Consolidated Financial Statements and Report of
Independent Certified Public Accountants

AMERICAN JEWISH COMMITTEE AND AFFILIATES

December 31, 2018

AMERICAN JEWISH COMMITTEE AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Governors of
American Jewish Committee:

Report on the financial statements

We have audited the accompanying consolidated financial statements of American Jewish Committee and Affiliates (collectively, "AJC"), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 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 consolidated 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 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 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 auditor's 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 AJC'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 AJC'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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
July 19, 2019

AMERICAN JEWISH COMMITTEE AND AFFILIATES
Consolidated Balance Sheet
As of December 31, 2018
(dollars in thousands)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 21,505
Contributions receivable, net (Note 4)	11,559
Investments (Note 3)	39,975
Prepaid expenses and other assets	1,412
Total current assets	74,451
NONCURRENT ASSETS	
Contributions receivable, net (Note 4)	13,605
Beneficial interest in trusts held by third parties (Note 3)	4,384
Investments (Note 3)	86,757
Prepaid expenses and other assets	889
Fixed assets, net (Note 5)	9,769
Total noncurrent assets	115,404
Total assets	$ 189,855
LIABILITIES AND NET ASSETS	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 3,078
Accrued compensation	2,719
Accrued pension plan and other benefit obligations (Note 6)	4,708
Deferred rent	225
Liability under split-interest agreements	296
Total current liabilities	11,026
NONCURRENT LIABILITIES	
Accrued pension plan and other benefit obligations (Note 6)	18,723
Deferred rent	1,576
Liability under split-interest agreements	1,617
Other noncurrent liabilities	34
Total noncurrent liabilities	21,950
Total liabilities	32,976
Commitments and contingencies (Notes 6 and 10)	
NET ASSETS (Notes 7 and 8)	
Net assets without donor restrictions	
Operating	30,573
Board-designated	19,484
Pension plan and other benefit obligations	(23,431)
Total net assets without donor restrictions	26,626
Net assets with donor restrictions	130,253
Total net assets	156,879
Total liabilities and net assets	$ 189,855

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

AMERICAN JEWISH COMMITTEE AND AFFILIATES
Consolidated Statement of Activities
For the year ended December 31, 2018
(dollars in thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT			
Contributions and special events (net of direct costs of special events of $2,150)	$ 38,580	$ 24,732	$ 63,312
Trusts and bequests	1,058	-	1,058
Rental income (Note 10)	1,321	-	1,321
Interest and dividend income	654	1,155	1,809
Net realized and unrealized loss on investments	(2,320)	(8,694)	(11,014)
Change in value of split-interest agreements	(244)	(1,421)	(1,665)
Other	1,650	-	1,650
Net assets released from restrictions	16,073	(16,073)	-
Total revenues, gains, losses, and other support	56,772	(301)	56,471
EXPENSES			
Program services:			
Interreligious and intergroup relations	2,565	-	2,565
Government and international relations	21,906	-	21,906
Regional offices	14,048	-	14,048
Contemporary Jewish life	1,133	-	1,133
Communications	3,051	-	3,051
Total program services	42,703	-	42,703
Supporting services:			
Management and general	7,056	-	7,056
Fund-raising	8,124	-	8,124
Total supporting services	15,180	-	15,180
Total expenses	57,883	-	57,883
Decrease in net assets before effect of pension and postretirement changes other than net periodic benefit cost and other	(1,111)	(301)	(1,412)
Pension and postretirement changes other than net periodic benefit cost (Note 6)	(286)	-	(286)
Change in net assets	(1,397)	(301)	(1,698)
Net assets at beginning of year	28,023	130,554	158,577
Net assets at end of year	$ 26,626	$ 130,253	$ 156,879

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

AMERICAN JEWISH COMMITTEE AND AFFILIATES
Consolidated Statement of Functional Expenses
For the year ended December 31, 2018
(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 2018
Salaries	$ 1,268	$ 9,220	$ 5,798	$ 507	$ 1,426	$ 18,219	$ 2,770	$ 4,900	$ 7,670	$ 25,889
Fringe benefits	509	3,375	2,056	243	530	6,713	907	1,627	2,534	9,247
Total employee compensation	1,777	12,595	7,854	750	1,956	24,932	3,677	6,527	10,204	35,136
Travel	160	1,651	846	45	19	2,721	70	68	138	2,859
Rent and utilities	18	1,143	1,106	3	10	2,280	186	261	447	2,727
Telephone	23	163	113	10	40	349	17	45	62	411
Printing and postage	16	110	156	25	160	467	5	432	437	904
Stationery and supplies	1	37	79	-	52	169	92	20	112	281
IT services and equipment	51	318	196	22	62	649	124	91	215	864
Building maintenance	6	164	75	2	84	331	993	36	1,029	1,360
Insurance	6	50	38	2	25	121	186	1	187	308
Educational materials	3	8	11	-	-	22	13	3	16	38
Grants	-	522	24	28	-	574	-	-	-	574
Dues paid to other organizations	10	75	106	5	8	204	26	25	51	255
Conferences, meetings, and events	331	3,208	2,277	150	17	5,983	138	353	491	6,474
Outside contract program services	109	1,156	435	55	241	1,996	922	94	1,016	3,012
Advertising	3	101	34	2	314	454	20	31	51	505
Bank service charges	23	277	29	11	-	340	526	1	527	867
Catering and facilities rental	-	-	-	-	-	-	-	2,150	2,150	2,150
Total expenses before depreciation and amortization	2,537	21,578	13,379	1,110	2,988	41,592	6,995	10,138	17,133	58,725
Depreciation and amortization	28	328	669	23	63	1,111	61	136	197	1,308
Total expenses	2,565	21,906	14,048	1,133	3,051	42,703	7,056	10,274	17,330	60,033
Less direct cost of special events	-	-	-	-	-	-	-	(2,150)	(2,150)	(2,150)
Total 2018 expenses	$ 2,565	$ 21,906	$ 14,048	$ 1,133	$ 3,051	$ 42,703	$ 7,056	$ 8,124	$ 15,180	$ 57,883

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

AMERICAN JEWISH COMMITTEE AND AFFILIATES
Consolidated Statement of Cash Flows
For the year ended December 31, 2018
(dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,698)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	1,308
Contributions restricted for long-term investment	(6,437)
Net realized and unrealized losses on investments	11,014
Pension and postretirement changes other than net periodic benefit cost	286
Change in value of split-interest agreements	1,665
Change in operating assets and liabilities	
Contributions receivable, net	(1,419)
Prepaid expenses and other assets	(17)
Accounts payable, accrued expenses, and other liabilities	(243)
Accrued compensation	559
Accrued pension and other benefit obligations	(129)
Deferred rent	132
Net cash provided by operating activities	5,021
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed asset acquisitions	(1,912)
Investment purchases	(25,517)
Investment sales	24,247
Net cash used in investing activities	(3,182)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term investment	6,437
Change in contributions receivable restricted for long-term investment	(3,625)
Other changes in split-interest agreements, net	(485)
Net cash provided by financing activities	2,327
Net increase in cash and cash equivalents	4,166
Cash and cash equivalents at beginning of year	17,339
Cash and cash equivalents at end of year	$ 21,505

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

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 Jerusalem, AJC Berlin, Transatlantic Institute ("TAI"), AJC Central Europe and AJC Paris (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 Jerusalem is a not-for-profit association headquartered in Jerusalem, Israel. AJC Jerusalem was formed to engage with Israeli government officials, religious leaders, and diplomatic representatives of foreign countries stationed in Israel to share AJC's advocacy positions and analysis.

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 Paris 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:

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.

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).

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.

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).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Jerusalem, AJC Berlin, TAI, AJC Central Europe, and AJC Paris. All significant interorganizational balances and transactions have been eliminated in consolidation.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

AJC has adopted ASU No. 2016-14 for the year ended December 31, 2018.

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:

Net assets without donor restrictions - Represents net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Governors and management, for AJC to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes by AJC's Board of Governors or may be limited by legal requirements or contractual agreements with outside parties.

Net assets with donor restrictions - Represents net assets which are subject to donor-imposed restrictions that will be met either by actions of AJC and/or the passage of time.

A portion of net assets with donor restrictions are subject to donor-imposed stipulations that they be maintained in perpetuity by AJC, which are subject to the provisions of New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The donors of these assets specify the use of the income earned. In addition, these 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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or by law. Expirations of donor 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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US 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.

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.

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"). 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.

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, except for those with a readily determinable fair value.

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.

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 within net assets with donor restrictions 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.

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 has used 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 are calculated using a discount rate of 3.0% in 2018.

(dollars in thousands)

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 trusts and bequests income within net assets with donor restrictions 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.

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

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 sheet. The difference between rent income recorded and the amount received recorded as a change in prepaid expenses and other assets, which is included in assets on the consolidated balance sheet.

Expenses

Expenses are recognized by AJC on an accrual basis. Expenses paid in advance and not yet incurred are reported as prepaid expenses until the applicable period.

The costs of program and supporting activities have been summarized on a functional basis on the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported within that functional area. Indirect expenses that benefit multiple functional areas have been allocated by AJC using a variety of cost allocation techniques such as square footage and time and effort.

Income Tax

AJC 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.

AJC prescribed 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, 2018, 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.

New Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. This guidance is effective for AJC's fiscal year beginning January 1, 2019 with early adoption permitted. AJC is currently assessing the effect that adoption of the new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, "Clarifying the scope and the accounting guidance for contributions received and contributions made." This ASU provides framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, as well as guidance to assist entities in determining whether a contribution is either conditional or unconditional. This update is effective for AJC's fiscal year beginning January 1, 2019, with early adoption permitted. AJC is currently assessing the effect that adoption of the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." This ASU will require lessees to recognize almost all leases on the statements of financial position as a right-of-use asset and a lease liability. For statement of activity purposes, the FASB retained a dual model, requiring leases to be classified as finance leases or operating leases. This update is effective for AJC's fiscal year beginning January 1, 2020, with early adoption permitted. AJC is currently assessing the effect that adoption of the new standard will have on its financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits: Improving the presentation of net periodic pension cost and net period postretirement benefit cost." The ASU requires bifurcation whereby the service cost component will be presented with the other components of employee compensation costs in operating expenses while the other components will be reported in nonoperating activities. While this guidance changes the presentation of benefit costs in the statement of activities, it will not change the rules over how the costs are measured. This update is effective for AJC's fiscal year beginning January 1, 2019, with early adoption permitted. AJC is currently assessing the effect that adoption of the new standard will have on its financial statements.

(dollars in thousands)

3. INVESTMENTS

The following table presents AJC's investments and other assets measured at fair value as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 5,218	$ 5,218	$ -	$ -
Fixed income:				
State of Israel bonds	127	-	127	-
Mutual funds	9,072	9,072	-	-
	9,199	9,072	127	-
Equities:				
Common and preferred stocks	15,643	15,643	-	-
Mutual funds:				
Large cap equity funds	13,162	13,162	-	-
Midcap equity funds	16,393	16,393	-	-
International and emerging markets	15,227	15,227	-	-
Energy	879	879	-	-
	61,304	61,304	-	-
Total	75,721	$ 75,594	$ 127	$ -
Investments reported at NAV:				
1-3 year U.S. treasury index	15,426			
Multistrategy hedge funds [(a)]	9,455			
Long/short equities [(b)]	16,872			
Debt securities/funds [(c)]	5,645			
Equity funds [(d)]	1,213			
Total investments reported at NAV	48,611			
Cash held for investment	2,400			
Total investments	$ 126,732			
Beneficial interest in trusts held by independent third parties	$ 4,384	$ -	$ -	$ 4,384

(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.

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

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

Included in investments as of December 31, 2018, is $19,484 which is the portion of the fair value of the portfolio attributed to the Board-designated endowment (as further discussed in Note 9).

(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, 2018, AJC's alternative investments can be redeemed or sold as follows:

Redemption Period	Number of Funds	Amount	Days Notice for Redemption	Unfunded Commitments
Daily				
1-3 year U.S. treasury index	1	$ 15,426	2	Not applicable
Semi-Monthly				
Long/short equities	1	6,935	Not applicable	Not applicable
Debt securities	1	2,877	5	Not applicable
Monthly				
Long/short equities	2	3,532	5 - 30	Not applicable
Equity funds	1	1,213	30	Not applicable
Quarterly				
Multistrategy	3	5,221	60 - 90	Not applicable
Long/short equities	2	2,957	67 - 90	Not applicable
Annually				
Multistrategy	2	3,050	44 - 90	Not applicable
Long/short equities	1	1,975	60	Not applicable
Debt securities	1	2,768	90	Not applicable
Funds subject to lockup				
Multistrategy	9	1,184	Not applicable	Not applicable
Long/short equities	9	1,473	Not applicable	$ 2,897
Investments reported at NAV		48,611		
Cash held for investment				
Quarterly - Multistrategy	1	2,400	65	Not applicable
		$ 51,011		

Investments totaling approximately $2,824 as of December 31, 2018 were held subject to charitable gift annuity obligations, and investments of approximately $60 were held in trust as of December 31, 2018.

(dollars in thousands)

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2018 are scheduled to be collected as follows:

Within one year	$ 11,559
One to five years	11,062
More than five years	4,616
	27,237
Less discount to present value at rates ranging from 2.0% to 3.0%	(1,394)
Less allowance for uncollectible amounts	(679)
	$ 25,164

Included in contributions receivable, net at December 31, 2018 are pledges of $12,231 from four donors. Included in contributions and special events and trusts and bequests revenue at December 31, 2018 is revenue of $17,285 from three donors.

5. FIXED ASSETS

Fixed assets consist of the following at December 31, 2018:

Land	$ 430
Buildings	5,231
Building improvements	12,752
Furniture and equipment	12,655
Leasehold improvements	3,636
	34,704
Accumulated depreciation and amortization	(24,935)
	$ 9,769

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.

(dollars in thousands)

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.

The following table provides information with respect to the plans as of and for the year ended December 31, 2018:

	Pension Benefits	Other Benefits
Change in benefit obligation		
Benefit obligation at January 1, 2018	$ 63,163	$ 3,047
Service cost	-	308
Interest cost	2,473	118
Actuarial gain	(3,223)	(513)
Benefits paid	(3,884)	(58)
Benefit obligation at December 31, 2018	58,529	2,902
Change in plan assets		
Fair value of plan assets at January 1, 2018	43,292	-
Actual return on plan assets	(3,399)	-
Employer contribution	2,500	58
Benefits paid	(3,884)	(58)
Fair value of plan assets at December 31, 2018	38,509	-
Funded status	$ (20,020)	$ (2,902)
Balance sheet recognition		
Accrued benefit cost	$ (20,020)	$ (2,902)

The 2018 employer contributions of $2,558 are reflected as a use of cash in operating activities in the accompanying 2018 consolidated statement of cash flows.

Included in the projected accumulated benefit obligation (other benefits) is approximately $210 for 2018 for life insurance and approximately $2,766 for 2018 for medical premiums.

(dollars in thousands)

Components of net periodic benefit expenses are as follows for 2018:

	Pension Benefits	Other Benefits
Service cost	$ -	$ 308
Interest cost	2,473	118
Expected return on plan assets	(2,776)	-
Amortization of actuarial loss (gain)	2,172	(17)
Net periodic expense	$ 1,869	$ 409

At December 31, 2018, items not yet recognized as net periodic benefit costs are net losses of $24,108.

AJC used a Dedicated Bond Portfolio model to derive the discount rate for 2018.

The weighted average assumptions are as follows:

	Pension Benefits	Other Benefits
Discount rate used to determine the benefit obligation	4.51 %	4.24 %
Discount rate used to determine net periodic benefit cost	4.04 %	3.64 %

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

	Increase	Decrease
Effect on total service and interest cost	$ 158	$ (108)
Effect on the postretirement benefit obligation	723	(531)

In 2018, AJC used the 2018 Mortality Improvement Scale MP-2018 to value its pension and postretirement obligation.

(dollars in thousands)

Plan Assets

The following table presents 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 sheet as of December 31, 2018:

	Fair Value	Level 1
Cash and cash equivalents		
Cash	$ 791	$ 791
Short-term investment fund	2,367	2,367
	3,158	3,158
Fixed income		
Debt fund	12,122	12,122
	12,122	12,122
Equities		
Common and preferred stocks	1,913	1,913
Mutual funds		
Large cap equity funds	1,348	1,348
Midcap equity funds	3,526	3,526
International and emerging markets	3,245	3,245
	10,032	10,032
Total	25,312	$ 25,312
Investments reported at NAV		
Multistrategy hedge funds [a]	6,829	
Long/short equities [b]	2,922	
Debt securities/funds [c]	1,846	
Total investments reported at NAV	11,597	
Cash held for investment	1,600	
Total investments	$ 38,509	

[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.

[c] Debt securities/funds are invested in global and emerging local market bonds and undervalued currencies. Hedged against currency risk through spots and forwards.

(dollars in thousands)

The investment allocation is as follows for 2018:

Cash and cash equivalents	12 %
Fixed income	32
Equities	26
Alternative investments	30

Based on historically indexed data, the assumed long-term rates of return for 2018 are as follows: fixed income of 6% and equities and alternative investments of 9%, which produce an expected composite rate of return of 7%.

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, 2018, the plan's alternative investments can be redeemed or sold as follows:

Redemption Period	Number of Funds	Amount	Days Notice for Redemption	Unfunded Commitments
Semi-Monthly				
Long/short equities	1	$ 2,709	Not applicable	Not applicable
Quarterly				
Multistrategy	3	3,293	60 - 90	Not applicable
Annually				
Multistrategy	2	2,708	44 - 90	Not applicable
Debt securities	1	1,846	90	Not applicable
Funds subject to lockup				
Multistrategy	9	828	Not applicable	Not applicable
Long/short equities	2	213	Not applicable	Not applicable
Investments reported at NAV		11,597		
Cash held for investments				
Quarterly - Multistrategy	1	1,600	65	Not applicable
		$ 13,197		

(dollars in thousands)

Estimated Future Benefit Payments

It is estimated that $2,747 of the actuarial loss will be included as a component of net periodic benefit costs in fiscal year 2019.

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

	Pension Benefits	Other Benefits
Year(s) ending December 31:		
2019	$ 4,629	79
2020	4,575	82
2021	4,541	86
2022	4,539	91
2023	4,341	96
2024 - 2028	20,437	573

American Jewish Committee expects to contribute to the pension plan at least $3,100 in fiscal year 2019.

American Jewish Committee is contractually obligated to provide retirement benefits to certain current and former executives and employees. As of December 31, 2018, accrued special retirement benefits and executive insurance totaled approximately $509.

(dollars in thousands)

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 were composed of the following:

Program funds and endowment funds appropriated and available for spending	
Government and international relations	$ 10,061
Fellowship and leadership development	4,289
Communications	7,215
Regional offices	1,723
Executive discretionary and emergency aid funds	467
Contemporary Jewish life	114
Interreligious and intergroup relations	936
Total available for spending	24,805
Time restricted	
Multi-year contributions - general operations	12,951
Split-interest agreements	4,297
Total time restricted	17,248
Subject to AJC's spending policy and appropriation	
Original endowment corpus	
General operations	31,375
Fellowship and leadership development	18,324
Government and international relations	17,809
Interreligious and intergroup relations	4,161
Regional offices	2,352
Contemporary Jewish life	1,609
Institute of Human Relations	545
Communications	106
Endowment and other investment earnings available for future appropriations	11,919
Total subject to AJC's spending policy and appropriation	88,200
Total net assets with donor restrictions	$ 130,253

(dollars in thousands)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

Purpose restrictions accomplished:	
Government and international relations	$ 8,299
Fellowship and leadership development	2,101
Regional offices	1,396
Communications	1,093
Executive discretionary and emergency aid funds	158
Contemporary Jewish life	232
Interreligious and intergroup relations	467
Total purpose restrictions released	13,746
Time restrictions expired	2,658
Total restrictions released	$ 16,404

8. ENDOWMENT FUNDS

AJC maintains several donor-restricted funds the purpose of which is to provide support for various programmatic activities and supporting services. In classifying such funds for financial statement purposes as either net assets with donor restrictions or net assets without donor restrictions, the Board of Governors looks to the explicit direction of the respective donor and provisions of applicable New York state law.

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; and
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 $9,531 as of December 31, 2018 as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 85,915	$ 85,915
Board-designated funds	19,484	-	19,484
Total funds	$ 19,484	$ 85,915	$ 105,399

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 22,607	$ 92,673	$ 115,280
Investment return			
Interest and dividend income	320	1,151	1,471
Net realized and unrealized loss on investments	(2,501)	(9,025)	(11,526)
Total investment return	(2,181)	(7,874)	(10,055)
Contributions	-	5,100	5,100
Distributions	(942)	(3,984)	(4,926)
Endowment net assets, end of year	$ 19,484	$ 85,915	$ 105,399

Included in investments as of December 31, 2018 is $19,484, which is the portion of the fair value of the portfolio attributed to the Board-designated endowment (as further discussed in Note 9).

In addition to the investment return with donor restrictions on endowment funds, the consolidated statement of activities reflects $4 of interest and dividend income and a $331 of net realized and unrealized loss on investments for donor funds requiring investment returns be added to the original gift until certain time, program, or other donor restrictions are met.

Fund 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 requires AJC to retain as a fund of perpetual duration.

Deficiencies of this nature exist in twenty-two donor-restricted endowment funds, which together have an original give value of $14,686, a current fair value of $13,896, and a deficiency of $790 as of December 31, 2018.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and appropriation for certain programs was not continued.

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.

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.

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 2018 was 5%. For 2019, the spending rate will continue to be 5%. In establishing this policy, AJC considers the long-term expected return on its endowment.

(dollars in thousands)

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

AJC's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	$ 21,505
Contributions receivable	11,559
Investments	39,975
Prepaid expenses and other assets	1,412
Total financial assets available within one year	74,451
Less:	
Contractual, legal or donor-imposed restrictions:	
Amounts subject to expenditure for specified purposes	20,247
Pledges for endowment purposes	2,816
Total amounts unavailable for general expenditures within one year	23,063
Total financial assets available within one year, before Board designations	51,388
Board-designated endowment - unavailable to management without Board approval	19,484
Total financial assets available within one year, after Board designations	$ 31,904

AJC is primarily supported by contributions (both with and without donor restrictions). As donor restrictions require resources to be used in a particular manner or in future periods, AJC maintains sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of AJC's liquidity management, through budget planning and monitoring, financial assets are made available as its general operations, liabilities, and other obligations require. It is AJC's goal to build reserves to meet current and unexpected operating needs. 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, to seek higher returns. As of December 31, 2018, Board-designated funds, which had no specific designation for the usage of the funds, totaled $19,484, and are included in current investments on the consolidated balance sheet. In the event of financial distress or an immediate liquidity need resulting from events outside general operations, AJC's Board may draw upon these Board-designated funds. AJC could also draw from its $10,000 line of credit (as further discussed in Note 10).

(dollars in thousands)

10. LEASES AND OTHER COMMITMENTS

Leases

American Jewish Committee is obligated under noncancelable operating lease agreements for office space in several locations. Minimum annual rentals at December 31, 2018 are as follows:

2019	$ 1,933
2020	1,932
2021	1,797
2022	1,545
2023	1,184
2024 and thereafter	1,489
	$ 9,880

Rent expense for the year ended December 31, 2018 was $2,417.

Rental Income under Operating Leases

AJC leases space to others in its building located in New York City and subleases space in Washington, D.C. 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, 2018:

2019	$ 1,551
2020	1,554
2021	1,495
2022	1,502
2023	1,064
2024 and thereafter	516
	$ 7,682

In April 2019, AJC was notified by one of its tenants of their intent to terminate their lease agreement with AJC in September 2019. The future minimum rental income which would not be earned by AJC if not replaced by a new tenant would be $104, $366, $377, $400, $412 and $104 for the years 2019 through 2025.

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, 2018. The line of credit is available through June 2019, 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, 2018, no balance was outstanding under this line of credit.

Litigation and Claims

AJC is a party to various litigation in the ordinary course of business, which, in the opinion of management, will not have a material adverse effect on the consolidated financial position or changes in net assets of AJC.

11. SUBSEQUENT EVENTS

AJC evaluated events from December 31, 2018 through July 19, 2019, the date on which the consolidated financial statements were available to be issued, and determined that no additional disclosures are required.