



**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The 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, 2010 and 2009, 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 of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Claims Conference's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The fund information included in the statements of financial position and statements of activities is presented for purposes of additional analysis of the financial statements rather than to present the financial position and changes in net assets of the individual funds and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

July 27, 2011

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statement of Financial Position

December 31, 2010

Assets	Claims Conference as Successor Organization (note 4)	Hardship and Article II Funds (note 5)	Central and Eastern European Fund (note 5)	BMF Fund for In-Home Services (note 6)	Swiss Banks Settlement Funds (note 7)	ICHEIC (note 8)	Other Program Funds (note 9)	Eliminations	Total
Cash and cash equivalents (note 2)	\$ 20,773,549	9,642,145	1,095,885	1,881,205	3,204,932	484,642	2,884,696	—	39,967,054
Investments (notes 2 and 3)	903,675,568	—	—	23,459,622	3,841,361	12,153,345	13,503,019	—	956,632,915
Total cash, cash equivalents, and investments	924,449,117	9,642,145	1,095,885	25,340,827	7,046,293	12,637,987	16,387,715	—	996,599,969
Other assets:									
Property compensation receivable	997,702	—	—	—	—	—	—	—	997,702
Receivable from sale of properties	3,728,413	—	—	—	—	—	—	—	3,728,413
Rent receivable from properties	1,527,489	—	—	—	—	—	—	—	1,527,489
Grants receivable	—	—	—	—	2,326,382	4,000,000	4,096,336	—	10,422,718
Other – net	900,503	325,847	3,918,584	18	1,520	—	1,639	—	5,148,111
Loans receivable, net	1,638,789	—	—	—	—	—	—	—	1,638,789
Estimated value of unsold restituted properties (note 3)	12,667,058	—	—	—	—	—	—	—	12,667,058
Deferred costs	3,622,286	—	—	—	—	—	—	—	3,622,286
Interfund receivable (note 1)	6,319,412	835,932	1,504	—	137,494	—	1,236,281	(8,530,623)	—
Total assets	\$ 955,850,769	10,803,924	5,015,973	25,340,845	9,511,689	16,637,987	21,721,971	(8,530,623)	1,036,352,535
Liabilities and Net Assets									
Liabilities:									
Accrued expenses	\$ 15,490,187	3,562,710	828,987	9,873	350,511	29,894	1,178,103	—	21,450,265
Deferred income	15,609,949	—	—	—	643,128	—	74,303	—	16,327,380
Grants payable	291,470,047	4,888,080	—	23,792,778	6,576,536	9,536,258	11,283,309	—	347,547,008
Goodwill fund	68,096,565	—	—	—	—	—	—	—	68,096,565
Due to cooperating organizations	—	311,756	—	—	948,509	—	515	—	1,260,780
Interfund payables (note 1)	2,009,038	1,317,336	39,717	—	32,105	—	5,132,427	(8,530,623)	—
Total liabilities	392,675,786	10,079,882	868,704	23,802,651	8,550,789	9,566,152	17,668,657	(8,530,623)	454,681,998
Net assets:									
Unrestricted net assets:									
Designated for programs	368,774,558	—	—	1,538,194	677,530	64,930	1,086,289	—	372,141,501
Designated for future costs	17,724,605	—	—	—	283,370	25,682	1,912,479	—	19,946,136
Designated for goodwill fund and other uses	23,778,533	—	—	—	—	—	—	—	23,778,533
Unsold restituted properties	9,970,030	—	—	—	—	—	—	—	9,970,030
Designated for longer-term needs	142,927,257	—	—	—	—	—	1,054,546	—	143,981,803
Total unrestricted net assets	563,174,983	—	—	1,538,194	960,900	90,612	4,053,314	—	569,818,003
Temporarily restricted assets:									
For contractual obligations	—	724,042	4,147,269	—	—	—	—	—	4,871,311
For programs	—	—	—	—	—	6,981,223	—	—	6,981,223
Total temporarily restricted assets	—	724,042	4,147,269	—	—	6,981,223	—	—	11,852,534
Total net assets	563,174,983	724,042	4,147,269	1,538,194	960,900	7,071,835	4,053,314	—	581,670,537
Total liabilities and net assets	\$ 955,850,769	10,803,924	5,015,973	25,340,845	9,511,689	16,637,987	21,721,971	(8,530,623)	1,036,352,535

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statement of Financial Position

December 31, 2009

Assets	Claims Conference as Successor Organization (note 4)	Hardship and Article II Funds (note 5)	Central and Eastern European Fund (note 5)	BMF Fund for In-Home Services (note 6)	Swiss Banks Settlement Funds (note 7)	ICHEIC (note 8)	Other Program Funds (note 9)	Eliminations	Total
Cash and cash equivalents (note 2)	\$ 34,062,933	23,625,729	502,987	621,702	4,007,216	1,432,562	3,900,094	—	68,153,223
Investments (notes 2 and 3)	963,438,529	—	—	18,968,387	2,303,909	21,219,062	12,727,649	—	1,018,657,536
Total cash, cash equivalents, and investments	997,501,462	23,625,729	502,987	19,590,089	6,311,125	22,651,624	16,627,743	—	1,086,810,759
Other assets:									
Property compensation receivable	3,016,646	—	—	—	—	—	—	—	3,016,646
Receivable from sale of properties	16,409,974	—	—	—	—	—	—	—	16,409,974
Rent receivable from properties	1,705,335	—	—	—	—	—	—	—	1,705,335
Grants receivable	—	—	—	10,749,750	6,979,153	—	1,756,446	—	19,485,349
Other – net	1,611,949	196,529	4,422,296	171	51,053	41	207	—	6,282,246
Loans receivable, net	1,594,789	—	—	—	—	—	—	—	1,594,789
Estimated value of unsold restituted properties (note 3)	29,783,249	—	—	—	—	—	—	—	29,783,249
Deferred costs	767,056	—	—	—	—	—	—	—	767,056
Interfund receivable (note 1)	15,782,710	149,443	48,511	—	36,637	6,997	2,070,948	(18,095,246)	—
Total assets	\$ 1,068,173,170	23,971,701	4,973,794	30,340,010	13,377,968	22,658,662	20,455,344	(18,095,246)	1,165,855,403
Liabilities and Net Assets									
Liabilities:									
Accrued expenses	\$ 10,400,911	3,505,082	643,782	—	360,647	196,856	1,271,075	—	16,378,353
Deferred income	37,572,418	—	—	—	1,011,070	—	2,303	—	38,585,791
Grants payable	224,322,149	14,890,860	—	18,806,146	9,468,172	16,350,549	11,493,137	—	295,331,013
Goodwill fund	102,363,419	—	—	—	—	—	—	—	102,363,419
Due to cooperating organizations	—	—	—	618,533	1,608,133	—	—	—	2,226,666
Interfund payables (note 1)	2,013,496	534,505	75,221	10,581,693	210,477	763,145	3,916,709	(18,095,246)	—
Total liabilities	376,672,393	18,930,447	719,003	30,006,372	12,658,499	17,310,550	16,683,224	(18,095,246)	454,885,242
Net assets:									
Unrestricted net assets:									
Designated for programs	291,643,067	—	—	333,638	435,568	369,962	721,672	—	293,503,907
Designated for future costs	16,806,930	—	—	—	265,354	27,031	1,996,341	—	19,095,656
Designated for goodwill fund and other uses	76,116,830	—	—	—	—	—	—	—	76,116,830
Unsold restituted properties	18,496,011	—	—	—	—	—	—	—	18,496,011
Designated for longer-term needs	288,437,939	—	—	—	—	—	1,054,107	—	289,492,046
Total unrestricted net assets	691,500,777	—	—	333,638	700,922	396,993	3,772,120	—	696,704,450
Temporarily restricted assets:									
For contractual obligations	—	5,041,254	4,254,791	—	18,547	—	—	—	9,314,592
For programs	—	—	—	—	—	4,951,119	—	—	4,951,119
Total temporarily restricted assets	—	5,041,254	4,254,791	—	18,547	4,951,119	—	—	14,265,711
Total net assets	691,500,777	5,041,254	4,254,791	333,638	719,469	5,348,112	3,772,120	—	710,970,161
Total liabilities and net assets	\$ 1,068,173,170	23,971,701	4,973,794	30,340,010	13,377,968	22,658,662	20,455,344	(18,095,246)	1,165,855,403

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statement of Activities

Year ended December 31, 2010

	Claims Conference as Successor Organization (note 4)	Hardship and Article II Funds (note 5)	Central and Eastern European Fund (note 5)	BMF Fund for In-Home Services (note 6)	Swiss Banks Settlement Funds (note 7)	ICHEIC (note 8)	Other Program Funds (note 9)	Eliminations	Total
Revenues:									
Revenue from operations:									
Contractual programs	\$ —	285,567,376	49,044,289	—	—	—	—	—	334,611,665
Administrative reimbursement of expenses	—	7,967,340	—	—	218,850	—	—	—	8,186,190
Revenue from sold and unsold restituted properties	101,240,140	—	—	—	—	—	—	—	101,240,140
Rental income	3,318,762	—	—	—	—	—	—	—	3,318,762
Grants and other	554	1,749,584	662,660	63,074,775	2,728,222	4,000,000	12,800,759	(2,413,381)	82,603,173
Total revenue from operations	104,559,456	295,284,300	49,706,949	63,074,775	2,947,072	4,000,000	12,800,759	(2,413,381)	529,959,930
Investment income (note 2)	8,161,753	92,332	906	95,319	39,707	47,002	60,490	—	8,497,509
Total revenues	112,721,209	295,376,632	49,707,855	63,170,094	2,986,779	4,047,002	12,861,249	(2,413,381)	538,457,439
Expenses:									
Program expenses:									
Contractual and other obligations	—	289,291,819	48,774,886	—	—	—	—	—	338,066,705
Goodwill fund	19,359,024	—	—	—	—	—	—	—	19,359,024
Grants	185,427,270	—	—	60,992,971	2,647,857	2,323,540	12,480,671	(2,413,381)	261,458,928
Total program expenses	204,786,294	289,291,819	48,774,886	60,992,971	2,647,857	2,323,540	12,480,671	(2,413,381)	618,884,657
Other expenses:									
Property Restitution Program	9,236,740	—	—	—	—	—	—	—	9,236,740
Management and other costs of restituted properties	907,398	—	—	—	—	—	—	—	907,398
Administration	9,382,555	9,673,659	719,082	401	155,775	192	132,424	—	20,064,088
Total other expenses	19,526,693	9,673,659	719,082	401	155,775	192	132,424	—	30,208,226
Total expenses	224,312,987	298,965,478	49,493,968	60,993,372	2,803,632	2,323,732	12,613,095	(2,413,381)	649,092,883
Excess (deficiency) of revenues over expenses	\$ (111,591,778)	(3,588,846)	213,887	2,176,722	183,147	1,723,270	248,154	—	(110,635,444)

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statement of Activities

Year ended December 31, 2009

	Claims Conference as Successor Organization (note 4)	Hardship and Article II Funds (note 5)	Central and Eastern European Fund (note 5)	BMF Fund for In-Home Services (note 6)	Swiss Banks Settlement Funds (note 7)	ICHEIC (note 8)	Other Program Funds (note 9)	Eliminations	Total
Revenues:									
Revenue from operations:									
Contractual programs	\$ —	350,447,226	44,130,984	—	—	—	1,709,058	—	396,287,268
Administrative reimbursement of expenses	—	7,670,465	—	—	412,187	—	30,048	—	8,112,700
Revenue from sold and unsold restituted properties	101,150,284	—	—	—	—	—	—	—	101,150,284
Rental income	3,120,676	—	—	—	—	—	—	—	3,120,676
Grants and other	23,396,725	1,369,877	636,287	9,810,750	15,902,585	2,077,101	13,384,191	(2,035,456)	64,542,060
Total revenue from operations	127,667,685	359,487,568	44,767,271	9,810,750	16,314,772	2,077,101	15,123,297	(2,035,456)	573,212,988
Investment income (note 2)	11,783,321	83,582	4,097	179,644	21,330	257,291	42,910	—	12,372,175
Total revenues	139,451,006	359,571,150	44,771,368	9,990,394	16,336,102	2,334,392	15,166,207	(2,035,456)	585,585,163
Expenses:									
Program expenses:									
Contractual and other obligations	—	343,072,884	44,152,431	—	—	—	2,439,263	—	389,664,578
Goodwill fund	37,965,688	—	—	—	—	—	—	—	37,965,688
Grants	76,602,331	—	—	9,703,183	15,747,086	3,468,258	14,423,945	(2,035,456)	117,909,347
Total program expenses	114,568,019	343,072,884	44,152,431	9,703,183	15,747,086	3,468,258	16,863,208	(2,035,456)	545,539,613
Other expenses:									
Property Restitution Program	4,926,738	—	—	—	—	—	—	—	4,926,738
Management and other costs of restituted properties	1,427,924	—	—	—	—	—	—	—	1,427,924
Administration	8,689,544	9,738,333	670,112	187	433,165	209	578,151	—	20,109,701
Total other expenses	15,044,206	9,738,333	670,112	187	433,165	209	578,151	—	26,464,363
Total expenses	129,612,225	352,811,217	44,822,543	9,703,370	16,180,251	3,468,467	17,441,359	(2,035,456)	572,003,976
Excess (deficiency) of revenues over expenses	\$ 9,838,781	6,759,933	(51,175)	287,024	155,851	(1,134,075)	(2,275,152)	—	13,581,187

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statement of Activities

Years ended December 31, 2010 and 2009

	Claims Conference as Successor Organization (note 4)	Hardship and Article II Funds (note 5)	Central and Eastern European Fund (note 5)	BMF Fund for In-Home Services (note 6)	Swiss Banks Settlement Funds (note 7)	ICHEIC (note 8)	Other Program Funds (note 9)	Total
Excess (deficiency) of revenues over expenses for the year ended December 31, 2009	\$ 9,838,781	6,759,933	(51,175)	287,024	155,851	(1,134,075)	(2,275,152)	13,581,187
Change in cumulative foreign currency translation adjustment (note 1)	<u>(2,594,283)</u>	<u>(1,287,811)</u>	<u>53,623</u>	<u>(1,327,893)</u>	<u>82,488</u>	<u>(15,224)</u>	<u>44,192</u>	<u>(5,044,908)</u>
Increase (decrease) in net assets in 2009	7,244,498	5,472,122	2,448	(1,040,869)	238,339	(1,149,299)	(2,230,960)	8,536,279
Net assets at December 31, 2008	<u>684,256,279</u>	<u>(430,868)</u>	<u>4,252,343</u>	<u>1,374,507</u>	<u>481,130</u>	<u>6,497,411</u>	<u>6,003,080</u>	<u>702,433,882</u>
Net assets at December 31, 2009	<u>\$ 691,500,777</u>	<u>5,041,254</u>	<u>4,254,791</u>	<u>333,638</u>	<u>719,469</u>	<u>5,348,112</u>	<u>3,772,120</u>	<u>710,970,161</u>
Excess (deficiency) of revenues over expenses for the year ended December 31, 2010	\$ (111,591,778)	(3,588,846)	213,887	2,176,722	183,147	1,723,270	248,154	(110,635,444)
Change in cumulative foreign currency translation adjustment (note 1)	<u>(16,734,016)</u>	<u>(728,366)</u>	<u>(321,409)</u>	<u>(972,166)</u>	<u>58,284</u>	<u>453</u>	<u>33,040</u>	<u>(18,664,180)</u>
Increase (decrease) in net assets in 2010	(128,325,794)	(4,317,212)	(107,522)	1,204,556	241,431	1,723,723	281,194	(129,299,624)
Net assets at December 31, 2009	<u>691,500,777</u>	<u>5,041,254</u>	<u>4,254,791</u>	<u>333,638</u>	<u>719,469</u>	<u>5,348,112</u>	<u>3,772,120</u>	<u>710,970,161</u>
Net assets at December 31, 2010	<u>\$ 563,174,983</u>	<u>724,042</u>	<u>4,147,269</u>	<u>1,538,194</u>	<u>960,900</u>	<u>7,071,835</u>	<u>4,053,314</u>	<u>581,670,537</u>
Composition of changes in net assets 2010 (note 12):								
Increase (decrease) in unrestricted net assets	\$ (128,325,794)	—	—	1,204,556	259,978	(306,381)	281,194	(126,886,447)
Increase (decrease) in temporarily restricted assets	<u>—</u>	<u>(4,317,212)</u>	<u>(107,522)</u>	<u>—</u>	<u>(18,547)</u>	<u>2,030,104</u>	<u>—</u>	<u>(2,413,177)</u>
Increase (decrease) in net assets	<u>\$ (128,325,794)</u>	<u>(4,317,212)</u>	<u>(107,522)</u>	<u>1,204,556</u>	<u>241,431</u>	<u>1,723,723</u>	<u>281,194</u>	<u>(129,299,624)</u>
Composition of changes in net assets 2009 (note 12):								
Increase (decrease) in unrestricted net assets	\$ 7,244,498	430,868	—	(1,040,869)	219,792	(1,595,842)	(1,349,074)	3,909,373
Increase (decrease) in temporarily restricted assets	<u>—</u>	<u>5,041,254</u>	<u>2,448</u>	<u>—</u>	<u>18,547</u>	<u>446,543</u>	<u>(881,886)</u>	<u>4,626,906</u>
Increase (decrease) in net assets	<u>\$ 7,244,498</u>	<u>5,472,122</u>	<u>2,448</u>	<u>(1,040,869)</u>	<u>238,339</u>	<u>(1,149,299)</u>	<u>(2,230,960)</u>	<u>8,536,279</u>

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (129,299,624)	8,536,279
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Unrealized depreciation of investments	2,044,858	7,546,350
Realized gain on sales of investments	(1,800,921)	(2,790,187)
Changes in operating assets and liabilities:		
Decrease in property compensation receivable	2,018,944	3,614,514
Decrease (increase) in receivable from sale of properties	12,681,561	(2,789,716)
Decrease in rent receivable from properties	177,846	460,118
Decrease in grants receivables	9,062,631	29,119,320
Decrease (increase) in other assets – net	1,134,135	(156,227)
(Increase) decrease in loans receivable	(44,000)	109,909
Decrease in unsold restituted properties	17,116,191	12,989,836
(Increase) decrease in deferred costs	(2,855,230)	2,403,411
Increase in accrued expenses	5,071,912	1,105,185
(Decrease) increase in deferred income	(22,258,411)	36,408,289
Increase (decrease) in grants payable	52,215,995	(64,311,268)
(Decrease) increase in goodwill fund	(34,266,854)	4,011,469
(Decrease) increase in due to cooperating organizations	(965,886)	2,166,644
Decrease in contingent liabilities	—	(1,906,100)
Net cash (used in) provided by operating activities	(89,966,853)	36,517,826
Cash flows from investing activities:		
Purchases of investments	(4,724,398,115)	(751,053,124)
Proceeds from sale of investments	4,786,178,799	713,426,808
Net cash provided by (used in) investing activities	61,780,684	(37,626,316)
Net decrease in cash and cash equivalents	(28,186,169)	(1,108,490)
Cash and cash equivalents at beginning of year	68,153,223	69,261,713
Cash and cash equivalents at end of year	\$ 39,967,054	68,153,223

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
AGAINST GERMANY, INC.**

Notes to Financial Statements

December 31, 2010 and 2009

(1) Organization and Summary of Significant Accounting Policies

(a) *Organization*

The Conference on Jewish Material Claims Against Germany, Inc. (the Claims Conference) was founded in 1951 by 23 international Jewish organizations to represent world Jewry in negotiating for compensation and restitution for victims of Nazi persecution and their heirs. The Claims Conference administers compensation funds, recovers unclaimed Jewish property in the former East Germany, allocates grant funds to institutions that provide social welfare services to victims of Nazi persecution, and preserves the memory and lessons of the Holocaust. It maintains primary offices in Frankfurt, Germany; New York, New York; and Tel Aviv, Israel. In addition, the Claims Conference maintains satellite offices, primarily in Eastern Europe, with the largest office in Budapest, Hungary. The activities of the Claims Conference are more fully described in the following notes to financial statements.

(b) *Basis of Presentation*

To ensure compliance with restrictions placed on the use of resources available to the Claims Conference, its accounts are maintained in accordance with the principles of fund accounting. This is a procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purposes. In the accompanying financial statements, funds that have similar characteristics have been combined into two net asset classes: unrestricted and temporarily restricted. The following provides a brief description of each:

Unrestricted net assets – net assets that are not restricted by grantors or where the grantor-imposed restrictions have expired. As reflected in the accompanying statements of financial position, the Claims Conference’s Board of Directors has designated a portion of the Claims Conference’s unrestricted net assets for various purposes.

Temporarily restricted net assets – net assets subject to grantor restrictions that permit the Claims Conference to expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Claims Conference in accordance with those specified by the grantor. Restricted grants whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets.

(c) *Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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. Significant estimates include the valuation of investments and estimated value of unsold restituted properties and collectibility of receivables.

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(d) Foreign Currency Translation

The Claims Conference conducts its operations in different countries. However, the accompanying financial statements are reported in U.S. dollars. Assets and liabilities are translated using the exchange rates in effect at the statement of financial position date. Revenue and expenses are translated based on a weighted average exchange rate for the year. The resulting translation gains and losses are reported as a component of the applicable net asset category.

Foreign currency transactions have been translated from Euros into U.S. dollars at (i) the prevailing rate of exchange at December 31, 2010 and 2009 (1.32530 and 1.43330), respectively, for assets and liabilities, and (ii) an average of the daily prevailing rates of exchange for the years ended December 31, 2010 and 2009 (1.32789 and 1.39463), respectively, for revenues and expenses. Foreign exchange transactions have also been translated from New Israeli Shekels into U.S. dollars at (i) the prevailing rate of exchange at December 31, 2010 and 2009 (3.55640 and 3.79830), respectively, for assets and liabilities and (ii) an average of the daily prevailing rates of exchange for the years ended December 31, 2010 and 2009 (3.73747 and 3.93210), respectively, for revenues and expenses.

(e) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels in the fair value hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- *Level 3* – Inputs are unobservable inputs based on the Claims Conference's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

(f) Interfund Accounts

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

(g) Cash and Cash Equivalents

The Claims Conference considers all highly liquid financial instruments with original maturities of three months or less when purchased, other than those held in the investment portfolio, to be cash

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equivalents, and the carrying amount approximates fair value. As of December 31, 2010, there were no deposit accounts restricted as security for guarantees given by a bank on behalf of the Claims Conference to third parties in respect of certain property transactions. As of December 31, 2009, these deposit accounts had a total balance of approximately \$1,655,000 (€1,155,000).

(h) Investments

The Claims Conference's investment policy is generally to invest in securities issued by the U.S. Treasury and U.S. Agencies having an average portfolio maturity of less than two years. The Claims Conference also invests in short-term fixed income European AAA sovereign securities and Israeli Government securities. Additionally, funds are invested in U.S. and Euro money market accounts that invest in sovereign and government and agency securities. The investment philosophy of the Claims Conference is based on the dual mandates of preservation of principal and liquidity in all environments and currencies. Investments are stated at fair value.

(i) Income Taxes

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, and state and local income taxes. The Claims Conference is exempt from taxes in Germany and Israel based on local tax codes.

The Claims Conference follows Accounting Standards Update (ASU) No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (ASU 2009-06). Accordingly, the Claims Conference recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

(j) Contractual and Other Obligations and Grants

Contractual and other obligations are recognized in accordance with the terms of contractual agreements for individual compensation programs. Grant obligations are recognized when the related allocations for institutional programs are approved by the Board of Directors. The majority of such obligations are scheduled to be paid in the next year.

(k) Restituted Properties and Compensation

The Claims Conference recognizes the estimated fair value of restituted property when it is awarded unconditional title to the property. Properties received are recorded at estimated fair value generally based on independent appraisals obtained when the property was recovered, subsequent evaluations, and comparable sale values. Actual proceeds realized will depend on market conditions at the time of the sale, and may be materially different from amounts currently recognized. If the Claims Conference recovers compensation in lieu of receiving a property itself, such compensation is recognized when it has been certified as to its value by the Regional Tax Authorities (Oberfinanzdirektion).

Certain costs related to the disposal of restituted property are deferred until such time as the sales on properties is realized, at which time such costs will be expensed as a charge against the sales

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proceeds (note 3). Other general expenses with respect to property administration are expensed when incurred.

(2) Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments are primarily maintained in large international banks in New York, London, Israel, and Frankfurt. Certain accounts at these financial institutions in the United States have balances in excess of United States federally insured limits.

Investments, at fair value at December 31, 2010 and 2009, consist of the following:

	2010			
	United States	Israel	Europe	Total
Government Money Market Funds	\$ 127,529,969	—	68,931,171	196,461,140
Money Market Funds	—	—	1,969	1,969
Government Bills	76,986,510	132,540,635	—	209,527,145
Government Notes	87,587,121	—	—	87,587,121
Government Sponsored Enterprise Securities	256,308,184	—	155,095,521	411,403,705
Government Bonds	—	4,638,550	46,699,257	51,337,807
Certificates of Deposit	314,028	—	—	314,028
Total investments	<u>\$ 548,725,812</u>	<u>137,179,185</u>	<u>270,727,918</u>	<u>956,632,915</u>
	2009			
	United States	Israel	Europe	Total
Government Money Market Funds	\$ 128,734,644	—	108,216,078	236,950,722
Money Market Funds	—	—	2,120	2,120
Government Bills	90,910,395	104,257,978	—	195,168,373
Government Notes	117,816,306	—	—	117,816,306
Government Sponsored Enterprise Securities	227,613,277	—	97,464,872	325,078,149
Government Bonds	—	—	143,327,843	143,327,843
Certificates of Deposit	314,023	—	—	314,023
Total investments	<u>\$ 565,388,645</u>	<u>104,257,978</u>	<u>349,010,913</u>	<u>1,018,657,536</u>

Unrealized depreciation of investments recognized in the statements of activities was approximately \$2,045,000 in 2010 and \$7,546,000 in 2009. Realized gains on sales of investments were approximately \$1,801,000 in 2010 and \$2,790,000 in 2009.

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(3) Fair Value Measurements

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2010 and 2009:

	<u>Total 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 956,632,915	956,632,915	—	—
Estimated value of unsold restituted properties	12,667,058	—	—	12,667,058
	<u>Total 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 1,018,657,536	1,018,657,536	—	—
Estimated value of unsold restituted properties	29,783,249	—	—	29,783,249

The following table is a rollforward of the financial instruments classified by the Claims Conference in Level 3 for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Fair value at January 1	\$ 29,783,249	42,773,085
Additions	5,201,091	28,882,547
Proceeds from sales of properties	(27,162,529)	(36,056,252)
Realized gains (losses) on sales of properties, net	7,260,101	(3,474,038)
Change in unrealized gains and losses, net	(209,897)	(1,909,140)
Foreign currency translation adjustment	(2,204,957)	(432,953)
Fair value at December 31	<u>\$ 12,667,058</u>	<u>29,783,249</u>

(4) Claims Conference as Successor Organization

At December 31, 2010, there was a decrease in the net assets of the Successor Organization of approximately \$128 million. The decrease is primarily attributable to additional grant allocations in 2010 and the change in cumulative foreign currency translation adjustments. The following summarizes the major activities of the Successor Organization:

(a) Property Restitution and Compensation

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, 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 against 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

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Claims Conference was designated under the Germany Property Restitution Law to be the successor for unclaimed Jewish assets (through its Successor Organization) to ensure that unclaimed assets would not revert back to the state or to others than the heirs of the original 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, accordingly revenue recognized from sales of property restitution and compensation is classified as unrestricted in the accompanying statements of activities.

Revenue from sold and unsold restituted properties during the years ended December 31, 2010 and 2009 is comprised of the following (rounded):

Description	2010	2009
Sales of restituted property	\$ 9,875,000	19,595,000
Compensation and other	88,874,500	77,865,000
	<u>98,749,500</u>	<u>97,460,000</u>
Special cases (Wertheim Claims) – sales and compensation and other	<u>17,391,800</u>	<u>15,120,000</u>
Total before net change in unsold restituted properties	<u>116,141,300</u>	<u>112,580,000</u>
Net change in year-end estimated fair value of unsold properties (Wertheim Claims)	(13,870,500)	6,302,000
Net change in year-end estimated fair value of unsold properties (excluding Wertheim Claims) – see below	<u>(1,030,800)</u>	<u>(17,732,000)</u>
Net change in unsold restituted properties	<u>(14,901,300)</u>	<u>(11,430,000)</u>
Total	<u>\$ 101,240,000</u>	<u>101,150,000</u>

The net change in year-end estimated fair value of unsold properties primarily reflects the difference between the total fair value of unsold restituted properties for the year. Such change includes the value of properties awarded in previous years, which were sold during the current year. In addition, certain revenue and costs related to sales of restituted properties have been allocated to compensation and other.

In 2010, there were no compensation payments to the Claims Conference for claims that were filed under the German Property Law of 1990 for the recovery of certain properties owned by the Wertheim Department Store Group (Wertheim). Sales of restituted Wertheim properties in 2010 were \$17,961,000.

As of December 31, 2010 and 2009, the total estimated fair value of unsold restituted property was approximately \$12,667,000 and \$29,783,000 (€9,558,000 and €20,780,000), respectively, including \$43,200 and \$15,018,000 (€32,500 and €10,478,000), respectively, related to Wertheim properties.

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As of December 31, 2010 and 2009, respectively, the Claims Conference held 251 and 270 different parcels of property.

Certain costs relating to the disposal of restituted property, approximately \$3,622,000 and \$767,000 at December 31, 2010 and 2009, respectively, have been recorded as deferred costs. Such deferred costs will be charged against the proceeds upon sale of the related property. Other general expenses with respect to property administration are expensed when incurred.

(b) Goodwill Fund

Notwithstanding its legal right to retain the full proceeds of the claims it makes as Successor Organization, 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 their 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.

In September 2003, the Claims Conference published a list of former owners of Jewish assets in the former East Germany, which it had either recovered, or for which it had received a compensation payment under the German Restitution Law covering the former East Germany, or for which it had filed claims that were 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 would be made to the Goodwill Fund, that applications are frequently for unclaimed properties that the Claims Conference had 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. Amendments, in 2010 and 2009, to the Goodwill Fund provide for review of certain applications made after March 31, 2004 under special circumstances, with a final deadline of December 31, 2011.

In 2010 and 2009, the Claims Conference paid out approximately \$45,875,000 (€34,615,000) and \$35,665,000 (€25,573,000), respectively, under this program to original owners and heirs. Since inception, the Claims Conference has paid approximately €14,647,000 under this program. In addition, it has established reserves for Goodwill Fund applications that have been approved for payment. These reserves are classified as liabilities in the accompanying statements of financial position. These applications relate to various assets for which the Claims Conference has received proceeds. At December 31, 2010 and 2009, the reserve for the Goodwill Fund was approximately

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\$68,097,000 (€1,382,000) and \$102,363,000 (€1,418,000), respectively. The Goodwill Fund expense for 2010 and 2009 was approximately \$19,359,000 and \$37,966,000, respectively.

(c) *Designated for Goodwill Fund and Other Uses*

The Claims Conference categorizes funds held for certain Goodwill Fund applications where the approval process had not been completed, or where applicants may not be able to satisfy the routine additional documentation requirements that had been previously requested as Designated for Goodwill Fund and Other Uses. As of December 31, 2010 and 2009, these amounts totaled approximately \$23,779,000 (€17,942,000) and \$76,117,000 (€3,106,000), respectively, and include funds with respect to applications where either the required documentary evidence has still not been presented, where heirs in a “community of heirs” have not yet been identified where an indemnification exists arising out of an agreement regarding certain properties, or where a final determination has not been made regarding the validity of certain Goodwill claims. Should these Goodwill Fund applications be approved in the future, the Claims Conference will recognize the obligation at that time. On an annual basis, the Claims Conference reviews the adequacies of these reserves and adjustments. These reclassified amounts are designated as detailed in the statement of financial position.

Designated for Goodwill Fund and Other Uses also includes the portion of the values of properties restituted to the Claims Conference but not sold as of year-end that management estimates may in the future be subject to pending Goodwill Fund claims. As of December 31, 2010 and 2009, respectively, such values totaled approximately \$2,697,000 and \$11,287,000. A final assessment of any Goodwill Fund applications associated with such properties will be performed when such properties are sold, and such amounts will be recorded if the application is approved. If such applications are not approved, the designation will be removed. In addition, Designated for Goodwill Fund and Other Uses includes the portion of the proceeds of bulk settlements that management estimates may be subject to Goodwill Fund payments in the future.

(d) *Allocations and Grants*

Allocations by the Board of Directors in 2010 and 2009 were approximately \$192,829,000 and \$84,107,000, respectively. These amounts are included in the accompanying financial statements, net of cancellations of approximately \$7,402,000 and \$9,045,000, for the years ended December 31, 2010 and 2009, respectively. Amounts allocated from Claims Conference as Successor Organization funds are paid in accordance with the progress of the specific projects.

(e) *Designated for Programs*

In July 2010, the Board of Directors decided that the Claims Conference’s institutional allocations program will make allocations totaling approximately \$272,000,000 from funds of the Successor Organization, including amounts allocated from residual funds from the International Commission on Holocaust-Era Insurance Claims (ICHEIC), for the two years commencing July 2010. Through December 31, 2010, the Claims Conference has awarded approximately \$175,225,000. In July 2010, the Board of Directors also decided that an additional amount of approximately \$272,000,000 will be allocated from funds of the Successor Organization for the two years commencing July 2012. The

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unallocated amounts of approximately \$368,775,000 at December 31, 2010 are classified in designated for programs in the accompanying statement of financial position.

(f) *Deferred Income*

During 2009, the Claims Conference reached an agreement with the German Federal Office for the Regulation of Pending Property Issues. The agreement stipulated a prepayment for certain compensation claims of €50,000,000 per annum for each of the two-year periods beginning July 15, 2009. At December 31, 2010, the amount of unprocessed claims under this agreement was approximately \$15,488,000 (€1,686,000). This amount is classified as deferred income in the accompanying statement of financial position as of December 31, 2010.

(g) *Bulk Settlements*

In 2009, the Claims Conference completed negotiations with the German Ministry of Finance regarding bulk settlements for certain claims filed under the German Property Law of 1990. These negotiations involved compensation for claims for deprived property of Jewish communities, cultural organizations of Jewish federations and associations, and Jewish trusts and other associations not covered by previous agreements. The 2009 agreement between the Claims Conference and the German Ministry of Finance resulted in payments to the Claims Conference in the amount of approximately \$23,387,000 (€6,769,000). During 2010, there were no bulk settlements with the German Ministry of Finance.

(h) *Advances to BMF Fund for In-Home Services*

During 2010, the Successor Organization advanced funds of approximately €5,000,000 to fund the program as described in note 6. As of December 31, 2010, the BMF Homecare Fund repaid all of the advances received from the Successor Organization for 2010 Homecare services.

(i) *Designated for Longer-Term Needs*

The Board of Directors believes there will be direct and critical ongoing needs of Nazi victims over the coming years. Accordingly, the Claims Conference established a designated 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. The amount in these funds at December 31, 2010 and 2009 was approximately \$142,927,000 and \$288,438,000, respectively. The decrease in the amounts for longer-term needs reflects the change in institutional allocations from Designated for Programs as discussed in note (e) above.

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(5) Special Grants from the Federal Republic of Germany

Since 1980, the Claims Conference has administered compensation programs on behalf of the Federal Republic of Germany. There are currently three such programs being administered: the Hardship Fund, the Article II Fund, and the Central and Eastern European Fund.

(a) *Hardship Fund*

In October 1980, the Federal Republic of Germany 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 Federal Republic of Germany. The guidelines limit individual payments to DM 5,000 (€2,556) per person, allow for small grants to organizations, which aid Jewish victims of Nazi persecution, and provide for administrative costs to be incurred by the Claims Conference.

Net approved payments to individuals from the Hardship Fund were approximately \$24,478,000 and \$65,440,000 (€18,434,000 and €46,923,000), for 2010 and 2009, respectively. There were no payments to institutions during 2010 and 2009.

(b) *Article II Fund*

In 1992, the Federal Republic of Germany agreed to pay a pension to certain survivors who were either in a concentration camp for a minimum of 6 months, were in a ghetto or hiding for a minimum of 18 months, and are below a defined income limit and have received little or no compensation. Liberalizations to the eligibility criteria have been negotiated subsequently.

Net approved payments to individuals from the Article II Fund were approximately \$264,800,000 and \$277,633,000 (€199,424,000 and €199,073,000) during 2010 and 2009, respectively.

Approximately €15,053,000 and €251,283,000 of Hardship and Article II funding was received for the years ended December 31, 2010 and 2009, and is included in the accompanying financial statements at the translated amounts of approximately \$285,567,000 and \$350,447,000, respectively, excluding administrative reimbursement of expenses of approximately \$7,967,000 in 2010 and \$7,670,000 in 2009.

(c) *Hardship & Article II Funds Investigation*

In 2009, the Claims Conference discovered irregularities in certain individual compensation programs and notified its findings to law enforcement authorities and to the Ministry of Finance in Germany (the Ministry) on behalf of whom these programs are administered. In 2010, the Claims Conference adjusted procedures for determining eligibility for individual payment programs, terminated individuals in the New York office and relocated the claims processing to its other offices.

Because the nature of the irregularities is outside the scope of the Claims Conference, it is limited in its ability to investigate such matters and is unable to quantify the amount involved. However, law

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enforcement authorities quantified the amount of the alleged fraudulent individual payments at \$42.5 million in the original indictment. The Claims Conference continues to provide law enforcement authorities with substantial documentation on individual payments made under these programs to support their investigation.

The funding of these individual payments was provided by the Ministry. The Ministry reviews and monitors the Claims Conference's processing of these payments and carries out detailed audits. In the opinion of legal counsel, the Claims Conference has acted with appropriate business diligence in the disbursements of these funds.

(d) *Central and Eastern European Fund*

In 1998, the Federal Republic of Germany agreed to provide funds to a Central and Eastern European Fund (CEEF) for Holocaust survivors according to the same persecution section related criteria as established under the Article II Fund. This fund is administered by the Claims Conference. In 2009, the Federal Republic of Germany agreed to provide up to €9,000,000 annually until further notice. In 2010 and 2009, respectively, approximately \$49,044,000 (€36,934,000) and \$44,131,000 (€31,643,500) in funds were provided under this program.

Approved payments to individuals from the CEEF were approximately \$48,775,000 and \$44,152,000 (€36,731,000 and €31,659,000) during 2010 and 2009, respectively.

(6) *BMF Fund for In-Home Services*

In 2004, the Federal Republic of Germany reached an agreement with the Claims Conference to provide support for welfare institutions assisting Jewish victims of Nazi persecution. This agreement is negotiated on an annual basis. The amount, to be used as a "Fund for In-Home Services," as negotiated with the Ministry of Finance (Bundesministerium der Finanzen) was set at €5,000,000 for 2010 and €3,000,000 for 2009, respectively. All amounts provided under this program are fully allocated as of December 31st of the respective year. The effect of foreign currency fluctuations between allocations and disbursements of funds may result in a surplus or deficiency.

(7) *Swiss Banks Settlement Funds*

On January 23, 1999, a settlement agreement 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). The Claims Conference is responsible for distribution of proceeds to beneficiaries under the following classes: the Slave Labor Class 1; the Looted Assets Class; the Deposited Assets Class; and the Refugee Class. The Slave Labor Class 1 and Refugee Class Programs are closed.

(a) *Slave Labor Class I*

Under the agreement, the Claims Conference was responsible for administering the distribution of payments of \$1,450 to certain Jewish individuals who performed slave labor at the insistence or direction of the Nazi regime or its allies. In 2010 and 2009, under the agreement, there were no

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expenses for this program. During 2010, the remaining unused funds of approximately \$2,162,000 were returned to the Settlement Administrator.

(b) *Looted Assets*

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. There were no funds received in 2010 and in 2009, the Claims Conference received funds of approximately \$11,400,000 under this program. In 2010, there were no new allocations awarded, and in 2009, allocations awarded totaled approximately \$11,338,000. These amounts are included in the accompanying financial statements, net of cancellations of approximately \$80,365 and \$77,300 for the years ended December 31, 2010 and 2009, respectively.

In 2010, under the agreement, the Claims Conference received administrative reimbursement of expenses of approximately \$55,000 for the oversight and management of this program in addition to the 2009 reimbursement of expenses of approximately \$283,000 for the two and one half-year period beginning January 1, 2009 through June 30, 2011.

(c) *Swiss Deposited Asset Program*

The Claims Conference provides services through its Swiss Deposited Assets Program to the Claims Resolution Tribunal, which administers claims regarding Swiss bank accounts under the Swiss Banks Settlement. Under this program, the Claims Conference provides 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. During 2010 and 2009, approximately \$99,400,000 and \$28,500,000, respectively, in awards were approved and funded by the Court. These funds were distributed by the Claims Conference under this technical assistance program. These disbursements are not recorded in the statements of activities of the Claims Conference. The Claims Conference is reimbursed for the actual costs incurred by the Claims Conference in the provision of these services. In 2010 and 2009, under the agreement, the Claims Conference received administrative reimbursement (recorded in grants and other) from the court of approximately \$3,165,000 and \$3,256,000, respectively, for the costs of this program.

(d) *Victim List Project*

The Claims Conference is responsible for implementing a program on behalf of the Court to assist in the creation of a database, the purpose of which is to make accessible to the public the names of victims of the Holocaust. During 2010 and 2009, the Court transferred approximately \$1,339,000 and \$1,382,000, respectively, which included reimbursement for administrative expenses. During 2010 and 2009, allocations totaling approximately \$1,194,000 and \$1,152,000, respectively, were made.

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(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.

In April 2003 an agreement was signed between the Claims Conference and ICHEIC whereby ICHEIC expressed its intention to allocate funds for social welfare programs to benefit needy Jewish Nazi victims for which the Claims Conference served as administrator of the programs.

In June 2007 the Claims Conference and ICHEIC entered into an agreement whereby ICHEIC transferred to the Claims Conference its remaining current and future humanitarian funds as detailed in the agreement. The Claims Conference assumed the responsibility for overseeing the distribution of such funds in accordance with guidelines as determined by ICHEIC prior to its closure. Under this agreement, in 2010 and 2009, the Claims Conference received \$4,000,000 and \$2,077,000, respectively.

In accordance with the agreement with ICHEIC, the Claims Conference maintains segregated accounts for three major purposes:

- (a) Humanitarian funds designated for the ICHEIC-funded Social Welfare Program. The Claims Conference allocates these funds in accordance with the geographic designation and general purposes of the ICHEIC – Claims Conference agreement. In 2010 and 2009, approximately \$3,200,000 and \$1,662,000, respectively, were received. These amounts, including investment income, were allocated and are included in the accompanying financial statements, net of cancellations.
- (b) Humanitarian funds designated for the ICHEIC-funded Yad Vashem Program. In accordance with the agreement between ICHEIC and Yad Vashem in 2005, the original amount of \$8,000,000 is to be utilized in accordance with a ten year plan ending December 31, 2015. Any additional funds received will be utilized after 2015. In 2010 and 2009, approximately \$400,000 and \$208,000, respectively, of additional funds were received.
- (c) Humanitarian funds designated for the ICHEIC-funded Jewish Agency Program. In accordance with the agreement between ICHEIC and the Jewish Agency in 2004, as amended, the original amount of approximately \$7,600,000 is to be utilized by December 31, 2010, with the additional funds to be utilized by December 31, 2012. In 2010 and 2009, approximately \$400,000 and \$208,000, respectively, of additional funds were received.

(9) Other Program Funds

The column headed “Other Program Funds” in the accompanying financial statements consists primarily of the following four programs:

- (a) In July 2009, as part of the negotiations with the Hungarian Government over unresolved issues related to the restitution of property confiscated during the Holocaust and/or

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subsequently nationalized by the communists, an agreement was entered with the Magyarországi Zsidó Örökség Közalapítvány “MAZSOK” (Hungarian Jewish Heritage Endowment). This agreement, in accordance with Hungarian Law and in conformity with the principles set forth in the model of the “Hungarian Gold Train Settlement,” provides for social welfare benefits for Holocaust survivors of Hungarian descent. During 2010 and 2009, the Claims Conference received and allocated funds totaling approximately \$2,554,000 and \$5,400,000.

- (b) A settlement agreement (the Settlement) under the jurisdiction of the U.S. Federal Court to provide, among other things, a social welfare program benefiting eligible class members, was approved on September 30, 2005 in the Hungarian Gold Train case between the United States Government and Hungarian victims of the Holocaust and their heirs. The Claims Conference is responsible for administering the social welfare and emergency assistance plan on behalf of, and under the supervision of, U.S. Federal Court. Under the Settlement, approximately \$21,000,000 will be used to provide emergency assistance and other social welfare programs to Jewish Hungarian Nazi victims in need over the five year period ending December 31, 2010. During 2010 and 2009, the Claims Conference received and allocated funds totaling approximately \$4,200,000 and \$5,500,000, respectively.
- (c) The Austrian Government agreed to place at the disposal of the Committee for Jewish Claims on Austria 300,000,000 Austrian Schillings to be used for institutional projects benefiting aged Jewish victims of the Nazi persecution from Austria. Effective November 2007, the Austrian Government extended this program and agreed to provide an additional amount up to €2,000,000 renewable annually. During 2010 and 2009, respectively, the Claims Conference received funds of approximately \$2,522,000 (€1,800,000) and \$2,570,000 (€1,800,000). During 2010 and 2009, all funds received under this program were allocated.
- (d) In July 2010, The Harry and Jeanette Weinberg Foundation (Weinberg Fund) agreed to make a \$10,000,000 conditional grant, payable over a five year period, to the Claims Conference to provide emergency assistance to Jewish victims of Nazism in North America. During 2010, the Claims Conference received and allocated funds totaling approximately \$3,500,000.

(10) Contingencies

The Claims Conference is involved in litigation arising from the conduct of its affairs. In the opinion of management, except as disclosed in the following paragraphs, the final disposition of these matters will not have a material adverse effect on the Claims Conference’s financial position or changes in net assets.

In March 2010, a group of individuals who did not apply to the Fund for Victims of Medical Experiments sued the Claims Conference in the Tel Aviv District Court in Israel for approximately NIS 13 million (\$3,306,000). The claimants allege that the Claims Conference provided insufficient notice regarding distribution of information relating to the Fund for Victims of Medical Experiments. The Fund for Victims of Medical Experiments, which was a part of the German Foundation, “Remembrance, Responsibility, and the Future,” is now closed and it is no longer possible to apply for and/or obtain payments. In the opinion of management, there are meritorious defenses which have been submitted in the Claims Conference’s statement of defense.

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In connection with compensation received for the settlement of a property claim, in March 2007, the Claims Conference provided the other party with an indemnity through 2025 of up to €4,500,000, in respect to possible claims by certain heirs. As of December 31, 2010, no claims have been received from heirs. The contingent liability is not material to the financial statements.

(11) Commitments

The Claims Conference leases office space in various locations to facilitate the conduct of its own programs, and of programs it carries out under agreements with other parties. The approximate minimum annual rental commitments under these operating leases as of December 31, 2010 are as follows:

2011		\$	1,153,700
2112			764,100
2013			667,700
2014			672,300
2015			112,100
	Total	\$	3,369,900

In December 2007, the Claims Conference signed a thirteen-year sublease agreement, which commenced February 1, 2008. The sublease replaced an existing lease, which was terminated prior to its expiration through negotiations with the landlord. The monthly base rent starts at approximately \$52,000. The terms of the lease include provisions for a Claims Conference option for an early lease termination after seven years, and certain lease concessions and rent escalations at periodic intervals over the life of the sublease.

In January 2011, the Claims Conference Israel Office signed two additional leases representing a total commitment of approximately \$98,000 through 2013.

(12) Temporarily Restricted and Unrestricted Activities

The accompanying statements of activities do not break out unrestricted and temporarily restricted activity but instead such amounts are presented in total by programmatic activity. The following tables provide summarized information for 2010 and 2009 (in thousands):

	Unrestricted	Temporarily restricted	Total 2010
Revenues	\$ 526,605	11,853	538,458
Net assets released from restrictions	14,266	(14,266)	—
Expenses	(649,093)	—	(649,093)
Change in cumulative foreign currency translation	(18,664)	—	(18,664)
	\$ (126,886)	(2,413)	(129,299)

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	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total 2009</u>
Revenues	\$ 571,319	14,266	585,585
Net assets released from restrictions	9,639	(9,639)	—
Expenses	(572,004)	—	(572,004)
Change in cumulative foreign currency translation	(5,045)	—	(5,045)
	<u>\$ 3,909</u>	<u>4,627</u>	<u>8,536</u>

(13) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Subtopic 855-10, *Subsequent Events – Overall*, the Claims Conference evaluated subsequent events after the statement of financial position date of December 31, 2010 through July 27, 2011, which was the date the financial statements were available to be issued, and determined that, except as disclosed in the following paragraph, there were no additional matters requiring disclosure.

The Claims Conference announced increased funding by the German Ministry of Finance in connection with the BMF Fund for In-Home Services as described in note 6. The Claims Conference and the German Ministry of Finance are in the process of finalizing the agreements. The amounts to be used as a “Fund for In-Home Services” are anticipated as follows: €10 million for 2011, €126.7 million for 2012, €136.7 million for 2013, and €140 million for 2014.

In May 2011, the Claims Conference negotiated an agreement with the Federal Office for Central Services and Open Asset Questions (BADV) of the Finance Ministry regarding a bulk settlement for the textile/apparel industry. Under the settlement, the Finance Ministry has agreed to pay the Claims Conference €9,080,500, of which €6,350,000 is for the value of the claims and the remaining €2,730,500 represents the accrued interest.