

At the Jewish Agency, we are sensitive to the difficulties you and the entire federation system must grapple with as the global economic downturn continues. **We are your partners in facing this storm as we carefully weigh every dollar spent** to ensure maximum benefit to the people supported by campaign dollars. Now, as always, our beneficiaries are our most important priority. **Every year, some 2 million people around the world depend on the services of the Jewish Agency because of your partnership.** Youth and communities at risk in Israel—at risk from neglect, disadvantage or kassams—depend on our help. Vulnerable new immigrants look to us as they struggle to build new lives. So do young immigrant soldiers and students alone in Israel who count on us as family. Throughout the former Soviet Union, young people and communities at risk of being severed from their Jewish identity reach out trusting we'll be there for them.

That is why we are constantly looking for greater efficiencies, considering carefully and responsibly every single dollar spent on any activity not directly helping our beneficiaries.

But today, and increasingly over the past almost two years, **many are now in jeopardy.**



**2008 Israel Prize Winner.** As Israel's largest and most effective nonprofit, the Jewish Agency is the leader in partnering the people of Israel with communities and donors worldwide to meet the Jewish world's 21st century challenges. The Jewish Agency is funded by United Jewish Communities, major Jewish federations in North America, Keren Hayesod, the International Fellowship of Christians and Jews, foundations and donors from Israel and around the world.

Find out more about how you can make an impact:

☎ 212 339.6048 ✉ ask@jafi.org [jewishagency.org](http://jewishagency.org)

Partnering with purpose, all over the world.

June 2009

# Update on impact of economic crisis on our beneficiaries



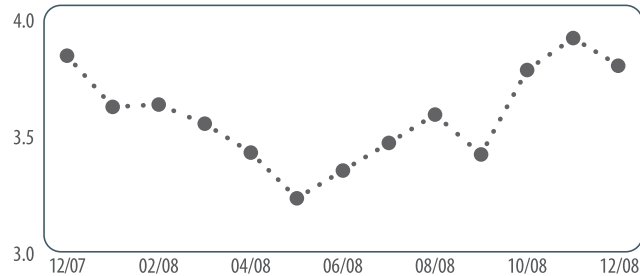
# Background

The main fiscal issue for most of 2008 was the collapse in the shekel value of the U.S. dollar during the first nine months of the year.

- Although the majority of the Jewish Agency's income is received in U.S. dollars, the majority of its expenditures are made in Israeli shekels.
- During 2008 there were wild fluctuations of the shekel-dollar exchange rate, which resulted in a severe weakening of the U.S. dollar against the Israeli shekel during most of the year, as seen in the table below. As a result, the Jewish Agency's cost was 14.5% higher on average during 2008, as compared to the same expenditures in 2007.
- In addition to the challenges of the exchange rate, the onset of the economic crisis affected the unrestricted, core income of the Jewish Agency, which in 2008 was approximately \$6 million lower than its 2007 level.

These two factors were the primary causes of a \$29 million deficit from activities incurred in 2008.

Volatility of the Shekel-Dollar Exchange Rate in 2008



The major challenge for 2009 was to take steps to maintain a balanced budget. Initially we slashed \$45 million from the core budget. Due to the continuing worldwide economic turbulence and three converging challenges—the risk of declining revenues, increasing demands and underlying inflationary forces—we have taken further steps.

# 2009 Budget Reductions

## \$73.4 million in budget cuts

In order to maintain budgetary balance, we have further slashed expenditures in 2009.

Cuts in U.S. \$/in millions

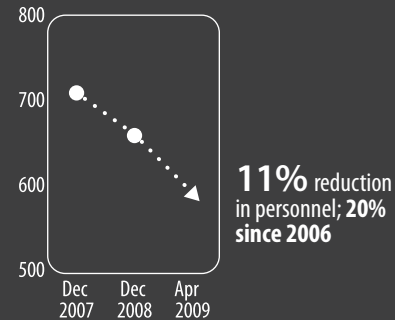
<b>Structural changes &amp; overhead reductions</b>	<b>-\$13.2</b>
<b>Savings through JAFI subsidiaries</b>	<b>-\$2.0</b>
<b>Program Cuts</b>	<b>-\$44.4</b>
STRENGTHENING ISRAEL through immigration and absorption	-\$26.7
PARTNERING WITH ISRAELIS to effect transformative change	-4.5
CONNECTING NEXT GENERATION with Israel and peoplehood	-8.3
JAFI-wide programs	-2.5
<b>Net exchange rate effect</b>	<b>-\$10.8</b>
<b>Other adjustments</b>	<b>-\$3.0</b>

We continue to make major reductions in personnel and as you can see from the facing charts, administrative cuts have been just as deep.

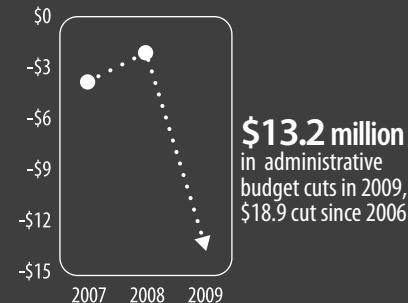
We are now implementing changes to our organizational structure to not only reduce costs further but to increase efficiencies by centralizing key functions.

While we continue to make every effort to minimize the negative fallout on our beneficiaries, unfortunately, we have also had to make major reductions in essential programs in order to be able to responsibly manage these financial realities.

## Employee Reduction



## Administrative Cuts



# Impact on Jewish Agency beneficiaries

## Immigration and absorption \$26.7 million in additional cuts

for example

A cut of \$4 million in absorption centers

\$7.6 million cut in overseas aliyah activities and related support services.

1,000 new immigrants will not receive the essential benefits of having their first home in an absorption center. Some may think that since aliyah is down that this cut is not significant—that is not the case. Because our work in this area remains critical for Israel's future it cannot be evaluated relative to the number of olim who make aliyah in any given year; rather by what it takes to facilitate successful aliyah and integration for all olim.

## Effecting social change in Israel \$4.5 million in additional cuts

for example

Atidim, which helps advance the best and brightest youth from Israel's marginalized communities, cut \$200,000.

Net@, a 3-year high-tech program for at-risk Jewish and Arab youth, cut \$140,000—no new classes in 2009.

Insufficient funding means we will be unable to move forward with six new Youth Futures locations leaving some 1,200 at risk youth behind. This at a time when economic and educational disparities are marginalizing more and more Israeli families and children. Not surprisingly, the most dramatic rises are occurring in Israel's social and geographic periphery—the Negev and Galilee.

## Connecting the next generation \$8.3 million in additional cuts

for example

Jewish Zionist education initiatives in the FSU cut \$2.9 million.

\$3.3 million cut for Israel educators—teachers, young emissaries, Israel fellows.

In 2007, 13,000 youth in the FSU attended our transformative camps. In 2008, due to the weak dollar and skyrocketing costs, less than 6,000 did. Now even less will. In these communities struggling with a 80% rate of assimilation, the future of Jewish life literally hangs in the balance. Our role in connecting young Jews to their Jewish identity remains indispensable.