

OVERVIEW OF THE JEWISH AGENCY'S OPERATING RESULTS AND FINANCIAL POSITION FOR 2015

OVERVIEW

In 2015, The Jewish Agency had revenues of \$482 million and an operating surplus of \$234 thousand.

By exercising strict budgetary control over its operations and activities, The Jewish Agency has been able to avoid operating deficits in each of the last seven years. In part, this budgetary control was facilitated by protecting against fluctuations in the NIS/USD exchange rate that could cause our NIS-denominated expenses (primarily in Israel) to become more expensive in USD terms, thereby causing instability in our USD-denominated budget. During the course of 2014, a hedging instrument was executed to protect The Jewish Agency in 2015 against fluctuations in the NIS/USD exchange rate.

In 2015, there was relative stability in the exchange rate, reaching a high of \$1=4.053 NIS, and ending the year at \$1=3.902 NIS. The 2015 average exchange rate was \$1=3.8869 NIS, compared to the 2014 average exchange rate of \$1=3.5779 NIS. As a result, NIS-denominated expenditures were 8% lower, on average, in USD terms during the whole of 2015 than the same NIS-denominated expenditures in 2014, which partially explains lower activity levels shown in the Consolidated Statements of Operations.

JEWISH AGENCY PENSION FUND

At the end of 2015, The Jewish Agency's total liabilities (both short-and long-term) for employee rights upon retirement, when converted to US dollars, amounted to \$244 million, of which \$200 million represented the actuarial unfunded pension liability of the Fund. The primary underlying reason for the existence of the actuarial deficit is the use of a discount rate mandated by the Israeli Ministry of Finance that is based on the yield on a specific zero-risk government bond. This rate for year-end 2015 was approximately 0.904%. The actual yield, which would under normal circumstances, be a more realistic discount rate, of the Fund in 2015 was 4.17%. Per the Fund's actuary, the Fund would be actuarially balanced (i.e. no net liability to The Agency) were a 2.46% discount rate to be used in the actuarial calculation.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31,

Amounts in US\$ thousands

Assets	2015	2014
Current assets		
Cash and cash equivalents	161,920	124,101
Short-term deposits in banks	5,800	39,821
Short-term deposit in bank - restricted	-	6,588
Investment in marketable securities	2,364	2,257
Accounts receivable	59,864	57,112
Current maturities of long-term receivable	5,000	5,000
Total current assets	<u>234,948</u>	<u>234,879</u>
Investments and other assets	<u>132,637</u>	<u>144,997</u>
Fixed assets	<u>176,518</u>	<u>171,056</u>
Total assets	<u><u>544,103</u></u>	<u><u>550,932</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	96,149	102,683
Short-term deposits and other payables	4,820	3,469
Liability to Pension Fund - current maturity	4,000	4,000
Current maturities of long-term bank loans	<u>68</u>	<u>31</u>
Total current liabilities	<u>105,037</u>	<u>110,183</u>
Long-term liabilities		
Bank loans	3,111	3,441
Liabilities for employee rights upon retirement, net	239,773	279,915
Other liabilities	<u>25,735</u>	<u>28,770</u>
Total long-term liabilities	<u>268,619</u>	<u>312,126</u>
Minority interest	<u>1,458</u>	<u>755</u>
Net assets		
Surplus (deficit) in unrestricted net assets	3,685	(35,362)
Temporarily restricted net assets	164,640	162,577
Permanently restricted net assets	<u>664</u>	<u>653</u>
Total net assets	<u>168,989</u>	<u>127,868</u>
Total liabilities and net assets	<u><u>544,103</u></u>	<u><u>550,932</u></u>



Rany Trainin
Deputy Chair, Executive



David Silvers
Chair, Budget/Finance Committee



Moshe Ashirie
Chief Financial Officer

May 26, 2016

Date of approval
of Financial Statements

Please refer to the "2015 Financial Report," which can be accessed at www.jewishagency.org/financialreport2015 that is an integral part of these financials.

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31,

Amounts in US\$ thousands

	2015	2014
Revenues		
Unrestricted donations and contributions:		
United Israel Appeal, Inc.	87,677	86,459
Keren Hayesod - United Israel Appeal	33,376	34,977
Direct donations & Spirit of Israel	2,704	2,151
Net assets released from restrictions:		
United Israel Appeal, Inc.	104,629	82,438
U.S. Government grant	12,516	11,270
Keren Hayesod - United Israel Appeal	5,848	6,568
Direct donations & Spirit of Israel	22,917	38,314
Other income:		
Israel experience programs (operated by subsidiaries)	58,362	58,779
Rental income	32,173	32,648
Program participations and service fees	90,156	86,783
Collection of doubtful debts	2,102	3,863
Other - mostly subsidiaries' income	29,380	36,663
Total revenues	481,840	480,913
Cost of activities and other expenses		
Israel experiences	69,355	64,782
Aliyah, klita and rescue	58,732	62,942
Young activism	37,378	39,293
Activities with Russian speaking Jews	24,975	26,113
Partnerships	20,335	20,026
Shlichim and Israel Fellows	20,786	23,245
Community services (not including FSU)	22,663	20,590
Allocations and social programs	72,487	67,781
Agency-wide projects and organizational activities	118,500	121,378
Support units and executive offices	26,839	27,433
FRD, marketing and communications	9,939	11,241
Cost of activities	481,989	484,824
Deficit from ordinary operations	(149)	(3,911)
Financial income, net	383	3,995
Income from activities	234	84
Non-operational income (expenses)		
Income (loss) from asset realization, net	866	(5,385)
Loss arising from Board designated endowment, net	(298)	(3,291)
Decrease (increase) in Pension Fund liability, net	33,178	(34,762)
Early retirement program expenses	(1,082)	(4,023)
Non-operational income (expenses), net	32,664	(47,461)
Net income (deficit) for the year	32,898	(47,377)

STATEMENT OF CHANGES IN NET ASSETS

<i>Amounts in US\$ thousands</i>	Unrestricted in use		Temporarily restricted		Perma- nently restricted	Total
	For opera- tions	Board designated endowment	For alloca- tions	For proj- ects	Endow- ment	
Balance at December 31, 2013	<u>(95,100)</u>	<u>101,412</u>	<u>487</u>	<u>145,295</u>	<u>-</u>	<u>152,094</u>
Changes during 2014						
Temporarily restricted donations and contributions received:						
United Israel Appeal, Inc.	-	-	55,560	37,773	-	93,333
U.S. Government grant	-	-	-	11,270	-	11,270
Keren Hayesod - United Israel Appeal	-	-	363	9,859	-	10,222
Direct donations & Spirit of Israel	-	-	19,933	26,330	646	46,909
Total received	-	-	<u>75,856</u>	<u>85,232</u>	<u>646</u>	<u>161,734</u>
Released from restriction	-	-	(67,781)	(70,809)	-	(138,590)
Net deficit for the year	(47,377)	-	-	-	-	(47,377)
Changes in endowments, net	7,865	(7,865)	-	-	7	7
Release of fixed assets and restricted assets depreciation expense	5,703	-	-	(5,703)	-	-
Net change during 2014	<u>(33,809)</u>	<u>(7,865)</u>	<u>8,075</u>	<u>8,720</u>	<u>653</u>	<u>(24,226)</u>
Balance at December 31, 2014	<u>(128,909)</u>	<u>93,547</u>	<u>8,562</u>	<u>154,015</u>	<u>653</u>	<u>127,868</u>
Changes during 2015						
Temporarily restricted donations and contributions received:						
United Israel Appeal, Inc.	-	-	63,342	33,036	-	96,378
U.S. Government grant	-	-	-	12,516	-	12,516
Keren Hayesod - United Israel Appeal	-	-	310	7,248	-	7,558
Direct donations & Spirit of Israel	-	-	11,076	26,594	-	37,670
Total received	-	-	<u>74,728</u>	<u>79,394</u>	-	<u>154,122</u>
Released from restriction	-	-	(72,487)	(73,423)	-	(145,910)
Net income for the year	32,898	-	-	-	-	32,898
Changes in endowments, net	3,442	(3,442)	-	-	11	11
Release of fixed assets and restricted assets depreciation expense	6,149	-	-	(6,149)	-	-
Net change during 2015	<u>42,489</u>	<u>(3,442)</u>	<u>2,241</u>	<u>(178)</u>	<u>11</u>	<u>41,121</u>
Balance at December 31, 2015	<u>(86,420)</u>	<u>90,105</u>	<u>10,803</u>	<u>153,837</u>	<u>664</u>	<u>168,989</u>