

Summary of Financial Statements

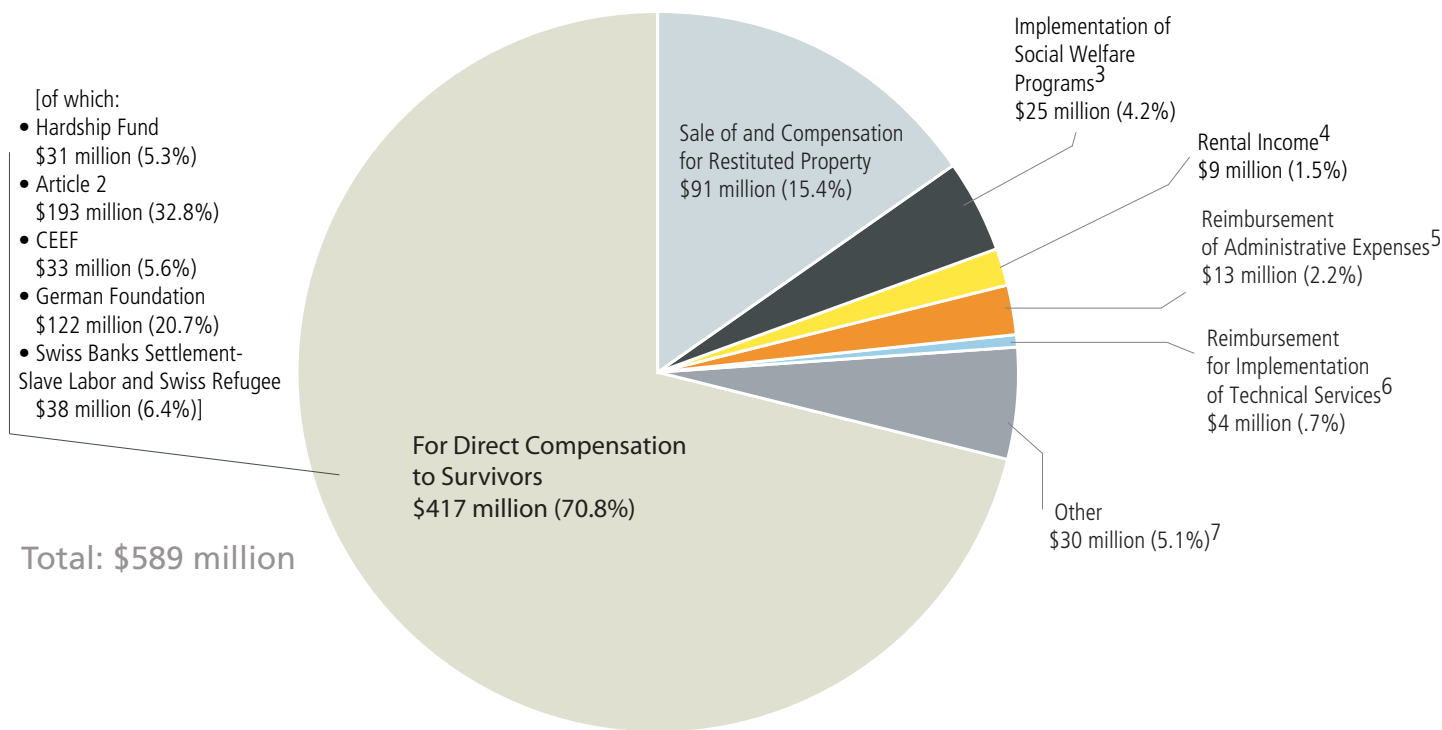
Year Ended December 31, 2003

Conference on Jewish Material Claims Against Germany

The following is a summary and explanation of the Financial Statements of the Claims Conference. Amounts are rounded to the nearest million dollar. Amounts may not equal totals due to rounding. The audited Financial Statements are available by calling or writing to the Claims Conference.

Revenues

Year Ended December 31, 2003



Note 1: Direct Compensation to Survivors is composed of the three major sources of revenue used to make individual compensation payments to survivors: (i) The German

Government provides funding for the Article 2 Fund, Hardship Fund, and Central and Eastern European Fund. This funding is for payments to individual survivors under programs administered according to specific criteria set by the German government. (ii) The German Foundation was established in August 2000 by German legislation. Under this law, the Claims Conference has been designated to distribute payments to certain Jewish former slave and forced laborers and victims of medical experiments according to specific criteria under German law and as established by the German Foundation. (iii) The Swiss Banks Settlement was signed in January 1999 by a number of Swiss banks relating to acts of the banks and other Swiss entities connected with the Nazi

era. The Plan of Allocation and Distribution of Settlement Proceeds by the Special Master was adopted by the Court in November 2000 and provided that the Claims Conference would administer distribution to individual survivors under Refugee and Slave Labor Class I according to criteria established by the Court.

All of these funds are transferred directly to individual survivors.

Note 2: Sale of and Compensation for Restituted Property (Income from Properties) refers to the funds generated by the Successor Organization, which recovers and sells or receives compensation for unclaimed Jewish property in the former East Germany.

Note 3: Implementation of Social Welfare Programs refers to funds received by the Claims Conference to fund social welfare grants from: ICHEIC; Swiss Banks Settlement Looted Assets

Class; Austria; and the Swiss Fund for Needy Victims of the Shoah.

Note 4: Rental Income refers to rental income from Successor Organization property before it is sold. This amount is exclusive of certain maintenance expenses.

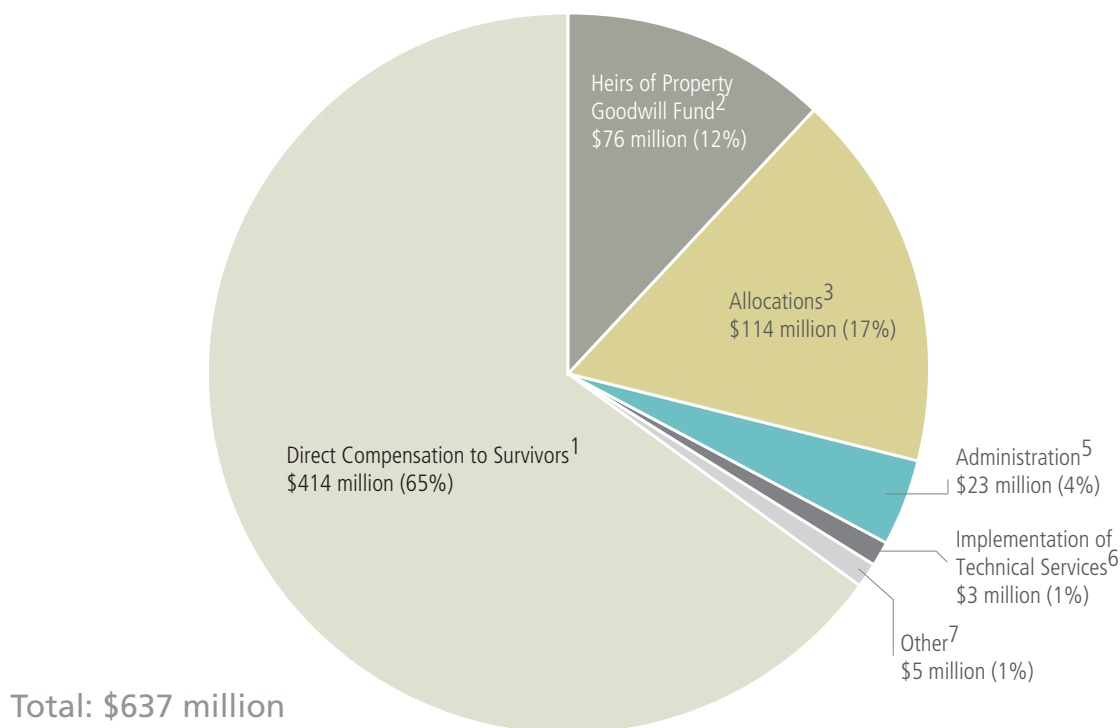
Note 5: Reimbursement of Administrative Expenses refers to the amount the Claims Conference receives in reimbursement for administrative expenses from various sources.

Note 6: Reimbursement for Implementation of Technical Services refers to reimbursement of the administrative expense costs incurred by the Claims Conference in providing technical assistance for various other restitution programs.

Note 7: Other is composed primarily of investment and interest income from various assets (approximately \$29 million).

Expenses (Programs)

Year Ended December 31, 2003



Note 1: The total amount for the compensation programs for individual survivors in 2003 (contractual programs) was approximately \$414 million (65%). In certain limited cases, heirs also receive payments.

Article 2 Fund: Monthly pensions for Holocaust survivors living in need (not in Eastern Europe or the former Soviet Union). 61,626 applicants approved for payment up to December 31, 2003.

Hardship Fund: One-time payments for Jewish victims of Nazi persecution who did not receive a payment under the German Federal Indemnification Law and who suffered damage to health, and who are living in need. 286,810 applicants approved for payment up to December 31, 2003.

Central and Eastern European Fund: Monthly pensions for Holocaust survivors in Eastern Europe and the republics of the Former Soviet Union. 19,216 applicants approved for payment up to December 31, 2003.

German Foundation Program for Former Slave and Forced Laborers: One-time payments from German government and industry for Jewish former slave and forced laborers. 135,400 applicants approved for payment up to December 31, 2003.

Swiss Banks Settlement Slave Labor Class I: One-time payments to Jewish former slave and forced laborers as compensation for Nazi profits from slave labor that were transacted through Swiss banks. 143,200 applicants approved for payment up to December 31, 2003.

Swiss Banks Settlement Refugee Class: One-time payments to Jewish refugees who fled to Switzerland to escape the Nazis and were turned back at the border, expelled from the country, or mistreated during their stay. 2,300 applicants approved for payment up to December 31, 2003.

Note 2: The Goodwill Fund was established in order to set aside funds for payments to certain Jewish property owners or heirs who had not filed claims by the German deadline and thus were no longer entitled to the asset or its proceeds under German law.

This sum represents amounts in 2003 set aside for such obligations. This includes approximately \$42 million that was paid out.

Note 3: Since 1995, the Claims Conference has made allocations in 41 countries, primarily funded by the Claims Conference Successor Organization, which recovers and sells unclaimed Jewish property in the former East Germany. Historically, more than 80 percent of these allocations have been for social care programs for elderly, needy Jewish victims of Nazi persecution. Programs include provision of homecare and case management, emergency assistance grants, food packages, medical equipment, nursing beds and senior day centers. The remainder supports Shoah research, education, and documentation.

In 2003, the Claims Conference allocated approximately \$91 million from the Successor Organization to programs in 32 countries.

Significant funds allocated during 2003 originated from the ICHEIC Humanitarian Program. The Claims Conference allocated approx-

imately \$15 million from this fund to social welfare programs in 32 countries.

Additional sources for funds allocated in 2003 included approximately \$4 million from the Swiss Banks Settlement Looted Assets Class to benefit emergency assistance programs for elderly Jewish victims of Nazi persecution through emergency assistance programs in 23 countries and approximately \$3 million from Austrian funds in 10 countries.

A total of approximately \$115 million was allocated in 2003.

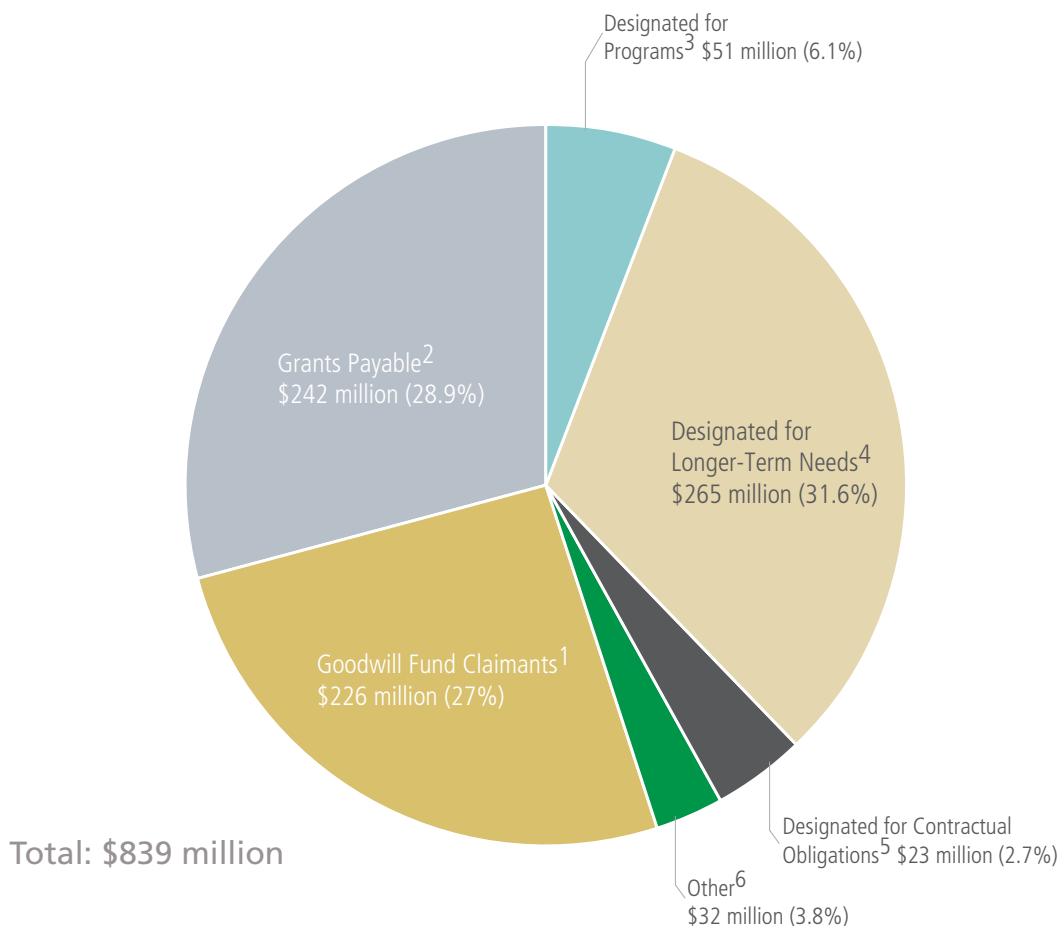
Note 4: Implementation of Technical Services refers to the administrative expense costs incurred by the Claims Conference in providing technical assistance for restitution programs under the authority of ICHEIC (regarding unmatched insurance claims) and the Court under the Swiss Banks Settlement (regarding dormant accounts). Costs incurred by the Claims Conference are reimbursed.

Note 5: Administration. It should be noted that a significant part of the administrative expenses of Claims Conference programs are also reimbursed from various sources.

Note 6: Other is composed primarily of costs of management and other costs of restituted properties and the property restitution program.

The total of \$637 million is inclusive of both restricted and unrestricted funds.

Statement of Financial Position (Liabilities and Net Assets) as of December 31, 2003



Note 1: The Goodwill Fund was established in order to set aside funds for payments to certain Jewish property owners or heirs who had not filed claims by the German deadline and thus were no longer entitled to the asset or its proceeds under German law. This amount represents funds set aside to make payments to these applicants once the necessary legal and administrative steps to be taken have been completed.

It should be noted that based on a preliminary review of applications received before the deadline, management preliminarily estimates that, although the amount cannot be established with certainty at this stage, grants may be approved which could reach or exceed \$100 million regarding assets where the proceeds have been recovered and disbursed. This is in addition to the existing amount of approximately \$226 million in the Goodwill Fund which, as noted above, makes payments to Jewish property owners.

Note 2: Grants Payable refers to funds on hand at December 31, 2003 that have already been allocated but not disbursed. This is for grants that are multi-year in nature or for capital projects

that take time to complete. The Claims Conference, in keeping with its fiduciary obligation, releases funds to agencies only as and when appropriate accounting and reporting has been provided. It includes grants made from funds of the German Foundation, ICHEIC, and the Swiss Banks Settlement as well as from the Successor Organization. It also includes funds for payments to identified eligible individuals under individual compensation programs where the amounts were received at the end of 2003 for disbursement during 2004.

Note 3: Designated for Programs refers to funds to be allocated during 2004 for social welfare programs (e.g., homecare and case management, emergency assistance grants, food packages, medical equipment, nursing beds and senior day centers, etc.) and other programs as described in the Annual Report. It also includes approximately \$7 million designated for programs for Austrian Jewish Nazi victims.

Note 4: During 2000, the Board of Directors designated certain net assets to establish a fund to support longer-term needs of Jewish victims of

Nazi persecution and other needs arising from the Holocaust after income from current Claims Conference activities declines. This was based on the recommendations of a Planning Committee which found that there would be a significant number of Nazi victims living in poor conditions over the next number of years. Details are included in the Claims Conference Annual Report as well as in the report of the Planning Committee, which is available on the Claims Conference web site.

Note 5: Designated for Contractual Obligations is composed of funds received in 2003 that are designated for payments to individuals to be identified under individual compensation programs in 2004.

Note 6: Other is composed primarily of amounts for future costs (approximately \$18 million), accrued expenses (approximately \$5 million), and amounts due to the Central Council of Jews in Germany (approximately \$7 million). For details please see the Financial Statements.

FINANCIAL STATEMENTS

Conference on Jewish Material Claims Against Germany, Inc.

Years ended December 31, 2003 and 2002
with Report of Independent Auditors

Conference on Jewish Material Claims Against Germany, Inc.

Financial Statements

Years ended December 31, 2003 and 2002

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Report of Independent Auditors

Board of Directors
Conference on Jewish Material Claims
Against Germany, Inc.

We have audited the accompanying statements of financial position of the Conference on Jewish Material Claims Against Germany, Inc. (the "Claims Conference") as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Claims Conference's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference on Jewish Material Claims Against Germany, Inc. at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

June 14, 2004

Conference on Jewish Material Claims Against Germany, Inc.

Statement of Financial Position

December 31, 2003

	Claims Conference as Successor Organization (Note 3)	Hardship and Article 2 Funds (Note 4)	Central and Eastern European Fund (Note 4)	German Foundation Funds (Note 5)	Swiss Banks Settlement Funds (Note 6)	Claims Other Program Funds (Note 7)	ICHEIC (Note 8)	Eliminations	Total December 31, 2003
Assets									
Cash and cash equivalents (Note 2)	\$ 30,300,672	\$ 10,984,302	\$ 1,746,508	\$ 7,131,683	\$ 13,116,656	\$ 428,909	\$ 1,180,482		\$ 64,889,212
Investments (Note 2)	622,391,370			34,954,883	5,525,068	30,609,187	5,039,452		698,519,960
Total cash, cash equivalents and investments	652,692,042	10,984,302	1,746,508	42,086,566	18,641,724	31,038,096	6,219,934		763,409,172
Other assets:									
Deferred costs (Note 3)	6,273,247								6,273,247
Property compensation receivable (Note 3)	3,403,607								3,403,607
Receivable from sale of properties (Note 3)	19,114,787								19,114,787
Rent receivable from properties	642,736								642,736
Other receivables					2,044,704				2,044,704
Grants	28,929,400					2,148,581	7,500,000		38,577,981
Other—net	702,852	56,915	2,555,616	269,575	27,701				3,612,659
Loans	2,015,749								2,015,749
Interfund receivable (Note 1)	2,976,398	1,004,927						\$(3,981,325)	
Total assets	\$ 716,750,818	\$ 12,046,144	\$ 4,302,124	\$ 42,356,141	\$ 20,714,129	\$ 33,186,677	\$ 13,719,934	\$(3,981,325)	\$ 839,094,642
Liabilities and net assets									
Grants payable	\$ 166,397,478	\$ 4,570,792	\$ 1,023,964	\$ 31,207,697	\$ 17,199,567	\$ 8,413,632	\$ 13,039,313		\$ 241,852,443
Goodwill Fund (Note 3)	226,404,000								226,404,000
Due to cooperating organizations	7,146,626					757,550			7,904,176
Deferred income				1,115,712	90,190		450,723		1,656,625
Accrued expenses	2,630,982	1,103,400	226,154	206,197	288,308	10,000	56,902		4,521,943
Interfund payables (Note 1)			38,528	1,162,290	2,572,612	41,982	165,913	\$(3,981,325)	
Total liabilities	402,579,086	5,674,192	1,288,646	33,691,896	20,150,677	9,223,164	13,712,851	(3,981,325)	482,339,187
Net assets:									
Designated for contractual obligations		4,736,683	2,813,649			15,463,685			23,014,017
Designated for programs	37,165,377			6,719,830	115,650	7,509,390			51,510,247
Designated for future costs	12,389,880	1,635,269	199,829	1,944,415	447,802	990,438	7,083		17,614,716
Designated for longer-term needs (Note 3)	264,616,475								264,616,475
Total net assets	314,171,732	6,371,952	3,013,478	8,664,245	563,452	23,963,513	7,083	—	356,755,455
Total liabilities and net assets	\$ 716,750,818	\$ 12,046,144	\$ 4,302,124	\$ 42,356,141	\$ 20,714,129	\$ 33,186,677	\$ 13,719,934	\$(3,981,325)	\$ 839,094,642

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Statement of Financial Position (continued)

December 31, 2002

	Claims Conference as Successor Organization (Note 3)	Hardship and Article 2 Funds (Note 4)	Central and Eastern European Fund (Note 4)	German Foundation Funds (Note 5)	Swiss Banks Settlement Funds (Note 6)	Other Program Funds (Note 7)	Eliminations	Total December 31, 2002
Assets								
Cash and cash equivalents (Note 2)	\$ 36,091,837	\$ 13,364,736	\$ 2,266,339	\$ 7,832,917	\$ 11,126,060	\$ 980,553		\$ 71,662,442
Investments (Note 2)	543,173,695			82,811,874		28,155,779		654,141,348
Total cash, cash equivalents and investments	579,265,532	13,364,736	2,266,339	90,644,791	11,126,060	29,136,332	\$ —	725,803,790
Other assets:								
Deferred costs (Note 3)	5,849,327							5,849,327
Property compensation receivable (Note 3)	3,772,377							3,772,377
Receivable from sale of properties (Note 3)	14,322,442							14,322,442
Rent receivable from properties	398,749							398,749
Grants and other receivables	48,269,640		7,839,100		543,025			56,651,765
Other—net	142,230	332,000	24,037	1,675,484	56,409	1,042		2,231,202
Loans receivable	1,359,704							1,359,704
Interfund receivable (Note 1)	1,672,143	79,141		781,596			(2,532,880)	—
Total assets	\$ 655,052,144	\$ 13,775,877	\$ 10,129,476	\$ 93,101,871	\$ 11,725,494	\$ 29,137,374	\$ (2,532,880)	\$ 810,389,356
Liabilities and net assets								
Grants payable	\$ 106,405,749	\$ 7,876,469	\$ 1,224,086	\$ 78,970,197	\$ 7,897,405	\$ 5,999,595		\$ 208,373,501
Goodwill Fund claimants' liability (Note 3)	157,401,000							157,401,000
Loan payable			7,839,100					7,839,100
Deferred income	2,625	373,248		203,582				579,455
Due to cooperating organizations	11,924,700			1,424,514		705,447		14,054,661
Accrued expenses	4,043,840	1,883,305	216,553	2,802,824	886,262	50,000		9,882,784
Interfund payables (Note 1)			48,636		2,471,473	12,771	(2,532,880)	—
Total liabilities	279,777,914	10,133,022	9,328,375	83,401,117	11,255,140	6,767,813	(2,532,880)	398,130,501
Net assets:								
Designated for contractual obligations		3,642,855	801,101	5,859,077	470,354	15,302,200		26,075,587
Designated for programs	105,530,830			3,841,677		5,852,384		115,224,891
Designated for future costs	10,493,400					1,214,977		11,708,377
Designated for longer-term needs (Note 3)	259,250,000							259,250,000
Total net assets	375,274,230	3,642,855	801,101	9,700,754	470,354	22,369,561	—	412,258,855
Total liabilities and net assets	\$ 655,052,144	\$ 13,775,877	\$ 10,129,476	\$ 93,101,871	\$ 11,725,494	\$ 29,137,374	\$ (2,532,880)	\$ 810,389,356

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Statement of Activities

Year ended December 31, 2003

	Claims Conference as Successor Organization (Note 3)	Hardship and Article 2 Funds (Note 4)	Central and Eastern European Fund (Note 4)	German Foundation Funds (Note 5)	Swiss Banks Settlement Funds (Note 6)	Other Program Funds (Note 7)	ICHEIC (Note 8)	Eliminations	Total Year ended December 31, 2003
Revenues									
Revenue from operations:									
Contractual programs		\$ 224,353,256	\$ 32,884,963	\$ 121,840,790	\$ 41,537,200		\$ 15,000,000		\$ 435,616,209
Administrative reimbursement of expenses		6,586,168		4,556,347	5,480,959		524,277		17,147,751
Income from properties (Note 3)	\$ 91,244,712								91,244,712
Rental income (Note 3)	9,403,751								9,403,751
Grants and other	10,000	4,755	944,908	828	228	\$6,534,895		\$(938,237)	6,557,377
Total revenue from operations	100,658,463	230,944,179	33,829,871	126,397,965	47,018,387	6,534,895	15,524,277	(938,237)	559,969,800
Investment income	27,146,351	205,456	20,486	1,413,606	109,291	309,152	44,348		29,248,690
Total revenues	127,804,814	231,149,635	33,850,357	127,811,571	47,127,678	6,844,047	15,568,625	(938,237)	589,218,490
Expenses									
Program expenses:									
Contractual and other obligations	90,617,118	223,345,276	31,044,185	121,840,790	41,628,351	5,219,795	15,042,105		528,737,620
Goodwill fund (Note 3)	76,466,904								76,466,904
Other grants	1,993,773			(1,370,255)				(938,237)	(314,719)
Total program expenses	169,077,795	223,345,276	31,044,185	120,470,535	41,628,351	5,219,795	15,042,105	(938,237)	604,889,805
Other expenses:									
Property Restitution Program	2,514,410								2,514,410
Management and other costs of restituted properties (Note 3)	3,757,791								3,757,791
Administration	4,627,122	5,737,239	937,401	8,992,215	5,320,113	62,933	519,437		26,196,460
Total other expenses (Note 3)	10,899,323	5,737,239	937,401	8,992,215	5,320,113	62,933	519,437		32,468,661
Total expenses	179,977,118	229,082,515	31,981,586	129,462,750	46,948,464	5,282,728	15,561,542	(938,237)	637,358,466
Excess (deficiency) of revenues over expenses	\$ (52,172,304)	\$ 2,067,120	\$ 1,868,771	\$ (1,651,179)	\$ 179,214	\$1,561,319	\$ 7,083	\$ -	\$ (48,139,976)

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Statement of Activities (continued)

Year ended December 31, 2002

	Claims Conference as Successor Organization (Note 3)	Hardship and Article 2 Funds (Note 4)	Central and Eastern European Fund (Note 4)	German Foundation Funds (Note 5)	Swiss Banks Settlement Funds (Note 6)	Other Program Funds (Note 7)	Eliminations	Total Year ended December 31, 2002
Revenues								
Revenue from operations:								
Contractual programs		\$ 187,285,424	\$ 35,052,190	\$ 270,907,390	\$ 109,151,300			\$ 602,396,304
Administrative reimbursement of expenses	\$ 87,500	5,762,880		10,098,798	4,200,970			20,150,148
Income from properties (Note 3)	101,274,872							101,274,872
Rental income (Note 3)	8,965,750							8,965,750
Grants and other	65,578,200	480,367	869,623			\$ 603,276		67,531,466
Total revenue from operations	175,906,322	193,528,671	35,921,813	281,006,188	113,352,270	603,276	\$ -	800,318,540
Investment income	20,413,750	160,225	184,953	4,112,549	101,377	430,273		25,403,127
Total revenues	196,320,072	193,688,896	36,106,766	285,118,737	113,453,647	1,033,549	-	825,721,667
Expenses								
Program expenses:								
Contractual and other obligations	25,243,067	186,560,868	27,123,854	336,327,355	109,155,997	2,943,069		687,354,210
Goodwill fund (Note 3)	64,627,880							64,627,880
Other grants	16,200,690		38,148					16,238,838
Community Leader Fund						1,544		1,544
Total program expenses	106,071,637	186,560,868	27,162,002	336,327,355	109,155,997	2,944,613	-	768,222,472
Other expenses:								
Legislative Program	2,071,229							2,071,229
Management and other costs of restituted properties (Note 3)	3,146,337							3,146,337
Administration	5,788,357	5,600,999	847,556	9,941,244	3,875,866	86,441		26,140,463
Total other expenses (Note 3)	11,005,923	5,600,999	847,556	9,941,244	3,875,866	86,441	-	31,358,029
Total expenses	117,077,560	192,161,867	28,009,558	346,268,599	113,031,863	3,031,054	-	799,580,501
Excess (deficiency) of revenues over expenses	\$ 79,242,512	\$ 1,527,029	\$ 8,097,208	\$ (61,149,862)	\$ 421,784	\$ (1,997,505)	\$ -	\$ 26,141,166

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Statement of Activities (continued)

Year ended December 31, 2003

	Claims Conference as Successor Organization (Note 3)	Hardship and Article 2 Funds (Note 4)	Central and Eastern European Fund (Note 4)	German Foundation Funds (Note 5)	Swiss Banks Settlement Funds (Note 6)	Claims Other Program Funds (Note 7)	ICHEIC (Note 8)	Total
Excess (deficiency) of revenues over expenses for year ended December 31, 2002	\$ 79,242,512	\$1,527,029	\$ 8,097,208	\$ (61,149,862)	\$421,784	\$ (1,997,505)		\$ 26,141,166
Asset transfer	921,819					(921,819)		
Adjustments resulting from translating foreign currency assets and liabilities into U.S. dollars (Note 1)	(2,899,007)	85,900	(1,080,345)	1,608,475	(97,837)	22,940		(2,359,874)
Increase (decrease) in net assets	77,265,324	1,612,929	7,016,863	(59,541,387)	32,947	(2,896,384)		23,781,292
Net assets at December 31, 2001	298,008,906	2,029,926	(6,215,762)	69,242,141	146,407	25,265,945		388,477,563
Net assets at December 31, 2002	<u>\$ 375,274,230</u>	<u>\$3,642,855</u>	<u>\$ 801,101</u>	<u>\$ 9,700,754</u>	<u>\$470,354</u>	<u>\$ 22,369,561</u>		<u>\$412,258,855</u>
Excess (deficiency) of revenues over expenses for year ended December 31, 2003	\$ (52,172,304)	\$2,067,120	\$ 1,868,771	\$ (1,651,179)	\$179,214	\$ 1,561,319	\$7,083	\$ (48,139,976)
Adjustments resulting from translating foreign currency assets and liabilities into U.S. dollars (Note 1)	(8,930,194)	661,977	343,606	614,670	(86,116)	32,633		(7,363,424)
Increase (decrease) in net assets	(61,102,498)	2,729,097	2,212,377	(1,036,509)	93,098	1,593,952	7,083	(55,503,400)
Net assets at December 31, 2002	375,274,230	3,642,855	801,101	9,700,754	470,354	22,369,561	–	412,258,855
Net assets at December 31, 2003	<u>\$ 314,171,732</u>	<u>\$6,371,952</u>	<u>\$ 3,013,478</u>	<u>\$ 8,664,245</u>	<u>\$563,452</u>	<u>\$ 23,963,513</u>	<u>\$7,083</u>	<u>\$356,755,455</u>

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Statements of Cash Flows

	Year ended December 31	
	2003	2002
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (55,503,400)	\$ 23,781,292
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Unrealized depreciation (appreciation of investments)	7,300,409	(7,835,335)
Realized gain on sales of investments	(15,809,100)	(1,144,298)
Changes in operating assets and liabilities:		
Increase in deferred costs	(423,920)	(983,841)
Decrease in property compensation receivable	368,770	1,191,669
Increase in receivable from sale of restituted properties	(4,792,345)	(2,057,096)
(Increase) decrease in rent receivables from restituted properties	(243,987)	165,761
Decrease in grants and other receivables	16,029,080	73,137,860
(Increase) decrease in other—net	(1,381,457)	1,992,720
Decrease in due from cooperating organizations	—	250,000
Increase in loan receivable	(656,045)	(1,359,704)
Increase in grants payable	33,478,942	1,300,666
Increase in Goodwill Fund	69,003,000	46,910,915
Decrease in restricted funds payable to the United Restitution Organization	—	(804,218)
Increase (decrease) in deferred income	1,077,169	(1,643,270)
(Decrease) increase in accrued expenses	(5,360,841)	3,095,452
(Decrease) increase in due to cooperating organizations	(6,150,485)	13,479,680
Net cash provided by operating activities	36,935,790	149,478,253
Cash flows from investing activities		
Net increase in investments	(35,869,920)	(156,231,909)
Net cash used in investing activities	(35,869,920)	(156,231,909)
Cash flows from financing activities		
Repayment of loan	(7,839,100)	—
Proceeds from loan	—	7,839,100
Net cash (used in) provided by financing activities	(7,839,100)	7,839,100
Net (decrease) increase in cash and cash equivalents	(6,773,230)	1,085,444
Cash and cash equivalents at beginning of year	71,662,442	70,576,998
Cash and cash equivalents at end of year	\$ 64,889,212	\$ 71,662,442

See accompanying notes.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements

December 31, 2003

1. Significant Accounting Policies

The Conference on Jewish Material Claims Against Germany, Inc. (the “Claims Conference”) maintains primary offices in Frankfurt, New York, Tel Aviv and Vienna. In addition, the Claims Conference maintains satellite offices in Eastern Europe, with the largest office in Budapest. The activities of the Claims Conference are more fully described in the following notes to financial statements. The Claims Conference records allocations as a liability and expense on an annual basis pending notification to beneficiary organizations and individuals.

The Claims Conference conducts its operations in different countries. However, the accompanying financial statements are reported in U.S. dollars. Accordingly, the functional currency assets and liabilities are translated into U.S. dollars, which is the reporting currency used in the preparation of the accompanying financial statements, in accordance with the guidance of Statement of Financial Accounting Standards No. 52, “Foreign Currency Translation” (“SFAS 52”) (see below). For transactions in other than the functional currency, assets and liabilities are translated using the exchange rates in effect at the statement of financial position date. Operations are translated based on a weighted average exchange rate for the fiscal year. The resulting translation gains and losses are reported as a component of the applicable net asset classification.

Foreign currency transactions have been translated, in accordance with SFAS 52, from Euros into United States dollars at (i) the prevailing rate of exchange at December 31, 2003 and 2002 (1.25780 and 1.04934, respectively) for assets and liabilities, and (ii) an average of the month-end prevailing rates (2003— 1.132617; 2002—.95041) of exchange for revenues and expenses. Prior year Deutsche Marks (“DEM”) have been translated into Euros at an exchange rate of .51129188 which was a fixed exchange rate established by the participating countries for amounts recorded prior to January 1, 2002.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

The interfund accounts represent temporary advances (borrowings) principally related to reallocations of salaries and other administrative expenses and borrowings against anticipated allocations. The interfund balances, eliminated in combination, are generally settled during the following year.

During 2003 and 2002, the Claims Conference's policy was generally to invest in securities having an average portfolio maturity of two years and other short-term fixed income and money market funds.

The Claims Conference considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents and the carrying amount approximates their fair value.

The Claims Conference is a not-for-profit agency exempt from United States Federal income tax under Section 501(c)(4) of the Internal Revenue Code. The Claims Conference is exempt from taxes in Germany and Israel based on local tax codes.

Contractual and other obligations are recognized in accordance with the terms of contractual agreements or when the related grant allocations are approved by the Allocation Committee.

The value of restituted property received by the Claims Conference as Successor Organization and intended for sale is generally not readily determinable due to many uncertainties. Therefore, the receipt of restituted property is not included in the accompanying statement of activities (see Note 10) until all material uncertainties have been resolved. Restituted property sales are recognized when there is a notarized sales contract, sales proceeds have been placed in escrow and the purchaser can take possession of the property. If the Claims Conference recovers compensation in lieu of receiving a property itself, such compensation is recognized when it has been certified as to value by the Regional Tax Authorities (Oberfinanzdirektion).

Certain costs related to the recovery and disposal of restituted property are deferred until such time as the revenue on properties is recognized, at which time such costs will be expensed as a charge against revenue (see Note 3).

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

All net assets are unrestricted in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" as of and for the years ended December 31, 2003 and 2002. However, these funds may only be used in accordance with the mission of the Claims Conference or within the legal terms of the contractual agreements between the Claims Conference and other parties.

2. Investments and Cash and Cash Equivalents

Cash and cash equivalents include cash, demand deposits, money market accounts except those held as part of the investment portfolio and debt instruments purchased with an original maturity of three months or less. The carrying amount represents its fair value.

Cash and investments are primarily maintained in (a) the Hauck-Aufhaeuser Bank and Citigroup Frankfurt in the German Federal Republic, (b) Citigroup Asset Management London and (c) J.P. Morgan Asset Management, the J.P. Morgan/Chase Bank, Citigroup USA, Bank L'eumi USA, Neuberger Berman LLC and The Bank of New York in New York. Certain accounts at these financial institutions in the United States have balances in excess of the United States federally insured limits. Balances held outside the United States are generally not insured.

Investments, at cost and fair value, at December 31, 2003 and 2002 consist of:

	2003		2002	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 59,579,548	\$ 59,579,548	\$ 43,293,483	\$ 43,293,423
Short-term investments	218,151,589	218,375,257	84,886,000	85,416,060
Mortgage- and asset-backed securities	33,976,775	35,066,835	142,384,779	142,914,779
Corporate bonds	168,661,479	171,241,045	158,950,000	160,261,000
Government bonds	213,291,576	214,257,275	201,853,686	211,642,086
Time deposits	—	—	10,614,000	10,614,000
Total investments	<u>\$693,660,967</u>	<u>\$698,519,960</u>	<u>\$641,981,948</u>	<u>\$654,141,348</u>

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

2. Investments and Cash and Cash Equivalents (continued)

The carrying amount of investments is based on quoted market prices. Unrealized appreciation (depreciation) of investments recognized in the statement of activities was approximately (\$7,300,400) (2003) and \$7,835,000 (2002). The unrealized appreciation (depreciation) reflected in the statements of activities represents the change in cumulative appreciation (depreciation) from year to year. Realized gains on sales of investments were approximately \$15,809,100 (2003) and \$1,144,000 (2002).

3. Claims Conference as Successor Organization

Property Restitution

Upon German reunification in 1990, the Claims Conference negotiated for the rights of Jewish asset owners and heirs to file claims for assets in the former East Germany.

Under the German property restitution law that was enacted, the deadline for filing claims for restitution of assets located in the territory of the former East Germany expired on December 31, 1992 for real estate claims, and on June 30, 1993 for claims for moveable assets. Thousands of Jewish claimants filed timely claims and recovered a significant number of assets or substantial amounts of compensation in lieu of restitution. The Claims Conference is designated under the German Property Restitution Law to be the successor for unclaimed Jewish assets (through its Successor Organization) to ensure that unclaimed assets did not revert back to the state or to postwar non-Jewish owners. The disposition of any net recoveries from the operation of this program is determined by the Board of Directors of the Claims Conference.

In 2003 and 2002, respectively, total net income from sales of restituted property and from compensation and other claims was approximately \$91,245,000 (€80,561,000) and \$101,275,000 (€106,395,000).

Income from properties is comprised of the following:

Description	2003	2002
Sales of restituted property	\$40,775,910	\$ 43,327,000
Compensation and other	50,468,802	57,947,872
	\$91,244,712	\$101,274,872

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

3. Claims Conference as Successor Organization (continued)

Certain costs relating to the recovery and disposal of restituted property, approximately \$6,273,000 at December 31, 2003 and \$5,849,000 at December 31, 2002, have been deferred and included in the statement of financial position caption, "Deferred costs". Such deferred costs will be charged against revenue when income from the property is recognized. Other general expenses with respect to property administration are expensed when incurred.

Rental income is earned on certain properties prior to sale. Income and expenses relating to restituted property prior to sale amounted to approximately \$9,404,000 and \$3,758,000, respectively, in 2003 and approximately \$8,966,000 and \$3,146,000, respectively, in 2002.

Allocations

Amounts allocated from Successor Organization funds are paid in accordance with the progress of the specific projects. In 2003 and 2002, formal allocations by the Board of Directors were approximately \$90,617,000 and \$25,243,000, respectively. In 2002 these allocations were in addition to allocations made by the Claims Conference from the Humanitarian Fund of the German Foundation (see Note 5).

Goodwill Fund

Notwithstanding its legal position with respect to the unclaimed Jewish assets, the Claims Conference established a Goodwill Fund in 1994 in order to set aside funds for payments to certain Jewish asset owners or heirs who had not filed claims by the German-mandated deadline and thus were no longer legally entitled to the assets or its proceeds under German law, and who met the criteria of the Goodwill Fund.

In advertising campaigns in 1998 and 2003, the Claims Conference informed the general public that certain owners or heirs who had failed to meet the legal deadline for filing claims for Jewish assets in the former East Germany could participate in the Goodwill Fund.

The Board of Directors of the Claims Conference established December 31, 1998 as the deadline for applications to the Goodwill Fund. In July 2000, the Board of Directors also decided to accept certain applications made after December 31, 1998.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

3. Claims Conference as Successor Organization (continued)

In September 2003, the Claims Conference published a list of former owners of Jewish assets in the former East Germany that it had either recovered or for which it had received a compensation payment under German Restitution Law covering East Germany, or for which it had filed claims that are not yet adjudicated. The Board of Directors established a final deadline for applications to the Goodwill Fund of six months from the date of publication of the list. In making its decision on this subject, the Board of Directors of the Claims Conference took special note of the fact that the Goodwill Fund had been accepting applications for more than nine years, that there was uncertainty surrounding the ultimate number of applications that will be made to the Goodwill Fund, that applications are frequently for unclaimed properties that the Claims Conference has already recovered and sold with the proceeds having been allocated, and the need to decide whether to continue making allocations for homecare and other social needs of Holocaust survivors from Successor Organization funds.

In 2003 the Claims Conference paid out approximately \$42,489,000 (€37,514,000) under this program to original owners and heirs. Since inception, the Claims Conference has paid approximately €194,000,000 under this program. In addition, it establishes reserves for Goodwill Fund applications that have been approved for payment. These reserves are included in the Statement of Financial Position under the liabilities of the organization. These applications relate to various properties that the Claims Conference has recovered. At the end of 2003 the reserve for the Goodwill Fund was approximately \$226,404,000 (€180,000,000). Since inception, the total provision for the Goodwill Fund approximates €374,000,000.

Based on a preliminary review of the Goodwill applications submitted prior to the deadline, management estimates that significant additional grants may be approved relating to those properties already sold or compensation recovered and whose proceeds have been disbursed. Although the amount cannot be established with certainty at this stage and could change materially, management has preliminarily estimated that such amounts could reach or exceed an additional \$100,000,000 (unaudited). These Goodwill Fund applicant requests will be recorded in the Statement of Activities if, and when, the Claims Conference approves these grants. This amount will be in addition to the existing amounts set aside for the Goodwill Fund of \$226,404,000 at December 31, 2003. Furthermore, other potential grants to former Jewish property owners, or their heirs may be recognized upon the future receipt and sale of properties or recovery of compensation.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

3. Claims Conference as Successor Organization (continued)

Designated for Programs

The amounts included in “Designated for programs” in the statements of financial position at December 31, 2003 and 2002 of approximately \$37,165,000 and \$105,531,000, respectively, represents funds to be allocated to programs approved by the Board of Directors.

Designated for Long Term Needs

The Board of Directors believes there will be direct and critical ongoing needs of Nazi victims over the next several years. During 2000, the Claims Conference established a fund to support longer term needs of Jewish victims of Nazi persecution arising after income from current Claims Conference activities declines as well as a special fund for research documentation and education of the Holocaust, and in 2001 the Board passed a resolution that these funds together with accumulated interest should be invested until December 31, 2005. The amount in these funds at December 31, 2003 and 2002 was approximately \$264,616,000 and \$259,250,000, respectively, including the annual investment return on the designated balance.

4. Special Grants from German Federal Government

Since 1980, the Claims Conference has administered compensation programs on behalf of the German Government. There are currently three such programs being administered; the Hardship Fund, the Article II Fund and the Central and Eastern European Fund (CEEFF) for Holocaust survivors.

Hardship Fund

In October 1980, the German Federal Government established a Hardship Fund primarily for those needy Jewish victims of Nazi persecution who were prevented from filing claims under the German indemnification laws by the 1965 deadline. The Claims Conference assumed the responsibility for the administration of the Hardship Fund under guidelines established by the German Federal Government. The guidelines limit individual payments to DEM5,000 (€2,556) per person, allow for small grants to organizations which give shelter to Jewish victims of Nazi persecution and provide for administrative costs to be incurred by the Claims Conference.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

4. Special Grants from German Federal Government (continued)

Net payments to individuals from the Hardship Fund were approximately \$29,086,000 (€25,680,000) and \$35,621,000 (€37,480,000) for 2003 and 2002, respectively. Payments to institutions from the Hardship Fund amounted to \$29,400 (€26,000) and \$120,000 (€126,000) in 2003 and 2002, respectively.

Article 2 Fund

In 1992, the German Federal Government agreed to pay a pension to certain survivors who were either in a concentration camp for a minimum of 6 months, were in hiding, etc. for a minimum of 18 months, and are below a defined income limit and have received little or no compensation.

Net payments to individuals from the Article 2 Fund were approximately \$194,230,000 (€171,487,700) and \$150,820,000 (€158,692,000) during 2003 and 2002, respectively.

Approximately €198,081,000 and €197,057,000 of Hardship and Article 2 funding was received for the years ended December 31, 2003 and 2002, respectively, and is included in the accompanying financial statements at the translated amounts of approximately \$224,353,000 (2003) and \$187,285,000 (2002), excluding administrative reimbursement of expenses of approximately \$6,586,000 (2003) and \$5,763,000 (2002).

Central and Eastern European Fund

In 1998 the German Federal Government agreed to provide funds to a Central and Eastern European Fund for Holocaust survivors according to the criteria established under the Article II Fund. All entitled persons receive a pension in the amount of DEM264 (€135) per month based on the lower cost of living than in the West. This fund is administered by the Claims Conference.

In 2003 and 2002, \$32,885,000 (€29,034,500) and \$35,052,000 (€36,881,000), respectively, was recognized as revenue.

Payments to individuals from the Central and Eastern European Fund were approximately \$30,968,000 (€27,342,000) and \$27,123,000 (€28,539,000) during 2003 and 2002, respectively.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

4. Special Grants from German Federal Government (continued)

In March 2002, the German Federal Government agreed to continue to provide the amount of €25,564,594 annually for the Central and Eastern European Fund (“CEEF”) until at least 2005.

5. German Foundation Funds

In August 2000, the Federal Republic of Germany enacted a law (the “Foundation Law”) establishing a foundation, “Remembrance, Responsibility and the Future” (the “Foundation”). The Foundation’s capital is to be allocated to several different programs which are administered through other organizations. Under the Foundation Law, the Claims Conference has been designated to distribute payments to certain former Jewish slave and forced laborers and victims of medical experiments and other personal injury.

(a) Program for Former Slave and Forced Laborers

The Claims Conference was designated, under the Foundation Law, as one of the seven partner organizations with the responsibility to distribute these funds to eligible Jewish former slave and forced laborers and certain heirs of eligible individuals (if the individuals died on or after February 16, 1999). Payments made by the Claims Conference to Holocaust survivors from these funds are through the Claims Conference’s Slave and Forced Labor program worldwide with the exception of the Czech Republic, Poland and the countries of the former Soviet Union where local foundations are responsible for the payments. Under the Foundation Law, the Claims Conference makes two categories of payments to eligible claimants: (1) payments to slave laborers, as defined by the Foundation Law, of up to DEM15,000 (€7,669) per eligible applicant, and (2) payments to forced laborers, as defined by the Foundation Law, of up to DEM5,000 (€2,556) per eligible applicant. The amounts to be paid for both categories are to be distributed in two tranches. The Foundation funds allocated to the Claims Conference for distribution is up to DEM2,072,000,000 (€1,059,393,000). As of December 31, 2003 payments for the first tranche had been substantially completed. Payments for the second tranche are expected to be substantially completed during 2004. During 2003 and 2002, respectively, approximately \$121,841,000 and \$271,890,000 were distributed to survivors.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

5. German Foundation Funds (continued)

Transfers of funds from the Foundation to the Claims Conference are additionally used to cover the administrative expenses of the program. A further amount of €1,278,230 was allocated to the Claims Conference for a worldwide outreach program. As of December 31, 2003 and 2002, respectively, \$8,992,000 and \$9,941,000 were incurred for administrative expenses.

(b) Humanitarian Fund

In August 2001, the Claims Conference reached an agreement with the Foundation to receive the sum of DEM276,000,000 (€141,116,559) for a Humanitarian Fund for social purposes for the benefit of Holocaust survivors. The Claims Conference allocated approximately \$62,446,000 which was recorded as grant expense during 2001. Allocations were made during 2002 of approximately \$64,436,000. These allocations were in addition to allocations made by the Claims Conference as Successor Organization (see Note 3). During 2003 no new grant activities were recorded.

(c) Personal Injury and Medical Experiments Funds

The Foundation Law established a fund of DEM50,000,000 (€25,564,594) to be divided among eligible claimants processed by each of the seven partner organizations with priority given to victims of medical experiments and certain other categories of Nazi victims. No funds were transferred from the Foundation to the Claims Conference for these purposes during 2003 or 2002. Funds are expected to be disbursed beginning in 2004.

6. Swiss Banks Settlement Funds

On January 23, 1999, a settlement agreement for \$1,250,000,000 was signed by a number of Swiss banks relating to acts of the banks and other Swiss entities connected with the Nazi era. The settlement agreement is under the jurisdiction of a U.S. Federal court (the "Court"). Under the terms of the settlement agreement, there were five classes of beneficiaries (i) the "Deposited Assets Class", victims or targets of Nazi persecution that deposited assets in an account in a bank or financial institution located or headquartered in Switzerland prior to May 8, 1945, (ii) the Refugee Class, (iii) the Slave Labor Class 1, (iv) the Slave Labor Class 2, claims from persons that performed slave labor for Swiss entities during the Nazi era, and (v) the looted assets class. The Plan of Allocation and Distribution of Settlement

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

6. Swiss Banks Settlement Funds (continued)

Proceeds by the Special Master appointed by the Court in the Swiss Banks settlement agreement (the “Plan”) that was adopted by the Court in November 2000 provided that the Claims Conference would be involved in distribution to three classes of beneficiaries under the Swiss Banks settlement. Subsequently, the Claims Conference agreed to carry out certain additional tasks for the Court. Relevant administrative expenses are reimbursed by the Court for all programs under agreements with the Claims Conference.

(a) Refugees

The settlement agreement covers those victims or targets of Nazi persecution that were denied entry into or were expelled from Switzerland, or were admitted into Switzerland as refugees and detained, mistreated, or abused while in Switzerland. In accordance with the Plan, the Claims Conference is responsible for administering payment to Jewish members of this class. Under the Plan, those expelled from or denied entry into Switzerland will receive \$2,500. Those admitted into Switzerland but who were detained, mistreated, or abused will receive \$500. The Court ordered in September 2002 that the amount to be paid to members of the Refugee Class would increase by 45%. Consequently, the payments to eligible members of the class were increased to \$3,625 and \$725, respectively. In 2003 and 2002, respectively, under the Plan, the Claims Conference made payments to individuals of approximately \$6,254,000 and \$796,300, respectively. In 2003 and 2002 respectively, under the Plan, the Claims Conference had administrative expenses of approximately \$695,700 and \$908,000.

(b) Slave Labor 1

Under the Plan, the Claims Conference is responsible for administering the distribution of payments of \$1,000 to certain Jewish individuals who performed slave labor at the insistence or direction of the Nazi regime or its allies. Individuals who are eligible for slave or forced labor payments under the Foundation are also generally entitled to payments from the Swiss Banks settlement as are some other persons. The Court ordered in September 2002 that the amount to be paid to Slave Labor Class 1 recipients would increase by 45%. Consequently, the payments to eligible members of the class were increased to \$1,450. In 2003 and 2002, respectively, under the Plan, the Claims Conference made payments to individuals of approximately \$31,693,400 and \$103,968,000, respectively. In 2003 and 2002 respectively, under the Plan, the Claims Conference had administrative expenses of approximately \$1,534,000 and \$1,517,500.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

6. Swiss Banks Settlement Funds (continued)

(c) Looted Assets

The Court ordered that in assisting this class of beneficiaries, the settlement should support programs designed to benefit the neediest of Holocaust survivors. The Claims Conference is responsible for implementing programs on behalf of the Court totaling approximately \$46,125,000 over ten years (with specified amounts for each year) to benefit emergency assistance programs for elderly Jewish victims of Nazi persecution, excluding those residing in the former Soviet Union. Once programs are approved, funds are transferred to the Claims Conference for distribution. In 2003 and 2002, respectively, allocations totaling approximately \$3,625,000 and \$4,200,000 were made. In 2003 and 2002 respectively, under the Plan, the Claims Conference received administrative reimbursement of expenses of approximately, \$115,000 and \$90,100.

(d) Swiss Deposited Assets Program

Under the Swiss Deposited Assets program, the Claims Conference is providing assistance with general administration, computer systems, human resources, historical and archival research and other supportive services for claims processing. The Claims Conference is not vested with the authority and has no responsibility to make determinations regarding the disposition of any individual case. In 2003 and 2002 respectively, under the Plan, the Claims Conference had administrative expenses of approximately \$2,975,000 and \$1,450,300.

7. Other Program Funds

The columns headed, "Other Program Funds," in the accompanying financial statements consist of the following programs:

- (a) In June 1988, Daimler-Benz A.G. provided DEM10,000,000 to the Claims Conference to use for grants to Jewish institutions which provide shelter or home care to aged and infirmed Jewish inmates of concentration camps, forced labor camps or ghettos, established during the reign of the Third Reich. Cumulative interest earned on the amount provided has been added thereto for anticipated administrative and related expenses. Through December 31, 2003 and 2002, approximately \$5,974,000 (including interest) has been granted to institutions on account of allocations.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

7. Other Program Funds (continued)

- (b) Through 1993, Volkswagen, A.G. provided approximately €1,406,000 to the Claims Conference to use for grants to institutions in Israel which provide shelter or social care to elderly victims of Nazi persecution and forced labor. Through 2003, €1,294,576 was allocated and paid to institutions. The remaining funds are expected to be distributed in 2004.
- (c) Hassidei Haumot Program provides annual stipends to righteous gentiles who helped Jews during the period of Nazi persecution.
- (d) Community Leader Fund, which provides stipends to pre-World War II leaders of Jewish communities who were displaced after the war.
- (e) In 1998, as a result of the “Nazi Gold Conference,” a Nazi Persecutee Relief Fund (“Fund”) was created by various countries to provide grants for projects benefiting needy Holocaust survivors. As of December 31, 2003, \$15,733,000 has been allocated.
- (f) Bank Austria A.G. and Creditanstalt pursuant to an agreement signed in November 1999, transferred in August 2001 the sum of \$5,000,000, plus accrued interest, into an escrow account. Such funds were to be released to the Claims Conference for projects and programs specifically designed to aid victims of Nazi persecution from Austria when the Class Action Settlement Agreement signed by Bank Austria and Creditanstalt became effective. These funds were distributed commencing in 2003. As of December 31, 2003 a total of \$1,944,000 in allocations was granted.
- (g) Pursuant to a commitment from the Austrian Government to the U.S. government, the sum of \$15,000,000 was transferred to the Claims Conference in 2001. The funds, including earned interest income, are to be used for various purposes, including payments for Jewish slave laborers. These funds are expected to be distributed commencing in 2004.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

7. Other Program Funds (continued)

- (h) The Austrian Government agreed to place at the disposal of the Committee for Jewish Claims on Austria Austrian Schillings (“ATS”) 300,000,000 to be used for institutional projects benefiting aged Jewish victims of the Nazi persecution from Austria. The agreement provides for administrative expenses, as defined. As of December 31, 2003 the Austrian authorities approved additional specific grant allocations of approximately \$1,656,000. As of December 31, 2003 and 2002, approximately \$21,700,000 and \$21,171,000, respectively, have been disbursed to institutions.
- (i) Funds of approximately \$679,600 as of December 31, 2003 and 2002 represent prior years’ allocations paid to the Claims Conference and are being held subject to certain contingent obligations of the United Restitution Organization (URO), which is a legal aid service established in 1948 to provide assistance to Nazi victims in filing claims pursuant to German Restitution and Indemnification Law. Pursuant to an understanding with the Claims Conference, the URO has consented to transfer an amount up to \$124,620 each year if required by the Claims Conference to help cover any deficit of the Claims Conference. No amount was required to be transferred during the year ended December 31, 2003.
- (j) The Swiss Fund for Needy Victims of the Holocaust/Shoah was established in March 1997. The World Jewish Restitution Organization (WJRO) was chosen as the implementing partner for the distribution of the Swiss Fund to all Jewish victims worldwide. At the request of the WJRO the Claims Conference is responsible for the direct administration of all funds distributed in the United States and Canada. In 2003 the WJRO transferred approximately \$1,559,000 to the Claims Conference for programs in the United States and Canada, all of which has been allocated.

8. International Commission on Holocaust Era Insurance Claims Humanitarian Fund

The International Commission on Holocaust Era Insurance Claims (ICHEIC) was formed pursuant to a Memorandum of Understanding (MOU) dated August 26, 1998 to facilitate the payment of unpaid Holocaust era insurance policies to valid claimants. The signatories to the Memorandum of Understanding were the Claims Conference, the Government of Israel, the WJRO, certain European insurance companies and certain insurance regulators in the United States.

Conference on Jewish Material Claims Against Germany, Inc.

Notes to Financial Statements (continued)

8. International Commission on Holocaust Era Insurance Claims Humanitarian Fund (continued)

On April 9, 2003, an agreement was signed between the Claims Conference and ICHEIC whereby ICHEIC agreed to allocate \$15,000,000 and expressed its intention to allocate up to \$132,000,000 for social welfare programs to benefit needy Jewish Nazi victims. The Claims Conference is to serve as administrator of the programs.

On July 18, 2003, ICHEIC and the Claims Conference entered into an additional agreement whereby the Claims Conference would provide certain administrative support with respect to humanitarian payments to individual claimants under the MOU. As of December 31, 2003, there had been no payments made to claimants under this program.

9. Contingencies

The Claims Conference is involved in litigation arising from the conduct of its affairs. In the opinion of management, the final disposition of these matters will not have a material adverse effect on the Claims Conference's financial position, results of operations or cash flows.

10. Restituted Properties (Unaudited)

Amounts for restituted properties awaiting sale have not been recorded in the accompanying financial statements due to many uncertainties involved with establishing a value. At December 31, 2003 and 2002, respectively, the number of unsold restituted properties was 592 and 552 different parcels of property (excluding properties where there is a sales contract and which are included in the financial statements). Based generally on the original appraisals obtained when the property was recovered, the estimated value of these properties was approximately \$94,654,000 (€75,254,000) (unaudited) at December 31, 2003 and \$97,274,000 (€92,700,000) (unaudited) at December 31, 2002. The actual value depends on changing market conditions and cannot be established with reliability. Based on existing market conditions, management believes the current market value for these properties is substantially lower than the estimates, as many of the properties have remained unsold for a considerable period of time and appraisals are often out of date. Potential Goodwill Fund grants to former Jewish property owners, and their heirs, may require recognition upon the sale of such restituted properties.