



**AMERICAN JEWISH COMMITTEE
AND AFFILIATES**

Consolidated Financial Statements and Schedule

December 31, 2010

(With Independent Auditors' Report Thereon)

**AMERICAN JEWISH COMMITTEE
AND AFFILIATES**

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Governors
American Jewish Committee
Institute of Human Relations
United Nations Watch
Thanks to Scandinavia, Inc.
Transatlantic Institute:

We have audited the accompanying consolidated balance sheet of American Jewish Committee and Affiliates (the Committee) as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of American Jewish Committee and Affiliates as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information referred to in this report has been subjected to the auditing procedure applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

As discussed in note 8 to the consolidated financial statements, the Committee adopted Accounting Standards Codification 958, Section 205-50, *Reporting Endowment Funds*, for classification of donor-restricted endowment funds.

KPMG LLP

July 21, 2011

**AMERICAN JEWISH COMMITTEE
AND AFFILIATES**

Consolidated Balance Sheet

December 31, 2010

(In thousands)

Assets

Cash and cash equivalents	\$ 10,117
Contributions receivable, net (note 4)	17,103
Investments (note 3)	97,400
Prepaid expenses and other assets	881
Fixed assets, net (note 5)	6,809
Total assets	<u>\$ 132,310</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 2,845
Accrued vacation and severance pay	2,316
Accrued pension plan and other benefit obligations (note 6)	18,208
Liability under split-interest agreements	1,961
Total liabilities	<u>25,330</u>

Commitments and contingencies (note 9)

Net assets (notes 7 and 8):

Unrestricted	7,050
Temporarily restricted	41,120
Permanently restricted	58,810
Total net assets	<u>106,980</u>

Total liabilities and net assets	<u>\$ 132,310</u>
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See accompanying notes to consolidated financial statements.

**AMERICAN JEWISH COMMITTEE
AND AFFILIATES**

Consolidated Statement of Activities

Year ended December 31, 2010

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, losses, and other support:				
Contributions and special events (net of direct costs of special events of \$1,830)	\$ 29,037	6,757	14	35,808
Membership dues	2,531	—	—	2,531
Legacies and bequests	669	—	—	669
Rental income (note 9)	759	—	—	759
Interest and dividend income	194	—	—	194
Net realized and unrealized gains on investments	627	8,287	—	8,914
Change in value of split-interest agreements	95	—	—	95
Other	555	—	—	555
Net assets released from restrictions	7,521	(7,521)	—	—
Total revenues, gains, losses, and other support	<u>41,988</u>	<u>7,523</u>	<u>14</u>	<u>49,525</u>
Expenses:				
Program services:				
Domestic policy	1,927	—	—	1,927
Interreligious affairs	1,645	—	—	1,645
Governmental and international affairs	9,541	—	—	9,541
Community services and membership	13,511	—	—	13,511
Contemporary Jewish life	705	—	—	705
Public education, information, and research	3,163	—	—	3,163
Thanks to Scandinavia, Inc.	346	—	—	346
Total program services	<u>30,838</u>	<u>—</u>	<u>—</u>	<u>30,838</u>
Supporting services:				
Management and general	3,992	—	—	3,992
Fund-raising	5,885	—	—	5,885
Total supporting services	<u>9,877</u>	<u>—</u>	<u>—</u>	<u>9,877</u>
Total expenses	<u>40,715</u>	<u>—</u>	<u>—</u>	<u>40,715</u>
Increase in net assets before effect of pension and postretirement changes other than net periodic benefit cost and reclassifications of net assets	1,273	7,523	14	8,810
Pension and postretirement changes other than net periodic benefit cost (note 6)	(1,135)	—	—	(1,135)
Reclassification of net assets due to adoption of accounting standard (note 8)	(6,682)	6,682	—	—
Change in net assets	<u>(6,544)</u>	<u>14,205</u>	<u>14</u>	<u>7,675</u>
Net assets at beginning of year	<u>13,594</u>	<u>26,915</u>	<u>58,796</u>	<u>99,305</u>
Net assets at end of year	<u>\$ 7,050</u>	<u>41,120</u>	<u>58,810</u>	<u>106,980</u>

See accompanying notes to consolidated financial statements.

**AMERICAN JEWISH COMMITTEE
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Consolidated Statement of Cash Flows

Year ended December 31, 2010

(In thousands)

Cash flows from operating activities:	
Change in net assets	\$ 7,675
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,161
Contributions restricted for long-term investment	(14)
Net realized and unrealized gains on investments	(8,914)
Pension and postretirement changes other than net periodic benefit cost	1,135
Change in value of split-interest agreements	(95)
Change in operating assets and liabilities:	
Contributions receivable, net	(1,345)
Prepaid expenses and other assets	(138)
Accounts payable and accrued expenses	(116)
Accrued vacation and severance pay	106
Accrued pension and other benefit obligations	125
Net cash used in operating activities	<u>(420)</u>
Cash flows from investing activities:	
Fixed asset acquisitions	(324)
Investment purchases	(23,029)
Investment sales	24,632
Net cash provided by investing activities	<u>1,279</u>
Cash flows from financing activities:	
Contributions restricted for long-term investment	14
Change in contributions receivable restricted for long-term investment	2,046
Other changes in split interest, net	58
Net cash provided by financing activities	<u>2,118</u>
Net increase in cash and cash equivalents	2,977
Cash and cash equivalents at beginning of year	<u>7,140</u>
Cash and cash equivalents at end of year	<u>\$ 10,117</u>

See accompanying notes to consolidated financial statements.

**AMERICAN JEWISH COMMITTEE
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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(1) Nature of Organizations

American Jewish Committee (AJC) is a not-for-profit organization founded in 1906. The mission of AJC is to safeguard the welfare and security of Jews, strengthen the basic principles of democracy and pluralism around the world, and enhance the quality of Jewish life.

Institute of Human Relations (IHR) is a fund-raising organization that remits all its revenues to AJC. AJC funds 100% of IHR's expenses.

AJC and IHR are exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as organizations described in Section 501(c)(3) of the Code and qualify as public charities under Section 509(a) of the Code.

AJC and IHR are related through common control with United Nations Watch (UNW), Thanks to Scandinavia, Inc. (TTS), and Transatlantic Institute (TAI) (collectively, the Committee).

UNW is a not-for-profit association headquartered in Geneva, Switzerland. UNW's mission is to monitor the United Nation's compliance with its 1945 Charter, with special focus on the due process and equal treatment afforded to United Nations' member states and the support by nongovernmental organizations of such charter compliance.

TTS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Code and is not a private foundation. TTS was formed for the purpose of awarding scholarships to Scandinavian students in gratitude for the rescue of persons of Jewish faith from the Holocaust. Scholarships are awarded to students who are approved by the TTS board based on an application process that includes approval by the various colleges included.

TAI is a not-for-profit association headquartered in Brussels, Belgium. TAI was formed to foster ties among the European Union, Israel, and the United States of America.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the financial position and changes in net assets of AJC, IHR, UNW, TTS, and TAI. All significant interorganizational balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

The Committee considers pension and postretirement changes other than net periodic benefit cost, and other nonrecurring activities to be nonoperating activities.

**AMERICAN JEWISH COMMITTEE
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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(b) Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Committee and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Committee. The donors of these assets specify the use of the income earned.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(c) Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until the conditions are substantially met.

(d) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets;

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

allowances for uncollectible amounts; the valuation of investments; and liabilities for employee benefit obligations and other contingencies.

(e) Functional Expense Allocation

The expenses of the Committee have been summarized on a functional basis. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

(f) Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement – Overall*, defines fair value and establishes a framework for measuring fair value, and requires additional disclosures regarding the use of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The ASC guidance describes three levels of the fair value hierarchy as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

ASC update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which, as a practical expedient, allows for the estimation of fair value of investments in investment companies for which the investments do not have readily determinable fair values, including private investments, hedge funds, real estate, and other funds, using net asset value per share or its equivalent as reported by the investment managers.

Since the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Committee's interest therein, its classification in Level 2 or 3 is based on the Committee's ability to redeem its interest at or near the date of the balance sheet. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(g) Cash Equivalents

The Committee considers all highly liquid investments with original maturities of three months or less when acquired to be cash equivalents, except those amounts held by investment managers.

(h) Investments

Investments in equity securities with readily determinable fair values and all investments in marketable debt securities are reported at fair value based upon quoted market prices. The fair values of alternative investments that are not readily marketable are based upon net asset values provided by the fund managers, which are reviewed by management for reasonableness.

(i) Risks and Uncertainties

The Committee may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

(j) Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization are computed on the straight-line and accelerated methods over their estimated useful lives as follows:

Buildings	20 – 40 years
Building improvements	10 – 20 years
Furniture and equipment	5 – 10 years
Leasehold improvements	5 – 10 years

(k) Split-Interest Agreements

Charitable remainder trusts and charitable gift annuities are subject to the restrictions of gift instruments requiring the Committee to pay stipulated amounts to beneficiaries. Such payments terminate at the time of the donor's or beneficiary's death. The present values of payments to the donors and beneficiaries of the trusts and annuities are calculated using a discount rate of 3.84%. The Committee has used actuarial assumptions and discount rates to record the present value of estimated future payments to donors and beneficiaries.

(l) Income Tax

The Committee has evaluated its tax positions and has determined that it is more likely than not that there are no significant uncertain tax positions and that it will continue to be exempt from federal and state income taxes.

**AMERICAN JEWISH COMMITTEE
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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(3) Investments

The following table presents the Committee's fair value hierarchy for investments measured at fair value as of December 31, 2010:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents:				
Cash	\$ 2,974	2,974	—	—
Short-term investment funds	141	—	141	—
	<u>3,115</u>	<u>2,974</u>	<u>141</u>	<u>—</u>
Fixed income:				
State of Israel bonds	70	—	70	—
Mutual funds	1,520	1,520	—	—
Investment funds (a)	26,431	—	26,431	—
	<u>28,021</u>	<u>1,520</u>	<u>26,501</u>	<u>—</u>
Equities:				
Common and preferred stocks	5,674	5,674	—	—
Mutual funds:				
Large cap equity funds	8,179	8,179	—	—
Midcap equity funds	5,932	5,932	—	—
International emerging markets	4,789	4,789	—	—
Energy	2,496	2,496	—	—
Alternative investments:				
Multistrategy hedge funds	22,005	—	15,420	6,585
Long/short equities	12,454	—	7,314	5,140
Debt securities/funds	3,087	—	3,087	—
Total alternative investments	<u>37,546</u>	<u>—</u>	<u>25,821</u>	<u>11,725</u>
Cash value of life insurance policies	1,575	—	1,575	—
Other	73	—	73	—
Total investments	<u>\$ 97,400</u>	<u>31,564</u>	<u>54,111</u>	<u>11,725</u>

(a) This class includes investment funds that invest in 1 – 3 year U.S. Treasury index funds.

**AMERICAN JEWISH COMMITTEE
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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

The following table presents a reconciliation for all Level 3 investments measured at fair value for the year ended December 31, 2010:

Beginning balance	\$	17,281
Net appreciation		11,474
Transfers to Level 2		(24,180)
Net purchases		7,150
Ending balance	\$	<u>11,725</u>

As of December 31, 2010, the estimated fair value of the Committee's alternative investments and investment funds totaled \$64,118. The limitations and restrictions on the Committee's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 90 days after initial lockup periods) to specified terms at inception. Based on the terms and conditions in effect at December 31, 2010, the Committee's alternative investments and investment funds can be redeemed or sold as follows:

Daily	\$	28,856
Monthly		8,362
Quarterly		15,175
Funds subject to lockup:		
Redeemable in 2011		3,877
Redeemable in 2012 and after		4,330
Nonredeemable		3,518
	\$	<u>64,118</u>

Investments totaling approximately \$3,040 as of December 31, 2010 were held subject to charitable gift annuity obligations and investments of approximately \$70 were held in trust as of December 31, 2010.

(4) Contributions Receivable

Contributions receivable at December 31, 2010 are scheduled to be collected as follows:

Within one year	\$	10,194
One to five years		8,738
More than five years		400
		<u>19,332</u>
Less discount to present value, at rates ranging from 2.0% to 3.5%		(813)
Less allowance for uncollectible amounts		(1,416)
	\$	<u>17,103</u>

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

Included in contributions receivable at December 31, 2010 are pledges of approximately \$10,750 (reflected net of a discount of approximately \$303) from two donors.

(5) Fixed Assets

Fixed assets consist of the following at December 31, 2010:

Land	\$	430
Buildings		5,231
Building improvements		9,049
Furniture and equipment		9,160
Leasehold improvements		663
		<hr/>
		24,533
Accumulated depreciation and amortization		<hr/>
		(17,724)
	\$	<hr/> <hr/>
		6,809

(6) Accrued Pension Plan and Other Benefit Obligations

AJC has a defined benefit pension plan covering substantially all of its employees. The benefits are based on the average of the highest three consecutive January 1 salaries, limited to a maximum of \$225,000. AJC's funding policy is to contribute annually the minimum amount allowed under the Employee Retirement Income Security Act of 1974 (ERISA). Effective July 17, 2009, no new participants are included in the plan and all future benefits accruals are frozen.

In addition, AJC has unfunded contributory postretirement medical and life insurance benefit plans. The postretirement medical plan covers all employees who have retired after age 63½ and have completed 10 years of service. The postretirement life insurance plan covers all employees who retired on or before January 1, 1998 after attainment of age 60 and 10 years of service and who were covered for active employee life insurance at the time of retirement.

The Committee recognizes the funded status of these plans, measured as the difference between plan assets at fair value and the benefit obligation, in the consolidated balance sheet.

**AMERICAN JEWISH COMMITTEE
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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

The following table provides information with respect to the plans as of and for the year ended December 31, 2010:

	Pension benefits	Other benefits
Change in benefit obligation:		
Benefit obligation at January 1, 2010	\$ 53,630	2,239
Service cost	—	107
Interest cost	3,003	115
Actuarial loss (gain)	3,912	(208)
Benefits paid	(2,926)	(93)
Benefit obligation at December 31, 2010	57,619	2,160
Change in plan assets:		
Fair value of plan assets at January 1, 2010	40,133	—
Actual return on plan assets	4,913	—
Employer contribution	911	93
Benefits paid	(2,926)	(93)
Fair value of plan assets at December 31, 2010	43,031	—
Funded status	\$ (14,588)	(2,160)
Balance sheet recognition:		
Accrued benefit cost	\$ (14,588)	(2,160)

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Notes to Consolidated Financial Statements

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(In thousands)

Included in the projected accumulated benefit obligation is approximately \$330 for 2010 of life insurance and approximately \$1,830 for 2010 for medical premiums.

	Pension benefits	Other benefits
Components of net periodic benefit expense:		
Service cost	\$ —	107
Interest cost	3,003	115
Expected return on plan assets	(3,109)	—
Amortization of transition obligation	—	36
Amortization of prior service cost	—	39
Amortization of actuarial loss (gain)	720	(30)
	\$ 614	267

The weighted average assumptions are as follows:

	Pension benefits	Other benefits
Discount rate used to determine the benefit obligation	5.45%	5.45%
Discount rate used to determine the net periodic benefit cost	5.69	5.69

The medical trend rate used is 7%, a 1% change in the healthcare cost trends have the following impact:

	Increase	Decrease
Effect on total service and interest cost	\$ 51	38
Effect on the postretirement benefit obligation	364	286

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(a) Plan Assets

The fair value of AJC's pension plan assets, which are not included in the accompanying consolidated balance sheet, by asset category and the fair hierarchy value is as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents:				
Cash	\$ 1,056	1,056	—	—
Short-term investment fund	953	—	953	—
	<u>2,009</u>	<u>1,056</u>	<u>953</u>	<u>—</u>
Fixed income:				
Government, agency, and corporate obligations	8,960	—	8,960	—
	<u>8,960</u>	<u>—</u>	<u>8,960</u>	<u>—</u>
Equities:				
Common and preferred stocks	2,892	2,892	—	—
Mutual funds:				
Large cap equity funds	5,251	5,251	—	—
International emerging markets	2,918	2,918	—	—
Midcap equity funds	2,796	2,796	—	—
Alternative investments:				
Multistrategy hedge funds	11,868	—	9,536	2,332
Long/short equities	6,337	—	1,761	4,576
Total alternative investments	<u>18,205</u>	<u>—</u>	<u>11,297</u>	<u>6,908</u>
Total investments \$	<u><u>43,031</u></u>	<u><u>14,913</u></u>	<u><u>21,210</u></u>	<u><u>6,908</u></u>

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December 31, 2010

(In thousands)

The investment policies are as follows for 2010:

Cash and cash equivalents	5%
Fixed income	21
Equities	32
Alternative investments	42

Based on historically indexed data, the assumed long-term rates of return for 2010 are as follows: fixed income of 5.8% and equities and alternative investments of 8.7%, which produce an expected composite rate of return of 8.0%.

The following table presents a reconciliation for all Level 3 investments measured at fair value for the period from January 1, 2010 to December 31, 2010:

	<u>Amounts</u>
Beginning balance, January 1, 2010	\$ 11,890
Purchases	1,150
Sales	(1,950)
Net appreciation	712
Transfer from Level 3	(4,894)
Ending balance, December 31, 2010	<u>\$ 6,908</u>

As of December 31, 2010, the estimated fair value of the Committee's pension plan's alternative investments and investment funds totaled \$19,158. The limitations and restrictions on the Committee's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 90 days after initial lockup periods) to specified terms at inception. Based on the terms and conditions in effect, at December 31, 2010, the Committee's alternative investments and investment funds can be redeemed or sold as follows:

Monthly	\$ 4,681
Quarterly	7,569
Funds subject to lockup:	
Redeemable in 2011	2,241
Redeemable in 2012	2,335
Nonredeemable	2,332
	<u>\$ 19,158</u>

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(b) Estimated Future Benefit Payments

It is estimated that \$741 of the actuarial loss will be included as components of net periodic benefit costs in fiscal year 2011.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	Pension benefits	Other benefits
Year ending December 31:		
2011	\$ 3,678	97
2012	3,844	101
2013	3,925	105
2014	4,029	109
2015 – 2019	24,423	761

AJC expects to contribute to the pension plan approximately \$877 in fiscal year 2011.

UNW has a contributory pension plan for its employees over the age of 25, as per Switzerland law. Premiums depend on the employee's age and are partly financed by UNW and partly by the employee. Total pension expense for UNW was approximately \$19 for the year ended December 31, 2010.

AJC is contractually obligated to provide retirement benefits to certain former executives and employees. At December 31, 2010, all such special retirement benefits are unfunded and have been accrued. The accrual of special retirement benefits of approximately \$143 as of December 31, 2010 represents the actuarially computed present value of such contractual obligations based upon a discount rate of 5.1%.

The benefit payments for the year ended December 31, 2010 were approximately \$292.

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Notes to Consolidated Financial Statements

December 31, 2010

(In thousands)

(7) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 are available for the following purposes:

Project funds:	
Time restricted and executive discretionary emergency aid fund	\$ 15,159
Governmental and international affairs	14,717
Public education, information, and research	1,865
Domestic policy	1,467
Community services and membership	698
Contemporary Jewish life	477
Interreligious affairs	425
	34,808
Thanks to Scandinavia, Inc.	6,312
	\$ 41,120

Permanently restricted net assets listed below are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

General operations	\$ 19,373
Fellowship/leadership development	17,222
Government and international affairs	9,057
Interreligious affairs	4,764
Domestic policy	4,389
Community services and membership	2,292
Jewish communal affairs	1,607
Public education	106
	\$ 58,810

(8) Endowments

ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*, provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. A key component for entities subject to UPMIFA is a requirement to classify the

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(In thousands)

portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In 2010, the Committee reclassified \$6,682 from unrestricted net assets to temporarily restricted net assets as such amounts have not been appropriated for expenditures by the Committee.

During fiscal year 2010, the Committee adopted the policies under New York Prudent Management of Institutional Funds Act (NYPMIFA) as signed into Law in New York State in September 2010. In accordance with NYPMIFA, the Committee considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the donor-restricted endowment
2. The purposes of the Committee and the donor-restricted endowment
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Committee
7. The investment policies of the Committee

Endowment composition by net asset classification as of December 31, 2010 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ (12)	17,951	53,844	71,783
Total funds	\$ (12)	17,951	53,844	71,783

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Changes in endowment net assets for the year ended December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,682	6,363	51,784	64,829
Investment return:				
Investment income	236	472	—	708
Net appreciation (realized and unrealized)	386	6,560	—	6,946
Total investment return	622	7,032	—	7,654
Contributions	—	—	2,060	2,060
Appropriation of endowment assets for expenditure	(634)	(2,126)	—	(2,760)
Other changes:				
Reclassification of net assets	(6,682)	6,682	—	—
Endowment net assets, end of year	\$ <u>(12)</u>	<u>17,951</u>	<u>53,844</u>	<u>71,783</u>

(a) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were \$12 as of December 31, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of governors.

(b) Return Objectives and Risk Parameters

The Committee has adopted investment and spending policies and procedures for endowment assets based on total return. The primary investment objective is to exceed the inflation-adjusted annualized spending rate over a five-year market cycle, recognizing established risk parameters, and the need to preserve capital. The investment committee strives to diversify its investments to reduce volatility by allocating assets to multiple asset classes, allocating assets among various investment styles, and retaining multiple investment firms with complementary investment philosophies, styles, and approaches. Actual returns in any given year may vary from this amount.

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(In thousands)

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, the Committee 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). The Committee targets a diversified asset allocation to reduce volatility that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Committee has a policy of 5.5% spending based on a three-year trailing average of the market value of the portfolio. In establishing this policy, the Committee considered the long-term expected return on its endowment.

(9) Leases and Other Commitments

AJC is obligated under noncancelable operating lease agreements for office space in several locations. Minimum annual rentals at December 31, 2010 are as follows:

Year ending December 31:		
2011	\$	1,457
2012		1,022
2013		481
2014		392
2015		380
2016 and thereafter		565
	\$	<u>4,297</u>

Rent expense for the year ended December 31, 2010 was approximately \$2,054.

AJC leases space to others in its building located in New York City and subleases excess space in Chicago. The leases provide for minimum annual rentals and reimbursement of certain expenses. The following is a schedule of minimum future rentals on noncancelable leases as of December 31, 2010:

Year ending December 31:		
2011	\$	849
2012		671
2013		651
2014		644
2015		650
2016 and thereafter		1,518
	\$	<u>4,983</u>

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The Committee is a party to various litigation, which, in the opinion of management, will not have a material adverse effect on the consolidated financial position of the Committee.

(10) Subsequent Events

The Committee evaluated events subsequent to December 31, 2010 and through July 21, 2011, the date on which the consolidated financial statements were approved for issuance and determined that no additional disclosures are required.

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Consolidated Statement of Functional Expenses

Year ended December 31, 2010

(In thousands)

	Program services							Supporting services			Total 2010	
	Domestic policy	Interreligious affairs	Governmental and international affairs	Community services and membership	Contemporary Jewish life	Public education, information, and research	Thanks to Scandinavia, Inc.	Total	Management and general	Fund-raising		Total
Salaries	\$ 975	838	3,475	6,395	420	949	46	13,098	1,840	3,350	5,190	18,288
Fringe benefits	242	208	1,004	1,532	104	233	10	3,333	773	807	1,580	4,913
Total employee compensation	1,217	1,046	4,479	7,927	524	1,182	56	16,431	2,613	4,157	6,770	23,201
Travel	80	164	1,288	192	11	30	53	1,818	25	34	59	1,877
Rent	86	26	521	1,199	—	1	—	1,833	—	221	221	2,054
Electricity	29	14	43	140	9	36	—	271	14	33	47	318
Telephone	21	21	107	163	3	16	—	331	7	31	38	369
Printing and lettershop	5	3	30	242	1	8	—	289	5	603	608	897
Postage	2	2	16	349	2	1	1	373	—	88	88	461
Stationery and supplies	20	12	53	160	6	27	—	278	11	46	57	335
IT services	7	14	114	127	2	17	5	286	217	40	257	543
Rental and servicing of equipment	13	6	20	71	4	18	—	132	7	15	22	154
Delivery service	—	—	3	4	—	—	—	7	—	3	3	10
Building maintenance	50	30	120	222	15	62	—	499	24	51	75	574
Insurance	16	8	39	64	4	14	—	145	10	10	20	165
Educational materials	2	4	11	4	—	—	4	25	1	—	1	26
Grants	36	48	837	95	7	29	183	1,235	18	18	36	1,271
Dues paid to other organizations	26	15	50	37	9	100	—	237	13	17	30	267
Conferences, meetings, and events	119	105	741	1,404	27	77	24	2,497	124	157	281	2,778
Outside contract program services	102	53	381	576	26	362	—	1,500	451	191	642	2,142
Advertising	3	4	29	54	1	1,079	—	1,170	8	12	20	1,190
Bank service charges	23	23	60	32	8	6	20	172	365	4	369	541
Catering and facilities rental	—	—	—	—	—	—	—	—	—	1,830	1,830	1,830
Miscellaneous	—	—	381	—	—	—	—	381	—	—	—	381
Total expenses before depreciation and amortization	1,857	1,598	9,323	13,062	659	3,065	346	29,910	3,913	7,561	11,474	41,384
Depreciation and amortization	70	47	218	449	46	98	—	928	79	154	233	1,161
Total expenses	1,927	1,645	9,541	13,511	705	3,163	346	30,838	3,992	7,715	11,707	42,545
Less direct cost of special events	—	—	—	—	—	—	—	—	—	(1,830)	(1,830)	(1,830)
Total expenses	\$ 1,927	1,645	9,541	13,511	705	3,163	346	30,838	3,992	5,885	9,877	40,715

See accompanying independent auditors' report.