American Associates Ben-Gurion University of the Negev, Inc.

Financial Report
September 30, 2014

McGladrey

Assurance ▪ Tax ▪ Consulting

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McGladrey

Independent Auditor's Report

To the Board of Directors
American Associates Ben-Gurion
University of the Negev, Inc.
New York, New York

Report on the Financial Statements
We have audited the accompanying financial statements of American Associates Ben-Gurion University of the Negev, Inc. (AABGU), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AABGU as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited AABGU's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

New York, New York
March 5, 2015

American Associates Ben-Gurion University of the Negev, Inc.

Statements of Financial Position
September 30, 2014 and 2013

	2014	2013
Assets		
Cash and Cash Equivalents	**$ 2,435,652**	$ 3,825,408
Investments Held in USA	**48,447,307**	40,214,933
Investments Held in Israel	**138,754,556**	133,479,744
Investment Receivable	**-**	585,193
Contributions Receivable, Net	**30,714,178**	26,025,333
Prepaid Expenses and Other Assets	**130,346**	112,574
Collections and Works of Art	**1,247,117**	1,317,057
Beneficial Interests in Funds Held by Others	**2,602,560**	2,496,542
Cash Surrender Value of Life Insurance	**1,188,890**	1,148,320
Property and Equipment (Net of Accumulated Depreciation of $358,861 in 2014 and $255,611 in 2013)	**537,526**	578,832
Total assets	**$ 226,058,132**	$ 209,783,936
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 515,854**	$ 332,593
Due to Ben-Gurion University	**4,099,614**	3,634,749
Other liabilities	**86,213**	47,238
Obligations under split-interest agreements	**8,042,386**	6,723,225
Deferred lease obligations and incentive	**496,562**	519,896
Total liabilities	**13,240,629**	11,257,701
Commitments and Contingency		
Net Assets		
Unrestricted	**664,056**	(127,550)
Temporarily restricted	**67,815,269**	57,763,619
Permanently restricted	**144,338,178**	140,890,166
Total net assets	**212,817,503**	198,526,235
Total liabilities and net assets	**$ 226,058,132**	$ 209,783,936

See Notes to Financial Statements.

American Associates Ben-Gurion University of the Negev, Inc.

Statement of Activities

Year Ended September 30, 2014

(with summarized financial information for the year ended September 30, 2013)

	2014				2013
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Summarized Information
Support, Revenue, Gains and Losses					
Contributions	$ 2,428,867	$ 31,090,615	$ 4,222,522	$ 37,742,004	$ 20,609,766
Special events, net	73,699	-	-	73,699	(13,794)
Return on investments	679,267	11,800,591	193	12,480,051	15,532,033
Change in value of beneficial interests in funds held by others and split-interest agreements	(618,809)	51,464	22,814	(544,531)	(949,363)
Recovery (loss) on uncollectible pledges	22	(184,320)	-	(184,298)	41,549
Net assets released from restrictions - satisfaction of purpose and time restrictions	33,504,217	(33,504,217)	-	-	-
Total support, revenue, gains and losses	36,067,263	9,254,133	4,245,529	49,566,925	35,220,191
Expenses					
Program services:					
Grants for university projects and scholarships	27,076,136	-	-	27,076,136	28,051,423
Supporting services:					
Management and general	2,629,746	-	-	2,629,746	2,279,318
Fund-raising	5,569,775	-	-	5,569,775	5,069,578
Total supporting services	8,199,521	-	-	8,199,521	7,348,896
Total expenses	35,275,657	-	-	35,275,657	35,400,319
Change in net assets before other items	791,606	9,254,133	4,245,529	14,291,268	(180,128)
Other Items					
Reclassifications, net, due to changes in donors' restrictions	-	797,517	(797,517)	-	-
Change in net assets	791,606	10,051,650	3,448,012	14,291,268	(180,128)
Net Assets					
Beginning	(127,550)	57,763,619	140,890,166	198,526,235	198,706,363
Ending	$ 664,056	$ 67,815,269	$ 144,338,178	$ 212,817,503	$ 198,526,235

See Notes to Financial Statements.

American Associates Ben-Gurion University of the Negev, Inc.

Statement of Functional Expenses
Year Ended September 30, 2014
(with summarized financial information for the year ended September 30, 2013)

	2014					2013
	Program Services	**Supporting Services**				
	Grants for University Projects and Scholarships	**Management and General**	**Fund-raising**	**Total Supporting Services**	**Total**	Summarized Information
Grants to Ben-Gurion University	$ 26,632,609	$ -	$ -	$ -	$ 26,632,609	$ 27,470,812
Scholarships	27,000	-	-	-	27,000	44,643
Salaries	189,201	815,856	3,174,076	3,989,932	4,179,133	3,935,909
Payroll taxes and employee benefits	34,904	243,838	812,135	1,055,973	1,090,877	1,010,879
Printing, publicity, postage and shipping	11,308	102,300	510,336	612,636	623,944	566,849
Direct mail campaign	-	-	237,177	237,177	237,177	199,208
Office supplies and expenses	2,443	35,227	32,192	67,419	69,862	49,060
E-Philanthropy	-	19,915	-	19,915	19,915	30,375
Occupancy expenses	-	328,672	246,226	574,898	574,898	533,041
Insurance	-	51,904	-	51,904	51,904	52,997
Automobile, conference, travel and entertainment	112,872	68,653	467,963	536,616	649,488	609,498
Computer service	16,495	41,628	5,422	47,050	63,545	73,459
Professional fees	36,302	535,187	-	535,187	571,489	379,311
Telecommunications	3,324	18,014	64,273	82,287	85,611	69,658
Temporary help	5,867	36,874	-	36,874	42,741	37,099
Dues and subscriptions	959	2,157	2,753	4,910	5,869	7,096
Cleaning	1,674	13,780	6,101	19,881	21,555	23,850
Equipment rental	1,706	12,433	10,459	22,892	24,598	22,537
Investment fees	-	151,338	-	151,338	151,338	151,183
Depreciation	-	103,810	-	103,810	103,810	88,400
Miscellaneous	(528)	48,160	662	48,822	48,294	44,455
Total expenses - 2014	**$ 27,076,136**	**$ 2,629,746**	**$ 5,569,775**	**$ 8,199,521**	**$ 35,275,657**	
Total expenses - 2013	$ 28,051,423	$ 2,279,318	$ 5,069,578	$ 7,348,896		$ 35,400,319

See Notes to Financial Statements.

American Associates Ben-Gurion University of the Negev, Inc.

Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	**$ 14,291,268**	$ (180,128)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**103,810**	88,400
Net realized/unrealized gain on investments	**(7,640,154)**	(2,215,721)
CPI adjustments on investments held in Israel	**1,225,281**	(3,081,809)
Change in value of split-interest agreements	**544,531**	949,363
Contributions under split-interest agreements	**(1,629,530)**	(964,189)
Change in cash surrender value of life insurance	**(40,570)**	(41,082)
Contributions restricted for long-term investment	**(4,222,522)**	(3,043,831)
Loss (recovery) on uncollectible pledges	**184,298**	(41,549)
Amortization of present value discount on contributions receivable	**(1,204,224)**	(206,439)
Amortization of deferred lease obligation	**(23,334)**	(23,335)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	**(3,668,919)**	6,591,590
Increase in prepaid expenses and other assets	**(17,772)**	(34,897)
Increase (decrease) in accounts payable and accrued expenses	**183,261**	(295,954)
Increase in due to Ben-Gurion University	**464,865**	2,780,708
Increase in other liabilities	**38,975**	2,832
Net cash (used in) provided by operating activities	**(1,410,736)**	283,959
Cash Flows From Investing Activities		
Proceeds from sale or redemption of investments	**15,743,087**	16,573,250
Purchase of investments	**(22,250,207)**	(21,217,017)
Proceeds from sale of collections and works of art	**69,940**	639
Purchase of property and equipment	**(62,504)**	(51,761)
Net cash used in investing activities	**(6,499,684)**	(4,694,889)
Cash Flows From Financing Activities		
Contributions subject to split-interest agreements	**3,559,000**	2,376,598
Contributions restricted for long-term investment	**4,222,522**	3,043,831
Payments on obligations under split-interest agreements	**(1,260,858)**	(1,042,573)
Net cash provided by financing activities	**6,520,664**	4,377,856
Net decrease in cash and cash equivalents	**(1,389,756)**	(33,074)
Cash and Cash Equivalents		
Beginning	**3,825,408**	3,858,482
Ending	**$ 2,435,652**	$ 3,825,408
Supplemental Cash Flow Information - Noncash Financing and Investing Activity		
Investment receivable for investment funds redeemed at year-end	**$ -**	585,193

See Notes to Financial Statements.

Note 1. Organization

American Associates Ben-Gurion University of the Negev (AABGU) plays a vital role in sustaining David Ben-Gurion's vision, creating a world-class institution of education and research in the Israeli desert, nurturing the Negev community and sharing the University's expertise locally and around the globe.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents: Cash and cash equivalents include investments in highly liquid instruments with maturities when acquired of three months or less, except for those amounts held as part of AABGU's long-term investment strategy.

Investments and related income: Investments held in USA are reported at fair value as described in Note 6. Investments held in Israel represent AABGU's interest in the investment pool of Ben-Gurion University of the Negev (BGU) and are reported at fair value.

Investment income, gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Contributions: Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions or donations of noncash assets are recorded at their fair values in the period received.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Allowance for doubtful contributions receivable are provided by management based on AABGU's experience with the donors and their ability to pay.

Collections and works of art: Collections and works of art are recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations, and are capitalized.

Property and equipment: Property and equipment are recorded at cost. Depreciation of fixed assets is provided on the straight-line method over their estimated useful lives ranging from 3 to 5 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the estimated useful life of the improvements, whichever is shorter.

Net assets: Unrestricted net assets are net assets available for the general use of AABGU, and have no donor restrictions associated with them.

Temporarily restricted net assets are net assets whose use has been limited by donors to a specific time period or purpose.

Note 2. Summary of Significant Accounting Policies (Continued)

Permanently restricted net assets are net assets whose principal may not be expended. The donor may or may not restrict the use of investment income.

Grants to Ben-Gurion University: All grants made to Ben-Gurion University for its various projects are made pursuant to authorization by the Grants Committee and officers of the Board of Directors of AABGU.

Functional classification of expenses: The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses are allocated between program and supporting services.

Credit risk: AABGU maintains cash and temporary cash investments in bank deposit accounts with major financial institutions which, at times, may exceed federally insured limits. AABGU has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments (Note 7).

AABGU invests in professionally managed portfolios that contain common shares and bonds of publicly traded companies, U.S. government obligations, mutual funds and money market funds, as well as investment funds. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements (Note 7).

Fair value of financial instruments: The carrying amounts of significant financial instruments approximate their fair values. The following methods and assumptions were used by AABGU in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount approximates fair value because the instruments are liquid in nature.

Investments held in USA and in Israel - The fair value is determined as described in Note 6.

Cash surrender value of life insurance - The carrying amount approximates the fair value of life insurance policies, which represents cash surrender value.

Contributions receivable - The carrying amount, which is based on estimated present values reduced by an allowance for uncollectible pledges, approximates fair value.

Beneficial interests in funds held by others - The fair value is estimated at the present value of the estimated future interest in the remainder trusts.

Obligations under split-interest agreements - The fair value is estimated at the present value of the estimated future payments to be distributed over beneficiaries' expected lives.

Prior-year summarized comparative information: The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense classifications. 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 AABGU's financial statements as of and for the year ended September 30, 2013, from which the summarized information was derived.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of subsequent events: AABGU evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was March 5, 2015 for these financial statements.

Income taxes: AABGU qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC), and is a publicly supported charitable organization as described in Section 509(a)(1) of the IRC. AABGU is not classified as a private foundation, and is subject to unrelated business income tax (UBIT), if applicable. For the years ended September 30, 2014 and 2013, AABGU did not owe any UBIT.

Management has evaluated AABGU's tax positions and concluded that AABGU had taken no uncertain tax positions that require adjustment or disclosure to the financial statements. With few exceptions, AABGU is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2011, which is the standard statute of limitations look-back period.

Recently issued accounting pronouncements: In October 2012, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the Accounting Standards Codification (ASC) and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on subsequent periods has not yet been determined.

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* The amendment in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with the cash donations in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. AABGU adopted ASU 2012-05 and accordingly reclassified the 2013 proceeds from sale of donated securities of $1,486,070 from investing activities to operating activities in the statement of cash flows for the year ended September 30, 2013.

Note 3. Investments

Investments, at fair value, consist of the following:

	2014	2013
Cash equivalents	$ 4,985,138	$ 2,394,776
U.S. Treasuries and other bonds	1,550,397	1,418,244
Equities	6,038,222	6,153,054
Mutual funds	27,330,517	22,309,250
Investment funds	8,543,033	7,939,609
Investments held in USA	48,447,307	40,214,933
Investments held in Israel (Note 10)	138,754,556	133,479,744
	$ 187,201,863	$ 173,694,677

These investments are held for the following purposes:

	2014	2013
General operations	$ 2,370,582	$ 2,303,526
Program support	62,763	5,336,464
Annuities and trusts	12,302,678	9,512,235
Endowments (Note 10)	33,711,284	23,062,708
Investments - USA	48,447,307	40,214,933
Endowments - Israel (Note 10)	138,754,556	133,479,744
	$ 187,201,863	$ 173,694,677

The components of return on investments reported in the statement of activities are as follows:

	2014	2013
Interest and dividends	$ 1,033,794	$ 1,326,729
Net realized gains	1,425,954	993,915
Net unrealized gains	713,027	1,221,806
Net return on investments - USA	3,172,775	3,542,450
Allocated investment income (Note 10)	10,532,557	8,907,774
CPI adjustment	(1,225,281)	3,081,809
Net return on investments - Israel	9,307,276	11,989,583
	$ 12,480,051	$ 15,532,033

Note 4. Contributions Receivable

All unconditional contributions receivable have been recorded in these financial statements at their estimated realizable value. Those receivables that are payable over a year have been discounted to their present value using a range of discounts of 0.82% to 7.36%.

	2014	2013
Amounts due		
Within one year or less	$ 12,755,833	$ 6,918,939
In more than one year and less than five years	11,292,291	12,280,766
In five or more years	9,841,021	11,027,169
	33,889,145	30,226,874
Less discount to present value	(1,482,631)	(2,686,855)
Less allowance for uncollectible pledges	(1,692,336)	(1,514,686)
Contributions receivable, net	$ 30,714,178	$ 26,025,333

Approximately $16,379,615 and $15,165,000 of the gross contributions receivable at September 30, 2014 and 2013, respectively, are due from AABGU's board members.

Note 5. Beneficial Interests in Funds Held By Others

Certain individuals have established trusts in which AABGU has an irrevocable remainder interest and the assets are placed under the control of a third-party trustee. This party acts as a fiduciary of the assets and, upon the death of the donor or beneficiary, these assets will be transferred to AABGU. These have been discounted at a rate of 4.1% in 2014 and 4.60% in 2013 using actuarially based mortality tables.

AABGU also has a perpetual interest in a restricted fund established by a donor at a community foundation. AABGU recorded permanently restricted contributions revenue at the time of initial notice of its interest for the fair value of its interest in the assets of the fund. Annual distributions received from the fund are recognized as investment income, and subsequent adjustments to the fair value of AABGU's interest in the fund are recognized as change in value of funds held by others.

AABGU's interests in funds held by others are as follows:

	2014	2013
Total value of beneficial interests in funds held by others	$ 3,255,772	$ 3,179,713
Less discount to present value	(653,212)	(683,171)
Beneficial interests in funds held by others	$ 2,602,560	$ 2,496,542

Note 6. Fair Value Measurements

AABGU follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures,* which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and 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.

The fair value hierarchy is defined as follows:

Level 1 Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that AABGU has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair values are based upon the best information in the circumstances and may require significant management judgment or estimation.

In determining the appropriate levels, AABGU performs an analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 6. Fair Value Measurements (Continued)

All transfers between fair value hierarchy levels are recognized by AABGU at the end of each year. AABGU had no significant transfers into and out of Level 1, Level 2 and Level 3 fair value measurements during 2014 or 2013.

The following table presents AABGU's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

		2014 Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 4,985,138	$ 4,985,138	$ -	$ -
U.S. Treasuries and other bonds	1,550,397	-	1,550,397	-
Equities				
Common stock	3,082,879	3,082,879	-	-
Domestic ETFs	698,450	698,450	-	-
International equities	2,256,893	2,256,893	-	-
	6,038,222	6,038,222	-	-
Mutual funds				
Domestic REIT	550,429	550,429	-	-
International REIT	930,043	930,043	-	-
Emerging markets	309,796	309,796	-	-
International equities	6,550,707	6,550,707	-	-
Small caps	600,316	600,316	-	-
Large caps	1,129,650	1,129,650	-	-
Value funds	326,427	326,427	-	-
Preferred stock	496,332	496,332	-	-
Investment grade bond funds	4,561,873	4,561,873	-	-
High yield bond funds	322,175	322,175	-	-
Low duration bond funds	1,878,266	1,878,266	-	-
High-quality bonds (government)	3,925,634	3,925,634	-	-
Real return bonds	1,662,224	1,662,224	-	-
Floating rate bank loan funds	2,205,928	2,205,928	-	-
International bond funds	1,880,717	1,880,717	-	-
	27,330,517	27,330,517	-	-
Investment funds	8,543,033	-	7,502,856	1,040,177
Investments - USA	48,447,307	38,353,877	9,053,253	1,040,177
Investments held in Israel	138,754,556	-	138,754,556	-
Total investments	$ 187,201,863	$ 38,353,877	$ 147,807,809	$ 1,040,177
Beneficial interests in funds held by others	$ 2,602,560	$ -	$ -	$ 2,602,560
Cash surrender value of life insurance	$ 1,188,890	$ -	$ -	$ 1,188,890
Obligations under split-interest agreements	$ 8,042,386	$ -	$ -	$ 8,042,386

Note 6. Fair Value Measurements (Continued)

		2013 Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 2,394,776	$ 2,394,776	$ -	$ -
U.S. Treasuries and other bonds	1,418,244	-	1,418,244	-
Equities				
Common stock	2,286,351	2,286,351	-	-
Domestic ETFs	1,000,505	1,000,505	-	-
International equities	2,866,198	2,866,198	-	-
	6,153,054	6,153,054	-	-
Mutual funds				
Domestic REIT	370,559	370,559	-	-
International REIT	458,277	458,277	-	-
Emerging markets	211,924	211,924	-	-
International equities	2,343,931	2,343,931	-	-
Small caps	155,116	155,116	-	-
Large caps	3,648,982	3,648,982	-	-
Value funds	753,216	753,216	-	-
Investment grade bond funds	6,667,950	6,667,950	-	-
High yield bond funds	220,285	220,285	-	-
Low duration bond funds	2,755,326	2,755,326	-	-
High-quality bonds (Gov't)	45,864	45,864	-	-
Real return bonds	1,096,883	1,096,883	-	-
Floating rate bank loan funds	2,247,115	2,247,115	-	-
International bond funds	1,333,822	1,333,822	-	-
	22,309,250	22,309,250	-	-
Investment funds	7,939,609	-	7,414,928	524,681
Investments held in USA	40,214,933	30,857,080	8,833,172	524,681
Investments held in Israel	133,479,744	-	133,479,744	-
Total investments	$ 173,694,677	$ 30,857,080	$ 142,312,916	$ 524,681
Beneficial interests in funds held by others	$ 2,496,542	$ -	$ -	$ 2,496,542
Cash surrender value of life insurance	$ 1,148,320	$ -	$ -	$ 1,148,320
Obligations under split-interest agreements	$ 6,723,225	$ -	$ -	$ 6,723,225

Note 6. Fair Value Measurements (Continued)

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. AABGU's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by AABGU to measure different financial instruments at fair market value and the level within the fair value hierarchy in which the financial instrument is categorized.

Money market funds and marketable equity securities, such as common stocks, domestic and international equities listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation, and reported as Level 1 in the fair value hierarchy. 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.

Fixed income securities, such as U.S. Treasury obligations and government bonds, as well as corporate bonds, are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Mutual funds are stated at fair value based on the last quoted evaluation or bid price, and are classified as Level 1 in the fair value hierarchy.

Investment funds are valued at fair value based on the applicable percentage ownership in the net assets of investment funds on the measurement date. In determining fair value, AABGU utilizes, as a practical expedient, the net asset value (or equivalent) provided by the fund managers (NAV of Funds). The underlying investment funds value securities and other financial instruments at fair value. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

AABGU categorizes its investments in investment funds as Level 2 fair value measurement if AABGU had the ability to redeem its investment at the reporting date, or in the near term, which is defined as 90 days or less from September 30, 2014. The following table summarizes AABGU's investments in investment funds at September 30, 2014:

Investment Objective	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy[1]	$ 1,445,081	Quarterly	65 - 90 days
Long/short equity securities[2]	6,057,775	Quarterly	60 days
Event driven corporate credit fund[3]	1,040,177	N/A	N/A
	$ 8,543,033		

Note 6. Fair Value Measurements (Continued)

(1) Fund managers of AABGU's investments in multi-strategy funds employ a variety of investment techniques and strategies designed to provide above-average returns while preserving and achieving long-term growth of capital.

(2) The fund manager invests primarily in equity securities of companies within and outside of the S&P 500 Index (the Index) with a goal of achieving annual long-term returns that are superior to the Index.

(3) The fund manager invests in a broad array of securities within the leveraged finance marketplace to achieve superior risk-adjusted returns.

AABGU has no unfunded commitments in any of its investments in investment funds as of September 30, 2014.

Investments in Israel are fully described in Note 10.

AABGU values all Level 3 investments using the net asset value (practical expedient) as described above. There were no unobservable quantitative inputs used in the valuation of AABGU's Level 3 investments as of September 30, 2013. The quantitative inputs used in determining the fair value of beneficial interests in funds held by others and obligations under split-interest agreements consist of mortality rates and discount rate assumptions described in Note 5 and Note 8, respectively.

The following table presents a reconciliation of Level 3 assets and liabilities measured at fair value:

	2014			
	Investments	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2013	$ 524,681	$ 2,496,542	$ 1,148,320	$ 6,723,225
Purchases	1,000,000	-	-	-
Redemptions	(547,975)	-	-	-
Net unrealized gains	63,471	-	-	-
New agreements	-	-	-	1,929,470
Payments on annuities	-	-	-	(1,260,858)
Change in value	-	106,018	40,570	650,549
Balance, September 30, 2014	$ 1,040,177	$ 2,602,560	$ 1,188,890	$ 8,042,386

Note 6. Fair Value Measurements (Continued)

	2013			
	Investments	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2012	$ 2,156,469	$ 2,842,081	$ 1,107,238	$ 5,749,565
Redemptions	(1,795,836)	-	-	-
Net unrealized gains	164,048	-	-	-
New agreements	-	-	-	1,412,409
Payments on annuities	-	-	-	(1,042,573)
Change in value	-	(345,539)	41,082	603,824
Balance, September 30, 2013	$ 524,681	$ 2,496,542	$ 1,148,320	$ 6,723,225

Note 7. Concentrations

Financial instruments that potentially subject AABGU to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits, investments, and contributions receivable.

At September 30, 2014, approximately 92% of cash accounts are held by one bank. Investments in the USA are held by two custodians. One custodian was holding approximately 75% of these investments at September 30, 2014. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 49% or $15,300,000 of the gross contributions receivable at September 30, 2014 were outstanding pledges from three donors. It is management's opinion that the contributions receivable from these donors will be collected in full.

Note 8. Split-Interest Agreements

AABGU has numerous split-interest agreements which include charitable remainder trusts and gift annuities where AABGU serves as trustee for the benefit of the individual beneficiaries. Under the charitable remainder trust agreements, AABGU controls the donated assets and distributes to the donor or the donor's designee the income generated from those assets until such time as stated in the agreements. Charitable gift annuities are unrestricted, irrevocable gifts which AABGU agrees to pay a life annuity to the donor or a designated beneficiary.

At the time of the gift, and adjusted annually, AABGU records contribution revenue and a liability for amounts payable to the beneficiaries using an actuarial calculation based on established mortality rates and other assumptions that could change in the near term. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities. AABGU used a 2.2% and 2.0% discount rates and the 2000CM Mortality Tables in determining its liability at September 30, 2014 and 2013, respectively.

Note 8. Split-Interest Agreements (Continued)

In addition, AABGU has irrevocable interests in charitable trusts and another fund held by third parties (see Note 5).

The financial statements include various split-interest agreements as follows:

	2014			
	Charitable Gift Annuities	Charitable Remainder Trusts	Other Fund	Total
Statement of Financial Position				
Investments	$ 11,863,784	$ 438,894	$ -	$ 12,302,678
Beneficial interests in funds held by others	-	1,665,909	936,651	2,602,560
Obligations under split-interest agreements	7,748,744	293,642	-	8,042,386
Statement of Activities				
Contributions (net of discount)	1,629,530	-	-	1,629,530
Change in value of beneficial interests in funds held by others and split-interest agreements	(618,809)	51,464	22,814	(544,531)

	2013			
	Charitable Gift Annuities	Charitable Remainder Trusts	Other Fund	Total
Statement of Financial Position				
Investments	$ 9,056,143	$ 456,092	$ -	$ 9,512,235
Beneficial interests in funds held by others	-	1,582,705	913,837	2,496,542
Obligations under split-interest agreements	6,411,172	312,053	-	6,723,225
Statement of Activities				
Contributions (net of discount)	964,189	-	-	964,189
Change in value of beneficial interests in funds held by others and split-interest agreements	(571,035)	(454,858)	76,530	(949,363)

Note 8. Split-Interest Agreements (Continued)

At September 30, 2014 and 2013, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of $4,521,636 and $2,033,852, respectively, and the California Gift Annuity Reserve of $3,015,697 and $2,776,063, respectively. AABGU maintains additional reserves against its gift annuity obligations of $4,331,053 and $4,068,132 at September 30, 2014 and 2013, respectively. The New York State Segregated Gift Annuity Reserve is included in the multi-state gift annuity reserve pool. These reserve amounts are restricted for the payments of annuity obligations only.

Note 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets of $67,815,269 and $57,763,619 at September 30, 2014 and 2013, respectively, are available for university projects and scholarships.

Temporarily restricted net assets amounting to $33,504,217 in 2014 and $30,217,776 in 2013 were released from donor restrictions by incurring expenses related to university projects and scholarships as well as the occurrence of other events specified by donors or upon termination of trusts and annuity obligations.

Permanently restricted net assets of $144,338,178 and $140,890,166 at September 30, 2014 and 2013, respectively, are available for investments in perpetuity. At September 30, 2014 and 2013, these amounts include the present value of pledges receivable to endowment funds of approximately $3,938,000 and $3,110,000, respectively and the fair value of AABGU's perpetual interest in a pooled income fund of $936,652 and $913,837, respectively. Income and appreciation from such investments are expendable to support university projects and scholarships.

In 2014, certain donors made changes to the restrictions on their previous gifts and pledges, resulting in a net reclassification of $797,517 of permanently restricted net assets to temporarily restricted net assets.

Note 10. Endowments

AABGU is subject to the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. AABGU classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AABGU in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Note 10. Endowments (Continued)

AABGU's endowments and endowment-related activities are summarized below:

	2014						
	Endowments Held in the USA			Endowments Held in Israel			
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total Endowments
Balance, October 1, 2013	$ 2,559,784	$ 20,502,924	$ 23,062,708	$ 17,535,220	$ 115,944,523	$ 133,479,743	$ 156,542,451
Investment returns:							
Interest and dividends	577,403	193	577,596	5,022,638	-	5,022,638	5,600,234
Net realized/unrealized gains	1,700,015	-	1,700,015	5,509,919	-	5,509,919	7,209,934
CPI adjustments	-	-	-	(1,225,281)	-	(1,225,281)	(1,225,281)
Investment fees and expenses	(81,577)	-	(81,577)	-	-	-	(81,577)
	2,195,841	193	2,196,034	9,307,276	-	9,307,276	11,503,310
Contributions	9,400,000	2,681,739	12,081,739	-	1,683,187	1,683,187	13,764,926
Reclassification due to change in donor's restriction	1,600,017	(1,600,017)	-	-	-	-	-
Appropriations of endowment assets for expenditures	(6,360,228)	-	(6,360,228)	(5,715,650)	-	(5,715,650)	(12,075,878)
Change in endowment net assets	6,835,630	1,081,915	7,917,545	3,591,626	1,683,187	5,274,813	13,192,358
Balance, September 30, 2014	$ 9,395,414	$ 21,584,839	$ 30,980,253	$ 21,126,846	$ 117,627,710	$ 138,754,556	$ 169,734,809

	2013						
	Endowments Held in the USA			Endowments Held in Israel			
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total Endowments
Balance, October 1, 2012	$ 1,373,754	$ 17,843,855	$ 19,217,609	$ 9,738,097	$ 113,449,466	$ 123,187,563	$ 142,405,172
Investment returns:							
Interest and dividends	536,508	204	536,712	4,219,718	-	4,219,718	4,756,430
Net realized/unrealized gains	1,467,627	-	1,467,627	4,715,314	-	4,715,314	6,182,941
CPI adjustments	-	-	-	3,081,809	-	3,081,809	3,081,809
Investment fees and expenses	(64,777)	-	(64,777)	-	-	-	(64,777)
	1,939,358	204	1,939,562	12,016,841	-	12,016,841	13,956,403
Contributions	-	2,658,865	2,658,865	-	2,495,057	2,495,057	5,153,922
Appropriations of endowment assets for expenditures	(753,328)	-	(753,328)	(4,219,718)	-	(4,219,718)	(4,973,046)
Change in endowment net assets	1,186,030	2,659,069	3,845,099	7,797,123	2,495,057	10,292,180	14,137,279
Balance, September 30, 2013	$ 2,559,784	$ 20,502,924	$ 23,062,708	$ 17,535,220	$ 115,944,523	$ 133,479,743	$ 156,542,451

Note 10. Endowments (Continued)

Endowments held in the USA: AABGU has adopted investment and spending policies for endowment assets held in the USA that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. AABGU's approach to the management of these investments is to obtain a total return that exceeds inflation and assists its annual spending needs. Unless otherwise specified by the donor, AABGU has a policy of appropriating for distribution each year 4% of its endowment fund's fair value using the moving average method of determining year-to-year spending in order to smooth distributions from the aggregate portfolio. The portfolio value for appropriation purposes will be determined based on a three-year moving average of the portfolio market value at each fiscal year-end.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or relevant law requires AABGU to retain as a fund of perpetual donation. Deficiencies of this nature would be reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss. Otherwise, such deficiencies are reported in unrestricted net assets and subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets. There were no such deficiencies at September 30, 2014 and 2013.

In 2014, an endowment fund amounting to $1,600,017 was reclassified from permanently restricted net assets to temporarily restricted net assets to conform to the change in donor's restriction allowing AABGU to use the assets in this fund to support construction of a chemistry building at the University. Contributions made by the donor to this endowment fund in 2014 were recognized as temporarily restricted net assets. Amounts withdrawn from this endowment fund are based on amounts granted by AABGU to BGU for the construction of said chemistry building.

Endowments held in Israel: Endowments held in Israel are either temporarily restricted or permanently restricted gifts that have been transmitted to Ben-Gurion University of the Negev (BGU or the University), and are maintained by BGU on behalf of AABGU. Temporarily restricted gifts are held as investments until the time or purpose restrictions specified by the donor are met. Permanently restricted gifts are held as investments in perpetuity. The endowments maintained by BGU are supported by BGU's full investment portfolio, and include a $15,000,000 endowment (The Joyce and Irving Goldman Family Medical School) where $1,500,000 of principal had been lent, with the donor's permission, to BGU to fund construction of a building. BGU began repayment of this loan ($250,000) in 2014.

Approximately 79% of the AABGU endowments held by BGU are maintained at the original dollar value of the gifts. The other 21%, under a 2003 agreement, are maintained in New Israeli Shekels and are linked to the Israel Consumer Price Index (the CPI) for a period of 10 years. Any foreign exchange and CPI gains or losses are recorded as unrestricted or temporarily restricted revenue depending upon the original terms of the endowment funds as agreed with the donor. In November 2013, AABGU and BGU renewed this agreement for another ten-year period.

Except for certain endowment funds which require that a portion of the earnings be reinvested in the endowment fund, all earnings on the endowments maintained by BGU on behalf of AABGU are available for university projects and scholarships. Reinvested earnings totaled $5,509,919 and $4,715,314 in 2014 and 2013, respectively.

Under the agreement between AABGU and BGU, BGU annually determines a rate of interest to be paid on the endowments held on behalf of AABGU. This interest is then disbursed by BGU to fulfill each endowment fund's purpose. This interest rate may be more or less than BGU's actual earnings on its investment portfolio. The interest rate was 3.0% for 2014 and 2013.

Note 10. Endowments (Continued)

As of October 1, 2007, BGU separated the endowments investment portfolio from the overall BGU invested funds. Income from the investment of the endowment funds will be used for: 1) allocations to the designations defined by the donors; and 2) revaluing the endowment funds according to the currency in which they are administered.

In connection with the CPI-linked investments held on behalf of AABGU, BGU had been accumulating a reserve that totaled approximately $1,753,000 at September 30, 2012. As part of the renewal of the linkage agreement in November 2013, AABGU consented to the release of this reserve.

Note 11. Pension Plan

AABGU has a defined contribution plan for all employees who have worked for one year. After one year, AABGU automatically contributes 4.5% of an employee's salary to the 403(b) plan. The employer contribution for employees with 5 or more years of service was increased effective October 1, 2014. If the employee contributes at least 1% of the employee's salary to the plan, AABGU contributes another 0.5% of the employee's salary - making the total employer contribution 5%. After an employee has completed five years of service with AABGU, AABGU contributes 7.5% of an employee's salary to the 403(b) plan. If an employee with five or more years of service with AABGU contributes at least 1% of the employee's salary to the plan, AABGU contributes another 0.5% of the employee's salary - making the total employer contribution 8% for employees with 5+ years of service.

After an employee has completed ten years of service with AABGU, AABGU contributes 9.5% of an employee's salary to the 403(b) plan. If an employee with ten or more years of service with AABGU contributes at least 1% of the employee's salary to the plan, AABGU contributes another 0.5% of the employee's salary - making the total employer contribution 10% for employees with 10+ years of service. All AABGU employer contributions to the 403(b) plan are subject to legal and regulatory restrictions on maximum allowable contributions. AABGU contributed approximately $ 228,000 and $193,000 to the 403(b) plan during fiscal years 2014 and 2013, respectively.

Note 12. Related Parties

AABGU has one board member who serves as legal counsel and was paid $76,035 and $70,275 in compensation for his services in fiscal 2014 and 2013, respectively.

Note 13. Leases

AABGU leases office spaces in New York City and in various locations throughout the United States under operating lease agreements.

In March 2012, AABGU entered into a 7-year operating lease agreement, expiring in June 2024, for its New York City office. The lease requires payment of escalation rentals for certain operating expenses and real estate taxes. AABGU entered into a standby letter of credit of approximately $187,000 with its primary bank in lieu of providing a security deposit on the lease. AABGU received lease incentives of approximately $455,000 in leasehold improvements from the landlord. Deferred lease obligation and incentive shown in the accompanying financial statements represent the unamortized deferred lease incentive and the value of certain rent-free periods as of September 30, 2014.

Note 13. Leases (Continued)

The following is a schedule of future minimum lease payments:

Year Ending September 30,	
2015	$ 518,054
2016	520,619
2017	509,456
2018	506,373
2019	468,285
Thereafter	1,997,022
	$ 4,519,809

Rent expense was $574,898 and $533,041 for the years ended September 30, 2014 and 2013, respectively.

Note 14. Contingency

During fiscal year 2011, AABGU received distributions in excess of $17 million from a single estate. Since the compensation of the estate's fiduciary and the fiduciary's attorneys/accountants has not yet been fixed by the court, AABGU executed a refunding agreement by which it would be responsible to return not more than $400,000 to the estate in the event the Court awards aggregate compensation to the fiduciary and his attorneys/accountants in excess of $2,180,000 (comprised of the $1,800,000 already paid on account to them plus the $380,000 retained by the estate as a reserve for this purpose). Accordingly, AABGU is holding $400,000 in a segregated bank account. In the opinion of AABGU's management and counsel, a court award of compensation requiring AABGU to return any part of the $400,000 is highly improbable. No claims other than those of the fiduciary and the attorneys/accountants remain open with the estate.