

The American Jewish Joint Distribution Committee, Inc.

Holocaust Victim Assets Litigation Allocation
(United States District Court for the Eastern District of New York,
Case No. CV 96-4849)

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The American Jewish Joint Distribution Committee, Inc.

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Financial Report
Fifth Year Allocation
Year Ended December 31, 2006
with Independent Auditors' Report

The American Jewish Joint Distribution Committee, Inc.

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(United States District Court for the Eastern District of New York,
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Financial Report
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Independent Auditors' Report

The American Jewish Joint Distribution Committee, Inc.,
The Conference on Jewish Material Claims Against Germany, Inc.,
and both

The Honorable Edward R. Korman, and
Special Master Judah Gribetz

on behalf of the United States District Court for the Eastern District of New York:

1. We have audited the compliance of the accompanying financial report of the American Jewish Joint Distribution Committee, Inc. ("AJJDC") relating to expenditures made under the fifth year allocation of the "looted assets" class of the Holocaust Victim Assets Litigation (United States District Court for the Eastern District of New York, Case No. CV 96-4849) for the year ended December 31, 2006 with the financial reporting matters set out in the *September 2000 Special Master's Proposed Plan of Allocation and Distribution of Settlement Proceeds* ("Distribution Plan") approved by the Court on November 22, 2000 and supplemented by *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006. This financial report, pages 3 – 8, is the responsibility of the management of AJJDC. Our responsibility is to issue a report on the compliance of the accompanying financial report based on our audit.
2. Except as discussed in paragraph 3 below, we conducted our audit in accordance with International Standards on Auditing applicable to compliance auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether AJJDC has complied with the financial reporting matters set out in the relevant sections of the *Distribution Plan* approved by the Court on November 22, 2000 and supplemented by *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006. An audit includes examining appropriate evidence on a test basis. We believe that our audit provides a reasonable basis for our opinion.
3. Funds are intended for welfare program services for Jewish Nazi Victims in the Former Soviet Union. AJJDC, through the affiliated non-for-profit organizations in the Former Soviet Union ("Heseds"), maintains records, which indicate the demographics of the welfare recipients ("clients") whom the Heseds serve. Those records are the basis for the classification of any client as "Jewish" in origin, as a "Nazi Victim", and or other relevant demographic traits. The records have been accumulated based on the self-reporting of the clients. It is not possible for us to extend our auditing procedures to ascertain the underlying validity of such self-reported demographics.

4. In our opinion, except for the possible effects of the matters referred to in paragraph 3 above, the accompanying financial report of AJJDC for the year ended December 31, 2005 is, in all material respects, in compliance with the financial reporting matters set out in the *Distribution Plan* approved by the Court on November 22, 2000 and supplemented by *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006.
5. As described in Note 2, the accompanying financial report has been prepared based upon actual expenditures (cash basis of accounting) and for the purpose of complying with the financial reporting matters set out in the *Distribution Plan* approved by the Court on November 22, 2000, *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006 in connection with the Holocaust Victim Assets Litigation.
6. This report is intended solely for the use of AJJDC, the Conference on Jewish Material Claims Against Germany, Inc., and the United States District Court for the Eastern District of New York (in regard to the aforementioned Holocaust Victim Assets Litigation). It should not be used by or distributed to any other party.

Ernst & Young Audit Services LLC

May 31, 2007

THE AMERICAN JEWISH JOINT DISTRIBUTION COMMITTEE, INC.

HOLOCAUST VICTIM ASSETS LITIGATION ALLOCATION
 (United States District Court for the Eastern District of New York, Case No. CV 96-4849)

FINANCIAL REPORT

Fifth Year Allocation

For the Period January 1, 2006 through to December 31, 2006

(amounts are stated in United States Dollars)

<u>All Programs</u>					
<u>Location</u>	<u>Remaining Balance</u>	<u>2006 Allocation</u>	<u>Total Budget</u>	<u>Spent</u>	<u>Unspent/ (Overspent)</u>
Kiev and Western Ukraine	114,056	2,044,240	2,158,296	2,158,296	0
Kharkov, Ukraine	9	819,271	819,280	819,280	0
Odessa, Ukraine	2,086	1,244,153	1,246,239	1,244,139	2,100
Dnepropetrovsk, Ukraine	71	1,480,270	1,480,341	1,480,341	0
St. Petersburg, Russia	154,798	2,344,425	2,499,223	2,495,786	3,437
Minsk, Belarus	15,728	1,307,118	1,322,846	1,305,081	17,765
Kishinev, Moldova	62	226,646	226,708	226,121	587
Volga, Russia	23,369	1,314,497	1,337,866	1,333,608	4,258
Moscow, Russia	6,394	2,629,853	2,636,247	2,629,843	6,404
Urals, Russia	9,233	648,947	658,180	658,073	107
Siberia, Russia	3	230,336	230,339	229,965	374
Northern Caucasus	27,717	504,639	532,356	529,752	2,604
Georgia	356	20,660	21,016	20,920	96
Azerbaijan	1,157	10,453	11,610	11,569	41
Central Asia	11,637	253,579	265,216	265,017	199
Baltic States	0	338,309	338,309	338,309	0
Totals	366,675	15,417,396	15,784,071	15,746,100	37,971

See the accompanying notes to financial report

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FINANCIAL REPORT

Fifth Year Allocation

For the Period January 1, 2006 through to December 31, 2006

(amounts are stated in United States Dollars)

<hr/> <hr/> Medical Assistance <hr/> <hr/>					
<u>Location</u>	<u>Remaining Balance</u>	<u>2006 Allocation</u>	<u>Total Budget</u>	<u>Spent</u>	<u>Unspent/ (Overspent)</u>
Kiev and Western Ukraine	1,172	354,335	355,507	355,507	0
Kharkov, Ukraine	5	142,007	142,012	142,012	0
Odessa, Ukraine	197	215,653	215,850	215,650	200
Dnepropetrovsk, Ukraine	0	256,580	256,580	256,580	0
St. Petersburg, Russia	33	406,367	406,400	406,400	0
Minsk, Belarus	237	226,567	226,804	226,804	0
Kishinev, Moldova	0	39,285	39,285	39,285	0
Volga, Russia	1,813	227,846	229,659	229,659	0
Moscow, Russia	1,626	455,841	457,467	455,832	1,635
Urals, Russia	6,980	112,484	119,464	119,464	0
Siberia, Russia	0	39,925	39,925	39,925	0
Northern Caucasus	53	83,622	83,675	83,675	0
Georgia	326	3,581	3,907	3,907	0
Azerbaijan	986	1,812	2,798	2,798	0
Central Asia	5,588	43,954	49,542	49,542	0
Baltic States	0	55,000	55,000	55,000	0
Totals	19,016	2,664,859	2,683,875	2,682,040	1,835

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(amounts are stated in United States Dollars)

<u>SOS Emergency Aid Program</u>					
<u>Location</u>	<u>Remaining Balance</u>	<u>2006 Allocation</u>	<u>Total Budget</u>	<u>Spent</u>	<u>Unspent/ (Overspent)</u>
Kiev and Western Ukraine	1,439	163,539	164,978	164,978	0
Kharkov, Ukraine	4	65,542	65,546	65,546	0
Odessa, Ukraine	1,086	99,532	100,618	99,518	1,100
Dniepropetrovsk, Ukraine	41	118,422	118,463	118,463	0
St. Petersburg, Russia	95,120	187,554	282,674	279,237	3,437
Minsk, Belarus	2,851	104,569	107,420	107,094	326
Kishinev, Moldova	0	18,132	18,132	17,545	587
Volga, Russia	13,132	105,160	118,292	114,034	4,258
Moscow, Russia	1,656	210,388	212,044	210,388	1,656
Urals, Russia	2,253	51,916	54,169	54,062	107
Siberia, Russia	0	18,427	18,427	18,427	0
Northern Caucasus	8	38,595	38,603	36,020	2,583
Georgia	30	1,653	1,683	1,587	96
Azerbaijan	0	836	836	795	41
Central Asia	23	20,287	20,310	20,310	0
Baltic States	0	41,800	41,800	41,800	0
Totals	117,643	1,246,352	1,363,995	1,349,804	14,191

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FINANCIAL REPORT

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For the Period January 1, 2006 through to December 31, 2006

(amounts are stated in United States Dollars)

<u>General Welfare Program</u>					
<u>Location</u>	<u>Remaining Balance</u>	<u>2006 Allocation</u>	<u>Total Budget</u>	<u>Spent</u>	<u>Unspent/ (Overspent)</u>
Kiev and Western Ukraine	111,445	1,526,366	1,637,811	1,637,811	0
Kharkov, Ukraine	0	611,722	611,722	611,722	0
Odessa, Ukraine	803	928,968	929,771	928,971	800
Dniepropetrovsk, Ukraine	30	1,105,268	1,105,298	1,105,298	0
St. Petersburg, Russia	59,645	1,750,504	1,810,149	1,810,149	0
Minsk, Belarus	12,640	975,982	988,622	971,183	17,439
Kishinev, Moldova	62	169,229	169,291	169,291	0
Volga, Russia	8,424	981,491	989,915	989,915	0
Moscow, Russia	3,112	1,963,624	1,966,736	1,963,623	3,113
Urals, Russia	0	484,547	484,547	484,547	0
Siberia, Russia	3	171,984	171,987	171,613	374
Northern Caucasus	27,656	382,422	410,078	410,057	21
Georgia	0	15,426	15,426	15,426	0
Azerbaijan	171	7,805	7,976	7,976	0
Central Asia	6,026	189,338	195,364	195,165	199
Baltic States	0	241,509	241,509	241,509	0
Totals	230,016	11,506,185	11,736,201	11,714,256	21,946

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The American Jewish Joint Distribution Committee, Inc.

Holocaust Victim Assets Litigation Allocation
(United States District Court for the Eastern District of New York,
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Notes to Financial Report
Fifth Year Allocation
Year Ended December 31, 2006

1. Description of Allocation

Through Orders dated April 13, 2001 and June 28, 2001, the Honorable Edward R. Korman, on behalf of the United States District Court for the Eastern District of New York, approved a detailed humanitarian assistance proposal of the American Jewish Joint Distribution Committee, Inc. ("AJJDC") under the "looted assets" class of the Holocaust Victim Assets Litigation (Case No. CV 96-4849). This was the implementation of the *September 2000 Special Master's Proposed Plan of Allocation and Distribution of Settlement Proceeds* ("Distribution Plan") approved by the Court on November 22, 2000 and supplemented by *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006.

The fourth year allocation for the period January 1, 2005 through December 31, 2005 of US\$ 15,395,192 was based on AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union approved by the Court on December 31, 2004. The fifth year allocation for the period January 1, 2006 through December 31, 2006 of US\$ 15,395,192 was based on *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006. In addition, AJJDC was authorized to allocate US\$ 22,202 of interest accrued in its escrow account for welfare services in 2006.

According to conditions of the *Distribution Plan* approved by the Court on November 22, 2000 and supplemented by *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006, funds are allocated for funding welfare program services for Jewish Nazi Victims in the Former Soviet Union. This allocation has been used to supplement those funds already obtained by AJJDC from other sources.

The classification of any welfare recipient as a "Jewish Nazi Victim" is based on the self-reporting of those recipients, as is the practice internationally. These self-reported traits are internally reviewed by the American Jewish Joint Distribution Committee, Inc. ("AJJDC") staff so as to determine consistency with AJJDC staff's knowledge of the demographics of Nazi Victims in the former Soviet Union.

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Notes to Financial Report
Fifth Year Allocation
Year Ended December 31, 2006

2. Significant Accounting Policies

A summary of significant accounting policies followed during the preparation of the accompanying financial report are presented below:

Basis of Presentation

The accompanying financial report is prepared for the purpose of complying with specific conditions of the *Distribution Plan* approved by the Court on November 22, 2000, *AJJDC's request for 2005 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on December 31, 2004 and *AJJDC's request for 2006 Funding for Welfare Programs for Jewish Nazi Victims in the Former Soviet Union* approved by the Court on May 10, 2006 in connection with the Holocaust Victim Assets Litigation, which provide for financial reports, and is based on actual expenditures (cash basis of accounting) applied for the purposes for which they were allocated.

Foreign Currencies

The reporting currency for the purpose of this financial report is the United States dollar ("US dollar"), the underlying currency of the allocation. Local entities, by law, are required to conduct business using the local currencies. Accordingly, transactions and balances included in the accompanying financial report that were not already measured in the US dollars have been re-measured into US dollars using the exchange rate in effect on the date of conversion of the funds. Any exchange gains and losses arising from re-measurement are credited or charged to the expenditure category for which the related expenditure has been made. However, a policy has been established whereby grant funds are transferred to the local entities on an "as needed" basis so as to avoid accumulating material amounts of cash in local currency, thereby minimizing exposure to foreign currency fluctuations.