

THE JEWISH AGENCY FOR ISRAEL

2015
FINANCIAL
REPORT



הסוכנות היהודית
JEWISH AGENCY
FOR ISRAEL לארץ ישראל

OUR VISION:

TO ENSURE THE FUTURE OF A CONNECTED, COMMITTED, GLOBAL JEWISH PEOPLE WITH A STRONG ISRAEL AT ITS CENTER.

OUR MISSION:

INSPIRE JEWS THROUGHOUT THE WORLD TO CONNECT WITH THEIR PEOPLE, HERITAGE, AND HOMELAND, AND EMPOWER THEM TO BUILD A THRIVING JEWISH FUTURE AND A STRONG ISRAEL.

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הסוכנות היהודית
THE JEWISH AGENCY
לארץ ישראל
FOR ISRAEL

Securing the Jewish Future for Generations





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Auditors' Report to the Board of Governors of The Jewish Agency for Israel

We have audited the accompanying consolidated balance sheets of the Jewish Agency for Israel (hereafter - The Agency), as at December 31, 2015 and 2014, and the consolidated statements of operations, the consolidated statements of changes in net assets and the consolidated statements of cash flows, for each of the years ended on such dates. These financial statements are the responsibility of The Agency's Board of Governors and Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of certain consolidated subsidiaries whose assets constitute approximately 16% and 14% of the total consolidated assets as at December 31, 2015 and 2014, respectively, and whose revenues included in consolidation constitute approximately 14% and 15% of the total consolidated revenues for the years ended on such dates, respectively. Also, we did not audit the financial statements of the associated companies in which the investment was approximately \$8 million and \$9 million as at December 31, 2015 and 2014, respectively. The financial statements of the above entities were audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to amounts included for those entities, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) - 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by The Agency's Management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the reports of the abovementioned other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Agency as at December 31, 2015 and 2014 and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows, for each of the years ended on such dates, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

Somekh Chaikin

Certified Public Accountants (Isr.)

May 26, 2016

Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31,

Amounts in US\$ thousands

Assets	Note	2015	2014
Current assets			
Cash and cash equivalents	3	161,920	124,101
Short-term deposits in banks	4	5,800	39,821
Short-term deposit in bank - restricted	11b	-	6,588
Investment in marketable securities	2g	2,364	2,257
Accounts receivable	5	59,864	57,112
Current maturities of long-term receivable	6f	5,000	5,000
Total current assets		234,948	234,879
Investments and other assets	6	132,637	144,997
Fixed assets	7	176,518	171,056
Total assets		544,103	550,932



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

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31,

Amounts in US\$ thousands

Liabilities and net assets	Note	2015	2014
Current liabilities			
Accounts payable	8	96,149	102,683
Short-term deposits and other payables	27c	4,820	3,469
Liability to Pension Fund - current maturity	10c	4,000	4,000
Current maturities of long-term bank loans	9	68	31
		<hr/>	<hr/>
Total current liabilities		105,037	110,183
		<hr/>	<hr/>
Long-term liabilities			
Bank loans	9	3,111	3,441
Liabilities for employee rights upon retirement, net	10c	239,773	279,915
Other liabilities	11	25,735	28,770
		<hr/>	<hr/>
Total long-term liabilities		268,619	312,126
		<hr/>	<hr/>
Minority interest		1,458	755
		<hr/>	<hr/>
Commitments and contingent liabilities	12		
Net assets			
Surplus (deficit) in unrestricted net assets		3,685	(35,362)
Temporarily restricted net assets	13	164,640	162,577
Permanently restricted net assets		664	653
		<hr/>	<hr/>
Total net assets		168,989	127,868
		<hr/>	<hr/>
Total liabilities and net assets		544,103	550,932
		<hr/> <hr/>	<hr/> <hr/>



CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31,

Amounts in US\$ thousands

Revenues	Note	2015	2014
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	2h	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	14	69,355	64,782
Aliyah, klita and rescue	15	58,732	62,942
Young activism	16	37,378	39,293
Activities with Russian speaking Jews	17	24,975	26,113
Partnerships	18	20,335	20,026
Shlichim and Israel Fellows	19	20,786	23,245
Community services (not including FSU)	20	22,663	20,590
Allocations and social programs	21	72,487	67,781
Agency-wide projects and organizational activities	22	118,500	121,378
Support units and executive offices	23	26,839	27,433
FRD, marketing and communications	24	9,939	11,241
Cost of activities		481,989	484,824
Deficit from ordinary operations		(149)	(3,911)
Financial income, net	25	383	3,995
Income from activities		234	84
Non-operational income (expenses)			
Income (loss) from asset realization, net	26	866	(5,385)
Loss arising from Board designated endowment, net	6b	(298)	(3,291)
Decrease (increase) in Pension Fund liability, net	10d	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)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

<i>Amounts in US\$ thousands</i>	Unrestricted in use		Total
	For operations	Board designated endowment	
Balance at December 31, 2013	(95,100)	101,412	6,312
Changes during 2014			
Temporarily restricted donations and contributions received:			
United Israel Appeal, Inc.	-	-	-
U.S. Government grant	-	-	-
Keren Hayesod - United Israel Appeal	-	-	-
Direct donations & Spirit of Israel	-	-	-
Total received	-	-	-
Released from restriction	-	-	-
Net deficit for the year	(47,377)	-	(47,377)
Changes in endowments, net - note 6(b)	7,865	(7,865)	-
Release of fixed assets and restricted assets depreciation expense - note 2(a)2	5,703	-	5,703
Net change during 2014	(33,809)	(7,865)	(41,674)
Balance at December 31, 2014	(128,909)	93,547	(35,362)
Changes during 2015			
Temporarily restricted donations and contributions received:			
United Israel Appeal, Inc.	-	-	-
U.S. Government grant	-	-	-
Keren Hayesod - United Israel Appeal	-	-	-
Direct donations & Spirit of Israel	-	-	-
Total received	-	-	-
Released from restriction	-	-	-
Net income for the year	32,898	-	32,898
Changes in endowments, net - note 6(b)	3,442	(3,442)	-
Release of fixed assets and restricted assets depreciation expense - note 2(a)2	6,149	-	6,149
Net change during 2015	42,489	(3,442)	39,047
Balance at December 31, 2015	(86,420)	90,105	3,685

Temporarily restricted			Permanently restricted	
For projects	For allocations	Total	Endowment	Total
145,295	487	145,782	-	152,094
37,773	55,560	93,333	-	93,333
11,270	-	11,270	-	11,270
9,859	363	10,222	-	10,222
26,330	19,933	46,263	646	46,909
85,232	75,856	161,088	646	161,734
(70,809)	(67,781)	(138,590)	-	(138,590)
-	-	-	-	(47,377)
-	-	-	7	7
(5,703)	-	(5,703)	-	-
8,720	8,075	16,795	653	(24,226)
154,015	8,562	162,577	653	127,868
33,036	63,342	96,378	-	96,378
12,516	-	12,516	-	12,516
7,248	310	7,558	-	7,558
26,594	11,076	37,670	-	37,670
79,394	74,728	154,122	-	154,122
(73,423)	(72,487)	(145,910)	-	(145,910)
-	-	-	-	32,898
-	-	-	11	11
(6,149)	-	(6,149)	-	-
(178)	2,241	2,063	11	41,121
153,837	10,803	164,640	664	168,989

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

Amounts in US\$ thousands

	2015	2014
Cash flows from operating activities:		
Net income (deficit) for the year	32,898	(47,377)
Adjustments required to reflect the cash flows from operating activities (see Appendix)	(34,977)	94,042
Net cash provided by (used in) operating activities	(2,079)	46,665
Cash flows from investing activities:		
Purchase of fixed assets	(18,649)	(24,606)
Sale (purchase) of short-term deposits in banks and other investments	40,502	(5,555)
Decrease (increase) in long-term investments and other assets	10,636	(24,825)
Net cash provided by (used in) investing activities	32,489	(54,986)
Cash flows from financing activities:		
Deposits received	783	79
Repayment of long-term loans	-	(6,000)
Repayment of long-term deposits	(1,597)	(182)
Increase in temporarily restricted assets, net	8,212	22,498
Increase in permanent restricted assets, net	11	653
Net cash provided by financing activities	7,409	17,048
Increase in cash and cash equivalents, net	37,819	8,727
Balance of cash and cash equivalents at beginning of year	124,101	115,374
Balance of cash and cash equivalents at end of year	161,920	124,101

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

Amounts in US\$ thousands

Appendix:	2015	2014
	<hr/>	<hr/>
Adjustments required to reflect the cash flows from operating activities		
Income and expenses not involving cash flows:		
Exchange rate differences on long-term assets and liabilities, net	1,420	4,952
Capital loss (gain) on asset realization, net	(3,059)	4,383
Share in losses of equity investments, net of minority interest	1,290	450
Depreciation	15,808	14,232
Increase (decrease) in liability for employee rights upon retirement, net	(40,142)	28,183
	<hr/>	<hr/>
	(24,683)	52,200
	<hr/>	<hr/>
Changes in operating assets and liability items:		
Decrease (increase) in accounts receivable	(2,752)	47,057
Decrease in accounts payable and other liabilities	(7,542)	(5,215)
	<hr/>	<hr/>
	(10,294)	41,842
	<hr/>	<hr/>
	(34,977)	94,042
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 1 - GENERAL

The Jewish Agency for Israel (The Agency) is a global Jewish organization centered in Israel, whose mission is:

To inspire Jews throughout the world to connect with their people, heritage and land, and empower them to build a thriving Jewish future and a strong Israel.

The Agency pursues this mission by:

Connecting young Jews around the world to Israel as a cornerstone of Jewish identity through:

- Israel Experiences
- Shlichim (Emissaries)
- Partnerships (P2G), Jewish Diversity and Unity initiatives
- Work with Russian-speaking Jewry

Aliyah and Klita (resettlement and acculturation) of Jews in Israel:

- From free countries (“of choice”)
- From countries where Jews are in distress (“of rescue”)

Connecting young Israelis to the global Jewish family while deepening their Jewish identity via:

- Bringing them together with their global peers
- Fostering Jewish leadership
- Harnessing social activism and reviving the ethos that built Israel

Supporting vulnerable populations and closing social gaps (activism, emergency response):

- In Israel
- Abroad

The Agency is an association, recognized under the World Zionist Organization and Jewish Agency for Israel (Status) Law, 1952, as amended, which affirms The Agency as a distinct legal entity.

The main supporters of The Agency are the United Israel Appeal, Inc. (hereafter - UIA), which represents the Jewish community in the United States, and Keren Hayesod - United Israel Appeal, which represents other Jewish communities in the Diaspora. The United States Government via its humanitarian migrant resettlement program renders further support to The Agency.

Under the terms of a covenant, pursuant to the World Zionist Organization and Jewish Agency for Israel (Status) Law, 1952, that was executed between the Government of Israel and The Agency in 1979 with retroactive effect as of 1971, The Agency is exempt from a wide range of taxes, including income tax and capital gains tax.

In Israel, The Agency has a designation as a “National Fund” under Section 46 of the Income Tax Ordinance for the purpose of tax credits in respect of donations. The Agency is exempt from U.S. federal income tax under section 501(c)(3) of the Internal Revenue Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. Accounting and financial reporting principles for Non-Profit Organizations

The Agency prepares its financial statements in accordance with standards for accounting and financial reporting principles for not-profit entities in Israel effective as of 1997 and thereafter. Net assets are classified for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. The Agency has applied these principles in its financial statements, as follows:

1. Classification of net assets

Temporarily restricted net assets - net assets subject to donor stipulations that will be met by actions of The Agency over the passage of time. These include amounts for specifically designated projects, including capital projects.

Unrestricted net assets - net assets not subject to donor stipulations. These amounts are available for the support of The Agency's operations.

2. Income and expenditure are recorded on an accrual basis except for unrestricted donations and contributions that are recorded on the cash basis, unless the amount receivable as of year-end is recoverable beyond a reasonable doubt. Restricted donations and contributions, allocations and grants restricted for specific purposes are released to unrestricted income upon fulfillment of the donor-stipulated purpose.

Restricted donations and contributions received for the purchasing or construction of buildings are released from restriction in parallel to the amortization of the funded asset. The amounts released from restriction are shown as movements in unrestricted net assets on the Statement of Changes in Net Assets and are not included in the Consolidated Statements of Operations.

3. Full recognition is given to liabilities for employee-related expenses, i.e. unfunded pension and severance liabilities, vacation pay and unutilized sick and study leave.

4. Fixed assets which are transferred, as per donor-imposed designations, to third parties for their exclusive use, are recorded in The Agency's statements of operations and are not included in fixed assets.

5. Definitions:

Core expense - Expenses not funded by the release of temporarily restricted assets.

Subsidiary - A company, owned and controlled to the extent of 50%, including a partnership or joint venture, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of The Agency.

Associated company - A company controlled to the extent of 20% or more (which is not a subsidiary or proportionately consolidated company), which is presented by the equity method.

Related parties - As per Opinion 29 of the Institute of Certified Public Accountants in Israel (Israeli CPA Institute).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Financial statements in US dollars

The Agency applies Accounting Standard No. 13 (Revised), "Effects of Changes in Foreign Currency Exchange Rates" ("the Currency Standard"), which deals with determining the functional currency of an entity's foreign operations, the translation of transactions in foreign currency, the translation of financial statements of foreign operations and the translation of financial statements from the functional currency to the presentation currency.

1. Functional currency:

The entity's functional currency is the currency that best reflects the economic environment in which the entity operates and conducts its transactions. It has been determined that the functional currency in which The Agency operates and conducts its transactions is the US dollar.

2. Presentation currency:

The Agency can present its financial statements in any currency (or currencies). These financial statements are presented in US dollars as this is the currency that best reflects the economic environment in which The Agency operates (its "measurement currency"). The financial statements of consolidated and associated companies, whose financial statements are drawn up in other currencies, are translated into dollars or are remeasured into dollars, for the purpose of inclusion in these financial statements, as explained below.

Certain of the dollar amounts in the financial statements which are presented in dollars may represent the dollar equivalent of other currencies, including the New Israeli Shekel (NIS), and may not be exchangeable for dollars.

Transactions and balances denominated in dollars are presented at their dollar amounts. Non-dollar transactions and balances are translated into dollars based on the principles set forth in the Israeli Accounting Standard 13 (Revised). Differences arising from translation are included within financial expenses.

c. Cash flows statement

The increase in temporarily restricted assets, included in Cash flows from financing activities, reflects the net increase in temporarily restricted assets i.e. the difference between new designated contributions received during the year but unutilized at the year end and amounts expended during the year that were received in prior years.

d. Following are details of foreign currency exchange rates and consumer price index:

	December 31 2015	December 31 2014	% change 2015	% change 2014
US dollar exchange rate in NIS	3.902	3.889	0.3	12.0
Consumer price index (Israel)	118.5	119.7	(1.0)	(0.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e. Principles of consolidation

The consolidated financial statements include the financial statements of The Agency and its subsidiaries. For a list of subsidiaries and associated companies reflected in the financial statements - see Appendix A.

In addition to the fully consolidated companies as above, the consolidated financial statements include a company under common control (joint venture) by the proportionate consolidation method, as prescribed by Opinion 57 of the Israeli CPA Institute.

Intercompany balances and transactions have been eliminated.

f. Investment in associated companies

Investment in these companies is accounted for by the equity method.

g. Investments in marketable securities and in other companies

8. Marketable securities

Marketable securities held as a current investment are stated at their market value as of balance sheet date. Changes in the value of securities are fully recognized on a current basis.

Marketable securities held as a permanent investment are stated at cost (debentures - including accrued interest), less a provision for impairment in value not of a temporary nature (see also (3) below). There were no such securities held on December 31, 2015 or December 31, 2014.

9. Non-marketable securities

Non-marketable securities are stated at cost (debentures - including accrued interest), which in the opinion of management of The Agency is not in excess of their realizable value (see also (3) below).

10. Impairment in value of investments

The Agency examines on an going basis whether there has been an impairment in the value of its permanent investments in other companies which is not of a temporary nature. This examination is performed when there are signs that may indicate that there has been an impairment in value of permanent investments, including a decrease in the prices on the stock exchange, the business of the investee, the industry in which the investee operates and additional parameters. Write-downs in respect of the impairment in value of these investments, which, in accordance with the opinion of management, is based on an examination of the overall relevant aspects and the significance of each investment, and which is not of a temporary nature, are charged to the Statements of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h. Granting of loans

As part of its activities in the previous century, The Agency granted loans to agricultural communities. As of December 31, 2015, the outstanding book balance of loans receivable was approximately \$40 million. This amount does not include amounts granted as standing loans that will eventually become outright grants. These standing loans will only become payable in the event of default or breach of some or all of the terms of the loan agreements by the borrowers, but will otherwise be waived upon full satisfaction of borrowers' obligations.

These loans are mainly for periods of up to thirty years, have substantial grace periods and significant portions might be waived pursuant to specific negotiated agreements or due to external factors (e.g. legislation such as the "Gal Law", etc.). Per management's estimates, the balance of these repayable loans which is realistically collectable is approximately \$18 million as of December 31, 2015. Due to the uncertainties that affect the amount of collection of these loans, The Agency recorded the granting of those loans in prior years as an expense, not as a receivable asset, and recognizes the actual collections as operating income on a cash basis.

i. Fixed assets

1. Fixed assets held by The Agency prior to January 1, 1997 (including properties held by subsidiary holding companies) are reflected in these financial statements at token value. These assets include extensive rights in real estate, located mainly in Israel. Accordingly, the full proceeds received from the sale of fixed assets held prior to January 1, 1997 are reflected as income in the Statements of Operations.

Pre-1997 properties held by operating subsidiaries, which record such properties among assets in their financial statements, have been included in the consolidated accounts.

Fixed assets purchased as from January 1, 1997 are reflected at cost, less accumulated depreciation.

2. Fixed assets are depreciated by the straight-line method, on the basis of their estimated useful life.

Annual rates of depreciation are as follows:

	%
Buildings and improvements	Primarily 5
Furniture and equipment	25
Computer equipment and software	15-33
Vehicles	20

j. CPI linkage basis

Balances which stipulate linkage to the last Israeli Consumer Price Index (CPI) published prior to date of payment are stated on the basis of the last CPI published prior to the balance sheet date (the CPI for November).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k. Cash equivalents

The Agency considers highly liquid investments, which include short-term bank deposits (up to 3 months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

Short-term deposits for periods over 3 months are presented separately.

l. Derivatives

The Agency sometimes uses financial instruments to hedge anticipated expenditures for the coming year, which are probable and which are expected to be denominated in Israeli Shekels. The Agency does not hold or issue derivative financial instruments for speculative purposes. Gains and losses related to derivatives that are hedging The Agency's anticipated expenditures are deferred, and recognized in income as part of the measurement of the results of the underlying hedged transactions within financial income (see Note 25).

m. Reduction of asset value

The Agency applies Accounting Standard 15 - Impairment in Value of Assets (the Standard). The Standard provides procedures which a body must apply in order to ensure that its assets in the consolidated balance sheet (to which the Standard applies), are not presented at an amount which is in excess of their recoverable value, which is the higher of the net selling price and the use value (the present value of the estimated future cash flows expected to be derived from use and disposal of the asset).

The Standard applies to all the assets in the consolidated balance sheet, except inventory of buildings for sale, and monetary assets (excluding monetary assets which are investments in investee companies that are not subsidiaries). In addition, the Standard provides rules for presentation and disclosure with respect to assets whose value has been impaired. When the value of an asset in the consolidated balance sheet is higher than its recoverable value, The Agency recognizes a loss from the impairment in value in the amount of the difference between the book value of the asset and its recoverable value. The loss thus recognized will be cancelled only in the event of changes occurring in the estimates that were used to determine the recoverable value of the asset since the date on which the most recent loss from the decline in value was recognized.

n. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

o. Reclassifications

Certain prior year amounts have been reclassified in order to conform to the current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 3 - CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
In or linked to the US dollar	49,845	77,400
In Israeli shekels	108,005	40,163
In or linked to other currencies	4,070	6,538
	<u>161,920</u>	<u>124,101</u>

NOTE 4 - SHORT-TERM DEPOSITS IN BANKS

Mainly deposits denominated in US dollars and yielding annual interest rates of approximately 0.3%. The deposit periods are in excess of three months but less than one year.

NOTE 5 - ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Income receivable		
- Government of Israel	28,015	28,803
- Other activities	20,167	20,227
US Government grant	538	-
Prepaid expenses	1,365	1,340
Related parties	1,627	1,705
Advances to suppliers	764	986
Other	7,388	4,051
	<u>59,864</u>	<u>57,112</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 6 - INVESTMENTS AND OTHER ASSETS

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Investments in associated companies - at equity (a)	7,430	8,408
Endowment - Board designated (b)	90,105	93,547
Endowment - permanently restricted	664	653
Deposits with banks	5	2,099
Mortgages receivable, net (c)	766	959
Bank deposits for the granting of loans, net (d)	6,466	6,931
Other (e)	3,293	3,298
Loan to related party (f)	28,908	34,102
	<u>137,637</u>	<u>149,997</u>
Less: current maturities of loan to related party (f)	<u>(5,000)</u>	<u>(5,000)</u>
	<u>132,637</u>	<u>144,997</u>

(a) Changes in investments in associated companies are composed as follows:

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Balance at beginning of year	8,408	8,905
Sale of associated company	(412)	-
Investment in a new associated company	-	2,243
Share of associated companies' losses during the year	(566)	(2,740)
	<u>7,430</u>	<u>8,408</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 6 - INVESTMENTS AND OTHER ASSETS (CONT'D)

(b) Endowment Fund

During the course of 2009, the Board of Governors designated the proceeds from a specific debt collection transaction as the seed money for the establishment of the Jewish Agency Endowment Fund (the Endowment Fund). Subsequently, the Board of Governors mandated management to add sales proceeds from the sale of assets not utilized for the purpose of long-term debt reduction to the Endowment Fund.

As from March 31, 2014, 2.25% of the closing balance of the Endowment Fund on each of March 31 and September 30 each year was made available for the use of The Agency.

1. The value of the Endowment Fund changed as follows:

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Endowment Fund – balance at beginning of year	<u>93,547</u>	<u>101,412</u>
Yields earned on the Endowment Fund's investments	(54)	4,102
Exchange rate differences on shekel denominated investments	<u>(244)</u>	<u>(7,393)</u>
	(298)	(3,291)
Amounts released from the Endowment Fund to the unrestricted activities of The Agency	(4,149)	(4,574)
Additional amounts added to the Endowment Fund	<u>1,005</u>	<u>-</u>
Decrease in the Endowment Fund	<u>(3,442)</u>	<u>(7,865)</u>
Endowment Fund – balance at end of year	<u><u>90,105</u></u>	<u><u>93,547</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 6 - INVESTMENTS AND OTHER ASSETS (CONT'D)

(b) Endowment Fund (cont'd)

2. The Endowment Fund's investment strategy is to invest two thirds of its assets with Israeli financial institutions and the remainder to invest with U.S. Jewish Federation endowment funds.

At the end of the year, the Endowment Fund's assets were invested as follows:

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Israeli Government bonds	21,881	25,176
Stocks	30,268	22,000
Commercial bonds	18,281	21,130
Bank deposits - US dollars	2,460	8,950
Bank deposits - NIS	3,406	1,809
Hedge funds	6,015	5,647
US Bonds	2,924	4,053
Real assets	2,466	2,697
Others	2,404	2,085
	<hr/>	<hr/>
Total	90,105	93,547
	<hr/> <hr/>	<hr/> <hr/>

- (c) Net of provision for doubtful accounts as of December 31, 2015, approximately \$502 thousand, (December 31, 2014, approximately \$489 thousand), linked to the Israeli CPI.
- (d) The Agency was responsible for the granting of loans to entrepreneurs and others and recovery of the deposit is contingent upon repayment of the loans. The amount provided for doubtful debts as of December 31, 2015 was approximately \$643 thousand (December 31, 2014, approximately \$548 thousand).
- (e) Mainly linked to the US dollar.
- (f) During the course of 2014, the Jewish Agency lent an amount of \$34.3 million to one of its major contributors. The loan is to be repaid over the course of seven years and bears interest at an annual rate of 1.86%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 7 - FIXED ASSETS

	Land, buildings and improvements	Furniture and equipment	Computer equipment and software	Vehicles	Fixed assets held prior to 1997	Total
	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
Cost						
Balance as of beginning of year	279,337	28,593	26,276	657	1	334,864
Additions	18,567	722	2,004	20	-	21,313
Disposals	-	-	-	(43)	-	(43)
Balance as of end of Year	<u>297,904</u>	<u>29,315</u>	<u>28,280</u>	<u>634</u>	<u>1</u>	<u>356,134</u>
Accumulated depreciation						
Balance as of beginning of year	116,322	25,651	21,318	517	-	163,808
Charge for year	12,402	853	2,526	50	-	15,831
Disposals	-	-	-	(23)	-	(23)
Balance as of end of Year	<u>128,724</u>	<u>26,504</u>	<u>23,844</u>	<u>544</u>	<u>-</u>	<u>179,616</u>
Net book value as of December 31, 2015	<u>169,180</u>	<u>2,811</u>	<u>4,436</u>	<u>90</u>	<u>1</u>	<u>176,518</u>
Net book value as of December 31, 2014	<u>163,015</u>	<u>2,942</u>	<u>4,958</u>	<u>140</u>	<u>1</u>	<u>171,056</u>

NOTE 8 - ACCOUNTS PAYABLE

	December 31, 2015	December 31, 2014
	US\$ thousands	US\$ thousands
Suppliers, contractors and institutions	40,763	38,168
Salaries and related payables	16,250	13,364
Expenses payable	18,312	22,435
Related parties	2,193	2,183
Deferred revenue	6,800	7,212
Rental income advance- current maturities of other liabilities (see note 11(b))	-	6,170
Other	11,831	13,151
	<u>96,149</u>	<u>102,683</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 9 - BANK LOANS

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Bank loans (1)	3,179	3,472
Less: current maturities (2)	<u>(68)</u>	<u>(31)</u>
	<u><u>3,111</u></u>	<u><u>3,441</u></u>

(1) Liabilities of subsidiaries and not of The Agency

(2) Current maturities are determined in accordance with the terms of the loans

NOTE 10 - LIABILITIES FOR EMPLOYEE RIGHTS UPON RETIREMENT

a. Pension and severance pay

Labor laws and agreements require The Agency to pay severance pay and/or pensions to employees dismissed or retiring from its employ. The Agency's pension and severance pay liability to its employees who joined The Agency before April 1995 is covered mainly by regular deposits with the Provident and Pension Fund of Employees of the Jewish Agency for Israel Ltd. (the Fund). If the assets of the Fund are not adequate to meet its actuarial liability, The Agency is to fund the deficiency. In the event, however, that the assets of the Fund exceed the amount of the liability by 25%, then any amount over 7.5%, has to be remitted by the Fund to The Agency.

Based on the audited financial statements and the actuarial computation furnished to The Agency by the Fund as of December 31, 2015, assets of the Fund amount to approximately \$885 million (2014: \$918 million), the projected benefit obligation amounts to approximately \$1,085 million (2014: \$1,155 million) and consequently, the estimated unfunded pension liability amounts to approximately \$200 million (2014: \$237 million).

The significant actuarial assumptions used are in accordance with the guidelines of the Controller of the Capital Markets, Insurance and Savings at the Ministry of Finance (hereafter Ministry of Finance) as follows:

- assumed real increase in pensions: mostly 0 to 1% (2014: 0 to 2%) per annum.
- assumed real increase in salaries of current employees : 1.5% (2014: 1.5%) per annum.
- dictated discount rate on Fund assets approximately: 0.904% (2014: 1.03%) per annum.
- assumed mortality based on Israeli mortality tables as directed by the Ministry of Finance in January 2013.

The abovementioned assets and projected benefit obligation of the Fund are not reflected in the balance sheet since they are not under the control and management of The Agency. Only The Agency's liability to the Fund is reflected in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 10 - LIABILITIES FOR EMPLOYEE RIGHTS UPON RETIREMENT (CONT'D)

a. Pension and severance pay (cont'd)

As of 2005, the discount rate of the Fund's actuarial liabilities and the yields of the Fund's assets are determined by the Ministry of Finance. The Agency's management is of the opinion that certain actuarial assumptions used, regarding the yields, (based on the dictated discount rate) may not accurately reflect prevailing conditions, which if applied, would reduce The Agency's liability from the figure shown in the financial statements. Management however is unable at present to quantify the extent of the adjustments that would be required if what it considers prevailing conditions were applied, and therefore The Agency has nevertheless reflected in its financial statements the estimated unfunded pension liability as per the Fund's computations.

Per the Fund's actuary, the Fund would be balanced, were a real discount rate of 2.46% to be used. The Fund's actual real yield in 2015 was 4.17% (2014: 7.66%) and the average actual real yield over the last 5 years was 5.3%.

Following an Israeli government pension fund reform, no new members are added to the Fund. Therefore, The Agency has entered into agreements with two external pension funds, whereby employees who joined The Agency after March 1995 can, should they wish, become members of one of those (or any other) funds. The terms of these funds relieve The Agency of all pension and standard severance pay liabilities.

Regarding liabilities for pension and statutory severance pay to local employees in overseas offices, management has recorded provisions which it considers adequate for such liabilities.

b. Compensation for unutilized sick and study leave

Labor agreements entitle employees with ten years of tenure to partial compensation for unutilized sick leave upon retirement. Furthermore, certain employees are entitled to compensation for unused study leave upon retirement. The Agency has fully provided for these liabilities.

c. Liabilities for employee rights upon retirement are composed as follows:

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Liability to the Pension Fund, net*	199,775	236,953
Less: current commitment to the Pension Fund**	<u>(4,000)</u>	<u>(4,000)</u>
	195,775	232,953
Compensation for unutilized sick and study leave and additional severance benefits for The Agency employees in Israel	26,121	27,005
Other pension and severance pay liabilities, net	<u>17,877</u>	<u>19,957</u>
	<u><u>239,773</u></u>	<u><u>279,915</u></u>

* This liability is denominated in New Israeli Shekels, discounted at 0.904% (2014: 1.03%).

** Under the terms of an agreement with the Pension Fund, The Agency has committed to remit minimum annual payments to the Pension Fund, on account of its liability, of \$4 million for each of the years 2013 through 2018.

The receipt by the Pension Fund of additional payments from The Agency on account of its liability, generates additional future income. Therefore, the effect of additional future payments on the reduction of the Pension Fund liability will be in excess of the actual payment made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 10 - LIABILITIES FOR EMPLOYEE RIGHTS UPON RETIREMENT (CONT'D)

d. Decrease (increase) in Pension Fund liability, net

The net change is comprised of the following elements:

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Past experience adjustments to actuarial assumptions	(2,920)	14,277
Income received above (below) expected yield:		
- Due to unfunded deficit	(1,118)	(4,002)
- Due to market conditions	31,969	85,777
Change in the discount rate used	(17,931)	(157,536)
Change in actuarial assumptions	20,257	-
Exchange rate differences	794	26,794
Others	2,127	(72)
	<u>33,178</u>	<u>(34,762)</u>

NOTE 11 - OTHER LIABILITIES

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Former Prisoners of Zion (a)	8,885	10,302
Deposits payable	9,063	9,638
Rental income advance (b)	-	6,170
Others	7,787	8,830
	<u>25,735</u>	<u>34,940</u>
Less current maturities (b)	-	(6,170)
	<u>25,735</u>	<u>28,770</u>

- a. This liability represents the actuarial liability, discounted at 0.904% (2014: 1.03%) relating to the Jewish Agency's commitment to pay lifelong monthly stipends to former "Prisoners of Zion" who were imprisoned in their former countries as a result of Zionist activities they conducted there, prior to their Aliyah. The level and amounts of the stipends paid are governed by a law passed in 1992, later amended, per the terms of which, the entitlement to these stipends is subject to a means test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 11 - OTHER LIABILITIES (CONT'D)

- b. During 2011, an agreement was reached with the Government of Israel for the housing of elderly immigrants as well as members of other vulnerable populations in refurbished former absorption centers. The rental expense for the tenants will be substantially subsidized by the Government. As part of the agreement reached, an advance of the rental income was received by The Agency from the Government during 2011, in the amount of \$8 million. This advance did not bear interest and was repaid over the course of four years with the final payment of \$6.2 million paid on January 1, 2015.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

- a. On December 31, 2015, The Jewish Agency signed an agreement with the Government of Israel relating to the construction and subsequent operation of over 2,600 social housing units on 17 sites in Israel owned by The Agency and some of its major supporters. The units constructed will be used to provide housing for members of Israel's most vulnerable populations entitled to government subsidized housing. The expected cost of the construction is expected to be approximately \$250 million of which the Government of Israel will provide a grant to fund approximately half. The remaining half will be funded by debt and designated donations.
- b. Various lawsuits are pending against The Agency and some of its subsidiaries with a potential total exposure of approximately \$11 million as of December 31, 2015. In respect of some of these lawsuits, The Agency has provided an amount that Management, based on the opinions of legal counsel received, considers necessary to cover any liabilities that may arise.
- c. The Agency entered into a long-term contract on June 23, 2005 with the Government of Israel and Masa: the Project for the Encouragement of Long-term Programs in Israel for Jewish Young Adults Ltd., ("Masa") an Agency wholly-owned subsidiary, for the purpose of bringing young Jews from all over the world to Israel for periods of a duration of between five and ten months to participate in academic and volunteer programs that meet Masa standards. In accordance with the contract, Masa is responsible for facilitating the project. The major part of the Masa budget is the scholarship program for eligible participants, which subsidizes the cost of the participant's tuition and stay in Israel. Masa is jointly funded by The Agency and the Government of Israel. The amounts funded are a direct function of the number of participants that are recruited and participate in programs and the length of their program each academic year. See Note 14.
- d. As presented in Note 6(d), under The Agency program for granting loans to entrepreneurs, deposits are made with Israeli commercial banks for the purpose of enabling the banks to provide such loans. These deposits act as security for the loans provided. In the event that a borrower defaults, the amount of the defaulted loan would be forfeited. To date, the default rate has been very low and is expected to continue at this very low rate for the foreseeable future.
- e. The Agency has provided guarantees of \$0.6 million to customers of one of its subsidiaries for the quality of services provided.
- f. The Agency has provided guarantees of \$2.7 million to the Government of Israel for the satisfactory provision of services by one of its subsidiaries.
- g. One of The Agency's subsidiaries has commitments to subcontractors for building and renovation projects of approximately \$25 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

- h. One of The Agency's subsidiaries has registered a lien on one of its properties to its bankers who provided a loan for the purchase of that property.
- i. One of The Agency's subsidiaries, in the past, received capital investment grants under the terms of the Law for Encouragement of Capital Investments, 1959. The retention of the grants is dependent upon the compliance with the terms of the grants agreement. The subsidiary registered a floating lien on its assets in favor of the State of Israel as a guarantee for the performance of investment plans included in the grant agreement. Management believes that the terms of the agreement have been complied with.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

These assets are linked mainly to the dollar and are composed as follows:

	December 31, 2015	December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Designated donations received but not yet utilized in full or in part	84,827	79,928
Other :		
Deposits (a)	13,234	11,664
Designated donations for sheltered housing for the elderly and other restricted assets - remaining unamortized balance (b)	<u>66,579</u>	<u>70,985</u>
	<u>164,640</u>	<u>162,577</u>

- (a) Composed of funds which bear interest at around the Libor rate except for deposits totaling \$2,879 thousand, which do not bear interest.
- (b) This balance is amortized in parallel to the amortization of the fixed assets whose purchase these designated donations funded – see Note 2(a)2.

NOTE 14 - ISRAEL EXPERIENCES

	The year ended December 31, 2015		
	Core	Designated	Total
	<u>US\$ thousands</u>	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Masa (Israel Journey)*	52,855	1,109	53,964
Onward Israel	2,378	3,392	5,770
Taglit (Birthright)	5,000	-	5,000
Machon - young leadership training	3,355	52	3,407
Israel Tech Challenge	87	481	568
Program implementation	470	-	470
Pre & post Israel experience engagement	<u>-</u>	<u>176</u>	<u>176</u>
	<u>64,145</u>	<u>5,210</u>	<u>69,355</u>

* Includes expenses incurred by both The Agency and a subsidiary company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 14 - ISRAEL EXPERIENCES (CONT'D)

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Masa (Israel Journey)*	47,704	1,842	49,546
Onward Israel	1,535	4,163	5,698
Taglit (Birthright)	5,100	-	5,100
Machon - young leadership training	3,465	25	3,490
Israel Tech Challenge	264	333	597
Young adult centers (Connect)	190	-	190
Program implementation	151	-	151
Pre & post Israel experience engagement	10	-	10
	<u>58,419</u>	<u>6,363</u>	<u>64,782</u>

* Includes expenses incurred by both The Agency and a subsidiary company.

NOTE 15 - ALIYAH, KLITA AND RESCUE

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Absorption centers	31,347	1,388	32,735
Olim flights	10,529	-	10,529
Young adults' programs - Selah, Kibbutz Ulpan, Student Authority and First Home in the Homeland	6,120	947	7,067
Program implementation	2,036	-	2,036
Aliyah services and eligibility	1,753	34	1,787
Initial ulpanim	1,581	-	1,581
Nefesh B'Nefesh	1,151	-	1,151
At Home Together	539	-	539
Lone Immigrant Soldiers - Wings	-	528	528
Grants for new olim	-	376	376
Initial furnishings for Ethiopian olim	297	-	297
Ethiopia - Gondar compound	97	4	101
Group flights - aliyah on a red carpet	-	5	5
	<u>55,450</u>	<u>3,282</u>	<u>58,732</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 15 - ALIYAH, KLITA AND RESCUE (CONT'D)

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Absorption centers	32,275	3,922	36,197
Olim flights	10,102	-	10,102
Young adults' programs - Selah, Kibbutz Ulpan, Student Authority and First Home in the Homeland	5,174	372	5,546
Program implementation	1,575	-	1,575
Aliyah services and eligibility	1,928	22	1,950
Initial ulpanim	1,036	-	1,036
Nefesh B'Nefesh	1,401	2,000	3,401
At Home Together	1,132	10	1,142
Lone Immigrant Soldiers - Wings	-	561	561
Grants for new olim	-	489	489
Initial furnishings for Ethiopian olim	346	-	346
Ethiopia - Gondar compound	322	33	355
Group flights - aliyah on a red carpet	178	64	242
	<u>55,469</u>	<u>7,473</u>	<u>62,942</u>

NOTE 16 - YOUNG ACTIVISM

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Youth Aliyah villages	14,401	2,037	16,438
Youth Futures	5,290	4,974	10,264
Atidim, Neta scholarships, Shinshinim and young communities	1,146	3,937	5,083
Nitzana educational center	2,301	253	2,554
Post high-school service learning (Mechinot)	1,218	614	1,832
Tikun Olam	127	560	687
Program implementation	520	-	520
	<u>25,003</u>	<u>12,375</u>	<u>37,378</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 16 - YOUNG ACTIVISM (CONT'D)

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Youth Aliyah villages	15,312	2,458	17,770
Youth Futures	6,651	5,216	11,867
Atidim, Neta scholarships, Shinshinim and young communities	410	3,503	3,913
Nitzana educational center	2,418	426	2,844
Post high - school service learning (Mechinot)	1,198	148	1,346
Tikun Olam	324	599	923
Program implementation	630	-	630
	<u>26,943</u>	<u>12,350</u>	<u>39,293</u>

NOTE 17 - ACTIVITIES WITH RUSSIAN SPEAKING JEWS

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Preparation for Aliyah	4,375	2,630	7,005
Summer/winter camps (FSU)	610	5,012	5,622
Heftziba	2,941	875	3,816
Youth, students and community activities	1,926	845	2,771
Programs with Former Soviet Union emigrants	1,425	271	1,696
Program implementation	1,426	-	1,426
Ulpanim, Sunday schools and Jewish literacy	657	675	1,332
Shlichim in FSU	926	17	943
Pre and post Israel experience programs	262	34	296
Program for Taglit (Birthright) graduates	48	20	68
	<u>14,596</u>	<u>10,379</u>	<u>24,975</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 17 - ACTIVITIES WITH RUSSIAN SPEAKING JEWS (CONT'D)

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Preparation for Aliyah	4,424	895	5,319
Summer/winter camps (FSU)	436	4,301	4,737
Heftziba	4,864	919	5,783
Youth, students and community activities	2,610	1,040	3,650
Programs with Former Soviet Union emigrants	1,636	168	1,804
Program implementation	1,687	-	1,687
Ulpanim, Sunday schools and Jewish literacy	854	558	1,412
Shlichim in FSU	1,319	-	1,319
Pre and post Israel experience programs	276	126	402
	<u>18,106</u>	<u>8,007</u>	<u>26,113</u>

NOTE 18 - PARTNERSHIPS

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Partnership2Gether	4,835	12,455	17,290
Developing small-business initiatives	200	1,225	1,425
Program implementation	1,410	-	1,410
International school twinning network	200	10	210
	<u>6,645</u>	<u>13,690</u>	<u>20,335</u>

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Partnership2Gether	5,665	11,836	17,501
Developing small-business initiatives	150	868	1,018
Program implementation	1,238	-	1,238
International school twinning network	269	-	269
	<u>7,322</u>	<u>12,704</u>	<u>20,026</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 19 - SHLICHIM AND ISRAEL FELLOWS

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Community educators	3,418	4,231	7,649
Youth movement educators	4,661	75	4,736
Israeli counselors in North American summer camps	3,676	259	3,935
Pre-shlichut costs	2,393	-	2,393
Shlichim worldwide	934	-	934
Ongoing shlichut costs	531	-	531
Program implementation	530	-	530
Israeli educators (short-term) - Zionist seminars	78	-	78
	16,221	4,565	20,786

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Community educators	3,954	3,101	7,055
Youth movement educators	5,678	110	5,788
Israeli counselors in North American summer camps	4,079	349	4,428
Pre-shlichut costs	2,968	-	2,968
Shlichim worldwide	1,617	-	1,617
Ongoing shlichut costs	697	-	697
Program implementation	575	-	575
Israeli educators (short-term) - Zionist seminars	117	-	117
	19,685	3,560	23,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 20 - COMMUNITY SERVICES (NOT INCLUDING FSU)

	The year ended December 31, 2015		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Preparation for Aliyah	5,073	351	5,424
Overseas education activities	4,629	566	5,195
Morasha	3,650	-	3,650
Cha'il	2,728	335	3,063
Worldwide community representatives	3,028	-	3,028
Global Service Center	1,583	-	1,583
England youth movement activities	600	-	600
Program growth incentive	120	-	120
	21,411	1,252	22,663

	The year ended December 31, 2014		
	Core	Designated	Total
	US\$ thousands	US\$ thousands	US\$ thousands
Preparation for Aliyah	4,731	126	4,857
Overseas education activities	4,792	722	5,514
Morasha	2,965	-	2,965
Cha'il	2,595	207	2,802
Worldwide community representatives	2,158	-	2,158
Global Service Center	1,561	-	1,561
England youth movement activities	600	-	600
Program growth incentive	133	-	133
	19,535	1,055	20,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 21 - ALLOCATIONS AND SOCIAL PROGRAMS

Support provided to enable the implementation by some 720 other charitable institutions of programs whose aims and objectives are compatible with those of The Agency.

NOTE 22 - AGENCY-WIDE PROJECTS AND ORGANIZATIONAL ACTIVITIES

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Israeli subsidiary companies expenses*	55,564	56,662
Amigour social housing	29,133	28,602
Nativ	8,986	8,360
Kiryat Moriah Campus	3,005	3,215
Jewish Unity activities – religious streams	2,670	2,822
Other	13,504	15,068
Security projects	2,514	2,469
Asset management fees	2,378	3,412
Jewish People Policy Planning Institute	571	591
Change in equity of associated companies	175	177
	<u>118,500</u>	<u>121,378</u>

* Not including Masa (Israel Journey) expenses - see Note 14.

NOTE 23 - SUPPORT UNITS AND EXECUTIVE OFFICES

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Finance and logistics	7,983	7,338
Executive offices	3,329	3,611
Human resources and administration	3,250	3,787
Worldwide regional management	2,930	3,340
ERP, CIO and other organizational IT	2,868	2,805
Security division	1,505	2,116
Planning, information and other support functions	1,106	1,346
Chief Operations office	974	-
Legal Advisor	916	972
Companies Bureau	850	930
Spokesman	644	644
Comptroller	484	544
	<u>26,839</u>	<u>27,433</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 24 - FRD, MARKETING AND COMMUNICATIONS

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
FRD	6,640	7,728
Marketing and communications	3,299	3,513
	<u>9,939</u>	<u>11,241</u>

NOTE 25 - FINANCIAL INCOME, NET

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Interest expenses, net	(128)	(274)
Exchange rate income and other, net	511	4,269
	<u>383</u>	<u>3,995</u>

NOTE 26 - INCOME (LOSS) FROM ASSET REALIZATION, NET

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Sale of assets (a)	3,059	378
Depreciation of restricted fixed assets funded by Israeli Government grants (b)	(1,410)	(1,205)
Other (c)	(783)	(4,558)
	<u>866</u>	<u>(5,385)</u>

- a. Sale of assets - mainly sales of real estate.
- b. Written back to unrestricted net assets on Statements of Changes in Net Assets.
- c. Other - mainly (in 2014) the result of a legal ruling in respect of property rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

NOTE 27 - TRANSACTIONS WITH RELATED PARTIES

a. Transactions during the ordinary course of business:

	The year ended December 31, 2015	The year ended December 31, 2014
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
Transactions with World Zionist Organization (WZO)	15,906	18,219
Other expenses (income)	(451)	1,019

- b. Balances, donations and other transactions with related parties are disclosed separately in these financial statements.
- c. Short-term deposits of \$3,446 bearing interest, were received from a related party.
- d. During the course of the year, The Agency purchased a property from one of its major supporters for an amount of approximately \$2.4 million. This property will be developed as part of The Agency's social housing initiative outlined in note 12a.



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הסתדרות הציונית העולמית
THE WORLD ZIONIST ORGANIZATION



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