KPMG

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Financial Statements and Schedule

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

To the Board of Governors
American Jewish Committee:

We have audited the accompanying consolidated financial statements of American Jewish Committee and Affiliates, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in the schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements or to the 2017 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 consolidated financial statements as a whole.

KPMG LLP

May 29, 2018

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Dollars in thousands)

Assets		**2017**	**2016**
Current assets:			
Cash and cash equivalents	$	17,339	31,079
Contributions receivable, net (note 4)		10,812	14,457
Investments (note 3)		43,230	21,669
Prepaid expenses and other assets		1,331	621
Total current assets		72,712	67,826
Noncurrent assets:			
Contributions receivable, net (note 4)		9,308	10,166
Beneficial interest in trusts held by third parties (note 3)		5,806	8,092
Investments (note 3)		93,246	82,962
Prepaid expenses and other assets		986	312
Fixed assets, net (note 5)		9,132	6,976
Total noncurrent assets		118,478	108,508
Total assets	$	191,190	176,334
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$	3,331	3,427
Accrued vacation and severance pay		2,160	1,775
Accrued pension plan and other benefit obligations (note 6)		4,595	4,545
Deferred rent		117	—
Liability under split-interest agreements		296	290
Total current liabilities		10,499	10,037
Noncurrent liabilities:			
Accrued pension plan and other benefit obligations (note 6)		18,679	19,717
Deferred rent		1,552	—
Liability under split-interest agreements		1,859	2,026
Other noncurrent liabilities		24	28
Total noncurrent liabilities		22,114	21,771
Total liabilities		32,613	31,808
Commitments and contingencies (notes 6 and 9)			
Net assets (notes 7 and 8):			
Unrestricted:			
Operating		51,297	47,050
Pension plan and other benefit obligations		(23,274)	(24,262)
Total unrestricted		28,023	22,788
Temporarily restricted		60,711	55,672
Permanently restricted		69,843	66,066
Total net assets		158,577	144,526
Total liabilities and net assets	$	191,190	176,334

See accompanying notes to consolidated financial statements.

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2017

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses, and other support:				
Contributions and special events (net of direct costs of special events of $1,773)	$ 36,780	10,605	3,777	51,162
Trusts and bequests	861	—	—	861
Rental income (note 9)	1,152	—	—	1,152
Interest and dividend income	250	1,221	—	1,471
Net realized and unrealized gain on investments	2,269	10,714	—	12,983
Change in value of split-interest agreements	366	(2,286)	—	(1,920)
Other	1,189	—	—	1,189
Net assets released from restrictions	15,215	(15,215)	—	—
Total revenues, gains, losses, and other support	58,082	5,039	3,777	66,898
Expenses:				
Program services:				
Interreligious and intergroup relations	3,237	—	—	3,237
Government and international relations	19,535	—	—	19,535
Regional offices	13,094	—	—	13,094
Contemporary Jewish life	1,188	—	—	1,188
Communications	3,723	—	—	3,723
Total program services	40,777	—	—	40,777
Supporting services:				
Management and general	4,642	—	—	4,642
Fund-raising	8,749	—	—	8,749
Total supporting services	13,391	—	—	13,391
Total expenses	54,168	—	—	54,168
Increase in net assets before effect of pension and postretirement changes other than net periodic benefit cost and other	3,914	5,039	3,777	12,730
Pension and postretirement changes other than net periodic benefit cost (note 6)	1,321	—	—	1,321
Change in net assets	5,235	5,039	3,777	14,051
Net assets at beginning of year	22,788	55,672	66,066	144,526
Net assets at end of year	$ 28,023	60,711	69,843	158,577

See accompanying notes to consolidated financial statements.

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2016

(Dollars in thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses, and other support:					
Contributions and special events (net of direct costs of special events of $1,987)	$	35,405	24,537	5,616	65,558
Trusts and bequests		971	—	—	971
Rental income (note 9)		1,118	—	—	1,118
Interest and dividend income		11	853	—	864
Net realized and unrealized gain on investments		202	5,104	—	5,306
Change in value of split-interest agreements		(47)	47	—	—
Other		1,237	—	—	1,237
Net assets released from restrictions		14,195	(14,195)	—	—
Total revenues, gains, losses, and other support		53,092	16,346	5,616	75,054
Expenses:					
Program services:					
Interreligious and intergroup relations		3,161	—	—	3,161
Government and international relations		18,655	—	—	18,655
Regional offices		13,097	—	—	13,097
Contemporary Jewish life		1,177	—	—	1,177
Communications		3,717	—	—	3,717
Total program services		39,807	—	—	39,807
Supporting services:					
Management and general		4,518	—	—	4,518
Fund-raising		7,970	—	—	7,970
Total supporting services		12,488	—	—	12,488
Total expenses		52,295	—	—	52,295
Increase in net assets before effect of pension and postretirement changes other than net periodic benefit cost and other		797	16,346	5,616	22,759
Pension and postretirement changes other than net periodic benefit cost (note 6)		840	—	—	840
Change in net assets		1,637	16,346	5,616	23,599
Net assets at beginning of year		21,151	39,326	60,450	120,927
Net assets at end of year	$	22,788	55,672	66,066	144,526

See accompanying notes to consolidated financial statements.

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

(Dollars in thousands)

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	14,051	23,599
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		1,120	927
Contributions restricted for long-term investment		(3,777)	(5,616)
In-kind contribution of investment		—	(5,019)
Net realized and unrealized gains on investments		(12,983)	(5,306)
Pension and postretirement changes other than net periodic benefit cost		(1,321)	(840)
Change in value of split-interest agreements		1,920	—
Change in operating assets and liabilities:			
Contributions receivable, net		5,069	(8,022)
Prepaid expenses and other assets		(1,418)	(60)
Accounts payable, accrued expenses, and other liabilities		(100)	763
Accrued vacation and severance pay		385	(668)
Accrued pension and other benefit obligations		333	232
Deferred rent		1,669	—
Net cash provided by (used in) operating activities		4,948	(10)
Cash flows from investing activities:			
Fixed asset acquisitions		(3,242)	(1,580)
Investment purchases		(38,504)	(5,151)
Investment sales		19,642	6,549
Net cash used in investing activities		(22,104)	(182)
Cash flows from financing activities:			
Contributions restricted for long-term investment		3,777	5,616
Change in contributions receivable restricted for long-term investment		(566)	(3,724)
Other changes in split interest agreements, net		205	(89)
Net cash provided by financing activities		3,416	1,803
Net (decrease) increase in cash and cash equivalents		(13,740)	1,611
Cash and cash equivalents at beginning of year		31,079	29,468
Cash and cash equivalents at end of year	$	17,339	31,079

See accompanying notes to consolidated financial statements.

(1) Nature of Organizations Comprising AJC

American Jewish Committee is a not-for-profit organization founded in 1906. The American Jewish Committee's mission is to enhance the well-being of the Jewish people and Israel and to advance human rights and democratic values in the United States and around the world. In pursuit of this mission, American Jewish Committee advances democratic principles, fights anti-Semitism and other forms of bigotry, advocates for a secure Israel achieving fair treatment in the community of nations, and seeks to safeguard universal human rights. American Jewish Committee and its affiliates, Institute of Human Relations (IHR), AJC Berlin, Transatlantic Institute (TAI), AJC Central Europe, and AJC France (collectively, AJC) are related through common control.

IHR is a fund-raising organization that remits all its revenues to American Jewish Committee. In 2016, IHR completed its conversion into a 509(a)(3) supporting organization of American Jewish Committee that is controlled by American Jewish Committee and exists solely to raise funds for American Jewish Committee.

American Jewish Committee and IHR are exempt from federal income tax under Section 501(a) of the Internal Revenue 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 Berlin is a German not-for-profit association headquartered in Berlin, Germany. AJC Berlin was formed to promote transatlantic relations, enhance German-Israeli ties, combat anti-Semitism and extremism, and foster dialogue regarding American Jewish Committee's core advocacy priorities.

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.

AJC Central Europe, established in 2016, is a Polish not-for-profit association headquartered in Warsaw, Poland. AJC Central Europe was formed to promote transatlantic relations, enhance ties between the region and Israel, combat anti-Semitism and extremism, and cooperate with local Jewish communities.

AJC France, established in 2017, is a French not-for-profit association headquartered in Paris, France. AJC France consults regularly with government officials, civil society leaders, journalists, and policy analysts and works closely with leaders of the French Jewish community. Its targeted advocacy advances the fight against anti-Semitism, radicalism, and extremism.

The expenses of AJC have been summarized on a functional basis. Accordingly, certain costs have been allocated to the programs and supporting services benefited. AJC's programmatic activities include the following:

(a) Interreligious and Intergroup Relations

AJC builds coalitions to advance shared interests and support understanding with other religions and ethnic groups. Through these coalitions, AJC also advocates on behalf of the Jewish people and Israel, furthers mutual respect, and combats prejudice.

(b) Government and International Relations

AJC advocates on its priority issues at the highest levels of government and civil society in the United States and internationally in order to affect public policies of concern to the Jewish people.

AJC advocates at the national level on legislative and legal issues that affect AJC priorities. Advocacy activities in the United States include: meetings with members of the Executive Branch, Congress, and local officials; formal comments on pending legislation; filing of briefs in litigation; coalition building with community and opinion leaders; writing op-eds; and creating online petitions.

AJC maintains international institutes and offices that coordinate its advocacy throughout the world, including in Africa, Europe, Latin America, and Asia. AJC's institute and international office professionals are experts in their fields and work across national boundaries with elected officials, diplomats, and other sectors. Institute and international office professionals also build coalitions with faith, community, and opinion leaders to promote greater understanding and dialogue, in the countries in which they work, through exchange programs and through their coordination of such programs as AJC Project Interchange (educational seminars that bring influential leaders to Israel).

(c) Regional Offices

AJC maintains more than 20 regional offices throughout the United States. The offices establish key relationships with civil society representatives, government officials, Congressional representatives, and local representatives of foreign governments to create diverse coalitions and mobilize the Jewish community on AJC's priority issues.

(d) Contemporary Jewish Life

AJC helps to ensure Jewish continuity and to enrich the relationship of Jews in the diaspora with Israel. AJC takes public positions and holds symposia on critical current issues (e.g., the role of the Chief Rabbinate in Israel).

(e) Communications

Using a variety of traditional and new media tools, AJC communicates nationally and globally to convey its analysis of key political events and galvanize support for the organization's advocacy priorities.

AJC mobilizes and informs opinion makers through print and digital media, as well as through active and informative social media accounts geared toward both global Jewish concerns as well as toward topics specific to each region or country in which an AJC office or institute is located. AJC also posts on its website all its active advocacy campaigns to encourage constituents to take action on these issues. Other communication tools include timely press releases and op-eds, blog posts, and interviews by or featuring AJC experts in major media outlets.

(Continued)

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements of AJC include the financial position and changes in net assets of American Jewish Committee, IHR, AJC Berlin, TAI, AJC Central Europe, and AJC France. All significant interorganizational balances and transactions have been eliminated in consolidation.

(b) Basis of Presentation

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

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 AJC and/or the passage of time. AJC follows the provisions of Accounting Standards Codification 958-205, which requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by New York Prudent Management of Institutional Funds Act (NYPMIFA).

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by AJC, which are subject to the provisions of NYPMIFA. The donors of these assets specify the use of the income earned. In addition, permanently restricted net assets include certain gifts that require the use of a spending rate. AJC follows the provisions of NYPMIFA in managing its donor-restricted endowment. AJC has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

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 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.

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

(c) 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; allowances for uncollectible amounts; the valuation of investments and beneficial interest in trusts held by third parties; the allocation of functional expenses; and the valuation of liabilities for employee benefit obligations and other contingencies.

(d) 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 or published net asset value (NAV) for those alternative investments with characteristics similar to mutual funds. Alternative investments that are not readily marketable are reported at fair value based upon NAVs, as a practical expedient, provided by the fund managers, which are reviewed by management for reasonableness.

(e) 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 three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) or published NAV 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.

Investments reported at NAV or its equivalent as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

(f) Cash Equivalents

AJC considers all highly liquid investments with maturities of three months or less when acquired to be cash equivalents, except those amounts held by investment managers for long-term investment purposes.

(g) Risks and Uncertainties

AJC invests 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 those changes could materially affect the amounts reported in the consolidated financial statements.

(h) 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 after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until the conditions are substantially met.

(i) Split-Interest Agreements

Charitable gift annuities are subject to the restrictions of gift instruments requiring AJC to pay stipulated amounts to donors or beneficiaries. Such payments terminate at the time of the donor's or beneficiary's death. AJC uses actuarial assumptions and discount rates to record the present value of estimated future payments to donors and beneficiaries. The present values of payments to the donors and beneficiaries of the annuities were calculated using a discount rate of 3.0% in both 2017 and 2016.

AJC is designated as the remainder beneficiary of various charitable remainder annuity trusts and a unitrust, where the assets are controlled and invested by independent third parties. The charitable remainder annuity trusts and unitrust interests are recorded in temporarily restricted trusts and bequests income. The assets of the trusts are reported in temporarily restricted net assets at the present value of estimated future benefits to be received when those trusts' assets are distributed to AJC. Over 95% of the assets are invested in one equity security and therefore, are subject to elevated market risk and fluctuations. In 2017, there was a decline of approximately $2,286, which is reflected in the change in value of split-interest agreements on the consolidated statement of activities.

(Continued)

(Dollars in thousands)

(j) Fixed Assets

Fixed assets are stated at cost. Fixed assets having a useful life of one year or more and an acquisition cost of $1,500 or more per unit are capitalized. Depreciation and amortization are computed on the straight-line basis 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) Deferred Rent

AJC has entered into several operating lease agreements as lessor and lessee, some of which contain provisions for future rent increases, tenant allowances, rent free periods, or periods in which rent payments are reduced. The total amount of rental payments due over the lease term is being charged to rent expense or rent income using the straight-line method over the terms of the leases. The difference between rent expense recorded and the amount paid is recorded as a change in deferred rent, which is included in liabilities on the consolidated balance sheets. The difference between rent income recorded and the amount received is recorded as a change in prepaid expenses and other assets, which is included in assets on the consolidated balance sheets.

(l) Income Tax

AJC prescribes to a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of December 31, 2017 and 2016, AJC does not have any uncertain tax positions or any unrelated business income tax liability, which would have a material impact upon its financial statements.

(m) Reclassifications

Certain reclassifications of 2016 amounts have been made to conform to the 2017 presentation.

(Dollars in thousands)

(3) Investments

The following tables present AJC's investments and other assets measured at fair value as of December 31, 2017 and 2016:

		2017			
		Fair value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents:					
Cash	$	5,640	5,640	—	—
Receivable for investments sold		296	296	—	—
		5,936	5,936	—	—
Fixed income:					
State of Israel bonds		126	—	126	—
Investment funds (a)		24,210	24,210	—	—
		24,336	24,210	126	—
Equities:					
Common and preferred stocks		15,907	15,907	—	—
Mutual funds:					
Large cap equity funds		14,993	14,993	—	—
Midcap equity funds		20,346	20,346	—	—
International and emerging markets		16,414	16,414	—	—
Energy		1,091	1,091	—	—
		68,751	68,751	—	—
Investments reported at net asset value:					
Multistrategy hedge funds (b)		13,623			
Long/short equities (c)		19,500			
Debt securities/funds (d)		2,939			
Equity funds (e)		1,391			
Total investments reported at net asset value		37,453			
Total investments	$	136,476	98,897	126	—
Beneficial interest in trusts held by independent third parties	$	5,806	—	—	5,806

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

(b) Multistrategy hedge funds include investments in funds that pursue multiple investment strategies that attempt to diversify risks and reduce volatility. Capital is allocated to each of the strategies, as well as, geographical areas, and varies depending on market opportunities.

(c) Long/short equities are funds invested in equity securities where long positions are expected to appreciate, and short positions are expected to decline.

(d) Debt securities/funds are invested in global and emerging local market bonds and undervalued currencies. Hedged against currency risk through spots and forwards.

(e) Equity funds include investments in domestic mispriced and misunderstood master limited partnership equities.

(Dollars in thousands)

		2016			
		Fair value	**Level 1**	**Level 2**	**Level 3**
Investments:					
Cash and cash equivalents:					
Cash	$	2,950	2,950	—	—
Receivable for investments sold		2,003	2,003	—	—
		4,953	4,953	—	—
Fixed income:					
State of Israel bonds		91	—	91	—
Investment funds (a)		25,617	25,617	—	—
		25,708	25,617	91	—
Equities:					
Common and preferred stocks		13,008	13,008	—	—
Mutual funds:					
Large cap equity funds		9,065	9,065	—	—
Midcap equity funds		11,217	11,217	—	—
International and emerging markets		6,496	6,496	—	—
Energy		1,090	1,090	—	—
		40,876	40,876	—	—
Investments reported at net asset value:					
Multistrategy hedge funds (b)		13,772			
Long/short equities (c)		15,167			
Debt securities/funds (d)		2,668			
Equity funds (e)		1,487			
Total investments reported at net asset value		33,094			
Total investments	$	104,631	71,446	91	—
Beneficial interest in trusts held by independent third parties	$	8,092	—	—	8,092

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

(b) Multistrategy hedge funds include investments in funds that pursue multiple investment strategies that attempt to diversify risks and reduce volatility. Capital is allocated to each of the strategies, as well as, geographical areas, and varies depending on market opportunities.

(c) Long/short equities are funds invested in equity securities where long positions are expected to appreciate, and short positions are expected to decline.

(d) Debt securities/funds are invested in global and emerging local market bonds and undervalued currencies. Hedged against currency risk through spots and forwards.

(e) Equity funds include investments in domestic mispriced and misunderstood master limited partnership equities.

(Dollars in thousands)

The limitations and restrictions on AJC's ability to redeem or sell alternative investments vary by investment. Based on the terms and conditions in effect at December 31, 2017, AJC's alternative investments can be redeemed or sold as follows:

Redemption period		Amount	Days notice for redemption
Monthly:			
Long/short equities	$	11,411	3–30
Debt securities		2,939	10
Equity funds		1,391	30
Quarterly:			
Multistrategy		10,834	60–90
Long/short equities		4,101	10–60
Semiannually:			
Long/short equities		1,124	60
Annually:			
Multistrategy		2,264	30–60
Long/short equities		2,864	45
Funds subject to lockup:			
Multistrategy		525	Not applicable
	$	37,453	

Investments totaling approximately $3,251 and $3,058 as of December 31, 2017 and 2016, respectively, were held subject to charitable gift annuity obligations, and investments of approximately $74 and $73 were held in trust as of December 31, 2017 and 2016, respectively.

(4) Contributions Receivable

Contributions receivable at December 31, 2017 and 2016 are scheduled to be collected as follows:

		2017	2016
Within one year	$	10,817	15,218
One to five years		6,968	7,313
More than five years		4,654	4,313
		22,439	26,844
Less discount to present value at rates ranging from 1.0% to 3.0%		(1,440)	(1,228)
Less allowance for uncollectible amounts		(879)	(993)
	$	20,120	24,623

(Dollars in thousands)

Included in contributions receivable, net at December 31, 2017 and 2016, are pledges of approximately $9,249 and $12,903 from five and four donors, respectively. Also included in contributions receivable, net at December 31, 2017 and 2016, are pledges raised through a capital campaign of approximately $12,339 from 20 donors and $12,188 from 14 donors, respectively.

(5) Fixed Assets

Fixed assets consist of the following at December 31, 2017 and 2016:

		2017	2016
Land	$	430	430
Buildings		5,231	5,231
Building improvements		12,208	11,933
Furniture and equipment		11,767	10,412
Leasehold improvements		3,156	1,233
		32,792	29,239
Accumulated depreciation and amortization		(23,660)	(22,263)
	$	9,132	6,976

(6) Accrued Pension Plan and Other Benefit Obligations

American Jewish Committee has a defined-benefit pension plan. The benefits are based on the average of the highest three consecutive January 1 salaries, limited to a maximum of $245,000. American Jewish Committee’s funding policy is to contribute annually at least the minimum amount required under the Employee Retirement Income Security Act of 1974. Effective July 17, 2009, no new participants are included in the plan and all future benefit accruals are frozen.

In addition, American Jewish Committee 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.

AJC 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 sheets.

(Dollars in thousands)

The following tables provide information with respect to the plans as of and for the years ended December 31, 2017 and 2016:

		2017	
		Pension benefits	**Other benefits**
Change in benefit obligation:			
Benefit obligation at January 1, 2017	$	61,731	2,658
Service cost		—	230
Interest cost		2,658	112
Actuarial loss		2,539	110
Benefits paid		(3,765)	(63)
Benefit obligation at December 31, 2017		63,163	3,047
Change in plan assets:			
Fair value of plan assets at January 1, 2017		40,330	—
Actual return on plan assets		4,727	—
Employer contribution		2,000	63
Benefits paid		(3,765)	(63)
Fair value of plan assets at December 31, 2017		43,292	—
Funded status	$	(19,871)	(3,047)
Balance sheet recognition:			
Accrued benefit cost	$	(19,871)	(3,047)

(Dollars in thousands)

		2016	
		Pension benefits	**Other benefits**
Change in benefit obligation:			
Benefit obligation at January 1, 2016	$	62,512	2,577
Service cost		—	212
Interest cost		2,726	112
Actuarial loss (gain)		332	(173)
Benefits paid		(3,839)	(70)
Benefit obligation at December 31, 2016		61,731	2,658
Change in plan assets:			
Fair value of plan assets at January 1, 2016		40,270	—
Actual return on plan assets		1,899	—
Employer contribution		2,000	70
Benefits paid		(3,839)	(70)
Fair value of plan assets at December 31, 2016		40,330	—
Funded status	$	(21,401)	(2,658)
Balance sheet recognition:			
Accrued benefit cost	$	(21,401)	(2,658)

The 2017 and 2016 employer contributions of $2,063 and $2,070, respectively, are reflected as a use of cash in operating activities in the accompanying 2017 and 2016 consolidated statements of cash flows, respectively.

Included in the projected accumulated benefit obligation (other benefits) is approximately $201 for 2017 and $198 for 2016 for life insurance and approximately $2,287 for 2017 and $2,165 for 2016 for medical premiums.

(Dollars in thousands)

Components of net periodic benefit expenses are as follows for 2017 and 2016:

		2017		2016	
		Pension benefits	**Other benefits**	**Pension benefits**	**Other benefits**
Service cost	$	—	230	—	212
Interest cost		2,658	112	2,726	112
Expected return on plan assets		(2,926)	—	(2,910)	—
Amortization of actuarial loss (gain)		2,208	(39)	2,044	(34)
Net periodic expense	$	1,940	303	1,860	290

At December 31, 2017 and 2016, items not yet recognized as net periodic benefit costs are net losses of $23,399 and $24,720, respectively.

AJC used a Dedicated Bond Portfolio model to derive the discount rate for 2017 and 2016.

The weighted average assumptions are as follows:

	2017		2016	
	Pension benefits	**Other benefits**	**Pension benefits**	**Other benefits**
Discount rate used to determine the benefit obligation	4.04 %	3.64 %	4.44 %	4.18 %
Discount rate used to determine the net periodic benefit cost	4.44	4.18	4.50	4.40

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

		2017		2016	
		Increase	**Decrease**	**Increase**	**Decrease**
Effect on total service and interest cost	$	114	(80)	106	(75)
Effect on the postretirement benefit obligation		781	(572)	641	(408)

(Dollars in thousands)

In 2017, AJC used the 2017 Mortality Improvement Scale MP-2017 to value its pension and postretirement obligation. In 2016, AJC used the 2016 Mortality Improvement Scale MP-2016 to value its pension and postretirement obligation.

(a) Plan Assets

The following tables present AJC's investments of American Jewish Committee's pension plan assets measured at fair value by asset category, which are included in the funded status of the pension liability recorded in the accompanying consolidated balance sheets as of December 31, 2017 and 2016:

		2017	
	Fair value	**Level 1**	**Level 2**
Cash and cash equivalents:			
Cash	$ 185	185	—
Short-term investment fund	2,182	—	2,182
	2,367	185	2,182
Fixed income:			
Debt fund	13,760	13,760	—
	13,760	13,760	—
Equities:			
Common and preferred stocks	2,657	2,657	—
Mutual funds:			
Large cap equity funds	1,934	1,934	—
Midcap equity funds	4,594	4,594	—
International and emerging markets	4,294	4,294	—
	13,479	13,479	—
Investments reported at net asset value:			
Multistrategy hedge funds (a)	8,510		
Long/short equities (b)	5,176		
Total investments reported at net asset value	13,686		
Total investments	$ 43,292	27,424	2,182

(a) Multistrategy hedge funds include investments in funds that pursue multiple investment strategies that attempt to diversify risks and reduce volatility. Capital is allocated to each of the strategies, as well as, geographical areas, and varies depending on market opportunities.

(b) Long/short equities are funds invested in equity securities where long positions are expected to appreciate, and short positions are expected to decline.

(Dollars in thousands)

	2016		
	Fair value	**Level 1**	**Level 2**
Cash and cash equivalents:			
Cash	$ 163	163	—
Short-term investment fund	3,449	—	3,449
	3,612	163	3,449
Fixed income:			
Government, agency, and corporate obligations	12,282	—	12,282
	12,282	—	12,282
Equities:			
Common and preferred stocks	2,140	2,140	—
Mutual funds:			
Large cap equity funds	1,619	1,619	—
Midcap equity funds	3,658	3,658	—
International and emerging markets	2,353	2,353	—
	9,770	9,770	—
Investments reported at net asset value:			
Multistrategy hedge funds (a)	8,818		
Long/short equities (b)	5,848		
Total investments reported at net asset value	14,666		
Total investments	$ 40,330	9,933	15,731

(a) Multistrategy hedge funds include investments in funds that pursue multiple investment strategies that attempt to diversify risks and reduce volatility. Capital is allocated to each of the strategies, as well as, geographical areas, and varies depending on market opportunities.

(b) Long/short equities are funds invested in equity securities where long positions are expected to appreciate, and short positions are expected to decline.

The investment allocation is as follows for 2017 and 2016:

	2017	**2016**
Cash and cash equivalents	5 %	9 %
Fixed income	32	31
Equities	31	24
Alternative investments	32	36

(Dollars in thousands)

Based on historically indexed data, the assumed long-term rates of return for 2017 and 2016 are as follows: fixed income of 6% and equities and alternative investments of 9%, which produce an expected composite rate of return of 8%.

The limitations and restrictions on AJC's ability to redeem or sell alternative investments vary by investment. Based on the terms and conditions in effect at December 31, 2017, the plan's alternative investments can be redeemed or sold as follows:

Redemption period		Amount	Days notice for redemption
Monthly:			
Long/short equities	$	3,006	3–30
Quarterly:			
Multistrategy		6,549	60–90
Long/short equities		1,127	60
Annually:			
Multistrategy		1,531	45
Long/short equities		1,043	60
Funds subject to lockup:			
Multistrategy		430	Not applicable
	$	13,686	

(b) *Estimated Future Benefit Payments*

It is estimated that $2,208 of the actuarial loss will be included as a component of net periodic benefit costs in fiscal year 2018.

The following benefit payments are expected to be paid as follows:

		Pension benefits	Other benefits
Year(s) ending December 31:			
2018	$	4,519	76
2019		4,614	78
2020		4,570	81
2021		4,531	85
2022		4,460	91
2023–2027		20,805	549

American Jewish Committee expects to contribute to the pension plan at least $2,500 in fiscal year 2018.

(Dollars in thousands)

American Jewish Committee is contractually obligated to provide retirement benefits to certain current and former executives and employees. As of December 31, 2017 and 2016, accrued special retirement benefits and executive insurance totaled approximately $356 and $203, respectively.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are composed of the following:

		2017	2016
Program funds and endowment funds appropriated and available for spending:			
Government and international relations	$	15,002	15,618
Fellowship and leadership development		4,916	4,697
Communications		3,186	4,227
Regional offices		2,338	2,090
Executive discretionary and emergency aid funds		624	631
Contemporary Jewish life		322	317
Interreligious and intergroup relations		239	147
Total available for spending		26,627	27,727
Time restricted:			
Time restricted – general operations		8,927	7,953
Split interest agreements		5,718	8,004
Endowment earnings available for future appropriations		19,439	11,988
Total time restricted		34,084	27,945
Total temporary restricted	$	60,711	55,672

(Continued)

(Dollars in thousands)

(8) Endowment Funds

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

		2017	2016
General operations	$	25,955	24,780
Fellowship and leadership development		17,321	17,295
Government and international relations		17,814	15,246
Interreligious and intergroup relations		4,162	4,158
Regional offices		2,331	2,329
Contemporary Jewish life		1,609	1,607
Institute of Human Relations		545	545
Communications		106	106
	$	69,843	66,066

In accordance with NYPMIFA, AJC 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 AJC 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 AJC
7. The investment policies of AJC

(Dollars in thousands)

Endowment composition by net asset classification, exclusive of net contributions receivable related to endowment funds of approximately $6,044 and $5,478 as of December 31, 2017 and 2016, respectively, is as follows:

		2017			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	—	28,874	63,799	92,673
Board-designated funds		22,607	—	—	22,607
Total funds	$	22,607	28,874	63,799	115,280

		2016			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(3)	21,363	60,588	81,948
Total funds	$	(3)	21,363	60,588	81,948

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

		2017			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$	(3)	21,363	60,588	81,948
Investment return:					
Investment income		248	929	—	1,177
Net appreciation (realized and unrealized)		2,176	10,181	—	12,357
Total investment return		2,424	11,110	—	13,534
Contributions and transfers		21,072	—	3,211	24,283
Distributions		(886)	(3,599)	—	(4,485)
Endowment net assets, end of year	$	22,607	28,874	63,799	115,280

(Dollars in thousands)

		2016			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$	(104)	13,610	58,696	72,202
Investment return:					
Investment income		—	715	—	715
Net appreciation (realized and unrealized)		101	4,241	—	4,342
Total investment return		101	4,956	—	5,057
Contributions		—	6,091	1,892	7,983
Distributions		—	(3,294)	—	(3,294)
Endowment net assets, end of year	$	(3)	21,363	60,588	81,948

In January 2017, the Executive Council of AJC's Board of Governors authorized the creation of a board-designated endowment using excess cash above AJC's operating cash requirements. Included in investments as of December 31, 2017 is $22,607, which is the portion of the fair value of the portfolio attributed to the board-designated endowment.

(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. There was a deficiency of $3 at December 31, 2016. There were no deficiencies at December 31, 2017.

(b) Return Objectives and Risk Parameters

AJC 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 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.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, AJC 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). AJC 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.

(Continued)

(Dollars in thousands)

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

AJC has a spending policy based on a five-year trailing average of the market value of the portfolio. The spending rate for 2017 and 2016 was 4.75%. For 2018, the spending rate is 5%. In establishing this policy, AJC considers the long-term expected return on its endowment.

(9) Commitments and Contingencies

(a) Leases

American Jewish Committee is obligated under noncancelable operating lease agreements for office space in several locations. Minimum annual rentals at December 31, 2017 are as follows:

2018	$	1,817
2019		1,814
2020		1,758
2021		1,621
2022		1,367
2023 and thereafter		1,613
	$	9,990

Rent expense for the years ended December 31, 2017 and 2016 was $2,536 and $2,079, respectively.

(b) Rental Income under Operating Leases

American Jewish Committee leases space to others in its building located in New York City and subleases space in Denver. 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, 2017:

2018	$	1,039
2019		771
2020		751
2021		771
2022		791
2023 and thereafter		1,191
	$	5,314

(c) Line of Credit

AJC has available a line of credit from a bank in the amount of $10,000, which was not drawn upon during the year ended December 31, 2017. The line of credit is available through June 2018, subject to extension, and carries an interest rate equal to the prime rate or the minimum interest rate determined by the bank. As of December 31, 2017, no balance was outstanding under this line of credit.

(d) Litigation and claims

AJC 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 AJC.

(10) Subsequent Events

AJC evaluated events from December 31, 2017 through May 29, 2018, the date on which the consolidated financial statements were available to be issued, and determined that no additional disclosures are required.

Schedule

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended December 31, 2017

(Dollars in thousands)

	Program services						Supporting services				
	Interreligious and intergroup relations	**Government and international relations**	**Regional offices**	**Contemporary Jewish life**	**Communications**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total 2017**	**Total 2016**
Salaries	$ 1,555	8,341	5,904	707	1,465	17,972	1,757	5,072	6,829	24,801	22,828
Fringe benefits	496	3,046	2,250	232	478	6,502	837	1,444	2,281	8,783	7,902
Total employee compensation	2,051	11,387	8,154	939	1,943	24,474	2,594	6,516	9,110	33,584	30,730
Travel	290	1,523	390	31	123	2,357	46	71	117	2,474	2,694
Rent	71	1,088	1,088	2	6	2,255	—	281	281	2,536	2,079
Electricity	8	41	51	5	11	116	168	45	213	329	292
Telephone	14	145	158	5	52	374	43	63	106	480	479
Printing and lettershop	—	29	11	—	128	168	—	372	372	540	848
Postage	2	24	34	1	66	127	15	143	158	285	386
Stationery and supplies	7	54	96	3	22	182	42	38	80	262	269
IT services	8	298	228	11	56	601	182	145	327	928	906
Rental and servicing of equipment	1	11	3	—	2	17	7	2	9	26	23
Delivery service	—	3	2	—	1	6	—	2	2	8	16
Building maintenance	36	194	127	23	63	443	567	185	752	1,195	1,160
Insurance	7	69	76	3	31	186	63	27	90	276	284
Educational materials	5	10	10	1	1	27	3	27	30	57	57
Grants	22	432	26	12	23	515	34	5	39	554	694
Dues paid to other organizations	10	84	97	6	14	211	14	29	43	254	227
Conferences, meetings, and events	532	2,740	1,593	70	352	5,287	76	318	394	5,681	6,297
Outside contract program services	100	1,031	421	50	622	2,224	272	220	492	2,716	2,874
Advertising	5	76	44	1	168	294	3	22	25	319	478
Bank service charges	44	99	151	13	14	321	153	70	223	544	575
Catering and facilities rental	—	—	—	—	—	—	—	1,773	1,773	1,773	1,987
Total expenses before depreciation and amortization	3,213	19,338	12,760	1,176	3,698	40,185	4,282	10,354	14,636	54,821	53,355
Depreciation and amortization	24	197	334	12	25	592	360	168	528	1,120	927
Total expenses	3,237	19,535	13,094	1,188	3,723	40,777	4,642	10,522	15,164	55,941	54,282
Less direct cost of special events	—	—	—	—	—	—	—	(1,773)	(1,773)	(1,773)	(1,987)
Total expenses	$ 3,237	19,535	13,094	1,188	3,723	40,777	4,642	8,749	13,391	54,168	52,295

See accompanying independent auditors' report.