

EISNERAMPER

**WORLD JEWISH CONGRESS
(AMERICAN SECTION), INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

Board of Directors
World Jewish Congress (American Section), Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of World Jewish Congress (American Section), Inc. (the "American Section"), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The American Section's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 organization'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 organization'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 World Jewish Congress (American Section), Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
August 8, 2018



WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,286,320	\$ 8,381,768
Pledges receivable, net	1,442,971	903,942
Investments	5,125,636	101,322
Prepaid and other assets	120,393	145,129
Property and equipment, net	<u>336,935</u>	<u>442,378</u>
	<u>\$ 13,312,255</u>	<u>\$ 9,974,539</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 279,248</u>	<u>\$ 244,768</u>
Total liabilities	<u>279,248</u>	<u>244,768</u>
Net assets:		
Unrestricted	11,486,235	8,722,266
Temporarily restricted	1,446,772	907,505
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>13,033,007</u>	<u>9,729,771</u>
	<u>\$ 13,312,255</u>	<u>\$ 9,974,539</u>

See notes to financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Statements of Activities

	Year Ended December 31,							
	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:								
Contributions	\$ 20,699,554	\$ 1,018,429		\$ 21,717,983	\$ 18,838,735	\$ 125,172		\$ 18,963,907
Special events (net of direct benefit to donors of \$215,491 and \$228,529 for 2017 and 2016, respectively)	1,639,657	177,480		1,817,137	1,591,624	1,397,840		2,989,464
Legacies and bequests	1,085,831			1,085,831	535,834			535,834
Net investment income	133,307	238		133,545	80,185	715		80,900
Other income	31,758			31,758	48,818			48,818
Total public support and revenue before net assets released from restrictions	23,590,107	1,196,147		24,786,254	21,095,196	1,523,727		22,618,923
Net assets released from restrictions	656,880	(656,880)		0	1,658,940	(1,658,940)		0
Total public support and revenue	24,246,987	539,267		24,786,254	22,754,136	(135,213)		22,618,923
Expenses:								
Program services:								
International affairs	12,963,574			12,963,574	11,963,660			11,963,660
Organizational and inter-religious affairs	783,187			783,187	826,179			826,179
Public information	3,771,690			3,771,690	3,529,694			3,529,694
Academic, cultural and youth programs	1,548,140			1,548,140	1,660,430			1,660,430
Total program services	19,066,591			19,066,591	17,979,963			17,979,963
Supporting services:								
Management and general	309,207			309,207	327,583			327,583
Fund-raising	2,107,220			2,107,220	2,164,183			2,164,183
Total supporting services	2,416,427			2,416,427	2,491,766			2,491,766
Total expenses	21,483,018			21,483,018	20,471,729			20,471,729
Change in net assets	2,763,969	539,267		3,303,236	2,282,407	(135,213)		2,147,194
Net assets, beginning of year	8,722,266	907,505	\$ 100,000	9,729,771	6,439,859	1,042,718	\$ 100,000	7,582,577
Net assets, end of year	\$ 11,486,235	\$ 1,446,772	\$ 100,000	\$ 13,033,007	\$ 8,722,266	\$ 907,505	\$ 100,000	\$ 9,729,771

See notes to financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Statement of Functional Expenses

Year Ended December 31, 2017

(with summarized financial information for 2016)

	Program Services					Supporting Services		Total Expenses	
	International Affairs	Organizational and Inter-Religious Affairs	Public Information	Academic Cultural and Youth	Total Program	Management and General	Fund-raising	2017	2016
Salaries	\$ 97,600	\$ 41,200	\$ 496,358	\$ 72,672	\$ 707,830	\$ 165,042	\$ 140,615	\$ 1,013,487	\$ 765,088
Payroll taxes and employee benefits	<u>31,049</u>	<u>13,107</u>	<u>157,902</u>	<u>23,118</u>	<u>225,176</u>	<u>52,503</u>	<u>44,733</u>	<u>322,412</u>	<u>261,550</u>
	128,649	54,307	654,260	95,790	933,006	217,545	185,348	1,335,899	1,026,638
Grants	10,589,250	705,950	1,411,900	1,411,900	14,119,000			14,119,000	15,752,000
Rent	19,364	8,174	98,481	14,419	140,438	32,746	27,899	201,083	206,189
Consultants and outside services	8,628	3,642	43,881	6,426	62,577	14,591	12,431	89,599	70,599
Office supplies and expenses	2,616	1,104	13,306	1,948	18,974	4,424	3,770	27,168	14,921
Books, subscriptions and memberships	953	402	4,845	709	6,909	1,611	1,372	9,892	11,926
Postage, shipping and messengers	258	109	1,310	192	1,869	436	371	2,676	2,284
Telephone	1,546	653	7,863	1,151	11,213	2,614	2,228	16,055	21,078
Printing and publications	365	154	1,858	272	2,649	618	526	3,793	2,528
Advertising	277	117	1,410	206	2,010	469	399	2,878	
Professional fees	2,696	1,138	13,713	2,008	19,555	4,560	3,885	28,000	26,999
Travel	1,622	685	8,250	1,208	11,765	2,743	2,337	16,845	22,950
Meetings and conferences	4,514	1,905	22,955	3,361	32,735	7,633	6,503	46,871	46,485
Plenary: travel and meetings	2,191,354				2,191,354			2,191,354	
Depreciation and amortization	11,266	4,756	57,295	8,389	81,706	19,051	16,231	116,988	115,257
Direct mail costs			1,430,363		1,430,363		1,843,914	3,274,277	3,151,222
Miscellaneous	<u>216</u>	<u>91</u>		<u>161</u>	<u>468</u>	<u>166</u>	<u>6</u>	<u>640</u>	<u>653</u>
Total expenses before direct benefit to donors	12,963,574	783,187	3,771,690	1,548,140	19,066,591	309,207	2,107,220	21,483,018	20,471,729
Direct benefit to donors							215,491	215,491	228,529
Total expenses	<u>\$ 12,963,574</u>	<u>\$ 783,187</u>	<u>\$ 3,771,690</u>	<u>\$ 1,548,140</u>	<u>\$ 19,066,591</u>	<u>\$ 309,207</u>	<u>\$ 2,322,711</u>	<u>\$ 21,698,509</u>	<u>\$ 20,700,258</u>

See notes to financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

**Statement of Functional Expenses
Year Ended December 31, 2016**

	Program Services				Supporting Services		Total	
	International Affairs	Organizational and Inter-Religious Affairs	Public Information	Academic Cultural and Youth	Total Program	Management and General	Fund-raising	2016
Salaries	\$ 73,001	\$ 18,819	\$ 377,103	\$ 41,574	\$ 510,497	\$ 159,792	\$ 94,799	\$ 765,088
Payroll taxes and employee benefits	<u>24,956</u>	<u>6,433</u>	<u>128,915</u>	<u>14,212</u>	<u>174,516</u>	<u>54,626</u>	<u>32,408</u>	<u>261,550</u>
	97,957	25,252	506,018	55,786	685,013	214,418	127,207	1,026,638
Grants	11,814,000	787,600	1,575,200	1,575,200	15,752,000			15,752,000
Rent	19,674	5,072	101,628	11,204	137,578	43,063	25,548	206,189
Books, subscriptions and memberships	6,736	1,737	34,797	3,836	47,106	14,745	8,748	70,599
Office supplies and expenses	1,424	367	7,354	811	9,956	3,116	1,849	14,921
Books, subscriptions and memberships	1,138	293	5,878	648	7,957	2,491	1,478	11,926
Postage, shipping and messengers	218	56	1,126	124	1,524	477	283	2,284
Telephone	2,011	518	10,390	1,145	14,064	4,402	2,612	21,078
Printing and publications	241	62	1,247	137	1,687	528	313	2,528
Professional fees	2,576	664	13,308	1,467	18,015	5,639	3,345	26,999
Travel	2,190	564	11,312	1,247	15,313	4,793	2,844	22,950
Meetings and conferences	4,435	1,143	22,912	2,526	31,016	9,709	5,760	46,485
Depreciation and amortization	10,997	2,835	56,809	6,263	76,904	24,072	14,281	115,257
Direct mail costs			1,181,389		1,181,389		1,969,833	3,151,222
Miscellaneous	<u>63</u>	<u>16</u>	<u>326</u>	<u>36</u>	<u>441</u>	<u>130</u>	<u>82</u>	<u>653</u>
Total expenses before direct benefit to donors	11,963,660	826,179	3,529,694	1,660,430	17,979,963	327,583	2,164,183	20,471,729
Direct benefit to donors							<u>228,529</u>	<u>228,529</u>
Total expenses	<u>\$ 11,963,660</u>	<u>\$ 826,179</u>	<u>\$ 3,529,694</u>	<u>\$ 1,660,430</u>	<u>\$ 17,979,963</u>	<u>\$ 327,583</u>	<u>\$ 2,392,712</u>	<u>\$ 20,700,258</u>

See notes to financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.**Statements of Cash Flows**

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 3,303,236	\$ 2,147,194
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,988	115,257
Donated securities	(4,156,095)	(5,164,631)
Proceeds from sales of donated securities	4,156,095	5,228,406
Net realized and unrealized gains on investments	(54,012)	(57,255)
Changes in:		
Pledges receivable, net	(539,029)	135,928
Prepaid and other assets	24,736	27,487
Accounts payable and accrued expenses	34,480	112,249
Net cash provided by operating activities	<u>2,886,399</u>	<u>2,544,635</u>
Cash flows from investing activities:		
Purchases of investments	(4,970,302)	
Purchases of property and equipment	(11,545)	(51,053)
Net cash used in investing activities	<u>(4,981,847)</u>	<u>(51,053)</u>
Change in cash and cash equivalents	(2,095,448)	2,493,582
Cash and cash equivalents, beginning of year	<u>8,381,768</u>	<u>5,888,186</u>
Cash and cash equivalents, end of year	<u>\$ 6,286,320</u>	<u>\$ 8,381,768</u>

See notes to financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

World Jewish Congress (American Section), Inc. (the "American Section"), incorporated in New York in 1950, is a publicly supported not-for-profit organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws. The American Section's goal is to protect human rights via integration of Jewish organizations and to disseminate information to the Jewish community and to various international, academic, cultural and youth programs.

The American Section is an affiliate of the World Jewish Congress (the "WJC"), which is a Swiss voluntary organization with representative offices and regional branches in various countries around the world. These affiliates, including the American Section and the World Jewish Congress LLC (the "LLC"), as described below, are subject to their own independent audits and filings in their countries of registration. Accordingly, the criteria of control and financial dependence that are required for the consolidation of financial statements have not been met, and the American Section does not include the financial condition, operations, or cash flows of any foreign or domestic affiliate in the financial statements (see Note E).

During 2012, the American Section began fund-raising in the United States for the WJC; previously, such fund-raising efforts had been conducted by a now-discontinued former affiliate. The American Section currently distributes all of its grants to the WJC, which operates in the United States through the LLC, a Delaware limited liability company which has the WJC as its sole member (see also Note E). The LLC, in turn, distributes grants to appropriate affiliated and non-affiliated entities.

[2] Basis of accounting:

The financial statements of the American Section have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue, and expenses, as well the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

The American Section considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, with the exception of money market funds and short-term investments that are designated to be part of the American Section's investment portfolio.

[5] Investments:

Investments in fixed income with readily determinable fair values are reported at their fair values in the statements of financial position based on quoted market prices. During 2017, the American Section liquidated its equity securities holdings. Additionally, the American Section includes certain cash balances and short-term money-market funds held by brokerage houses as part of the investment portfolio.

The American Section's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their estimated fair values, as determined by the proceeds received on the dates of donation. The Society's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, less accumulated depreciation. The American Section capitalizes items of property and equipment that have a cost of \$500 or more and a useful life greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter. Depreciation is provided using the straight-line method over the estimated useful lives of the related furniture and office equipment assets, which range from three to five years.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2017 and 2016, and, in the opinion of management, there was no impairment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Net assets:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as well as those resources for which the use has been restricted by donors or state law to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or the assets are appropriated, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as "net assets released from restrictions."

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

(iii) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by its donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the statements of activities, pending appropriation by the Board of Directors.

[8] Revenue recognition:

(i) Contributions, legacies and bequests:

Contributions to the American Section are recognized as revenue upon the receipt of either cash or other assets, or of unconditional pledges. Contributions are considered available for unrestricted use, unless the donor or grantor restricts the use thereof, on a temporary or permanent basis. Conditional contributions are recorded when the conditions have been met and, if received in advance, are recognized in the statements of financial position as funds received in advance. The American Section records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

(ii) Special events:

The American Section conducts special events for which the food and beverages may be donated. A portion of the gross proceeds paid by the attendees represents payment for the direct cost of the benefits received by the attendees at the event. Such special-event income is reported net of the direct cost of the event that is attributable to the benefit that the donors receive.

[9] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among program and supporting services, used appropriate measurement methodologies. Indirect costs have been functionalized on the basis of time allocation.

[10] Income tax uncertainties:

The American Section is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the American Section's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the American Section's financial statements.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentation and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for years beginning after December 15, 2017. The American Section will adopt this pronouncement in 2018.

[12] Reclassification:

Certain information included in the prior-year's financial statements has been reclassified to conform to the current-year's financial-statement presentation.

[13] Subsequent events:

The American Section evaluated subsequent events through August 8, 2018, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

At each year-end, the American Section's investments consisted of the following:

	December 31,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Money-market	\$ 545,724	\$ 545,724		
Certificates of deposit	1,350,287	1,350,953	\$ 100,000	\$ 100,000
Corporate bonds	3,229,625	3,252,434		
Equity securities			1,322	1,592
	<u>\$ 5,125,636</u>	<u>\$ 5,149,111</u>	<u>\$ 101,322</u>	<u>\$ 101,592</u>

During each year, net investment income consisted of the following:

	Year Ended December 31,	
	2017	2016
Net realized gains	\$ 77,217	\$ 58,028
Net unrealized losses	(23,205)	(773)
Interest and dividends	<u>79,533</u>	<u>23,645</u>
	<u>\$ 133,545</u>	<u>\$ 80,900</u>

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE B - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets, or (ii) quoted prices for identical, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During 2017 and 2016, there were no transfers between the fair-value hierarchy levels.

The following table summarizes the fair values of the American Section's assets at each year-end, in accordance with the ASC Topic 820 valuation levels:

	December 31,					
	2017			2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money-market	\$ 545,724		\$ 545,724			
Certificates of deposit		\$ 1,350,287	1,350,287	\$ 100,000		\$ 100,000
Corporate bonds		3,229,625	3,229,625			
Equity securities				\$ 1,322		1,322
	<u>\$ 545,724</u>	<u>\$ 4,579,912</u>	<u>\$ 5,125,636</u>	<u>\$ 1,322</u>	<u>\$ 100,000</u>	<u>\$ 101,322</u>

NOTE C - PLEDGES RECEIVABLE

At each year-end, pledges receivable are estimated to be collected as follows:

	December 31,	
	2017	2016
Less than one year	\$ 1,397,620	\$ 702,020
One to five years	<u>50,000</u>	<u>225,000</u>
	1,447,620	927,020
Reduction of pledges due in excess of one year to present value at 5%	<u>(4,649)</u>	<u>(23,078)</u>
	<u>\$ 1,442,971</u>	<u>\$ 903,942</u>

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 764,567	\$ 773,705
Leasehold improvements	<u>20,611</u>	<u>20,611</u>
	785,178	794,316
Less: accumulated depreciation and amortization	<u>(448,243)</u>	<u>(351,938)</u>
	<u>\$ 336,935</u>	<u>\$ 442,378</u>

During 2017, the American Section disposed of fully-depreciated furniture and equipment no longer in use of \$20,683.

NOTE E - RELATED-PARTY TRANSACTIONS

In 2017 and 2016, respectively, the LLC was reimbursed \$3,343,988 and \$1,310,294 by the American Section for rent, compensation costs, benefits expenses, and other services performed by the LLC on behalf of the American Section.

The American Section granted \$14,119,000 and \$15,752,000 to the LLC during 2017 and 2016, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Time-restricted for future periods	\$ 1,442,971	\$ 903,942
Accumulated endowment income reserved for appropriation	<u>3,801</u>	<u>3,563</u>
	<u>\$ 1,446,772</u>	<u>\$ 907,505</u>

Net assets released from time restrictions were \$656,880 and \$1,658,940 during 2017 and 2016, respectively.

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment contribution of \$100,000 received as part of the final dissolution of the World Jewish Congress Foundation. The funds were invested in a certificate of deposit. According to the donor stipulation, the American Section can withdraw a maximum of 3% of the fair value of the endowment on an annual basis. If the appropriation is in excess of accumulated earnings, the principal of the endowment can be used.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENT

[1] The endowment:

The endowment consists of one individual fund established for one purpose.

[2] Interpretation of relevant law:

NYPMIFA is applicable to all of the American Section's institutional funds, including its donor-restricted endowment fund. The Board of Directors will continue to adhere to NYPMIFA's requirements.

[3] Changes in endowment net assets:

	December 31, 2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,563	\$ 100,000	\$ 103,563
Investment income	<u>238</u>	<u></u>	<u>238</u>
Endowment net assets, end of year	<u>\$ 3,801</u>	<u>\$ 100,000</u>	<u>\$ 103,801</u>

	December 31, 2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,848	\$ 100,000	\$ 102,848
Investment income	<u>715</u>	<u></u>	<u>715</u>
Endowment net assets, end of year	<u>\$ 3,563</u>	<u>\$ 100,000</u>	<u>\$ 103,563</u>

Temporarily restricted endowment represents that portion of allocated investment income, derived from permanently restricted endowment assets, that has not been appropriated by the Board of Directors for expenditure.

[4] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the American Section to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2017 and 2016.

[5] Return objectives and risk parameters:

The American Section has adopted investment and spending policies for endowment assets that attempt to provide funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are those assets of donor-restricted funds that the American Section must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce acceptable rates of return with an appropriate level of investment risk.

WORLD JEWISH CONGRESS (AMERICAN SECTION), INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[6] Strategies employed for achieving objectives:

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

[7] Spending policy and investment objectives:

The American Section has a policy of appropriating a maximum annual distribution of 3% of the fair value of the endowment fund.

NOTE I - CONCENTRATION OF REVENUES

During 2017 and 2016, the American Section received donations of approximately \$12,968,000 and \$11,580,000, respectively, from one donor, representing approximately 57% and 53%, respectively, of total revenues received during the same time period. These contributions are concentrations of revenues to the American Section, and the American Section's operations may be significantly affected should this level of funding cease.

NOTE J - JOINT COSTS

The American Section has allocated joint costs for activities that include informational materials for the public and appeals for contributions. These activities primarily include direct-response campaigns.

During each year, joint costs were allocated as follows:

	Year Ended December 31,	
	2017	2016
Program	\$ 1,430,363	\$ 1,181,389
Fund-raising	<u>1,843,914</u>	<u>1,969,833</u>
	<u>\$ 3,274,277</u>	<u>\$ 3,151,222</u>

NOTE K - EMPLOYEE-BENEFIT PLAN

Employees of the American Section participate in an employee-benefit plan under Section 401(k) of the Internal Revenue Code into which employees may contribute a portion of their annual compensation. The American Section may provide a discretionary contribution of up to 6% of an employee's annual compensation for employees who have up to five years of continuous employment and up to 8% for employees with over five years. The American Section's contributions amounted to \$61,399 and \$53,874 in 2017 and 2016, respectively.

NOTE L - CREDIT RISK

Financial instruments that potentially subject the American Section to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the American Section does not face a significant risk of loss on these accounts that could result from the failure of these financial institutions.