



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

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Conference on Jewish Material Claims Against Germany, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference on Jewish Material Claims Against Germany, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

September 21, 2018

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

Statement of Financial Position

December 31, 2017

Assets	<u>Claims Conference as successor organization (note 4)</u>	<u>BMF Fund for In-Home Services (note 5)</u>	<u>German government funds (note 6)</u>	<u>Other program funds (note 7)</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents (note 2)	\$ 83,396,888	26,125,927	27,572,019	14,998,122	—	152,092,956
Investments (notes 2 and 3)	394,091,089	24,479,147	—	2,390,429	—	420,960,665
Total cash, cash equivalents, and investments	477,487,977	50,605,074	27,572,019	17,388,551	—	573,053,621
Other assets:						
Grants and contractual receivables	—	1,923,674	—	2,182,063	—	4,105,737
Other receivables	5,362,587	—	—	—	—	5,362,587
Other assets, net (note 3)	4,568,217	—	6,607,453	1,137	—	11,176,807
Interfund receivables (note 1)	20,097,504	10,439,090	1,829,942	219,697	(32,586,233)	—
Total assets	<u>\$ 507,516,285</u>	<u>62,967,838</u>	<u>36,009,414</u>	<u>19,791,448</u>	<u>(32,586,233)</u>	<u>593,698,752</u>
Liabilities and Net Assets						
Liabilities:						
Accrued expenses	\$ 12,648,088	—	7,414,971	841,676	—	20,904,735
Deferred income	61,541	—	—	134,310	—	195,851
Grants payable	99,255,048	48,589,206	9,360,558	10,038,253	—	167,243,065
Goodwill fund	26,346,931	—	—	—	—	26,346,931
Due to cooperating organizations	—	—	6,778,353	27,856	—	6,806,209
Interfund payables (note 1)	10,336,972	13,955,157	7,216,052	1,078,052	(32,586,233)	—
Total liabilities	<u>148,648,580</u>	<u>62,544,363</u>	<u>30,769,934</u>	<u>12,120,147</u>	<u>(32,586,233)</u>	<u>221,496,791</u>
Contingencies and commitments (notes 8 and 9)						
Net assets:						
Unrestricted net assets:						
Designated for programs	147,264,579	—	—	1,710,203	—	148,974,782
Net funding deficit	—	—	(2,812,204)	—	—	(2,812,204)
Designated for future costs	21,449,400	—	—	2,261,824	—	23,711,224
Designated for goodwill and late applicants fund and other uses	20,225,866	—	—	—	—	20,225,866
Unsold restituted properties	1,548,578	—	—	—	—	1,548,578
Designated for longer-term needs	134,703,426	—	—	1,064,831	—	135,768,257
Designated for research, education and documentation	33,675,856	—	—	—	—	33,675,856
Total unrestricted net assets	<u>358,867,705</u>	<u>—</u>	<u>(2,812,204)</u>	<u>5,036,858</u>	<u>—</u>	<u>361,092,359</u>
Temporarily restricted net assets:						
For contractual obligations	—	—	8,051,684	—	—	8,051,684
For programs	—	423,475	—	2,634,443	—	3,057,918
Total temporarily restricted net assets	<u>—</u>	<u>423,475</u>	<u>8,051,684</u>	<u>2,634,443</u>	<u>—</u>	<u>11,109,602</u>
Total net assets	<u>358,867,705</u>	<u>423,475</u>	<u>5,239,480</u>	<u>7,671,301</u>	<u>—</u>	<u>372,201,961</u>
Total liabilities and net assets	<u>\$ 507,516,285</u>	<u>62,967,838</u>	<u>36,009,414</u>	<u>19,791,448</u>	<u>(32,586,233)</u>	<u>593,698,752</u>

See accompanying notes to financial statements.

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

Statement of Financial Position

December 31, 2016

Assets	<u>Claims Conference as successor organization (note 4)</u>	<u>BMF Fund for In-Home Services (note 5)</u>	<u>German government funds (note 6)</u>	<u>Other program funds (note 7)</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents (note 2)	\$ 128,136,765	36,790,918	14,685,233	15,074,696	—	194,687,612
Investments (notes 2 and 3)	<u>378,927,608</u>	<u>32,370,840</u>	<u>—</u>	<u>3,069,731</u>	<u>—</u>	<u>414,368,179</u>
Total cash, cash equivalents, and investments	507,064,373	69,161,758	14,685,233	18,144,427	—	609,055,791
Other assets:						
Grants and contractual receivables	—	6,509,519	30,181,006	3,255,273	—	39,945,798
Other receivables	6,769,647	—	—	—	—	6,769,647
Other assets, net (note 3)	4,961,617	—	5,564,714	2,670	—	10,529,001
Interfund receivables (note 1)	<u>34,990,761</u>	<u>10,906</u>	<u>5,671,647</u>	<u>168,607</u>	<u>(40,841,921)</u>	<u>—</u>
Total assets	<u>\$ 553,786,398</u>	<u>75,682,183</u>	<u>56,102,600</u>	<u>21,570,977</u>	<u>(40,841,921)</u>	<u>666,300,237</u>
Liabilities and Net Assets						
Liabilities:						
Accrued expenses	\$ 9,888,959	—	5,736,019	842,355	—	16,467,333
Deferred income	83,261	14,813,711	—	134,053	—	15,031,025
Grants payable	193,065,821	47,621,877	9,108,247	8,479,054	—	258,274,999
Goodwill fund	33,809,436	—	—	—	—	33,809,436
Due to cooperating organizations	—	—	10,124,969	1,634,573	—	11,759,542
Interfund payables (note 1)	<u>1,498,575</u>	<u>8,439,090</u>	<u>30,235,361</u>	<u>668,895</u>	<u>(40,841,921)</u>	<u>—</u>
Total liabilities	<u>238,346,052</u>	<u>70,874,678</u>	<u>55,204,596</u>	<u>11,758,930</u>	<u>(40,841,921)</u>	<u>335,342,335</u>
Contingencies and commitments (notes 8 and 9)						
Net assets:						
Unrestricted net assets:						
Designated for programs	200,162,031	—	—	1,097,209	—	201,259,240
Net funding deficit	—	—	(5,650,844)	—	—	(5,650,844)
Designated for future costs	24,729,600	—	—	2,269,893	—	26,999,493
Designated for goodwill and late applicants fund and other uses	26,853,432	—	—	—	—	26,853,432
Unsold restituted properties	1,199,042	—	—	—	—	1,199,042
Designated for longer-term needs	42,496,241	—	—	1,057,189	—	43,553,430
Designated for research, education and documentation	<u>20,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,000,000</u>
Total unrestricted net assets	<u>315,440,346</u>	<u>—</u>	<u>(5,650,844)</u>	<u>4,424,291</u>	<u>—</u>	<u>314,213,793</u>
Temporarily restricted net assets:						
For contractual obligations	—	—	6,548,848	—	—	6,548,848
For programs	<u>—</u>	<u>4,807,505</u>	<u>—</u>	<u>5,387,756</u>	<u>—</u>	<u>10,195,261</u>
Total temporarily restricted net assets	<u>—</u>	<u>4,807,505</u>	<u>6,548,848</u>	<u>5,387,756</u>	<u>—</u>	<u>16,744,109</u>
Total net assets	<u>315,440,346</u>	<u>4,807,505</u>	<u>898,004</u>	<u>9,812,047</u>	<u>—</u>	<u>330,957,902</u>
Total liabilities and net assets	<u>\$ 553,786,398</u>	<u>75,682,183</u>	<u>56,102,600</u>	<u>21,570,977</u>	<u>(40,841,921)</u>	<u>666,300,237</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2017

	Claims Conference as successor organization (note 4)	BMF Fund for In-Home Services (note 5)	German government funds (note 6)	Other program funds (note 7)	Eliminations	Total
Revenues:						
Revenue from operations:						
Contractual programs	\$ —	—	339,851,287	—	—	339,851,287
Administrative reimbursement of expenses	—	—	24,865,419	49,743	—	24,915,162
Revenue from sold and unsold restituted properties	36,208,762	—	—	—	—	36,208,762
Rental income	433,125	—	—	—	—	433,125
Grants and other	61,688	366,561,557	—	7,801,251	—	374,424,496
Total revenue from operations	36,703,575	366,561,557	364,716,706	7,850,994	—	775,832,832
Investment income (note 2)	3,730,403	330,530	96,069	98,323	—	4,255,325
Total revenues	40,433,978	366,892,087	364,812,775	7,949,317	—	780,088,157
Expenses:						
Program expenses:						
Contractual and other obligations	—	—	339,254,886	—	—	339,254,886
Goodwill fund	11,229,998	—	—	—	—	11,229,998
Grant expenses	45,685,661	384,365,328	—	10,390,458	—	440,441,447
Grant cancellations	(80,118,678)	(13,943,422)	—	(245,561)	—	(94,307,661)
Total program expenses	(23,203,019)	370,421,906	339,254,886	10,144,897	—	696,618,670
Other expenses:						
Property restitution program	5,379,671	—	—	—	—	5,379,671
Management and other costs of restituted properties	615,457	—	—	—	—	615,457
Administration	14,777,806	11,878	22,785,935	212,174	—	37,787,793
Total other expenses	20,772,934	11,878	22,785,935	212,174	—	43,782,921
Total expenses	(2,430,085)	370,433,784	362,040,821	10,357,071	—	740,401,591
Excess (deficiency) of revenues over (under) expenses before transaction and translation gains (losses)	42,864,063	(3,541,697)	2,771,954	(2,407,754)	—	39,686,566
Transaction and translation gains (losses) (note 1)	563,296	(842,333)	1,569,522	267,008	—	1,557,493
Increase (decrease) in net assets	43,427,359	(4,384,030)	4,341,476	(2,140,746)	—	41,244,059
Net assets at December 31, 2016	315,440,346	4,807,505	898,004	9,812,047	—	330,957,902
Net assets at December 31, 2017	\$ 358,867,705	423,475	5,239,480	7,671,301	—	372,201,961
Composition of changes in net assets (note 10):						
Increase in unrestricted net assets	\$ 43,427,359	—	2,838,640	612,567	—	46,878,566
(Decrease) increase in temporarily restricted net assets	—	(4,384,030)	1,502,836	(2,753,313)	—	(5,634,507)
Increase (decrease) in net assets	\$ 43,427,359	(4,384,030)	4,341,476	(2,140,746)	—	41,244,059

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2016

	Claims Conference as successor organization (note 4)	BMF Fund for In-Home Services (note 5)	German government funds (note 6)	Other program funds (note 7)	Eliminations	Total
Revenues:						
Revenue from operations:						
Contractual programs	\$ —	—	433,976,805	—	—	433,976,805
Administrative reimbursement of expenses	—	—	44,983,893	26,080	—	45,009,973
Revenue from sold and unsold restituted properties	58,797,930	—	—	—	—	58,797,930
Rental income	1,395,152	—	—	—	—	1,395,152
Grants and other	428,191	296,208,706	—	5,478,712	—	302,115,609
Total revenue from operations	60,621,273	296,208,706	478,960,698	5,504,792	—	841,295,469
Investment income (note 2)	3,015,780	74,408	6,270	27,412	—	3,123,870
Total revenues	63,637,053	296,283,114	478,966,968	5,532,204	—	844,419,339
Expenses:						
Program expenses:						
Contractual and other obligations	9,549	—	433,518,178	—	—	433,527,727
Goodwill fund	38,721,531	—	—	—	—	38,721,531
Grant expenses	85,768,956	309,205,113	—	10,671,629	—	405,645,698
Grant cancellations	(40,587,868)	(17,316,830)	—	(106,823)	—	(58,011,521)
Total program expenses	83,912,168	291,888,283	433,518,178	10,564,806	—	819,883,435
Other expenses:						
Property restitution program	2,841,835	—	—	—	—	2,841,835
Management and other costs of restituted properties	368,927	—	—	—	—	368,927
Administration	13,643,423	11,237	21,284,061	158,422	—	35,097,143
Reversal of property reserve	(3,569,000)	—	—	—	—	(3,569,000)
Total other expenses	13,285,185	11,237	21,284,061	158,422	—	34,738,905
Total expenses	97,197,353	291,899,520	454,802,239	10,723,228	—	854,622,340
(Deficiency) excess of revenues under expenses before transaction and translation gains (losses)	(33,560,300)	4,383,594	24,164,729	(5,191,024)	—	(10,203,001)
Transaction and translation gains (losses) (note 1)	1,193,162	(767,989)	(2,593,097)	(5,182)	—	(2,173,106)
(Decrease) increase in net assets	(32,367,138)	3,615,605	21,571,632	(5,196,206)	—	(12,376,107)
Net assets at December 31, 2015	347,807,484	1,191,900	(20,673,628)	15,008,253	—	343,334,009
Net assets at December 31, 2016	\$ 315,440,346	4,807,505	898,004	9,812,047	—	330,957,902
Composition of changes in net assets (note 10):						
(Decrease) increase in unrestricted net assets	\$ (32,367,138)	(1,191,900)	21,362,965	(4,861,718)	—	(17,057,791)
Increase (decrease) in temporarily restricted net assets	—	4,807,505	208,667	(334,488)	—	4,681,684
(Decrease) increase in net assets	\$ (32,367,138)	3,615,605	21,571,632	(5,196,206)	—	(12,376,107)

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 41,244,059	(12,376,107)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Unrealized appreciation of investments	(345,977)	(525,807)
Realized gain on sales of investments	(1,636,335)	(248,369)
Reversal of property reserve	—	(3,569,000)
Changes in operating assets and liabilities:		
Grants and contractual receivables	35,840,061	(31,528,800)
Other receivables	1,407,060	(772,169)
Other assets, net	(647,806)	1,960,731
Accrued expenses	4,437,402	(591,951)
Deferred income	(14,835,174)	(60,824,197)
Grants payable	(91,031,934)	(39,143,324)
Goodwill fund	(7,462,505)	(3,871,885)
Due to cooperating organizations	(4,953,333)	1,721,040
Net cash used in operating activities	(37,984,482)	(149,769,838)
Cash flows from investing activities:		
Purchases of investments	(884,653,931)	(1,736,939,617)
Proceeds from sale of investments	880,043,757	1,858,878,888
Net cash (used in) provided by investing activities	(4,610,174)	121,939,271
Net decrease in cash and cash equivalents	(42,594,656)	(27,830,567)
Cash and cash equivalents at beginning of year	194,687,612	222,518,179
Cash and cash equivalents at end of year	\$ 152,092,956	194,687,612

See accompanying notes to financial statements.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
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Notes to Financial Statements

December 31, 2017 and 2016

(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 several smaller satellite offices. The activities of the Claims Conference are more fully described in the following notes to financial statements.

Ezra Legacy Inc. (the Corporation) was established in 2017 by the Claims Conference, its sole member, for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. The Corporation shall work to foster, facilitate, and promote the provision of relief, support, and assistance for Jewish Holocaust victims and increase public understanding of the impact of the Holocaust. In 2017, the financial activity of the Corporation was insignificant.

(b) Basis of Presentation

The accompanying statements of activities are presented in total by programmatic activity. 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. Net assets and revenue, gains, and losses are classified based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
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Notes to Financial Statements

December 31, 2017 and 2016

(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, 2017 and 2016 (1.19786 and 1.05155), respectively, for assets and liabilities, and (ii) an average of the daily prevailing rates of exchange for the years ended December 31, 2017 and 2016 (1.12989 and 1.10665), respectively, for revenue and expenses. Foreign currency transactions have also been translated from New Israeli Shekels (NIS) into U.S. dollars at (i) the prevailing rate of exchange at December 31, 2017 and 2016 (3.47118 and 3.84352), respectively, for assets and liabilities and (ii) an average of the daily prevailing rates of exchange for the years ended December 31, 2017 and 2016 (3.59461 and 3.83567), respectively, for revenue 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 administrative expenses and borrowings against anticipated grants. 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 equivalents.

**CONFERENCE ON JEWISH MATERIAL CLAIMS
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Notes to Financial Statements

December 31, 2017 and 2016

(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 may also invest in Israeli government securities and short-term fixed income European AAA sovereign securities when feasible and prudent. Funds are also invested in U.S. money market accounts that invest in 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 based on quoted market prices.

(i) Income Taxes

The Claims Conference is a not-for-profit agency exempt from U.S. 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 No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. 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 generally 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 proceeds. Other general expenses with respect to property administration are expensed when incurred.

(l) Reclassifications

Certain reclassifications of 2016 amounts have been made to conform to the 2017 presentation.

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(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 U.S. federally insured limits.

Investments and cash and cash equivalents at fair value at December 31, 2017 and 2016 consist of the following:

	2017			
	<u>United States</u>	<u>Israel</u>	<u>Europe</u>	<u>Total</u>
Cash and cash equivalents	\$ 45,987,802	58,215,083	47,890,071	152,092,956
Investments:				
Government money market funds	\$ 32,198,825	—	—	32,198,825
Government bills	298,325,450	—	—	298,325,450
Government-sponsored enterprise	85,104,867	—	—	85,104,867
Government bonds	—	5,017,130	—	5,017,130
Certificates of deposit	314,393	—	—	314,393
Total investments	<u>\$ 415,943,535</u>	<u>5,017,130</u>	<u>—</u>	<u>420,960,665</u>
	2016			
	<u>United States</u>	<u>Israel</u>	<u>Europe</u>	<u>Total</u>
Cash and cash equivalents	\$ 33,772,486	98,602,967	62,312,159	194,687,612
Investments:				
Government money market funds	\$ 39,224,479	—	—	39,224,479
Government bills	174,706,575	—	—	174,706,575
Government notes	50,104,650	—	—	50,104,650
Government-sponsored enterprise	145,001,352	—	—	145,001,352
Government bonds	—	5,017,130	—	5,017,130
Certificates of deposit	313,993	—	—	313,993
Total investments	<u>\$ 409,351,049</u>	<u>5,017,130</u>	<u>—</u>	<u>414,368,179</u>

Unrealized appreciation of investments recognized in the statements of activities was approximately \$346,000 in 2017 and \$525,800 in 2016. Realized gain on sales of investments was approximately \$1,636,300 in 2017 and \$248,400 in 2016.

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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, 2017 and 2016:

	2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 420,960,665	420,960,665	—	—
Estimated value of unsold restituted properties*	1,708,733	—	—	1,708,733

	2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 414,368,179	414,368,179	—	—
Estimated value of unsold restituted properties*	1,431,903	—	—	1,431,903

* Estimated value of unsold restituted properties is included in other assets.

The following table is a rollforward of the financial instruments classified by the Claims Conference in Level 3 for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fair value at January 1	\$ 1,431,903	2,084,684
Additions	689,019	855,117
Proceeds from sales of properties	(6,009,567)	(4,786,148)
Realized gains on sales of properties, net	4,934,291	2,977,107
Change in unrealized gains, net	498,549	300,687
Foreign currency translation adjustment	164,538	456
Fair value at December 31	<u>\$ 1,708,733</u>	<u>1,431,903</u>

(4) Claims Conference as Successor Organization

(a) Property Restitution and Compensation

Upon German reunification in 1990, the Claims Conference negotiated for the right 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 Claims Conference was designated under the Germany Property Restitution Law to be the successor for unclaimed Jewish

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assets (through its Successor Organization (SO)). 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, 2017 and 2016 comprises of the following approximated amounts:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Compensation and other	\$ 31,269,400	53,987,800
Restituted properties:		
Property additions	689,000	855,100
Realized gains on sales	4,934,300	2,977,100
Translation and valuation adjustments	<u>(683,900)</u>	<u>977,900</u>
Total	<u>\$ 36,208,800</u>	<u>58,797,900</u>

As of December 31, 2017 and 2016, the total estimated fair value of unsold restituted property was approximately \$1,708,700 and \$1,431,900 (€1,426,500 and €1,361,700), respectively. As of December 31, 2017 and 2016, respectively, the Claims Conference held 117 and 119 different parcels of property.

Certain costs relating to the disposal of restituted property, approximately \$1,665,200 and \$2,109,500 at December 31, 2017 and 2016, respectively, have been recorded as deferred costs in other assets. 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 SO, 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.

The deadline for applications to the Goodwill Fund expired in 2011 after various extensions to the deadlines were provided by the Claims Conference. 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 a number of 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 SO funds.

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In 2017 and 2016, the Claims Conference paid out approximately \$24,072,200 (€20,096,000) and \$39,316,300 (€37,388,900), respectively, under this program to original owners and heirs. Since inception, the Claims Conference has paid approximately €769,025,300 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, 2017 and 2016, the reserve for the Goodwill Fund was approximately \$26,346,900 (€21,995,000) and \$33,809,400 (€32,152,000), respectively. The Goodwill Fund expense for 2017 and 2016 was approximately \$11,230,000 (€9,939,000) and \$38,721,500 (€34,989,800), respectively.

(c) Designated for Goodwill and Late Applicants Fund and Other Uses

As of December 31, 2017 and 2016, the Claims Conference has designated amounts totaling approximately \$20,225,900 (€16,885,000) and \$26,853,400 (€25,537,000), respectively, for Goodwill and Late Applicants Fund and Other Uses. The balance includes the remaining balance of a €50 million fund created in 2012 for certain applicants who missed the deadline established under the Goodwill Fund of €9 million (\$10,780,700) at December 31, 2017. In addition, as of December 31, 2017 and 2016, there is approximately \$9,445,100 (€7,885,000) and \$7,925,500 (€7,537,000), respectively, of funds designated for Goodwill applications where the approval process has not been completed or where applicants may not be able to satisfy the routine additional documentation requirements. 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.

(d) Allocations and Grants

Allocations by the Board of Directors in 2017 and 2016 were approximately \$45,685,700 and \$85,769,000, respectively. The 2017 decrease in the amounts granted results primarily from increased funding under the BMF Fund for In-Home Services (as discussed in note 5) as well as 2016 allocations, which included certain commitments designated for the 2017 through 2018 program years. Amounts are paid in accordance with the progress of the specific projects. The Claims Conference recorded grant cancellations of approximately \$80,118,700 and \$40,587,900 for the years ended December 31, 2017 and 2016, respectively. Certain cancellations are a result of SO providing grant allocations to a social service agency for which the funding sources were not finalized and recorded such amount initially as an SO expense. When the funding source was finalized, a cancellation is then recorded by the SO for the amount of the grant, which are funded by other Claims Conference sources. Such amount was approximately \$39.9 million and \$32 million in 2017 and 2016, respectively, and is included in grant cancellations in the accompanying statements of activities.

(e) Designated for Programs

Effective December 31, 2017 and 2016, the Board of Directors approved approximately \$147,265,000 and \$200,162,000, respectively, for use under this program. The Claims Conference anticipates utilizing these funds in future program years.

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(f) 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, net assets not otherwise designated are designated by the Claims Conference to support longer term needs of Jewish victims of Nazi persecution arising after income from current Claims Conference activities declines. The amount available in these funds at December 31, 2017 and 2016 was approximately \$134,703,000 and \$42,496,000, respectively.

(g) Designated for Research, Education and Documentation

Effective December 31, 2017 and 2016, the Board of Directors approved approximately \$34 million and \$20 million, respectively, designated for research, education and documentation of the Holocaust.

(5) 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 organizations assisting Jewish victims of Nazi persecution. In 2014, 2016 and 2017, additional multiyear agreements were entered into between the Federal Republic of Germany and the Claims Conference that extends the “Fund for In-Home Services” until 2018. The amount, to be used as a “Fund for In-Home Services,” as negotiated with the Ministry of Finance – Bundesministerium der Finanzen (BMF), are as follows:

<u>Program year</u>	<u>Amount per 2014 agreement</u>	<u>Supplemental amount per 2016 agreement</u>	<u>Supplemental amount per 2017 agreement</u>	<u>Total</u>
2014	€ 142,000,000	—	—	142,000,000
2015	205,000,000	—	—	205,000,000
2016	210,000,000	71,750,000	—	281,750,000
2017	215,000,000	100,000,000	—	315,000,000
2018	—	350,000,000	55,000,000	405,000,000

Revenue and expenses related to BMF funding will be recognized when the welfare organizations are notified of the award and agree to the terms of the allocation letter.

At December 31, 2017 and 2016, the Claims Conference had approximately \$423,500 and \$4,807,500, respectively, in temporarily restricted net assets related to BMF Fund for In-Home Services.

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(6) German Government Compensation Funds

Since 1980, the Claims Conference has administered compensation programs on behalf of the Federal Republic of Germany. There are currently four such programs being administered: the Hardship Fund, the Article II Fund, the Central and Eastern European Fund, and the Child Survivor 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, which aid Jewish victims of Nazi persecution, and provide for administrative costs to be incurred by the Claims Conference. Over the years, the eligibility criteria have been liberalized as a result of negotiations, including elimination of the income limit, expansion to areas of all Jewish victims of Nazi persecution living in areas of the former Soviet Union and to Eastern European countries, as well as those persecuted in Morocco, Algeria, and those who endured the Leningrad Siege, among others.

Approved payments to individuals from the Hardship Fund were approximately \$45,169,500 and \$42,365,700 (€39,976,900 and €38,282,800) for 2017 and 2016, respectively.

(b) Article II Fund

In 1992, the Federal Republic of Germany agreed to pay a pension to certain survivors who (i) were in a concentration camp, ghetto, or hiding for a minimum of a specified duration, (ii) are below a defined-income limit, and (iii) have received little or no compensation. Liberalizations to the eligibility criteria have been negotiated subsequently.

Approved payments to individuals from the Article II Fund were approximately \$214,043,400 and \$227,682,200 (€189,437,400 and €205,740,000) during 2017 and 2016, respectively.

Approximately, €230,030,500 and €244,032,300 of Hardship and Article II funding was received for the years ended December 31, 2017 and 2016, respectively, and is included in the accompanying financial statements at the translated amounts of approximately \$259,909,200 and \$270,058,300, respectively, excluding administrative reimbursement of expenses.

(c) 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 related criteria as established under the Article II Fund. In 2017 and 2016, respectively, approximately \$65,043,100 (€57,565,900) and \$68,523,700 (€61,919,900) in funds were provided under this program.

Approved payments to individuals from the CEEF were approximately \$65,128,900 and \$68,366,400 (€57,641,800 and €61,777,800) during 2017 and 2016, respectively.

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(d) Child Survivor Fund

In 2014, the Child Survivor Fund (CSF) for Jewish Child Survivors of the Holocaust was established and is intended to acknowledge the suffering of Holocaust survivors who endured unimaginable trauma in their childhoods. Eligible recipients receive a special one-time payment of €2,500. In 2017 and 2016, respectively, approximately \$14,899,000 (€13,143,300) and \$95,394,800 (€86,201,400) in funds were provided under this program.

Approved payments to individuals from the CSF were approximately \$14,912,400 and \$95,103,100 (€13,198,100 and €85,937,800) during 2017 and 2016, respectively.

(e) Net Assets of the German Government Funds

The German Government Funds have a deficit in unrestricted net assets at December 31, 2017 and 2016 of approximately \$2.8 million and \$5.7 million, respectively, as the German government has not yet submitted the reimbursement. Such reimbursements are recognized as revenue when the claim is approved and funding is received. Temporarily restricted net assets of \$8.1 million and \$6.5 million at December 31, 2017 and 2016, respectively, represent funding received for individual compensation payments to be used in the subsequent year.

(7) Other Program Funds

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

- (a) Beginning in 1991, the Austrian government agreed to provide funds to the Committee for Jewish Claims on Austria for institutional projects benefiting aged Jewish victims of Nazi persecution from Austria. In 2017 and 2016, the Austrian government entered into new conditional agreements for the same purposes to provide an additional amount up to €1,500,000 each year. In 2017 and 2016, the Claims Conference received and allocated funds of approximately \$1,676,000 (€1,500,000) and \$1,664,000 (€1,500,000), respectively, under these agreements.

In December 2017, the Claims Conference negotiated a new agreement with the Austrian government to provide funds to the Committee for Jewish Claims on Austria for institutional projects benefiting aged Jewish victims of the Nazi persecution from Austria. Under this agreement, the Austrian government agreed to provide up to \$1,694,800 (€1,500,000) to be paid in 2018. Grants were allocated in 2017 under this agreement, and accordingly, the Claims Conference recorded grants and contractual receivables for this amount.

- (b) In 2017, The Harry and Jeanette Weinberg Foundation (Weinberg Fund) agreed to make a \$1,500,000 conditional grant to the Claims Conference to provide emergency assistance to Jewish victims of Nazism in North America for the three-year period ending 2019. During 2017, the Claims Conference received the \$1,500,000 grant and allocated approximately \$1,250,000 for the 2017 and 2018 grant years, as stipulated in the agreement. The remaining \$250,000 will be allocated in future years.

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- (c) 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 was under the jurisdiction of a U.S. Federal court (the Court). The Looted Assets class of the above referenced settlement agreement provided humanitarian aid over a ten-year program, which under the terms of the Plan of Allocation and Distribution of Settlement Proceeds (Distribution Plan) ended in July 2011. The Claims Conference was responsible for implementing this program on behalf of the Court to benefit emergency assistance programs for elderly Jewish victims of Nazi persecution, excluding those residing in the former Soviet Union. The Claims Conference's policy is to allocate such funds when the cash is received. During 2017, there were no new allocations made under this program. In 2016, the Claims Conference received and allocated funds totaling approximately \$4,877,600.
- (d) In 2017 and 2016, the Caritatea Foundation in Romania agreed to provide funds to support the Claims Conference emergency assistance program in Israel. The grant is to be used primarily to benefit Jewish victims of Nazi persecution of Romanian origin who are financially vulnerable and living in Israel. During 2017 and 2016, the Claims Conference recognized funds of approximately \$2,930,000 and \$1,375,000, respectively, under this program. During 2017 and 2016, approximately \$3,242,100 and \$3,086,300, respectively, was allocated under this program.

Temporarily restricted net assets related to the grant are approximately \$46,400 and \$445,000 at December 31, 2017 and 2016, respectively.

- (e) The International Commission on Holocaust Era Insurance Claims (ICHEIC) was formed pursuant to a Memorandum of Understanding, dated August 26, 1998, to facilitate the payment of unpaid Holocaust era insurance policies to valid claimants. 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 2017 and 2016, no additional funds were received. During 2017, there was approximately \$1,392,600 in new grants made under this program. In 2016, there were no grants made.

Temporarily restricted net assets related to ICHEIC of approximately \$2,133,000 and \$3,503,000 at December 31, 2017 and 2016, respectively, are to be used for the educational programs of Yad Vashem and the Jewish Agency for Israel in accordance with the stipulations provided by ICHEIC.

- (f) In 2016, The URO Charitable Trust Limited (URO) and the Claims Conference entered into a grant agreement for £2,000,000 for ongoing social assistance or emergency one-time grants to Jewish victims of Nazi persecution. During 2016, the Claims Conference received \$2,440,000 (£2,000,000) and allocated funds of approximately \$1,000,000 per year in 2017 and 2016. Temporarily restricted net assets as of December 31, 2017 and 2016 include approximately \$455,100 and \$1,440,000, respectively, related to this grant. The remaining funds will be allocated in future years.

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In addition, the Claims Conference also has acted as an agent in the processing of grant funds as approved by the URO's Board of Directors. Funds, which are not yet disbursed, are held in due to cooperating organizations on the statement of financial position. As of December 31, 2017 and 2016, this amounted to approximately \$27,900 and \$1,634,600, respectively.

(8) Contingencies

The Claims Conference is party to various litigation and other claims in the ordinary course of business. 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 or changes in net assets.

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, 2017, no claims have been received from heirs. The contingent liability is not material to the financial statements.

The Claims Conference has an ongoing litigation matter involving a group of individuals claiming that the Claims Conference refrained from restituting to them assets of original property owners, which were recovered by the Claims Conference as SO pursuant to the German Property Restitution Law. In January 2016, the group filed a motion in the Tel Aviv District Court in Israel to amend the amount of the joined claims for approximately NIS 28.4 million (\$7,200,000). In May 2017, a decision in favor of the Claims Conference was delivered by the presiding judge. On July 2, 2017, an appeal was filed by the Plaintiffs and oral arguments are scheduled for March 2019.

(9) Commitments

(a) Leases

The Claims Conference leases office space worldwide 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, 2017 are as follows:

2018	\$	2,557,700
2019		2,441,400
2020		1,915,100
2021		2,367,000
2022		2,116,500
Thereafter		<u>2,722,400</u>
Total	\$	<u><u>14,120,100</u></u>

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(10) 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 2017 and 2016 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total 2017</u>
2017:			
Revenue	\$ 771,574	8,514	780,088
Net assets released from restrictions	14,149	(14,149)	—
Expenses	(740,402)	—	(740,402)
Change in cumulative foreign currency translation	1,558	—	1,558
	<u>\$ 46,879</u>	<u>(5,635)</u>	<u>41,244</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total 2016</u>
2016:			
Revenue	\$ 831,171	13,248	844,419
Net assets released from restrictions	8,566	(8,566)	—
Expenses	(854,622)	—	(854,622)
Change in cumulative foreign currency translation	(2,173)	—	(2,173)
	<u>\$ (17,058)</u>	<u>4,682</u>	<u>(12,376)</u>

(11) Subsequent Events

In connection with the preparation of the financial statements, the Claims Conference evaluated subsequent events after the statement of financial position date of December 31, 2017 through September 21, 2018, 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.

- (a) In January 2018, the Claims Conference negotiated an agreement with the Federal Ministry of Finance regarding a global compensation settlement with respect to certain properties. Under the settlement, the Federal Ministry of Finance has agreed to pay the Claims Conference approximately €29,800,000 in 2018.

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- (b) In January 2018, the Claims Conference reached agreements with the Caritatea Foundation in Romania. The foundation agreed to provide approximately \$3,662,500 to primarily benefit Jewish victims of Nazi persecution of Romanian origin who are financially vulnerable and living in Israel and \$1,340,000 to primarily benefit Jewish victims of Nazi persecution of Romanian origin who are financially vulnerable and living outside of Romania and Israel.