

International Fellowship of Christians & Jews, Inc.

Financial Report

December 31, 2009

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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, 2009, 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 2008 financial statements, and in our report dated May 12, 2009, 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, 2009, 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, 2010

International Fellowship of Christians & Jews, Inc.

**Statement of Financial Position
December 31, 2009 (With Comparative Totals for 2008)**

	2009	2008
Assets		
Current assets		
Cash and equivalents	\$ 7,920,233	\$ 8,942,971
Investments	5,981,071	5,674,120
Accounts receivable	8,644	10,546
Prepaid expenses	1,148,345	1,272,739
Inventory	60,079	81,470
	<u>15,118,372</u>	<u>15,981,846</u>
Furniture and equipment, at cost (net of accumulated depreciation of \$1,261,425 in 2009 and \$908,169 in 2008)	<u>952,159</u>	<u>846,105</u>
	<u>\$ 16,070,531</u>	<u>\$ 16,827,951</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 2,286,741	\$ 2,248,984
Charitable gift annuity payable	1,406,887	1,200,575
Deferred compensation payable	916,002	700,472
	<u>4,609,630</u>	<u>4,150,031</u>
Net assets		
Unrestricted	<u>11,460,901</u>	<u>6,280,300</u>
Temporarily restricted for the following purposes		
On Wings of Eagles	-	4,332,207
Isaiah 58	-	1,888,240
Stand for Israel	-	177,173
Guardians of Israel	-	-
	<u>-</u>	<u>6,397,620</u>
	<u>11,460,901</u>	<u>12,677,920</u>
	<u>\$ 16,070,531</u>	<u>\$ 16,827,951</u>

See Notes to Financial Statements.

International Fellowship of Christians & Jews, Inc.

Statement of Activities

Year Ended December 31, 2009 (With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
Revenue:				
Contributions	\$ 94,702,694	\$ -	\$ 94,702,694	\$ 84,181,691
Net investment income (loss)	254,238	-	254,238	(1,143,347)
Catalog sales	115,325	-	115,325	103,921
Tours, conferences and other income	36,858	-	36,858	150,942
Net assets released from restrictions	6,397,620	(6,397,620)	-	-
	<u>101,506,735</u>	<u>(6,397,620)</u>	<u>95,109,115</u>	<u>83,293,207</u>
Expenses:				
Fellowship	8,819,833	-	8,819,833	12,351,059
Guardians of Israel	20,848,420	-	20,848,420	10,829,184
Isaiah 58	21,210,395	-	21,210,395	24,623,679
On Wings of Eagles	25,785,368	-	25,785,368	21,851,371
Stand for Israel	606,318	-	606,318	277,895
	<u>77,270,334</u>	<u>-</u>	<u>77,270,334</u>	<u>69,933,188</u>
General and administrative	7,516,249	-	7,516,249	4,683,204
Fundraising	11,539,551	-	11,539,551	13,047,441
	<u>96,326,134</u>	<u>-</u>	<u>96,326,134</u>	<u>87,663,833</u>
Increase (decrease) in net assets	5,180,601	(6,397,620)	(1,217,019)	(4,370,626)
Net assets:				
Beginning of year	<u>6,280,300</u>	<u>6,397,620</u>	<u>12,677,920</u>	<u>17,048,546</u>
End of year	<u>\$ 11,460,901</u>	<u>\$ -</u>	<u>\$ 11,460,901</u>	<u>\$ 12,677,920</u>

See Notes to Financial Statements.

International Fellowship of Christians & Jews, Inc.

Statement of Functional Expenses
Year Ended December 31, 2009 (With Comparative Totals for 2008)

	Fellowship	Guardians of Israel	Isaiah 58	On Wings of Eagles	Stand for Israel	Total Programs	General and Administrative	Fundraising	2009 Total	2008 Total
Grants disbursed	\$ 671,138	\$ 17,751,075	\$ 16,712,676	\$ 21,165,112	\$ -	\$ 56,300,001	\$ -	\$ -	\$ 56,300,001	\$ 50,351,786
Television and radio airtime and production	1,049,767	2,080,584	2,371,349	3,175,122	-	8,676,822	242,131	3,634,760	12,553,713	10,640,785
Public education	269,581	32,347	6,567	3,804	14,770	327,069	39,727	200,673	567,469	988,871
Salaries and benefits	1,584,848	533,613	1,082,742	987,466	-	4,188,669	2,992,384	910,791	8,091,844	7,538,972
Consulting and P.R.	840,699	6,303	397	37	25,831	873,267	621,146	274,617	1,769,030	1,930,313
Catalog production and merchandise sold	138,402	148	148	148	-	138,846	-	-	138,846	124,929
Lockbox fees	1,306,852	-	-	-	-	1,306,852	62,672	-	1,369,524	974,154
Occupancy	83,804	29,524	59,276	54,507	-	227,111	282,979	84,000	594,090	611,711
Equipment rental and maintenance	62,784	-	-	-	-	62,784	128,631	-	191,415	221,732
Printing and postage	2,160,477	374,153	895,581	324,083	565,717	4,320,011	2,625,972	6,046,385	12,992,368	12,764,639
Office supplies and miscellaneous	38,812	-	-	-	-	38,812	103,681	3,904	146,397	131,289
Telephone	115,450	40,673	81,659	75,089	-	312,871	38,125	-	350,996	277,723
Telemarketing	-	-	-	-	-	-	-	331,421	331,421	150,812
Travel and meetings	209,933	-	-	-	-	209,933	166,937	-	376,870	404,336
Accounting and legal	147,286	-	-	-	-	147,286	49,808	-	197,094	371,634
Depreciation	140,000	-	-	-	-	140,000	162,056	53,000	355,056	180,147
	<u>\$ 8,819,833</u>	<u>\$ 20,848,420</u>	<u>\$ 21,210,395</u>	<u>\$ 25,785,368</u>	<u>\$ 606,318</u>	<u>\$ 77,270,334</u>	<u>\$ 7,516,249</u>	<u>\$ 11,539,551</u>	<u>\$ 96,326,134</u>	<u>\$ 87,663,833</u>

See Notes to Financial Statements.

International Fellowship of Christians & Jews, Inc.

Statement of Cash Flows
Year Ended December 31, 2009 (With Comparative Totals for 2008)

	2009	2008
Cash Flows from Operating Activities		
Decrease in net assets	\$ (1,217,019)	(4,370,626)
Depreciation	355,056	180,147
Realized loss on sales of investments	368,068	583,315
Unrealized (gain) loss on investments	(335,802)	1,431,254
Changes in:		
Accounts receivable	1,902	(3,241)
Prepaid expenses	124,394	(225,013)
Inventory	21,391	15,585
Accounts payable and accrued expenses	37,757	186,780
Charitable gift annuity payable	206,312	368,871
Deferred compensation payable	215,530	215,530
Net cash used in operating activities	(222,411)	(1,617,398)
Cash Flows from Investing Activities		
Purchase of investments and certificates of deposit	(21,635,457)	(9,108,938)
Sale of investments and certificates of deposit matured	21,296,240	12,584,679
Purchase of furniture and equipment	(461,110)	(615,176)
Net cash provided by (used in) investing activities	(800,327)	2,860,565
Increase (decrease) in cash and equivalents	(1,022,738)	1,243,167
Cash and equivalents:		
Beginning of year	8,942,971	7,699,804
End of year	\$ 7,920,233	\$ 8,942,971

See Notes to Financial Statements.

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

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 \$6,707 held in a bank account as of December 31, 2009, 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 Kupot Yedidut 911 Emergency Fund is a project that helps cities meet their residents' most pressing needs. The Fellowship is actively involved in over 140 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, called *Alyah*, 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, called *Klitah*, is an integral part of The Fellowship's *On Wings of Eagles* program.

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

- *Stand For Israel.* Stand For Israel is The Fellowship's advocacy 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 \$59,975,935.

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.

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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. Contributions restricted by the donor for a particular purpose are recorded as revenue in the temporarily restricted fund and transferred to the unrestricted fund when the provisions are satisfied. Donor restricted contributions whose restrictions are met in the reporting period in which received are classified as unrestricted revenue.

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.

The Fellowship has entered into various charitable gift annuity arrangements with its donors. Gift annuity rates are in accordance with the recommendations of the American Council on Gift Annuities (ACGA). In order to comply with state regulations, annuity contracts vary by state. 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 activities totaled approximately \$39,667,530. As provided by the applicable nonprofit accounting principles concerning fundraising activities, these joint activities have been allocated to program services (\$20,684,201), general and administrative (\$7,443,778) and fundraising (\$11,539,551) 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.

Income taxes: The Fellowship is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for such taxes has been recognized in these financial statements.

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

On January 1, 2009, The Fellowship adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Fellowship may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Fellowship and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Fellowship has reviewed the tax positions for the open tax years (current and prior three tax years) and has concluded that no provision for income tax is required in the financial statements. At December 31, 2009, there were no unrecognized tax benefits identified or recorded as liabilities.

Subsequent events: The Fellowship has evaluated subsequent events for potential recognition and/or disclosure through May 12, 2010, the date the financial statements were available to be issued.

Note 2. Fair Value Disclosures

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Guidance provided by the FASB 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 this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under this guidance 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.

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

Note 2. Fair Value Disclosures (Continued)

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, 2009.

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
U.S. Government securities	\$ 1,940,879	\$ -	\$ -	\$ 1,940,879
Corporate and foreign bonds	1,254,931	-	-	1,254,931
Common stocks	918,730	-	-	918,730
Mutual Funds	1,338,466	-	-	1,338,466
Certificate of deposit	-	528,065	-	528,065
	<u>\$ 5,453,006</u>	<u>\$ 528,065</u>	<u>\$ -</u>	<u>\$ 5,981,071</u>

Net investment income consists of the following:

Interest and dividends	\$ 286,504
Realized losses on securities sold	(368,068)
Change in unrealized gains relating to assets still held at December 31, 2009	335,802
Net investment income	<u>\$ 254,238</u>

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, 2009 was \$284,275.

Future minimum lease payments (exclusive of operating expenses) at December 31, 2009 are as follows:

2010	\$ 241,059
2011	196,709
2012	152,358
	<u>\$ 590,126</u>

International Fellowship of Christians & Jews, Inc.

Notes to Financial Statements

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 2009, The Fellowship contributed \$146,542 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 2009, The Fellowship paid \$266,693 to fund its contribution to the plan for the plan year ended December 31, 2008. The Fellowship accrued its 2009 employer contribution of \$247,686 which was paid in April 2010.

Note 5. Deferred Compensation

The Fellowship has a deferred compensation agreement with its President. This plan is subject to a substantial risk of forfeiture given it is not yet vested and contains a requirement for work continuation. 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, 2009, The Fellowship's estimate of the present value of the deferred compensation liability of \$916,002 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 2009, The Fellowship incurred \$2,416,102 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 non-profit. 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, 2008 from which the summarized information was derived.