KPMG

AMERICAN JEWISH COMMITTEE AND AFFILIATES

Consolidated Financial Statements and Schedule

December 31, 2016 and 2015

(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

The Board of Governors
American Jewish Committee:

We have audited the accompanying consolidated financial statements of American Jewish Committee and Affiliates (AJC), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 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 2016 consolidated financial statements or to the 2016 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 2016 consolidated financial statements as a whole.

KPMG LLP

June 5, 2017

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Dollars in thousands)

Assets		**2016**	**2015**
Current assets:			
Cash and cash equivalents	$	31,079	29,468
Contributions receivable, net (note 4)		14,457	9,275
Investments (note 3)		18,119	18,570
Prepaid expenses and other assets		933	909
Total current assets		64,588	58,222
Noncurrent assets:			
Contributions receivable, net (note 4)		10,166	3,602
Beneficial interest in trusts held by third parties (note 3)		8,092	8,045
Investments (note 3)		86,512	77,134
Fixed assets, net (note 5)		6,976	6,287
Total noncurrent assets		111,746	95,068
Total assets	$	176,334	153,290
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$	3,427	2,641
Accrued vacation and severance pay		1,775	2,443
Accrued pension plan and other benefit obligations (note 6)		4,545	4,413
Liability under split-interest agreements		290	306
Total current liabilities		10,037	9,803
Noncurrent liabilities:			
Accrued pension plan and other benefit obligations (note 6)		19,717	20,457
Liability under split-interest agreements		2,026	2,052
Other noncurrent liabilities		28	51
Total noncurrent liabilities		21,771	22,560
Total liabilities		31,808	32,363
Commitments and contingencies (notes 6 and 9)			
Net assets (notes 7 and 8):			
Unrestricted:			
Operating		47,050	46,021
Pension plan and other benefit obligations		(24,262)	(24,870)
Total unrestricted		22,788	21,151
Temporarily restricted		55,672	39,326
Permanently restricted		66,066	60,450
Total net assets		144,526	120,927
Total liabilities and net assets	$	176,334	153,290

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 Statement of Activities

Year ended December 31, 2015

(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 $1,927)	$ 36,953	9,193	154	46,300
Trusts and bequests	1,187	—	—	1,187
Rental income (note 9)	1,079	—	—	1,079
Interest and dividend income	27	729	—	756
Net realized and unrealized loss on investments	(6)	(4,680)	—	(4,686)
Change in value of split-interest agreements	(681)	473	—	(208)
Other	1,853	—	—	1,853
Net assets released from restrictions	14,461	(14,461)	—	—
Total revenues, gains, losses, and other support	54,873	(8,746)	154	46,281
Expenses:				
Program services:				
Interreligious and intergroup relations	2,743	—	—	2,743
Government and international relations	16,265	—	—	16,265
Regional offices	12,489	—	—	12,489
Contemporary Jewish life	951	—	—	951
Communications	4,081	—	—	4,081
Total program services	36,529	—	—	36,529
Supporting services:				
Management and general	4,550	—	—	4,550
Fund-raising	7,521	—	—	7,521
Total supporting services	12,071	—	—	12,071
Total expenses	48,600	—	—	48,600
Increase (decrease) in net assets before effect of pension and postretirement changes other than net periodic benefit cost and other	6,273	(8,746)	154	(2,319)
Pension and postretirement changes other than net periodic benefit cost (note 6)	1,613	—	—	1,613
Other	884	(460)	(424)	—
Change in net assets	8,770	(9,206)	(270)	(706)
Net assets at beginning of year	12,381	48,532	60,720	121,633
Net assets at end of year	$ 21,151	39,326	60,450	120,927

See accompanying notes to consolidated financial statements.

AMERICAN JEWISH COMMITTEE
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

(Dollars in thousands)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 23,599	(706)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	927	1,017
Contributions restricted for long-term investment	(5,616)	(154)
In-kind contribution of investment	(5,019)	—
Net realized and unrealized (gains) losses on investments	(5,306)	4,686
Pension and postretirement changes other than net periodic benefit cost	(840)	(1,613)
Change in value of split-interest agreements	—	208
Change in operating assets and liabilities:		
Contributions receivable, net	(8,022)	1,636
Prepaid expenses and other assets	(60)	325
Accounts payable, accrued expenses, and other liabilities	763	(195)
Accrued vacation and severance pay	(668)	188
Accrued pension and other benefit obligations	232	(2,979)
Net cash (used in) provided by operating activities	(10)	2,413
Cash flows from investing activities:		
Fixed asset acquisitions	(1,580)	(760)
Investment purchases	(5,151)	(8,373)
Investment sales	6,549	20,299
Net cash (used in) provided by investing activities	(182)	11,166
Cash flows from financing activities:		
Contributions restricted for long-term investment	5,616	154
Change in contributions receivable restricted for long-term investment	(3,724)	(59)
Payment of amounts held on behalf of TTS	—	(6,524)
Other changes in split interest agreements, net	(89)	(245)
Net cash provided by (used in) financing activities	1,803	(6,674)
Net increase in cash and cash equivalents	1,611	6,905
Cash and cash equivalents at beginning of year	29,468	22,563
Cash and cash equivalents at end of year	$ 31,079	29,468

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), and AJC Central Europe, (collectively, AJC) are related through common control.

IHR is a fund-raising organization that remits all its revenues to American Jewish Committee. American Jewish Committee funds a portion of IHR's expenses.

American Jewish Committee and IHR are exempt from federal income tax under Section 501(a) of the Code as organizations described in Section 501(c)(3) of the Code and qualify as public charities under Section 509(a) of the Code. In 2015, IHR was in the process of converting itself into a 509(a)(3) supporting organization of American Jewish Committee that will be controlled by American Jewish Committee and will exist solely to raise funds for American Jewish Committee. This conversion was completed in 2016.

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.

Thanks to Scandinavia, Inc. (TTS) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation. TTS awards scholarships to Scandinavian students in gratitude for the rescue of persons of Jewish faith from the Holocaust. In 2014, American Jewish Committee notified TTS that the agreement between American Jewish Committee and TTS would terminate with a final effective date of December 31, 2014 and, as a result of the termination, American Jewish Committee no longer exercises control of TTS.

(Continued)

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 with the highest level 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 and 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 that coordinate its advocacy throughout the world, including Africa, Europe, Latin America, and Asia. Institute and international 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, both in the countries in which they work, through exchange programs, and through their coordination of such programs as AJC's Project Interchange (educational seminars for influential leaders in Israel).

(c) Regional Offices

AJC maintains more than 20 regional offices throughout the United States. The offices establish key relationships with representatives of civic society, 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 web media, as well as through active and informative social media accounts geared towards both global Jewish concerns as well as towards

(Continued)

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 promote engagement. Other tools include timely press releases and op-eds, blogs, and interviews by or featuring AJC experts in major media outlets.

(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, and AJC Central Europe. All significant inter-organizational 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.

(Continued)

AJC considers pension and postretirement changes other than net periodic benefit cost and the 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 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.

(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 net asset value (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.

(Continued)

(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 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 both 2016 and 2015.

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 trusts are reported in temporarily restricted net assets at the present value of estimated future benefits to be received when the trust assets are distributed to AJC.

(Dollars in thousands)

(j) Fixed Assets

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

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

(k) 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.

(l) Early Adoption of New Authoritative Accounting Pronouncements

In 2016, AJC early adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. The guidance amends certain disclosure requirements associated with the fair value of financial instruments. ASU No 2016-01 is otherwise effective for fiscal years beginning after December 15, 2018. Entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures. AJC chose to early adopt this standard to simplify the reporting for financial instruments and, as such, is no longer required to provide the disclosures related to the fair value of financial instruments carried at amortized cost, including contributions receivable, accounts payable and accrued expenses and liability under split-interest agreements.

(m) Reclassifications

Certain reclassifications of 2015 amounts have been made to conform to the 2016 presentation.

(Dollars in thousands)

(3) Investments

The following tables present AJC's investments and other assets measured at fair value as of December 31, 2016 and 2015:

		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		13,772			
Long/short equities		15,167			
Debt securities/funds		1,487			
Equity funds		2,668			
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.

(Dollars in thousands)

	2015			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Investments:				
Cash and cash equivalents:				
Cash	$ 4,096	4,096	—	—
Receivable for investments sold	1,624	1,624	—	—
Short-term investment funds	98	—	98	—
	5,818	5,720	98	—
Fixed income:				
State of Israel bonds	40	—	40	—
Mutual funds	1,122	1,122	—	—
Investment funds (a)	23,955	23,955	—	—
	25,117	25,077	40	—
Equities:				
Common and preferred stocks	7,208	7,208	—	—
Mutual funds:				
Large cap equity funds	8,009	8,009	—	—
Midcap equity funds	6,064	6,064	—	—
International and emerging markets	5,798	5,798	—	—
Energy	834	834	—	—
	27,913	27,913	—	—
Investments reported at net asset value:				
Multistrategy hedge funds	14,768			
Long/short equities	19,007			
Debt securities/funds	2,480			
Total investments reported at net asset value	36,255			
Cash value of life insurance policies	601	—	601	—
Total investments	$ 95,704	58,710	739	—
Beneficial interest in trusts held by independent third parties	$ 8,045	—	—	8,045

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

In 2015, the Financial Accounting Standards Board issued ASU No. 2015-10, *Technical Corrections and Improvements*, which clarified the definition of an equity security to include an investment in a structure similar to a mutual fund. The fair value of an equity security is considered to be readily determinable if the fair value per share is determined and published, and is the basis for current transactions. Certain investments that meet this definition aggregating $17,876 were previously reported at NAV and excluded from the fair value hierarchy table. The 2015 disclosure has been corrected to reflect these investments in Level 1 of the fair value hierarchy.

(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, 2016, AJC's alternative investments can be redeemed or sold as follows:

Redemption period		Amount	Days notice for redemption
Monthly:			
Long/short equities	$	9,360	3–30
Debt securities		2,668	10
Equity funds		1,487	30
Quarterly:			
Multistrategy		11,545	60–90
Long/short equities		2,528	10–60
Semiannually:			
Multistrategy		1,514	60
Annually:			
Long/short equities		3,224	45
Funds subject to lockup:			
Multistrategy		713	Not applicable
Long/short equities		55	Not applicable
	$	33,094	

Investments totaling approximately $3,058 and $3,124 as of December 31, 2016 and 2015, respectively, were held subject to charitable gift annuity obligations, and investments of approximately $73 and $77 were held in trust as of December 31, 2016 and 2015, respectively.

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable at December 31, 2016 and 2015 are scheduled to be collected as follows:

		2016	2015
Within one year	$	15,218	9,325
One to five years		7,313	1,863
More than five years		4,313	3,600
		26,844	14,788
Less discount to present value at rates ranging from 2.0% to 3.0%		(1,228)	(921)
Less allowance for uncollectible amounts		(993)	(990)
	$	24,623	12,877

Included in contributions receivable, net at December 31, 2016 and 2015, are pledges of approximately $12,903 and $2,796, from four and one donor(s), respectively. Also included in contributions receivable, net at December 31, 2016, are pledges of approximately $10,222 related to $19,825 of contributions revenue from 16 donors raised through a capital campaign.

(5) Fixed Assets

Fixed assets consist of the following at December 31, 2016 and 2015:

		2016	2015
Land	$	430	430
Buildings		5,231	5,231
Building improvements		11,933	11,125
Furniture and equipment		10,412	9,727
Leasehold improvements		1,233	1,146
		29,239	27,659
Accumulated depreciation and amortization		(22,263)	(21,372)
	$	6,976	6,287

(Dollars in thousands)

(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.

The following tables provide information with respect to the plans as of and for the years ended December 31, 2016 and 2015:

		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)

(Dollars in thousands)

		2015	
		Pension benefits	**Other benefits**
Change in benefit obligation:			
Benefit obligation at January 1, 2015	$	67,699	2,809
Service cost		—	247
Interest cost		2,694	109
Actuarial gain		(3,996)	(520)
Benefits paid		(3,885)	(68)
Benefit obligation at December 31, 2015		62,512	2,577
Change in plan assets:			
Fair value of plan assets at January 1, 2015		43,775	—
Actual return on plan assets		(1,620)	—
Employer contribution		2,000	68
Benefits paid		(3,885)	(68)
Fair value of plan assets at December 31, 2015		40,270	—
Funded status	$	(22,242)	(2,577)
Balance sheet recognition:			
Accrued benefit cost	$	(22,242)	(2,577)

The 2016 and 2015 employer contributions of $2,070 and $2,068, respectively, are reflected as a use of cash in operating activities in the accompanying 2016 and 2015 consolidated statements of cash flows, respectively.

Included in the projected accumulated benefit obligation (other benefits) is approximately $198 for 2016 and $236 for 2015 for life insurance and approximately $2,165 for 2016 and $2,273 for 2015 for medical premiums.

(Dollars in thousands)

Components of net periodic benefit expenses are as follows for 2016 and 2015.

	2016		2015	
	Pension benefits	**Other benefits**	**Pension benefits**	**Other benefits**
Service cost	$ —	212	—	247
Interest cost	2,726	112	2,694	109
Expected return on plan assets	(2,910)	—	(3,213)	—
Amortization of prior service cost	—	—	—	—
Amortization of actuarial loss (gain)	2,044	(34)	1,951	—
Net periodic expense	$ 1,860	290	1,432	356

At December 31, 2016 and 2015, items not yet recognized as net periodic benefit costs are net losses of $24,720 and $25,560, respectively.

AJC used a Dedicated Bond Portfolio model to derive the discount rate for 2016 and 2015.

The weighted average assumptions are as follows:

	2016		2015	
	Pension benefits	**Other benefits**	**Pension benefits**	**Other benefits**
Discount rate used to determine the benefit obligation	4.44 %	4.18 %	4.50 %	4.40 %
Discount rate used to determine the net periodic benefit cost	4.50	4.40	4.08	4.00

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

	2016		2015	
	Increase	**Decrease**	**Increase**	**Decrease**
Effect on total service and interest cost	$ 106	(75)	115	(95)
Effect on the postretirement benefit obligation	641	(408)	626	(461)

(Continued)

(Dollars in thousands)

In 2016, AJC used the 2016 Mortality Improvement Scale MP-2016 to value its pension and postretirement obligation. In 2015, the MP-2015 scale was used.

(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, 2016 and 2015:

		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	8,818	—	—
Long/short equities	5,848	—	—
Total investments reported at net asset value	14,666	—	—
Total investments	$ 40,330	9,933	15,731

(Dollars in thousands)

	2015		
	Fair value	**Level 1**	**Level 2**
Cash and cash equivalents:			
Cash	$ 158	158	—
Receivable for investment sold	1,201	1,201	—
Short-term investment fund	2,880	15	2,865
	4,239	1,374	2,865
Fixed income:			
Government, agency, and corporate obligations	13,277	—	13,277
	13,277	—	13,277
Equities:			
Common and preferred stocks	2,023	2,023	—
Mutual funds:			
Large cap equity funds	1,482	1,482	—
Midcap equity funds	1,111	1,111	—
International and emerging markets	2,172	2,172	—
	6,788	6,788	—
Investments reported at net asset value:			
Multistrategy hedge funds	9,353	—	—
Long/short equities	6,613	—	—
Total investments reported at net asset value	15,966	—	—
Total investments	$ 40,270	8,162	16,142

The investment allocation is as follows for 2016 and 2015:

	2016	**2015**
Cash and cash equivalents	9 %	10 %
Fixed income	31	33
Equities	24	17
Alternative investments	36	40

(Dollars in thousands)

Based on historically indexed data, the assumed long-term rates of return for 2016 and 2015 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, 2016, the Plan's alternative investments can be redeemed or sold as follows:

Redemption period		Amount	Days notice for redemption
Monthly:			
Long/short equities	$	3,653	3–30
Quarterly:			
Multistrategy		6,888	60–90
Long/short equities		1,168	60
Semiannually:			
Multistrategy		1,274	60
Annually:			
Long/short equities		1,027	45
Funds subject to lock up:			
Multistrategy		656	Not applicable
	$	14,666	

(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 2017.

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

		Pension benefits	Other benefits
Year ending December 31:			
2017	$	4,471	74
2018		4,456	77
2019		4,547	79
2020		4,505	82
2021		4,408	89
2022–2026		20,928	541

(Dollars in thousands)

American Jewish Committee expects to contribute to the pension plan at least $2,000 in fiscal year 2017.

American Jewish Committee is contractually obligated to provide retirement benefits to certain current and former executives and employees. As of December 31, 2016 and 2015, accrued special retirement benefits and executive insurance totaled approximately $203 and $51, respectively.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 are composed of the following:

		2016	2015
Project funds and endowment funds appropriated and available for spending:			
Executive discretionary and emergency aid funds	$	5,254	4,955
Government and international relations		15,682	10,010
Communications		4,227	972
Regional offices		2,100	1,999
Contemporary Jewish life		317	294
Interreligious and intergroup relations		147	290
Total available for spending		27,727	18,520
Time restricted:			
Time restricted – general operations		7,953	2,457
Split interest agreements		8,004	8,045
Endowment earnings available for future appropriations		11,988	10,304
Total time restricted		27,945	20,806
Total temporary restricted	$	55,672	39,326

(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:

		2016	2015
General operations	$	24,780	20,626
Fellowship/leadership development		17,295	17,292
Government and international relations		15,246	13,795
Interreligious and intergroup relations		4,158	4,158
Regional offices		2,329	2,321
Contemporary Jewish life		1,607	1,607
Institute of Human Relations		545	545
Communications		106	106
	$	66,066	60,450

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 $5,478 and $1,754 as of December 31, 2016 and 2015, respectively, is as follows:

	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

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (104)	13,610	58,696	72,202
Total funds	$ (104)	13,610	58,696	72,202

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	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

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ —	21,080	59,025	80,105
Investment return:				
Investment income	—	729	—	729
Net depreciation (realized and unrealized)	(104)	(4,564)	—	(4,668)
Total investment return	(104)	(3,835)	—	(3,939)
Contributions	—	—	95	95
Distributions	—	(3,469)	—	(3,469)
Other	—	(166)	(424)	(590)
Endowment net assets, end of year	$ (104)	13,610	58,696	72,202

(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 were deficiencies of $3 and $104 at December 31, 2016 and 2015, respectively.

(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 2016 and 2015 was 4.75%. For 2017, the spending rate is 4.75%. In establishing this policy, AJC considers the long-term expected return on its endowment.

In January 2017, the Executive Council of AJC's Board of Governors authorized up to $20,000 of excess cash, which represents the amount above AJC's operating cash requirements, as a board-designated endowment. The majority has been invested in AJC's endowment subsequent to year-end.

(9) Leases and Other Commitments

American Jewish Committee is obligated under noncancelable operating lease agreements for office space in several locations. Minimum annual rentals at December 31, 2016 are as follows:

2017	$	1,861
2018		1,700
2019		1,617
2020		1,559
2021		1,418
2022 and thereafter		2,094
	$	10,249

Rent expense for the years ended December 31, 2016 and 2015 was approximately $2,078 and $1,886, respectively.

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, 2016:

2017	$	1,242
2018		1,039
2019		771
2020		751
2021		771
2022 and thereafter		1,982
	$	6,556

(Continued)

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, 2016 and through June 5, 2017, 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, 2016

(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 2016	Total 2015
Salaries	$ 1,431	7,426	6,202	673	1,261	16,993	1,754	4,081	5,835	22,828	21,895
Fringe benefits	440	2,719	2,072	222	410	5,863	735	1,304	2,039	7,902	7,049
Total employee compensation	1,871	10,145	8,274	895	1,671	22,856	2,489	5,385	7,874	30,730	28,944
Travel	356	1,712	333	31	106	2,538	63	93	156	2,694	1,995
Rent	53	701	1,041	—	3	1,798	—	281	281	2,079	1,886
Electricity	7	34	55	5	9	110	143	39	182	292	292
Telephone	12	142	183	5	51	393	29	57	86	479	507
Printing and lettershop	—	75	19	—	200	294	8	546	554	848	911
Postage	3	25	30	1	93	152	3	231	234	386	394
Stationery and supplies	7	51	93	4	28	183	46	40	86	269	295
IT services	12	290	226	12	56	596	172	138	310	906	850
Rental and servicing of equipment	—	7	5	—	1	13	7	3	10	23	18
Delivery service	1	6	3	—	1	11	—	5	5	16	6
Building maintenance	41	173	128	22	62	426	553	181	734	1,160	1,125
Insurance	7	70	80	3	31	191	65	28	93	284	239
Educational materials	4	31	13	1	1	50	2	5	7	57	49
Grants	33	536	45	14	27	655	31	8	39	694	516
Dues paid to other organizations	11	89	65	6	15	186	14	27	41	227	167
Conferences, meetings, and events	518	3,076	1,595	87	486	5,762	148	387	535	6,297	4,583
Outside contract program services	153	1,040	470	66	534	2,263	312	299	611	2,874	3,292
Advertising	7	84	42	3	312	448	7	23	30	478	894
Bank service charges	46	211	119	13	11	400	120	55	175	575	620
Catering and facilities rental	—	—	—	—	—	—	—	1,987	1,987	1,987	1,927
Total expenses before depreciation and amortization	3,142	18,498	12,819	1,168	3,698	39,325	4,212	9,818	14,030	53,355	49,510
Depreciation and amortization	19	157	278	9	19	482	306	139	445	927	1,017
Total expenses	3,161	18,655	13,097	1,177	3,717	39,807	4,518	9,957	14,475	54,282	50,527
Less direct cost of special events	—	—	—	—	—	—	—	(1,987)	(1,987)	(1,987)	(1,927)
Total expenses	$ 3,161	18,655	13,097	1,177	3,717	39,807	4,518	7,970	12,488	52,295	48,600

See accompanying independent auditors' report.