

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

American Jewish Committee and Affiliates

December 31, 2020 and 2019

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GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Governors of
American Jewish Committee

We have audited the accompanying consolidated financial statements of American Jewish Committee and Affiliates (collectively, "AJC"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the 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 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 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York

October 22, 2021

American Jewish Committee and Affiliates

CONSOLIDATED BALANCE SHEETS

December 31,
(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,649	\$ 20,790
Contributions receivable, net (Note 4)	13,653	18,863
Investments (Note 3)	48,451	45,133
Prepaid expenses and other assets	1,085	1,882
	<u>95,838</u>	<u>86,668</u>
Noncurrent assets		
Contributions receivable, net (Note 4)	20,434	13,287
Beneficial interest in trusts held by third parties (Note 3)	7,289	10,103
Investments (Note 3)	137,383	121,250
Prepaid expenses and other assets	1,000	672
Fixed assets, net (Note 5)	8,614	9,323
	<u>174,720</u>	<u>154,635</u>
Total assets	<u>\$ 270,558</u>	<u>\$ 241,303</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,006	\$ 3,807
Accrued compensation	3,777	3,148
Accrued pension plan and other benefit obligations (Note 6)	4,788	4,718
Deferred rent	334	264
Liability under split-interest agreements	352	318
Loan payable (Note 10)	4,505	-
	<u>16,762</u>	<u>12,255</u>
Noncurrent liabilities		
Accrued pension plan and other benefit obligations (Note 6)	15,856	18,178
Deferred rent	1,304	1,616
Liability under split-interest agreements	2,573	2,400
Other noncurrent liabilities	29	35
	<u>19,762</u>	<u>22,229</u>
Total liabilities	<u>36,524</u>	<u>34,484</u>
Commitments and contingencies (Notes 6 and 10)		
Net assets (Notes 7 and 8)		
Net assets without donor restrictions		
Operating	34,084	31,799
Board-designated	24,172	22,309
Pension plan and other benefit obligations	(20,644)	(22,896)
	<u>37,612</u>	<u>31,212</u>
Net assets with donor restrictions	<u>196,422</u>	<u>175,607</u>
Total net assets	<u>234,034</u>	<u>206,819</u>
Total liabilities and net assets	<u>\$ 270,558</u>	<u>\$ 241,303</u>

The accompanying notes are an integral part of these consolidated financial statements.

American Jewish Committee and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2020
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue			
Contributions and special events for operations (net of direct costs of special events of \$238)	\$ 31,583	\$ -	\$ 31,583
Trusts and bequests	473	47	520
Contributions with time or purpose restrictions	-	23,208	23,208
Contributions for endowments	-	10,375	10,375
Investment return used for operations	1,013	4,445	5,458
Rental income (Note 10)	1,244	-	1,244
Other	98	-	98
Net assets released from restrictions	19,961	(19,961)	-
	54,372	18,114	72,486
Operating expenses			
Program services:			
Government and international relations	16,252	-	16,252
Regional offices	12,687	-	12,687
Communications	3,908	-	3,908
Interreligious and intergroup relations	2,447	-	2,447
Contemporary Jewish life	914	-	914
	36,208	-	36,208
Supporting services:			
Management and general	5,586	-	5,586
Fund-raising	7,922	-	7,922
	13,508	-	13,508
Total operating expenses	49,716	-	49,716
Change in net assets from operations	4,656	18,114	22,770
Non-operating activities			
Net investment return, in excess of amounts used for operations	2,375	5,515	7,890
Change in value of split-interest agreements	103	(2,814)	(2,711)
Other components of net periodic benefit cost (Note 6)	(2,269)	-	(2,269)
Pension and postretirement changes other than net periodic benefit cost (Note 6)	1,535	-	1,535
	1,744	2,701	4,445
Change in net assets from non-operating activities	1,744	2,701	4,445
Change in net assets	6,400	20,815	27,215
Net assets at beginning of year	31,212	175,607	206,819
Net assets at end of year	\$ 37,612	\$ 196,422	\$ 234,034

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

American Jewish Committee and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2019
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue			
Contributions and special events for operations (net of direct costs of special events of \$1,697)	\$ 37,453	\$ -	\$ 37,453
Trusts and bequests	2,790	-	2,790
Contributions with time or purpose restrictions	-	24,483	24,483
Contributions for endowments	-	19,457	19,457
Investment return used for operations	1,391	3,963	5,354
Rental income (Note 10)	1,169	-	1,169
Other	1,573	-	1,573
Net assets released from restrictions	16,840	(16,840)	-
Total operating revenue	61,216	31,063	92,279
Operating expenses			
Program services:			
Government and international relations	21,202	-	21,202
Regional offices	13,667	-	13,667
Communications	3,758	-	3,758
Interreligious and intergroup relations	2,442	-	2,442
Contemporary Jewish life	936	-	936
Total program services	42,005	-	42,005
Supporting services:			
Management and general	7,204	-	7,204
Fund-raising	8,388	-	8,388
Total supporting services	15,592	-	15,592
Total operating expenses	57,597	-	57,597
Change in net assets from operations	3,619	31,063	34,682
Non-operating activities			
Net investment return, in excess of amounts used for operations	3,237	11,907	15,144
Change in value of split-interest agreements	32	2,384	2,416
Other components of net periodic benefit cost (Note 6)	(2,906)	-	(2,906)
Pension and postretirement changes other than net periodic benefit cost (Note 6)	604	-	604
Change in net assets from non-operating activities	967	14,291	15,258
Change in net assets	4,586	45,354	49,940
Net assets at beginning of year	26,626	130,253	156,879
Net assets at end of year	\$ 31,212	\$ 175,607	\$ 206,819

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

American Jewish Committee and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020
(Dollars in thousands)

	Program Services						Supporting Services			Total 2020
	Government and International Relations	Regional Offices	Communications	Interreligious and Intergroup Relations	Contemporary Jewish Life	Total	Management and General	Fund-raising	Total	
Salaries	\$ 8,660	\$ 7,094	\$ 1,588	\$ 1,441	\$ 552	\$ 19,335	\$ 2,925	\$ 5,000	\$ 7,925	\$ 27,260
Fringe benefits	3,166	2,123	491	465	180	6,425	366	1,494	1,860	8,285
Total employee compensation	11,826	9,217	2,079	1,906	732	25,760	3,291	6,494	9,785	35,545
Travel	280	145	5	47	11	488	54	5	59	547
Rent and utilities	1,295	996	-	28	4	2,323	192	331	523	2,846
Telephone	76	40	16	12	4	148	20	39	59	207
Printing and postage	16	54	261	2	1	334	14	264	278	612
Stationery and supplies	13	30	24	1	-	68	40	11	51	119
IT services and equipment	377	247	116	69	29	838	202	151	353	1,191
Building maintenance	112	101	74	16	7	310	806	46	852	1,162
Insurance	106	85	22	20	8	241	22	33	55	296
Educational materials	15	10	-	3	-	28	24	1	25	53
Grants	234	14	-	-	-	248	-	-	-	248
Dues paid to other organizations	59	113	3	10	4	189	23	27	50	239
Conferences, meetings, and events	691	582	16	89	39	1,417	43	62	105	1,522
Outside contract program services	576	195	807	150	27	1,755	722	174	896	2,651
Advertising	51	14	361	2	-	428	12	52	64	492
Bank service charges	188	150	51	54	24	467	55	74	129	596
Catering and facilities rental	-	-	-	-	-	-	-	238	238	238
Total expenses before depreciation and amortization	15,915	11,993	3,835	2,409	890	35,042	5,520	8,002	13,522	48,564
Depreciation and amortization	337	694	73	38	24	1,166	66	158	224	1,390
Total expenses	16,252	12,687	3,908	2,447	914	36,208	5,586	8,160	13,746	49,954
Less direct cost of special events	-	-	-	-	-	-	-	(238)	(238)	(238)
Total 2020 expenses	<u>\$ 16,252</u>	<u>\$ 12,687</u>	<u>\$ 3,908</u>	<u>\$ 2,447</u>	<u>\$ 914</u>	<u>\$ 36,208</u>	<u>\$ 5,586</u>	<u>\$ 7,922</u>	<u>\$ 13,508</u>	<u>\$ 49,716</u>

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

American Jewish Committee and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019
(Dollars in thousands)

	Program Services					Supporting Services			Total 2019	
	Government and International Relations	Regional Offices	Communications	Interreligious and Intergroup Relations	Contemporary Jewish Life	Total	Management and General	Fund-raising		Total
Salaries	\$ 9,123	\$ 6,376	\$ 1,337	\$ 1,274	\$ 488	\$ 18,598	\$ 2,808	\$ 5,080	\$ 7,888	\$ 26,486
Fringe benefits	2,866	1,672	325	370	142	5,375	725	1,388	2,113	7,488
Total employee compensation	11,989	8,048	1,662	1,644	630	23,973	3,533	6,468	10,001	33,974
Travel	1,471	519	31	153	54	2,228	96	51	147	2,375
Rent and utilities	1,286	1,157	-	23	4	2,470	139	303	442	2,912
Telephone	82	49	12	9	3	155	22	45	67	222
Printing and postage	91	141	41	12	5	290	5	477	482	772
Stationery and supplies	31	75	61	1	-	168	102	22	124	292
IT services and equipment	307	181	86	54	21	649	189	109	298	947
Building maintenance	153	88	72	7	3	323	1,014	29	1,043	1,366
Insurance	46	36	1	6	2	91	224	-	224	315
Educational materials	11	10	-	3	-	24	26	1	27	51
Grants	423	7	-	27	-	457	-	-	-	457
Dues paid to other organizations	75	111	8	12	3	209	22	23	45	254
Conferences, meetings, and events	2,926	2,042	35	334	122	5,459	92	264	356	5,815
Outside contract program services	1,650	396	1,245	104	60	3,455	1,172	346	1,518	4,973
Advertising	129	30	434	1	1	595	22	104	126	721
Bank service charges	175	26	-	20	8	229	477	-	477	706
Catering and facilities rental	-	-	-	-	-	-	-	1,697	1,697	1,697
Total expenses before depreciation and amortization	20,845	12,916	3,688	2,410	916	40,775	7,135	9,939	17,074	57,849
Depreciation and amortization	357	751	70	32	20	1,230	69	146	215	1,445
Total expenses	21,202	13,667	3,758	2,442	936	42,005	7,204	10,085	17,289	59,294
Less direct cost of special events	-	-	-	-	-	-	-	(1,697)	(1,697)	(1,697)
Total 2019 expenses	<u>\$ 21,202</u>	<u>\$ 13,667</u>	<u>\$ 3,758</u>	<u>\$ 2,442</u>	<u>\$ 936</u>	<u>\$ 42,005</u>	<u>\$ 7,204</u>	<u>\$ 8,388</u>	<u>\$ 15,592</u>	<u>\$ 57,597</u>

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

American Jewish Committee and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 27,215	\$ 49,940
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,390	1,445
Contributions restricted for long-term investment	(10,375)	(19,457)
Net realized and unrealized gains on investments	(11,728)	(18,661)
Pension and postretirement changes other than net periodic benefit cost	(1,535)	(604)
Change in value of split-interest agreements	2,711	(2,416)
Change in operating assets and liabilities		
Contributions receivable, net	(1,937)	(6,986)
Prepaid expenses and other assets	458	(364)
Accounts payable, accrued expenses, and other liabilities	(807)	730
Accrued compensation	629	429
Accrued pension and other benefit obligations	(717)	69
Deferred rent	(242)	79
	<u>5,062</u>	<u>2,546</u>
Cash flows from investing activities:		
Fixed asset acquisitions	(670)	(888)
Investment purchases	(310,913)	(94,158)
Investment sales	303,190	73,168
	<u>(8,393)</u>	<u>(21,878)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	10,375	19,457
Change in loan payable	4,505	-
Other changes in split-interest agreements, net	310	(2,498)
	<u>15,190</u>	<u>18,617</u>
Net cash provided by financing activities	<u>15,190</u>	<u>18,617</u>
Net increase (decrease) in cash and cash equivalents	11,859	(715)
Cash and cash equivalents at beginning of year	<u>20,790</u>	<u>21,505</u>
Cash and cash equivalents at end of year	<u>\$ 32,649</u>	<u>\$ 20,790</u>

The accompanying notes are an integral part of these consolidated financial statements.

American Jewish Committee and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019
(Dollars in thousands)

NOTE 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 fundraising 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 (the "Code") as organizations described in Section 501(c)(3) of the Code and qualify as public charities under Section 509(a) of the Code.

AJC 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 COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on AJC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact AJC's financial position, statements of activities, functional expenses and cash flows is uncertain.

American Jewish Committee and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019
(Dollars in thousands)

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 other 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., enhancing understanding between Israeli and American Jews).

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.

American Jewish Committee and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019
(Dollars in thousands)

NOTE 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. 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 ("U.S. 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.

American Jewish Committee and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019
(Dollars in thousands)

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. Included in Level 1 are cash and cash equivalents, fixed income securities, common and preferred stocks and mutual funds. Each of these respective classes of investments are determined by obtaining quoted prices on nationally recognized securities exchanges or active markets traded on a daily basis;
- 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; and
- 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 / Rental Income

Revenue from contributions is recognized in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). Accordingly, AJC evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be a contribution, AJC evaluates whether the contribution is conditional based upon whether the agreement

American Jewish Committee and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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includes both (1) one or more barriers that must be overcome before AJC is entitled to the assets transferred and promised and (2) a right of return of assets or a right of release of a promisor's obligation to transfer assets. Contributions which are deemed to be unconditional are considered to be available for general purposes (without donor restrictions) unless specifically restricted by the donor.

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.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), AJC recognizes rental income over the terms of its rental agreements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 2% in 2020 and 2019.

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 - 15 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

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are reduced. The total amount of rental payments due over the lease term is being charged to rent expense or rent income using the straight-line method over the terms of the leases. The difference between rent expense recorded and the amount paid is recorded as a change in deferred rent, which is included in liabilities on the consolidated balance sheets. The difference between rent income recorded and the amount received is recorded as a change in prepaid expenses and other assets, which is included in assets on the consolidated balance sheets.

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 consolidated statements of activities. The consolidated statements of functional expenses present 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, 2020, 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 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, 2022, with early adoption permitted. AJC is currently assessing the effect that adoption of the new standard will have on its consolidated financial statements.

Measure of Operations

The consolidated statements of activities distinguish between operating and non-operating activities. Operating activities to carry out the mission of AJC include all revenue and expenses that are an integral part of AJC's programs and supporting services. Non-operating activities include net investment return, in excess of amounts used for operations, change in value of split-interest agreements, other components of net periodic benefit cost and pension and postretirement changes other than net periodic benefit cost.

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NOTE 3 - INVESTMENTS

The following tables present AJC's investments and other assets measured at fair value as of December 31, 2020 and 2019:

	December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 9,711	\$ 9,711	\$ -	\$ -
Fixed income:				
State of Israel bonds	127	-	127	-
Mutual funds	28,725	28,725	-	-
	28,852	28,725	127	-
Equities:				
Common and preferred stocks	15,149	15,149	-	-
Mutual funds:				
Large-cap equity funds	25,932	25,932	-	-
Exchange traded funds	4,229	4,229	-	-
	45,310	45,310	-	-
Total	<u>83,873</u>	<u>\$ 83,746</u>	<u>\$ 127</u>	<u>\$ -</u>
Investments reported at NAV:				
1 - 3-year U.S. Treasury index	16,485			
Multistrategy hedge funds ^(a)	15,127			
Long/short equities ^(b)	24,880			
Debt securities/funds ^(c)	-			
Long only equities ^(d)	31,969			
Equity funds ^(e)	-			
Total investments reported at NAV	88,461			
Cash held for investment	<u>13,500</u>			
Total investments	<u>\$ 185,834</u>			
Beneficial interest in trusts held by independent third parties	<u>\$ 7,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,289</u>

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	December 31, 2019			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 7,630	\$ 7,630	\$ -	\$ -
Fixed income:				
State of Israel bonds	114	-	114	-
Mutual funds	25,837	25,837	-	-
	<u>25,951</u>	<u>25,837</u>	<u>114</u>	<u>-</u>
Equities:				
Common and preferred stocks	17,352	17,352	-	-
Mutual funds:				
Large-cap equity funds	20,873	20,873	-	-
Midcap equity funds	20,956	20,956	-	-
International and emerging markets	10,667	10,667	-	-
Energy	729	729	-	-
	<u>70,577</u>	<u>70,577</u>	<u>-</u>	<u>-</u>
Total	<u>104,158</u>	<u>\$ 104,044</u>	<u>\$ 114</u>	<u>\$ -</u>
Investments reported at NAV:				
1 - 3-year U.S. Treasury index	15,977			
Multistrategy hedge funds ^(a)	15,660			
Long/short equities ^(b)	24,362			
Debt securities/funds ^(c)	6,191			
Equity funds ^(e)	35			
Total investments reported at NAV	<u>62,225</u>			
Total investments	<u>\$ 166,383</u>			
Beneficial interest in trusts held by independent third parties	<u>\$ 10,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,103</u>

(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) Long only equities are funds invested in equity securities where long positions are expected to appreciate.

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

Included in investments as of December 31, 2020 and 2019 is \$24,172 and \$22,309, respectively, which is the portion of the fair value of the portfolio attributed to the Board-designated endowment (as further discussed in Note 9).

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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, 2020 and 2019, AJC's alternative investments can be redeemed or sold as follows:

December 31, 2020				
Redemption Period	Number of Funds	Amount	Days' Notice for Redemption	Unfunded Commitments
Daily				
1-3 year U.S. treasury index	1	\$ 16,485	2	Not applicable
Monthly				
Long/short equities	2	3,232	30	Not applicable
Long only equities	1	12,102	15	Not applicable
Quarterly				
Multistrategy	4	8,979	60 - 67	Not applicable
Long/short equities	2	6,639	60 - 90	Not applicable
Long only equities	1	5,598	60	Not applicable
Annually				
Long/short equities	3	7,031	60	Not applicable
Funds subject to lockup				
Multistrategy	11	6,148	Not applicable	\$ 500
Long/short equities	15	7,978	Not applicable	\$ 6,355
Long only equities	3	14,269	Not applicable	\$ 809
		<u>\$ 88,461</u>		

December 31, 2019				
Redemption Period	Number of Funds	Amount	Days' Notice for Redemption	Unfunded Commitments
Daily				
1-3 year U.S. treasury index	1	\$ 15,977	2	Not applicable
Semi-Monthly				
Long/short equities	1	10,906	Not applicable	Not applicable
Debt securities	1	3,135	5	Not applicable
Monthly				
Equity funds	1	35	30	Not applicable
Multistrategy	1	4,498	5	Not applicable
Long/short equities	2	7,412	10 - 30	Not applicable
Quarterly				
Multistrategy	4	8,660	60 - 67	Not applicable
Long/short equities	1	1,292	90	Not applicable
Annually				
Multistrategy	1	2,064	44	Not applicable
Long/short equities	2	2,157	60 - 90	Not applicable
Debt securities	1	3,056	90	Not applicable
Funds subject to lockup				
Multistrategy	8	438	Not applicable	Not applicable
Long/short equities	11	2,595	Not applicable	\$ 3,334
		<u>\$ 62,225</u>		

Investments totaling approximately \$5,058 and \$4,160 as of December 31, 2020 and 2019, respectively, were held subject to charitable gift annuity obligations, and investments of approximately \$53 and \$63 were held in trust as of December 31, 2020 and 2019, respectively.

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Investment return comprises interest, dividends, and realized and unrealized gains and losses. Return for the years ended December 31, 2020 and 2019 consisted of the following:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
Interest and dividends	\$ 592	\$ 1,028	\$ 1,620	\$ 1,837
Net realized gains on investments	1,241	5,410	6,651	2,306
Net unrealized gains on investments	1,555	3,522	5,077	16,355
	<hr/>	<hr/>	<hr/>	<hr/>
Total investment gains	3,388	9,960	13,348	20,498
Investment return used for operations	(1,013)	(4,445)	(5,458)	(5,354)
	<hr/>	<hr/>	<hr/>	<hr/>
Net investment return, in excess of amount used for operations	\$ 2,375	\$ 5,515	\$ 7,890	\$ 15,144

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2020 and 2019 are scheduled to be collected as follows:

	2020	2019
Within one year	\$ 14,335	\$ 18,863
One to five years	13,165	10,385
More than five years	8,450	4,800
	<hr/>	<hr/>
	35,950	34,048
Less discount to present value at rates ranging from 0.5% to 3.0%	(1,181)	(1,236)
Less allowance for uncollectible amounts	(682)	(662)
	<hr/>	<hr/>
	\$ 34,087	\$ 32,150

Included in contributions receivable, net at December 31, 2020 and 2019 are pledges of \$21,268 and \$14,800, respectively, from three donors. Included in contributions and special events and trusts and bequests revenue at December 31, 2020 and 2019 is revenue of \$24,314 and \$27,386, respectively, from three and two donors, respectively.

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NOTE 5 - FIXED ASSETS

Fixed assets consist of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 430	\$ 430
Buildings	5,231	5,231
Building improvements	13,074	12,969
Furniture and equipment	13,177	12,650
Leasehold improvements	4,115	4,077
	36,027	35,357
Accumulated depreciation and amortization	(27,413)	(26,034)
	\$ 8,614	\$ 9,323

NOTE 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 65 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.

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The following tables provide information with respect to the plans as of and for the years ended December 31, 2020 and 2019:

	December 31, 2020	
	Pension Benefits	Other Benefits
Change in benefit obligation		
Benefit obligation at January 1, 2020	\$ 62,390	\$ 3,481
Service cost	-	339
Interest cost	2,106	109
Actuarial loss	4,905	433
Benefits paid	(4,098)	(69)
	<u>65,303</u>	<u>4,293</u>
Benefit obligation at December 31, 2020		
Change in plan assets		
Fair value of plan assets at January 1, 2020	43,641	-
Actual return on plan assets	6,814	-
Employer contribution	2,783	69
Benefits paid	(4,098)	(69)
	<u>49,140</u>	<u>-</u>
Fair value of plan assets at December 31, 2020		
	<u>\$ (16,163)</u>	<u>\$ (4,293)</u>
Funded status		
Balance sheet recognition		
Accrued benefit cost	\$ (16,163)	\$ (4,293)
	December 31, 2019	
	Pension Benefits	Other Benefits
Change in benefit obligation		
Benefit obligation at January 1, 2019	\$ 58,529	\$ 2,902
Service cost	-	254
Interest cost	2,552	109
Actuarial loss	5,184	280
Benefits paid	(3,875)	(64)
	<u>62,390</u>	<u>3,481</u>
Benefit obligation at December 31, 2019		
Change in plan assets		
Fair value of plan assets at January 1, 2019	38,509	-
Actual return on plan assets	5,826	-
Employer contribution	3,181	64
Benefits paid	(3,875)	(64)
	<u>43,641</u>	<u>-</u>
Fair value of plan assets at December 31, 2019		
	<u>\$ (18,749)</u>	<u>\$ (3,481)</u>
Funded status		
Balance sheet recognition		
Accrued benefit cost	\$ (18,749)	\$ (3,481)

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The 2020 and 2019 employer contributions of \$2,852 and \$3,245, respectively, are reflected as a use of cash in operating activities in the accompanying 2020 and 2019 consolidated statements of cash flows.

Included in the projected accumulated benefit obligation (other benefits) is approximately \$156 and \$168 for 2020 and 2019, respectively, for life insurance and approximately \$3,219 and \$2,452 for 2020 and 2019, respectively, for medical premiums.

Components of net periodic benefit expenses are as follows for 2020 and 2019:

	December 31, 2020	
	Pension Benefits	Other Benefits
Service cost	\$ -	\$ 339
Interest cost	2,106	109
Expected return on plan assets	(2,814)	-
Amortization of actuarial loss (gain)	2,905	(37)
Net periodic expense	\$ 2,197	\$ 411
	December 31, 2019	
	Pension Benefits	Other Benefits
Service cost	\$ -	\$ 254
Interest cost	2,552	109
Expected return on plan assets	(2,471)	-
Amortization of actuarial loss (gain)	2,791	(75)
Net periodic expense	\$ 2,872	\$ 288

At December 31, 2020 and 2019, items not yet recognized as net periodic benefit costs are net losses of \$20,900 and \$22,370, respectively.

AJC used a Dedicated Bond Portfolio model to derive the discount rate for 2020 and 2019.

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The weighted-average assumptions are as follows:

	December 31, 2020	
	Pension Benefits	Other Benefits
Discount rate used to determine the benefit obligation	2.69 %	2.55 %
Discount rate used to determine net periodic benefit cost	3.49 %	3.26 %
	December 31, 2019	
	Pension Benefits	Other Benefits
Discount rate used to determine the benefit obligation	3.49 %	3.26 %
Discount rate used to determine net periodic benefit cost	4.51 %	4.24 %

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

	December 31, 2020	
	Increase	Decrease
Effect on total service and interest cost	\$ 165	\$ (112)
Effect on the postretirement benefit obligation	1,230	(885)
	December 31, 2019	
	Increase	Decrease
Effect on total service and interest cost	\$ 123	\$ (86)
Effect on the postretirement benefit obligation	955	(690)

In 2020 and 2019, AJC used the 2020 Mortality Improvement Scale MP-2020 and 2019 Mortality Improvement Scale MP-2019, respectively, to value its pension and postretirement obligation.

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Plan Assets

The following tables present the 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, 2020 and 2019:

	December 31, 2020	
	Fair Value	Level 1
Cash and cash equivalents		
Short-term investment fund	\$ 2,872	\$ 2,872
	2,872	2,872
Fixed income		
Debt fund	8,990	8,990
	8,990	8,990
Equities		
Mutual funds		
Large-cap equity funds	5,328	5,328
Small-cap equity funds	1,117	1,117
	6,445	6,445
Total	18,307	\$ 18,307
Investments reported at NAV		
Multistrategy hedge funds ^(a)	9,095	
Long/short equities ^(b)	4,600	
Long only equities ^(c)	15,107	
Total investments reported at NAV	28,802	
Cash held for investment	1,000	
Investment redemption receivable	1,031	
Total investments	\$ 49,140	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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	December 31, 2019	
	Fair Value	Level 1
Cash and cash equivalents		
Cash	\$ 33	\$ 33
Short-term investment fund	4,397	4,397
	4,430	4,430
Fixed income		
Debt fund	12,383	12,383
	12,383	12,383
Equities		
Common and preferred stocks	2,022	2,022
Mutual funds		
Large-cap equity funds	2,828	2,828
Midcap equity funds	4,416	4,416
International and emerging markets	2,379	2,379
	11,645	11,645
Total	28,458	\$ 28,458
Investments reported at NAV		
Multistrategy hedge funds ^(a)	7,494	
Long/short equities ^(b)	5,652	
Debt securities/funds ^(d)	2,037	
Total investments reported at NAV	15,183	
Total investments	\$ 43,641	

(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) Long only equities are funds invested in equity securities where long positions are expected to appreciate.

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

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The investment allocation is as follows for 2020 and 2019:

	2020	2019
Cash and cash equivalents	6%	10%
Fixed income	18	28
Equities	13	27
Alternative investments	59	35
Cash held for investment	2	-
Investment redemption receivable	2	-

Based on historically indexed data, the assumed long-term rates of return for 2020 and 2019 are as follows: fixed income of 4%, equities of 7% and alternative investments of 6%, which produce an expected composite rate of return of 6%.

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, 2020 and 2019, the plan's alternative investments can be redeemed or sold as follows:

December 31, 2020					
Redemption Period	Number of Funds	Amount	Days' Notice for Redemption	Unfunded Commitments	
Daily					
Long only equities	1	\$ 3,560	Not applicable	Not applicable	
Weekly					
Long only equities	1	4,364	7	Not applicable	
Quarterly					
Multistrategy	4	6,130	60 - 67	Not applicable	
Long/short equities	1	1,051	60	Not applicable	
Annually					
Long/short equities	1	2,458	60	Not applicable	
Long only equities	1	3,770	60	Not applicable	
Funds subject to lockup					
Multistrategy	10	2,965	Not applicable	Not applicable	
Long/short equities	1	1,091	Not applicable	Not applicable	
Long only equities	1	3,413	Not applicable	Not applicable	
		<u>\$ 28,802</u>			

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December 31, 2019					
Redemption Period	Number of Funds	Amount	Days' Notice for Redemption	Unfunded Commitments	
Semi-Monthly					
Long/short equities	1	\$ 2,806	Not applicable	Not applicable	
Monthly					
Long/short equities	1	1,152	10 -30	Not applicable	
Quarterly					
Multistrategy	4	5,962	60 - 67	Not applicable	
Annually					
Multistrategy	1	1,194	44	Not applicable	
Long/short equities	1	1,517	90	Not applicable	
Debt securities	1	2,037	90	Not applicable	
Funds subject to lockup					
Multistrategy	8	338	Not applicable	Not applicable	
Long/short equities	1	177	Not applicable	Not applicable	
		<u>\$ 15,183</u>			

Estimated Future Benefit Payments

It is estimated that \$2,738 of the actuarial loss will be included as a component of net periodic benefit costs in fiscal year 2021.

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

	Pension Benefits	Other Benefits
Year(s) Ending December 31:		
2021	\$ 4,709	\$ 79
2022	4,702	84
2023	4,580	87
2024	4,510	91
2025	4,325	94
2026 - 2030	19,821	558

American Jewish Committee expects to contribute to the pension plan at least \$1,100 in fiscal year 2021, which is the estimated IRS required minimum contribution calculated by AJC's actuary.

American Jewish Committee is contractually obligated to provide retirement benefits to certain current and former executives and employees. As of December 31, 2020 and 2019, accrued special retirement benefits and executive insurance totaled approximately \$187 and \$666, respectively.

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NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 were composed of the following:

	2020	2019
Program funds and endowment funds appropriated and available for spending		
Government and international relations	\$ 14,126	\$ 9,281
Fellowship and leadership development	3,322	5,208
Communications	2,560	1,747
Regional offices	3,148	4,561
Executive discretionary and emergency aid funds	404	66
Contemporary Jewish life	247	8
Interreligious and intergroup relations	3,865	3,928
Total available for spending	27,672	24,799
Time restricted		
Multi-year contributions - general operations	30,436	17,296
Split-interest agreements	7,289	10,015
Total time restricted	37,725	27,311
Subject to AJC's spending policy and appropriation		
Original endowment corpus		
General operations	53,095	50,121
Fellowship and leadership development	12,161	18,855
Government and international relations	24,776	17,833
Interreligious and intergroup relations	2,106	4,267
Regional offices	2,176	2,401
Contemporary Jewish life	1,634	1,611
Institute of Human Relations	567	545
Communications	104	106
Endowment and other investment earnings available for future appropriations	34,406	27,758
Total subject to AJC's spending policy and appropriation	131,025	123,497
Total net assets with donor restrictions	\$ 196,422	\$ 175,607

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

	2020	2019
Purpose restrictions accomplished:		
Government and international relations	\$ 5,347	\$ 8,081
Fellowship and leadership development	1,578	1,597
Regional offices	174	695
Communications	1,671	2,649
Executive discretionary and emergency aid funds	178	401
Contemporary Jewish life	142	115
Interreligious and intergroup relations	1,033	437
Total purpose restrictions released	10,123	13,975
Time restrictions expired	9,838	2,865
Total restrictions released	\$ 19,961	\$ 16,840

NOTE 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.

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(Dollars in thousands)

Endowment composition by net asset classification as of December 31, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 131,025	\$ 131,025
Board-designated funds	24,172	-	24,172
Total funds	\$ 24,172	\$ 131,025	\$ 155,197
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 117,968	\$ 117,968
Board-designated funds	22,309	-	22,309
Total funds	\$ 22,309	\$ 117,968	\$ 140,277

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 22,309	\$ 117,968	\$ 140,277
Investment return			
Interest and dividend income	232	1,026	1,258
Net realized and unrealized gain on investments	2,285	10,245	12,530
Total investment return	2,517	11,271	13,788
Contributions	-	6,231	6,231
Distributions	(654)	(4,445)	(5,099)
Endowment net assets, end of year	\$ 24,172	\$ 131,025	\$ 155,197

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	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 19,484	\$ 85,915	\$ 105,399
Investment return			
Interest and dividend income	310	1,164	1,474
Net realized and unrealized gain on investments	3,547	13,178	16,725
Total investment return	3,857	14,342	18,199
Contributions	-	21,674	21,674
Distributions	(1,032)	(3,963)	(4,995)
Endowment net assets, end of year	<u>\$ 22,309</u>	<u>\$ 117,968</u>	<u>\$ 140,277</u>

Included in investments as of December 31, 2020 and 2019 is \$24,172 and \$22,309, respectively, 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 statements of activities reflect \$2 and \$4 of interest and dividend income and a \$1,313 and \$1,383 of net realized and unrealized losses and gains on investments, respectively, for donor funds requiring investment returns be added to the original gift until certain time, program, or other donor restrictions are met for 2020 and 2019, respectively.

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 one donor-restricted endowment fund in 2020, which has an original give value of \$1,764, a current fair value of \$1,614, and a deficiency of \$150 as of December 31, 2020.

Deficiencies of this nature exist in one donor-restricted endowment fund in 2019, which has an original give value of \$1,411, a current fair value of \$1,125, and a deficiency of \$286 as of December 31, 2019.

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.

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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. For any endowment fund in existence fewer than five years, the market value of the endowment fund shall be calculated for the specified period the endowment fund has been in existence. The spending rate for 2019 was 5%. For 2020, the spending rate will continue to be 5%. In establishing this policy, AJC considers the long term expected return on its endowment.

NOTE 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:

	2020	2019
Cash and cash equivalents	\$ 32,649	\$ 20,790
Contributions receivable	13,653	18,863
Investments	48,451	45,133
Prepaid expenses and other assets	1,085	1,882
Total financial assets available within one year	95,838	86,668
Less:		
Contractual, legal or donor-imposed restrictions:		
Amounts subject to expenditure for specified purposes	20,903	19,992
Pledges for endowment purposes	333	2,245
Total amounts unavailable for general expenditures within one year	21,236	22,237
Total financial assets available within one year, including Board designations	74,602	64,431
Board-designated endowment - unavailable to management without Board approval	24,172	22,309
Total financial assets available within one year, excluding Board designations	\$ 50,430	\$ 42,122

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

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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, 2020 and 2019, Board-designated funds, which had no specific designation for the usage of the funds, totaled \$24,172 and \$22,309, respectively, and are included in current investments on the consolidated balance sheets. 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).

NOTE 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, 2020 and 2019 are as follows:

2021	\$	2,173
2022		1,926
2023		1,557
2024		666
2025		658
2026 and thereafter		<u>1,950</u>
	\$	<u>8,930</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$2,610 and \$2,596, respectively.

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, 2020 and 2019:

2021	\$	1,509
2022		1,551
2023		1,113
2024		397
2025		363
2026 and thereafter		<u>1,836</u>
	\$	<u>6,769</u>

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 years ended December 31, 2020 and 2019. The line of credit is available through June 2021, 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, 2020 and 2019, no balance was outstanding under this line of credit.

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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.

Loan

On April 17, 2020, AJC (the "Borrower"), was granted a loan (the "Loan") from Citibank, N.A., in the aggregate amount of \$4,505, pursuant to the Small Business Administration Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted March 27, 2020. The Loan, which was in the form of a Note dated April 17, 2020, issued by the Borrower, matures on April 17, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on October 17, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. AJC used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On September 20, 2021, forgiveness was granted, and the extinguishment will be recognized as income in fiscal 2021.

NOTE 11 - SUBSEQUENT EVENTS

AJC evaluated events from December 31, 2020 through October 22, 2021, the date on which the consolidated financial statements were available to be issued, and determined that no additional disclosures outside of the following are required.