McGladrey & Pullen
Certified Public Accountants

International Fellowship of Christians & Jews, Inc.

Financial Report

December 31, 2008

Contents

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
International Fellowship of Christians & Jews, Inc.

We have audited the accompanying statement of financial position of International Fellowship of Christians & Jews, Inc. (The Fellowship) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Fellowship's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2007 financial statements, and in our report dated May 19, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Fellowship of Christians & Jews, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Chicago, Illinois
May 12, 2009

International Fellowship of Christians & Jews, Inc.

Statement of Financial Position
December 31, 2008 (With Comparative Totals for 2007)

	2008	2007
Assets		
Current assets		
Cash and equivalents	$ 8,942,971	$ 7,699,804
Investments	5,674,120	11,164,431
Accounts receivable	10,546	7,305
Prepaid expenses	1,272,739	1,047,726
Inventory	81,470	97,055
	15,981,846	20,016,321
Furniture and equipment, at cost (net of accumulated depreciation of $908,169 in 2008 and $738,723 in 2007)	846,105	411,076
	$ 16,827,951	$ 20,427,397
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 2,248,984	$ 2,062,205
Charitable gift annuity payable	1,200,575	831,704
Deferred compensation payable	700,472	484,942
	4,150,031	3,378,851
Net assets		
Unrestricted	6,280,300	7,647,373
Temporarily restricted for the following purposes		
On Wings of Eagles	4,332,207	2,610,719
Isaiah 58	1,888,240	5,034,039
Stand for Israel	177,173	172,387
Guardians of Israel	-	1,584,028
	6,397,620	9,401,173
	12,677,920	17,048,546
	$ 16,827,951	$ 20,427,397

International Fellowship of Christians & Jews, Inc.

Statement of Activities
Year Ended December 31, 2008 (With Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
Revenue				
Contributions	$ 77,784,071	$ 6,397,620	$ 84,181,691	$ 75,836,369
Net investment income (loss)	(1,143,347)	-	(1,143,347)	2,471,793
Catalog sales	103,921	-	103,921	266,515
Tours, conferences and other income	150,942	-	150,942	21,306
Net assets released from restrictions	9,401,173	(9,401,173)	-	-
	86,296,760	(3,003,553)	83,293,207	78,595,983
Expenses				
Fellowship	12,351,059	-	12,351,059	11,317,563
Guardians of Israel	10,829,184	-	10,829,184	12,229,909
Isaiah 58	24,623,679	-	24,623,679	15,520,971
On Wings of Eagles	21,851,371	-	21,851,371	19,864,408
Stand for Israel	277,895	-	277,895	170,154
	69,933,188	-	69,933,188	59,103,005
General and administrative	4,683,204	-	4,683,204	2,734,720
Fundraising	13,047,441	-	13,047,441	12,390,538
	87,663,833	-	87,663,833	74,228,263
Increase (decrease) in net assets	(1,367,073)	(3,003,553)	(4,370,626)	4,367,720
Net assets				
Beginning of year	7,647,373	9,401,173	17,048,546	12,680,826
End of year	$ 6,280,300	$ 6,397,620	$ 12,677,920	$ 17,048,546

International Fellowship of Christians & Jews, Inc.

Statement of Functional Expenses
Year Ended December 31, 2008 (With Comparative Totals for 2007)

	Fellowship	Guardians of Israel	Isaiah 58	On Wings of Eagles	Stand for Israel	Total Programs	General and Administrative	Fundraising	2008 Total	2007 Total
Grants disbursed	$ 5,303,897	$ 8,454,522	$20,016,549	$16,576,818	$ -	$50,351,786	$ -	$ -	$50,351,786	$42,527,402
Television and radio airtime and production	432,683	1,212,380	2,458,629	3,445,525	-	7,549,217	200,616	2,890,952	10,640,785	10,792,640
Public education	635,379	17,271	14,826	138,617	73,880	879,973	3,795	105,103	988,871	241,145
Salaries and benefits	1,891,100	321,082	796,781	885,463	-	3,894,426	2,764,302	880,244	7,538,972	6,089,483
Consulting and P.R.	943,914	40	-	-	6,300	950,254	562,213	417,846	1,930,313	1,616,956
Catalog production and merchandise sold	113,157	-	-	-	-	113,157	9,576	2,196	124,929	311,899
Lockbox fees	963,387	-	-	-	-	963,387	9,858	909	974,154	792,220
Occupancy	154,017	21,480	33,219	37,526	767	247,009	274,658	90,044	611,711	502,107
Equipment rental and maintenance	75,313	-	-	-	-	75,313	146,419	-	221,732	109,784
Printing and postage	1,065,398	788,521	1,276,348	736,622	196,948	4,063,837	234,997	8,465,805	12,764,639	9,961,671
Office supplies and miscellaneous	26,740	-	-	-	-	26,740	104,444	105	131,289	149,918
Telephone	165,379	13,888	27,327	30,800	-	237,394	40,329	-	277,723	202,822
Telemarketing	-	-	-	-	-	-	-	150,812	150,812	205,835
Travel and meetings	195,316	-	-	-	-	195,316	192,113	16,907	404,336	386,221
Accounting and legal	312,636	-	-	-	-	312,636	58,998	-	371,634	199,261
Depreciation	72,743	-	-	-	-	72,743	80,886	26,518	180,147	138,899
	$12,351,059	$10,829,184	$24,623,679	$21,851,371	$ 277,895	$69,933,188	$ 4,683,204	$13,047,441	$87,663,833	$74,228,263

See Notes to Financial Statements.

International Fellowship of Christians & Jews, Inc.

Statement of Cash Flows
Year Ended December 31, 2008 (With Comparative Totals for 2007)

	2008	2007
Operating activities		
Increase (decrease) in net assets	$ (4,370,626)	$ 4,367,720
Depreciation	180,147	138,899
Realized (gain) loss on sales of investments	583,315	(27,227)
Unrealized (gain) loss on investments	1,431,254	(270,793)
Changes in		
Accounts receivable	(3,241)	(2,105)
Prepaid expenses	(225,013)	(422,063)
Inventory	15,585	122,241
Accounts payable and accrued expenses	186,780	694,024
Charitable gift annuity payable	368,871	78,702
Deferred compensation payable	215,530	342,973
Net cash provided by (used in) operating activities	(1,617,398)	5,022,371
Investing activities		
Purchase of investments and certificates of deposit	(9,108,938)	(4,410,675)
Sale of investments and certificates of deposit matured	12,584,679	2,590,033
Purchase of furniture and equipment	(615,176)	(184,356)
Net cash provided by (used in) investing activities	2,860,565	(2,004,998)
Increase in cash and equivalents	1,243,167	3,017,373
Cash and equivalents		
Beginning of year	7,699,804	4,682,431
End of year	$ 8,942,971	$ 7,699,804

Note 1. Nature of Activities and Significant Accounting Policies

The International Fellowship of Christians & Jews, Inc. (The Fellowship) is a nonprofit organization operated exclusively for charitable purposes. The Fellowship is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Contributions to The Fellowship are tax deductible under Section 170(b)(1)(a)(6) of the Code.

Since 1983, The Fellowship's mission has been to promote understanding and cooperation between Jews and Christians and to build broad support for Israel and other shared concerns. It is The Fellowship's vision that Jews and Christians will reverse their 2,000-year history of discord and replace it with a relationship marked by dialogue, understanding, respect and cooperation. In addition, The Fellowship seeks to help Christians understand the Jewish roots of their faith, sponsors programs to build bridges of understanding between Christians and Jews and educates the public on issues of prejudice and anti-Semitism.

On December 31, 2004, the IFCJ Foundation (The Foundation) was organized under the Illinois trust provisions to serve as a supporting organization to The Fellowship. The Foundation's assets, which consisted of $9,461 held in a bank account as of December 31, 2008, is consolidated with The Fellowship. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Fellowship's major programs are:

- *Guardians of Israel.* The needs of Israel's poorest families remain a high priority for The Fellowship. As they struggle to overcome the loss of jobs and accompanying economic hardships, The Fellowship assists thousands of hurting people with their basic needs through its Guardians of Israel program. The Israel 911 Emergency Fund is a project that helps cities meet their residents' most pressing needs. The Fellowship is actively involved in over 120 Israeli cities providing emergency funds and community resources for those in desperate need. With two children out of every five in Israel living below the poverty line, this tangible assistance is greatly needed.

- *Isaiah 58.* Thousands of elderly Jews, orphans and throwaway children who struggle to survive throughout the former Soviet Union are not forgotten. Working with the American Jewish Joint Distribution Committee and local Jewish communities, Isaiah 58 helps improve their living conditions. Elderly Jews, survivors of the Holocaust, Communism, pogroms and other events designed to eradicate Jews and people of faith, are fighting a battle of survival today against cold, hunger and illness. With pensions of only a dollar or two a day, they often choose between food and medicine. Isaiah 58 brings them firewood for their stoves, food, medicines and companionship. In addition, Isaiah 58 gives poor Jewish children, either abandoned or orphaned and living in horrible conditions that threaten their very survival, a new chance at full and productive lives by bringing them from the streets into caring Jewish homes where they receive the love and care of family, education and other necessities to turn their lives around.

- *On Wings of Eagles.* Families, elderly couples and individuals from the former Soviet Union, Ethiopia, France and many other distressed countries where Jews live in hardship and face anti-Semitism are coming "home" to Israel because of the assistance The Fellowship provides through the Jewish Agency for Israel. Once these émigrés arrive in Israel, adjusting to their homeland involves taking "steps" one at a time, much like a person who is learning to walk. This important work of resettlement is an integral part of The Fellowship's On Wings of Eagles program.

Note 1. Nature of Activities and Significant Accounting Policies*, Continued*

- *Stand For Israel.* Stand For Israel is The Fellowship's outreach program to the Christian community. It provides clear and factual information about Israel and the situation in the Middle East. Its mission is to rally support for Israel through education, outreach and advocacy at the grassroots, church and leadership levels.

  The goal of Stand For Israel is to:

  - Educate the Christian community on the biblical, political and strategic importance of Israel.
  - Strengthen the ties between Israel and the United States, particularly the evangelical Christian community.
  - Rally and coordinate the efforts of pro-Israel Christians in the United States to give tangible expression to Christian solidarity with Israel.
  - Be an influential pro-Israel voice in Washington, DC.

Other program expenses are classified as Fellowship program expenses.

A summary of significant accounting policies is as follows:

Basis of Accounting: The financial statements are prepared in conformity with accounting principles applicable to nonprofit organizations. For financial reporting purposes, The Fellowship's net assets and related activity are reported in two self-balancing fund groups, as follows:

Unrestricted Net Assets. Unrestricted net assets represent assets not subject to donor imposed restrictions and are available for support of The Fellowship and to fund on-going or new programs. Restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support. Restricted contributions used for their intended purpose in the year of contribution totaled $47,582,821.

Temporarily Restricted Net Assets. Temporarily restricted net assets result from contributions whose use is limited by donor-imposed restrictions. Assets are released from temporarily restricted when they are used for their donor-directed purpose.

Amounts reflected as cash and equivalents include amounts held in checking, money market and certificate of deposits accounts with original maturities of three months or less.The Fellowship maintains these deposits with high quality financial institutions in amounts that are in excess of federally insured limits; however, The Fellowship does not believe it is exposed to any significant credit risk.

Inventories, consisting principally of merchandise for sale, are valued at the lower of cost or market, determined on the first-in, first-out basis.

Furniture and equipment is depreciated on the straight-line method over its estimated useful life, ranging from three to seven years.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Realized and unrealized gains and losses resulting from changes in the fair value of securities held are reflected in the statement of activities, in the year of change.

The Fellowship invests in various investments. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of activities.

Note 1. Nature of Activities and Significant Accounting Policies, *Continued*

The Fellowship has entered into various charitable gift annuities with its donors. The Fellowship is obligated to make payments to the annuitants for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the general assets and liabilities of The Fellowship, subject to The Fellowship maintaining an actuarial reserve in accordance with various state laws.

Operating expenses directly identified with a functional area are charged to that area and, where such expenses affect more than one area, they are allocated based on estimates made by management.

The Fellowship incurs program service, general and administrative, and fundraising expenses in conducting its television and direct mail activities. These joint costs totaled approximately $36,815,487. As provided by the applicable nonprofit accounting principles concerning fundraising activities, these joint costs have been allocated to program services ($19,155,605), general and administrative ($4,614,636) and fundraising ($13,045,246) expenses.

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Adopted Accounting Pronouncements: The Fellowship adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) effective January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of SFAS 157 did not have a material impact on the financial statements or results of activities of the Fellowship. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, *Effective Date of FASB Statement No. 157*, The Fellowship will delay application of SFAS 157 for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value on a non-recurring basis until January 1, 2009. SFAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. The adoption of the remaining provisions of SFAS 157 is not expected to have a material impact on The Fellowship's financial position, results of activities or cash flows.

Recent Accounting Pronouncements: The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109* . FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Fellowship presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonable possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

The Fellowship has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Fellowship will be required to adopt FIN 48 in its 2009 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

Reclassifications: Certain 2007 balances have been reclassified to confirm to the current year's presentation, without affecting previously report net assets.

Note 2. Fair Value Disclosures

Effective January 1, 2008, the Fellowship adopted SFAS No. 157, issued by the Financial Accounting Standards Board. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS 157 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investment Securities: The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

In determining the appropriate levels, The Fellowship performs a detailed analysis of the assets and liabilities that are subject to SFAS 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs would be classified as Level 3.

The following table presents The Fellowship's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2008.

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
U.S. Government Securities	$ 1,552,623	$ -	$ -	$ 1,552,623
Corporate and Foreign Bonds	1,927,630	-	-	1,927,630
Mutual Funds	1,260,665	-	-	1,260,665
Certificate of Deposit	-	933,202	-	933,202
	$ 4,740,918	$ 933,202	$ -	$ 5,674,120

Note 2. Fair Value Disclosures, *Continued*

Net investment loss consists of the following:

Interest and dividends	$	871,222
Realized losses on securities sold		(583,315)
Change in unrealized losses relating to assets still held at December 31, 2008		(1,431,254)
Net investment loss	$	(1,143,347)

Note 3. Leases

The Fellowship leases office space under an operating lease agreement which expires in December 2012. Rent expense for the year ended December 31, 2008 was $274,129.

Future minimum lease payments (exclusive of operating expenses) at December 31, 2008 are as follows:

2009	$	136,092
2010		141,514
2011		146,936
2012		152,358
	$	576,900

Note 4. Employee Benefit Plans

The Fellowship sponsors a defined contribution retirement plan (qualified under Section 403(b) of the Internal Revenue Code) which covers substantially all full-time employees. The plan is managed by TIAA-CREF. The Fellowship matches employee contributions on a dollar-for-dollar basis up to a maximum deferral of 5 percent of annual salary. During 2008, The Fellowship contributed $173,212 to the plan.

In addition, The Fellowship sponsors a fully employer-funded defined contribution plan (qualified under Section 401(a) of the Internal Revenue Code) which covers all employees who have completed at least 1,000 hours of creditable service and have been employed at least one year. Contributions are determined based on Section 415 limits and certain discrimination provisions. In 2008, The Fellowship paid $150,359 to fund its contribution to the plan for the plan year ended December 31, 2007. The Fellowship accrued its 2008 employer contribution of $266,693 which was paid in April 2009.

Note 5. Deferred Compensation

The Fellowship has a deferred compensation agreement with its President. Under the agreement, the President will receive fixed payments per year beginning in September 2016 for the greater of 10 years or until death. As of December 31, 2008, The Fellowship's estimate of the present value of the deferred compensation liability of $700,472 is presented in the financial statements.

Note 6. Israel Office

The Fellowship operates an office in Jerusalem, Israel to receive and evaluate grant requests. The Israel office makes funding recommendations to The Fellowship, supervises the implementation of funded projects and furthers the bridge building work of The Fellowship in Israel. During 2008, The Fellowship incurred $2,356,976 of expenses related to its Israel office and such expenses are allocated in the statement of functional expenses.

The office is separately incorporated as *Hakeren L' Yedidut,* a nonprofit organization that is chartered and operated as an Israeli charity. The *Fellowship* pays 100 percent of the operating expenses of the Jerusalem office. The operations of *Hakeren L' Yedidut* are overseen by a separate board of directors, whose members are appointed by The Fellowship. The financial records of *Hakeren L' Yedidut* are maintained by an outside service and its financial records and operations are audited annually in accordance with the requirements of Israel's government by an Israeli accounting firm.

Note 7. Comparative Totals for Prior Year

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Fellowship's financial statements for the year ended December 31, 2007 from which the summarized information was derived.