cash and cash equivalents at end of year	<u>\$ 13,988,899</u>	<u>\$ 22,130,290</u>

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

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

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### 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”).

#### **Net Asset Classification**

AJWS’s financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets based upon the existence or absence of donor imposed restrictions, as follows:

Unrestricted net assets – 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. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees (Note 9).

The Restricted net assets line includes both permanently and temporarily restricted net assets. Permanently restricted net assets totaled \$9,300 at April 30, 2018 and 2017 (Note 7).

Temporarily restricted net assets – 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, temporarily restricted net assets are classified to unrestricted net assets are reported in the statement of activities as net asset released from restrictions.

Permanently restricted net assets – 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).

#### **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.

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**Notes to Financial Statements**  
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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—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. 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 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 except for approximately \$254,000, which is expected to be paid in fiscal year 2020.

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

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### 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, 2017, from which the summarized information was derived.

### Reclassification

Certain 2017 amounts have been reclassified, to conform with the financial statement presentation used in 2018. Such reclassifications had no effect on the 2017 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 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

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techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

For the years ended April 30, 2018 and 2017, 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 was nexus; and to identify and evaluate other matters that may be considered tax positions. Breaking Ground 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 17, 2018.

**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.

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## Notes to Financial Statements

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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. Early adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. AJWS is currently evaluating the impact of the adoption of the new standard on its financial statements.

### 3. CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 15,711,575	\$ 4,235,201
One to five years	<u>11,767,450</u>	<u>6,382,740</u>
	27,479,025	10,617,941
Less discount to present value at rates ranging from 0.53% to 1.72%	(212,392)	(89,015)
Allowance for uncollectibles	<u>(163,912)</u>	<u>(172,142)</u>
	<u>\$ 27,102,721</u>	<u>\$ 10,356,784</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 five years, as follows:

	<u>2018</u>	<u>2017</u>
Conditional receivables	<u>\$ 4,509,000</u>	<u>\$ 10,042,000</u>

These anticipated contributions have not been recognized in the accompanying financial statements, as they do not meet the criteria for recognition of contributions revenue under FASB ASC 958-605.

A significant portion of AJWS's total revenues and support, excluding donated services and goods, were provided by two donors during the year ended April 30, 2018, and a single donor during the year ended April 30, 2017. These contributions amounted to 64% and 68%, 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 59% and 35%, respectively.

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## Notes to Financial Statements

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A significant portion of AJWS's total gross contributions receivable balances were provided by three donors at April 30, 2018, which amounted to \$20,900,000; and one donor at April 30, 2017, which amounted to \$4,000,000. These contributions represent 76% and 38% of the gross contributions receivable at April 30, 2018 and 2017, respectively.

#### 4. INVESTMENTS AT FAIR VALUE

Investments, at fair value consisted of the following as of April 30, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</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	\$ 25,935	\$ 1,093,073
Exchange-traded funds	5,160,403	4,461,863
Mutual funds	<u>9,363,314</u>	<u>6,986,794</u>
 Total	 <u>\$ 14,549,652</u>	 <u>\$ 12,541,730</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.

The components of investment return, follow:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 376,545	\$ 254,453
Realized gains	322,228	206,152
Unrealized losses	(175,248)	(107,284)
Management fees	<u>(54,162)</u>	<u>(35,371)</u>
	 <u>\$ 469,363</u>	 <u>\$ 317,950</u>

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

### 5. PROPERTY AND EQUIPMENT, NET

At April 30, 2018 and 2017, property and equipment, at cost, consisted of the following:

	<b>Depreciation/ Amortization Period</b>	<b>2018</b>	<b>2017</b>
Computer equipment	3-5 years	\$ 237,943	\$ 587,649
Computer software	3-7 years	274,948	176,827
Website	4 years	226,400	226,400
Office equipment	5-15 years	242,388	294,102
Office furniture	5-15 years	757,690	742,996
Leasehold improvements	Lease term	<u>2,035,702</u>	<u>1,976,563</u>
		3,775,071	4,004,537
Less: Accumulated depreciation and amortization		<u>(2,886,907)</u>	<u>(3,181,144)</u>
Property and equipment, net		<u>\$ 888,164</u>	<u>\$ 823,393</u>

Depreciation and amortization expense is as follows, for the years ended April 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Depreciation and amortization expense	<u>\$ 265,390</u>	<u>\$ 399,163</u>

### 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 an unrestricted contribution 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 2018 and 2017, 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.

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

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### 7. RESTRICTED NET ASSETS

At April 30, 2018 and 2017, restricted net assets consisted of and were restricted for the following purposes, as of:

	<u>2018</u>	<u>2017</u>
Programs	\$ 22,080,745	\$ 4,217,855
Communications	866,976	878,520
Strategic learning, research and evaluation	356,870	451,930
Finance and administration	575,989	598,920
Development	681,856	637,120
Time-restricted (for board-designated reserve fund)	4,942,522	5,334,196
Time-restricted (for general support)	2,654,833	2,765,558
Family philanthropy funds	393,350	424,191
Permanently restricted endowment (Note 15)	<u>9,300</u>	<u>9,300</u>
	<u>\$ 32,562,441</u>	<u>\$ 15,317,590</u>

Net assets released from restrictions consisted of the following for the years ended April 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Programs	\$ 18,787,400	\$ 20,222,551
Communications	1,361,544	997,188
Strategic learning, research and evaluation	495,060	229,970
Finance and administration	922,931	775,670
Development	762,426	574,664
Time-restricted (for board-designated reserve fund)	685,000	1,321,000
Time-restricted (for general support)	1,603,920	1,174,601
Family philanthropy funds (Note 15)	<u>34,718</u>	<u>24,812</u>
	<u>\$ 24,652,999</u>	<u>\$ 25,320,456</u>

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

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### 8. JOINT COSTS

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

	<u>2018</u>	<u>2017</u>
Programs	\$ 17,378	\$ 17,674
Communications	81,096	87,666
Finance and administration	-	5,184
Development	<u>17,378</u>	<u>22,859</u>
	<u>\$ 115,852</u>	<u>\$ 133,383</u>

### 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, 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 the reserve fund to mitigate unexpected losses and undesirable financial events. In addition, AJWS expects to add \$4,942,522 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 (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 amounts designated by the Board of Trustees for reserve fund and working capital fund were as follows as of April 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Board-designated for reserve fund	\$ 9,761,210	\$ 6,364,952
Board-designated for working capital fund	<u>3,993,375</u>	<u>4,720,973</u>
	<u>\$ 13,754,585</u>	<u>\$ 11,085,925</u>

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

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### 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donor-advised fund, excluding administrative fees of \$626,242 in 2018 and \$530,506 in 2017	\$ 7,873,758	\$ 33,469,494

Grants expense from the Fund follows for the years ended April 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program grants (donor-advised)	\$ 15,251,422	\$ 29,228,061

### 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Employer 403(b) plan contributions	\$ 378,274	\$ 365,898

### 12. CONDITIONAL GRANTS AND CONTINGENCIES

In 2018, 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, 2018, amounted to approximately \$5,030,000.

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.

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

### 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 \$155,000 for the year ended April 30, 2018. 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>
<b>Years ending April 30:</b>			
2019	\$ 1,260,614	\$ (133,394)	\$ 1,127,220
2020	1,282,594	(10,300)	1,272,294
2021	1,283,903	-	1,283,903
2022	1,301,166	-	1,301,166
2023	1,288,050	-	1,288,050
Thereafter	<u>11,677,102</u>	<u>-</u>	<u>11,677,102</u>
	<u>\$ 18,093,429</u>	<u>\$ (143,694)</u>	<u>\$ 17,949,735</u>

Rent expense under these leases (inclusive of escalations) charged to operations amounted to approximately \$1,402,000 and \$1,583,000 for the years ended April 30, 2018 and 2017.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donated legal services	\$ 199,450	\$ 179,891
Donated online-advertisement service	372,723	329,456
Donated computer software	<u>5,684</u>	<u>20,832</u>
	<u>\$ 577,857</u>	<u>\$ 530,179</u>

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

### 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. 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 temporarily restricted.

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

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

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

Endowment net asset composition by type of fund as of April 30, 2018 is as follows:

	2018			2017		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 3,603	\$ 9,300	\$ 12,903	\$ 3,582	\$ 9,300	\$ 12,882

# AMERICAN JEWISH WORLD SERVICE, INC.

## Notes to Financial Statements

April 30, 2018 and 2017

Changes in endowment net assets for the years ended April 30, 2018 and 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, April 30, 2016</b>	\$ 3,399	\$ 9,300	\$ 12,699
Investment return			
Investment income	180	-	180
Unrealized and realized gains	<u>19</u>	<u>-</u>	<u>19</u>
Total investment return	199	-	199
Investment expenses			
Management fee	<u>(16)</u>	<u>-</u>	<u>(16)</u>
<b>Endowment net assets, April 30, 2017</b>	3,582	9,300	12,882
Investment return			
Investment income	427	-	427
Unrealized and realized losses	<u>(363)</u>	<u>-</u>	<u>(363)</u>
Total investment return	64	-	64
Investment expenses			
Management fee	<u>(43)</u>	<u>-</u>	<u>(43)</u>
<b>Endowment net assets, April 30, 2018</b>	<u>\$ 3,603</u>	<u>\$ 9,300</u>	<u>\$ 12,903</u>

### 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 \$69,900 and \$51,800 at April 30, 2018 and 2017, 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, 2018, 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.