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

Financial Report
September 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying statement of financial position of American Associates Ben-Gurion University of the Negev, Inc. (AABGU) as of September 30, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
July 12, 2018

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

Statement of Financial Position
September 30, 2017
(with summarized comparative information as of September 30, 2016)

	2017	2016
Assets		
Cash and cash equivalents	**$ 6,665,238**	$ 14,439,527
Investments held in USA	**273,322,693**	188,113,867
Investments held in Israel	**145,982,756**	138,088,112
Contributions receivable, net	**305,249,650**	93,829,481
Prepaid expenses and other assets	**218,511**	121,933
Collections and works of art	**1,425,520**	1,247,706
Beneficial interests in funds held by others	**1,203,543**	2,347,522
Cash surrender value of life insurance	**1,308,195**	1,251,799
Property and equipment (net of accumulated depreciation of $607,094 in 2017 and $541,688 in 2016)	**291,964**	348,877
Total assets	**$ 735,668,070**	$ 439,788,824
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 602,723**	$ 821,926
Due to Ben-Gurion University	**17,972,302**	1,859,293
Other liabilities	**55,308**	70,428
Obligations under split-interest agreements	**15,742,956**	14,932,253
Deferred lease obligations and incentive	**423,185**	476,882
Total liabilities	**34,796,474**	18,160,782
Commitments and contingency		
Net assets:		
Unrestricted	**16,247,706**	13,199,666
Temporarily restricted	**85,479,147**	84,904,581
Permanently restricted	**599,144,743**	323,523,795
Total net assets	**700,871,596**	421,628,042
Total liabilities and net assets	**$ 735,668,070**	$ 439,788,824

See notes to financial statements.

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

Statement of Activities
Year Ended September 30, 2017
(with summarized comparative information for the year ended September 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Information
Support, revenue, gains and losses:					
Contributions	$ 2,753,901	$ 15,842,514	$ 276,471,801	$ 295,068,216	$ 246,287,803
Special events, net	(17,498)	-	-	(17,498)	43,715
Return on investments	2,294,747	30,650,343	-	32,945,090	13,685,806
Termination and change in value of beneficial interest in funds held by others and split-interest agreements	243,279	(352,780)	(850,853)	(960,354)	(1,652,999)
Bad debt recovery	368	-	-	368	195
Net assets released from restrictions - satisfaction of purpose and time restrictions	45,565,511	(45,565,511)	-	-	-
Total support, revenue, gains and losses	50,840,308	574,566	275,620,948	327,035,822	258,364,520
Expenses:					
Program services:					
Grants for university projects and scholarships	38,527,450	-	-	38,527,450	40,254,676
Supporting services:					
Management and general	3,320,719	-	-	3,320,719	2,709,794
Fund-raising	5,944,099	-	-	5,944,099	6,156,261
Total supporting services	9,264,818	-	-	9,264,818	8,866,055
Total expenses	47,792,268	-	-	47,792,268	49,120,731
Change in net assets	3,048,040	574,566	275,620,948	279,243,554	209,243,789
Net assets:					
Beginning	13,199,666	84,904,581	323,523,795	421,628,042	212,384,253
Ending	$ 16,247,706	$ 85,479,147	$ 599,144,743	$ 700,871,596	$ 421,628,042

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended September 30, 2017
(with summarized comparative information for the year ended September 30, 2016)

	2017					2016
	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	$ 37,738,195	$ -	$ -	$ -	$ 37,738,195	$ 39,633,608
Scholarships	160,200	-	-	-	160,200	156,365
Salaries	237,408	850,335	3,522,580	4,372,915	4,610,323	4,505,595
Payroll taxes and employee benefits	47,735	282,814	770,945	1,053,759	1,101,494	990,390
Printing, publicity, postage and shipping	8,504	107,470	543,873	651,343	659,847	709,077
Direct mail campaign	-	-	223,383	223,383	223,383	257,237
Office supplies and expenses	1,898	18,890	19,261	38,151	40,049	53,220
E-Philanthropy	-	20,766	-	20,766	20,766	23,929
Occupancy expenses	-	396,990	289,418	686,408	686,408	634,655
Insurance	-	90,550	-	90,550	90,550	83,115
Automobile, conference, travel and entertainment	295,023	70,821	423,844	494,665	789,688	969,989
Computer service	15,689	55,130	10,684	65,814	81,503	72,357
Professional fees	2,500	626,786	77,170	703,956	706,456	441,351
Telecommunications	4,184	31,330	43,421	74,751	78,935	80,294
Temporary help	-	123,975	1,275	125,250	125,250	49,418
Dues and subscriptions	10,893	18,285	4,168	22,453	33,346	16,905
Cleaning	1,975	27,612	4,670	32,282	34,257	24,163
Equipment rental	1,277	18,002	8,906	26,908	28,185	36,719
Investment fees	-	509,052	-	509,052	509,052	221,929
Depreciation	-	65,406	-	65,406	65,406	103,055
Miscellaneous	1,969	6,505	501	7,006	8,975	57,360
Total expenses - 2017	$ 38,527,450	$ 3,320,719	$ 5,944,099	$ 9,264,818	$ 47,792,268	
Total expenses - 2016	$ 40,254,676	$ 2,709,794	$ 6,156,261	$ 8,866,055		$ 49,120,731

See notes to financial statements.

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

Statement of Cash Flows
Year Ended September 30, 2017
(with summarized comparative information for the year ended September 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 279,243,554**	$ 209,243,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**65,406**	103,055
Net realized/unrealized gain on investments	**(20,529,860)**	(11,370,232)
CPI adjustments on investments held in Israel	**(1,856,679)**	(1,024,593)
Change in value of split-interest agreements	**960,354**	1,652,999
Contributions under split-interest agreements	**(546,898)**	(1,381,791)
Change in cash surrender value of life insurance	**(56,396)**	(27,277)
Contributions restricted for long-term investment	**(60,000,333)**	(131,068,091)
In-kind work of art received	**(177,814)**	(3,184)
Amortization of present value discount on contributions receivable	**(963,200)**	(224,075)
Amortization of deferred lease obligation	**(53,697)**	(19,962)
Changes in operating assets and liabilities:		
Increase in contributions receivable	**(210,456,969)**	(54,519,471)
(Increase) decrease in prepaid expenses and other assets	**(96,578)**	67,465
(Decrease) increase in accounts payable and accrued expenses	**(219,203)**	205,044
Increase in due to Ben-Gurion University	**16,113,009**	(325,623)
Decrease in other liabilities	**(15,120)**	(2,155)
Net cash provided by operating activities	**1,409,576**	11,305,898
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	**122,360,289**	5,254,177
Purchase of investments	**(193,077,220)**	(139,231,510)
Purchase of property and equipment	**(8,493)**	(9,401)
Net cash used in investing activities	**(70,725,424)**	(133,986,734)
Cash flows from financing activities:		
Contributions subject to split-interest agreements	**3,269,189**	3,976,409
Contributions restricted for long-term investment	**60,000,333**	131,068,091
Payments on obligations under split-interest agreements	**(1,727,963)**	(1,507,505)
Net cash provided by financing activities	**61,541,559**	133,536,995
Net (decrease) increase in cash and cash equivalents	**(7,774,289)**	10,856,159
Cash and cash equivalents:		
Beginning	**14,439,527**	3,583,368
Ending	**$ 6,665,238**	$ 14,439,527

See notes to financial statements.

Note 1. Organization

American Associates Ben-Gurion University of the Negev, Inc. (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 Ben-Gurion University of the Negev (BGU)'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 the United States of America are reported at fair value as described in Note 6. Investments held in Israel represent AABGU's interest in the investment pool of 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).

Cash surrender value of life insurance: Life insurance policies are reported at cash surrender value as reported by the insurance companies.

Beneficial interests in funds held by others: Beneficial interests in funds held by others are reported at fair value, which is estimated at the present value of the estimated future interest in the remainder trusts.

Obligations under split-interest agreements: Obligations under split-interest agreements are reported at fair value, which 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 (U.S. GAAP). Accordingly, such information should be read in conjunction with AABGU's financial statements as of and for the year ended September 30, 2016, from which the summarized information was derived.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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 July 12, 2018, for these financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: AABGU qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (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, 2017 and 2016, 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 2014, which is the standard statute of limitations look-back period.

Recently issued accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. AABGU is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August, 2016, the FASB issued ASU 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. AABGU has not evaluated the impact of this ASU on the financial statements.

Note 3. Investments

Investments, at fair value, consist of the following:

	2017	2016
Cash equivalents	$ 12,154,227	$ 134,698,216
U.S. Treasuries and other bonds	71,473,341	1,698,531
Equities	24,830,351	12,676,137
Mutual funds	47,335,972	30,687,084
Investment funds	117,528,802	8,353,899
Investments held in USA	273,322,693	188,113,867
Investments held in Israel (Note 10)	145,982,756	138,088,112
	$ 419,305,449	$ 326,201,979

Note 3. Investments (Continued)

These investments are held for the following purposes:

	2017	2016
General operations	$ 15,962,006	$ 2,488,646
Program support	62,836	62,794
Annuities and trusts	19,949,836	17,164,579
Endowments (Note 10):		
Marcus endowment fund	189,070,206	125,451,057
Others	48,277,809	42,946,791
Investments - USA	273,322,693	188,113,867
Endowments - Israel (Note 10)	145,982,756	138,088,112
	$ 419,305,449	$ 326,201,979

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

	2017	2016
Interest and dividends	$ 2,894,405	$ 1,290,982
Net realized gains	700,710	2,965,102
Net unrealized gains	15,609,889	3,113,517
Net return on investments - USA	19,205,004	7,369,601
Allocated investment income (Note 10)	11,883,407	5,291,613
CPI adjustment	1,856,679	1,024,592
Net return on investments - Israel	13,740,086	6,316,205
	$ 32,945,090	$ 13,685,806

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 6.14%.

	2017	2016
Amounts due:		
Within one year or less	$ 277,703,959	$ 63,357,619
In more than one year and less than five years	19,380,863	20,702,691
In five or more years	13,280,513	15,848,058
	310,365,335	99,908,368
Less discount to present value	(3,525,999)	(4,489,201)
Less allowance for uncollectible pledges	(1,589,686)	(1,589,686)
Contributions receivable, net	$ 305,249,650	$ 93,829,481

Note 4. Contributions Receivable (Continued)

In 2016, AABGU received substantial bequest of 1,930 shares of Berkshire Hathaway Class A Stock to establish a permanent endowment fund in support of BGU. As of September 30, 2017, AABGU took receipt of approximately 967 shares and liquidated the shares.

As of September 30, 2017 the remaining shares of stock are held by the executor of the estate, 963 shares of Berkshire Hathaway Class A Stock. Subsequent to year end the Internal Revenue Service (IRS) had approved the final estate tax return and the final distribution was received in 2018. The final shares of Berkshire Hathaway stock are valued as of September 30, 2017, at $264,574,620 and are recorded as contributions receivable and revenue in the financial statements.

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 3.6% and 3.4% in 2017 and 2016, respectively, using actuarially based mortality tables.

AABGU also had 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 were 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. The fair value of this perpetual interest as of September 30, 2016 was $850,853. In January 2018, the community foundation communicated to AABGU that it would liquidate the fund and make $500,000 one-time contribution to AABGU and the remaining of the fund balance to be distributed to AABGU annually over a ten-year period. These contributions are restricted for BGU programs.

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

	2017	2016
Total value of beneficial interests in funds held by others	$ 1,580,285	$ 2,698,491
Less discount to present value	(376,742)	(350,969)
Beneficial interests in funds held by others	$ 1,203,543	$ 2,347,522

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 U.S. GAAP, 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.

Note 6. Fair Value Measurements (Continued)

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.

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 2017.

Note 6. Fair Value Measurements (Continued)

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

		2017 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	$ 12,154,227	$ 12,154,227	$ -	$ -
U.S. Treasuries and other bonds	71,473,341	-	71,473,341	-
Equities:				
Common stock	13,699,252	13,699,252	-	-
Domestic ETFs	8,953,670	8,953,670	-	-
International equities	2,177,429	2,177,429	-	-
	24,830,351	24,830,351	-	-
Mutual funds:				
International REIT	1,546,085	1,546,085	-	-
International equities	12,555,944	12,555,944	-	-
Small caps	418,985	418,985	-	-
Mid caps	407,083	407,083	-	-
Large caps	5,483,062	5,483,062	-	-
Value funds	3,486,361	3,486,361	-	-
Investment grade bond funds	8,307,784	8,307,784	-	-
High yield bond funds	794,181	794,181	-	-
Low duration bond funds	2,606,553	2,606,553	-	-
High-quality bonds (government)	4,634,251	4,634,251	-	-
Real return bonds	1,757,580	1,757,580	-	-
Floating rate bank loan funds	3,437,318	3,437,318	-	-
International bond funds	1,900,785	1,900,785	-	-
	47,335,972	47,335,972	-	-
Total investments in fair value hierarchy	155,793,891	84,320,550	71,473,341	-
Investment funds measured at net asset value (1)	117,528,802			
Investments - USA	273,322,693	84,320,550	71,473,341	-
Investments held in Israel	145,982,756	-	145,982,756	-
Total investments	$ 419,305,449	$ 84,320,550	$ 217,456,097	$ -
Beneficial interests in funds held by others	$ 1,203,543	$ -	$ -	$ 1,203,543
Cash surrender value of life insurance	$ 1,308,195	$ -	$ -	$ 1,308,195
Obligations under split-interest agreements	$ 15,742,956	$ -	$ -	$ 15,742,956

Note 6. Fair Value Measurements (Continued)

		2016 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	$ 134,698,216	$ 134,698,216	$ -	$ -
U.S. Treasuries and other bonds	1,698,531	-	1,698,531	-
Equities:				
Common stock	5,057,793	5,057,793	-	-
Domestic ETFs	6,006,383	6,006,383	-	-
International equities	1,611,961	1,611,961	-	-
	12,676,137	12,676,137	-	-
Mutual funds:				
International REIT	1,111,145	1,111,145	-	-
Emerging markets	424,685	424,685	-	-
International equities	5,681,458	5,681,458	-	-
Small caps	329,886	329,886	-	-
Mid caps	369,489	369,489	-	-
Large caps	2,858,985	2,858,985	-	-
Value funds	1,020,893	1,020,893	-	-
Preferred stock	1,124,311	1,124,311	-	-
Investment grade bond funds	9,069,357	9,069,357	-	-
Low duration bond funds	1,271,792	1,271,792	-	-
High-quality bonds (government)	4,265,960	4,265,960	-	-
Real return bonds	1,361,144	1,361,144	-	-
Floating rate bank loan funds	1,104,705	1,104,705	-	-
International bond funds	693,274	693,274	-	-
	30,687,084	30,687,084	-	-
Total investments in fair value hierarchy	179,759,968	178,061,437	1,698,531	-
Investment funds measured at net asset value [1]	8,353,899			
Investments - USA	188,113,867	178,061,437	1,698,531	-
Investments held in Israel	138,088,112	-	138,088,112	-
Total investments	$ 326,201,979	$ 178,061,437	$ 139,786,643	$ -
Beneficial interests in funds held by others	$ 2,347,522	$ -	$ -	$ 2,347,522
Cash surrender value of life insurance	$ 1,251,799	$ -	$ -	$ 1,251,799
Obligations under split-interest agreements	$ 14,932,253	$ -	$ -	$ 14,932,253

(1) In accordance with the guidance provided by FASB ASU 2015-07, Subtopic 820-10, investments that are measured at fair value using the net asset value (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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.

The following table summarizes AABGU's investments in investment funds at September 30, 2017:

Investment Objective	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy(1)	$ 33,502,982	$ 1,014,079	$ -	Quarterly	45 - 65 days
Long/short equity securities(2)	53,137,961	6,447,590	-	Quarterly	45 - 90 days
Event driven corporate credit fund(3)	888,193	892,230	-	Quarterly	90 days
Private equity(4)	5,529,264	-	14,726,206	N/A	N/A
International equity(5)	24,470,402	-	-	Monthly	5 - 30 days
	$ 117,528,802	$ 8,353,899	$ 14,726,206		

(1) This category includes a multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Management of the funds initiates long and short position targeting solid absolute risk-adjusted returns.

Note 6. Fair Value Measurements (Continued)

(2) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and emerging markets.

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

(4) This category includes primarily private equity funds that focus on opportunistic credit and distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments rage from 4 to 10 years.

(5) This category includes investments in funds that focus on long-only or long biased investing equities of international in either developed or emerging markets. The underlying assets are liquid and the fund's managers provide details of those assets.

Investments in Israel are fully described in Note 10.

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 carrying amount of cash surrender value of life insurance approximates the fair value of life insurance policies.

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

	2017		
	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2016	$ 2,347,522	$ 1,251,799	$ 14,932,253
New agreements	-	-	2,722,291
Payments on annuities	-	-	(1,730,301)
Change in value/termination	(1,143,979)	56,396	(181,287)
Balance, September 30, 2017	$ 1,203,543	$ 1,308,195	$ 15,742,956

Note 6. Fair Value Measurements (Continued)

	2016		
	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2015	$ 2,465,840	$ 1,224,522	$ 12,310,459
New agreements	-	-	2,594,618
Payments on annuities	-	-	(1,507,505)
Change in value	(118,318)	27,277	1,534,681
Balance, September 30, 2016	$ 2,347,522	$ 1,251,799	$ 14,932,253

The carrying amount of contributions receivable is based on the estimated present value of the date of the anticipated cash inflows, recorded at the date of contribution. During the years ended September 30, 2017 and 2016, newly received contributions receivable totaling $269,980,376 and $59,597,644 respectively, were valued at estimated fair value by discounting expected cash flows using a risk adjusted discount rate at the date these contributions were received. These are considered to be Level 3 inputs in the fair value hierarchy. The amounts reported in the statement of financial position approximate fair value due to relatively short period of time between their origination and expected realization.

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, 2017 and 2016, approximately 97% and 99% of cash accounts are held by one bank, respectively. Investments in the USA are held by three custodians. One custodian was holding approximately 67% of these investments at September 30, 2017 and 2016. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 86% or $265,752,540 of gross contributions receivable at September 30, 2017 was an outstanding distribution to be received from one estate. It is management's opinion that the contribution receivable from this estate will be collected in full. Approximately 47% or $46,121,050 of gross contributions receivable at September 30, 2016 was an outstanding distribution to be received from one estate. This amount was collected in full by January 2017.

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 for which AABGU agrees to pay a life annuity to the donor or a designated beneficiary.

Note 8. Split-Interest Agreements (Continued)

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 2.4% and 1.4% discount rates and the IAR-2012 Mortality Tables in determining its liabilities at September 30, 2017 and 2016, respectively.

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:

	2017			
	Charitable Gift Annuities	Charitable Remainder Trusts	Other Fund	Total
Statement of Financial Position				
Investments	$ 19,094,720	$ -	$ -	$ 19,094,720
Beneficial interests in funds held by others	-	1,203,543	-	1,203,543
Obligations under split-interest agreements	15,253,115	489,841	-	15,742,956
Statement of Activities				
Contributions (net of discount)	546,898	-	-	546,898
Change in value of beneficial interests in funds held by others and split-interest agreements	243,279	(352,780)	(850,853)	(960,354)

	2016			
	Charitable Gift Annuities	Charitable Remainder Trusts	Other Fund	Total
Statement of Financial Position				
Investments	$ 16,328,200	$ -	$ -	$ 16,328,200
Beneficial interests in funds held by others	-	1,496,669	850,853	2,347,522
Obligations under split-interest agreements	14,460,054	472,199	-	14,932,253
Statement of Activities				
Contributions (net of discount)	1,381,791	-	-	1,381,791
Change in value of beneficial interests in funds held by others and split-interest agreements	(1,762,475)	109,476	-	(1,652,999)

Note 8. Split-Interest Agreements (Continued)

As of September 30, 2017 and 2016, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of $14,400,508 and $11,816,305, respectively, and the California Gift Annuity Reserve of $2,858,874 and $2,526,312, respectively. AABGU maintains additional reserves against its gift annuity obligations of $1,810,336 and $1,685,581 at September 30, 2017 and 2016, 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 $85,479,147 and $84,904,581 at September 30, 2017 and 2016, respectively, are available for university projects and scholarships.

Temporarily restricted net assets amounting to $45,565,511 in 2017 and $42,583,295 in 2016 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 $599,144,743 and $323,523,795 at September 30, 2017 and 2016, respectively, are available for investments in perpetuity. At September 30, 2017 and 2016, these amounts include the present value of pledges receivable to endowment funds of approximately $272,055,672 and $46,274,150, respectively, and the fair value of AABGU’s perpetual interest in a pooled income fund of $0 and $850,853, respectively. Income and appreciation from such investments are expendable to support university projects and scholarships.

Note 10. Endowments

AABGU is subject to the New York 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:

	2017							
	Endowments Held in the USA				Endowments Held in Israel			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total Endowments
Balance, September 30, 2016	$ (171)	$ 12,232,524	$ 156,165,495	$ 168,397,848	$ 18,567,242	$ 119,520,870	$ 138,088,112	$ 306,485,960
Investment returns:								
Interest and dividends	-	2,267,113	-	2,267,113	3,484,749	-	3,484,749	5,751,862
Net realized/unrealized gains	171	14,463,742	-	14,463,913	8,398,658	-	8,398,658	22,862,571
CPI adjustments	-	-	-	-	1,856,679	-	1,856,679	1,856,679
Investment fees and expenses	-	(392,870)	-	(392,870)	-	-	-	(392,870)
	171	16,337,985	-	16,338,156	13,740,086	-	13,740,086	30,078,242
Contributions	-	-	58,265,661	58,265,661	-	1,734,672	1,734,672	60,000,333
Appropriations of endowment assets for expenditures	-	(5,653,650)	-	(5,653,650)	(7,580,114)	-	(7,580,114)	(13,233,764)
Change in endowment net assets	171	10,684,335	58,265,661	68,950,167	6,159,972	1,734,672	7,894,644	76,844,811
Balance, September 30, 2017	$ -	$ 22,916,859	$ 214,431,156	$ 237,348,015	$ 24,727,214	$ 121,255,542	$ 145,982,756	$ 383,330,771

	2016							
	Endowments Held in the USA				Endowments Held in Israel			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total Endowments
Balance, September 30, 2015	$ (338,363)	$ 7,223,259	$ 25,946,506	$ 32,831,402	$ 12,251,037	$ 118,671,768	$ 130,922,805	$ 163,754,207
Investment returns:								
Interest and dividends	-	698,215	-	698,215	4,100,460	-	4,100,460	4,798,675
Net realized/unrealized gains	338,192	5,150,074	-	5,488,266	5,291,613	-	5,291,613	10,779,879
CPI adjustments	-	-	-	-	1,024,593	-	1,024,593	1,024,593
Investment fees and expenses	-	(95,722)	-	(95,722)	-	-	-	(95,722)
	338,192	5,752,567	-	6,090,759	10,416,666	-	10,416,666	16,507,425
Contributions	-	-	130,218,989	130,218,989	-	849,102	849,102	131,068,091
Appropriations of endowment assets for expenditures	-	(743,302)	-	(743,302)	(4,100,461)	-	(4,100,461)	(4,843,763)
Change in endowment net assets	338,192	5,009,265	130,218,989	135,566,446	6,316,205	849,102	7,165,307	142,731,753
Balance, September 30, 2016	$ (171)	$ 12,232,524	$ 156,165,495	$ 168,397,848	$ 18,567,242	$ 119,520,870	$ 138,088,112	$ 306,485,960

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.

Note 10. Endowments (Continued)

Due to the depreciation of investments during the years ended September 30, 2017 and 2016, the fair value of certain donor-restricted endowment funds were less than the amount of the original gift by $0 and $171, respectively.

Endowments held in Israel: Endowments held in Israel are either temporarily restricted or permanently restricted gifts that have been transmitted to BGU, 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 the construction of the Caroline House Health Sciences Student Center. BGU began repayment of this loan ($250,000) in 2014. The remaining loan balance is required to be repaid upon the death of Caroline Simon and AABGU's receipt of her estate.

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 ten 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.

For the year ended September 30, 2017, endowments held in Israel had investment gains totaling $8,398,658. The current year gains are an increase to the temporarily restricted net asset portion of the endowment funds. In the year ended September 30, 2016, endowments held in Israel incurred investment gains, which totaled $5,291,613.

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 2017 and 2016.

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.

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 the 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.

Note 11. Pension Plan (Continued)

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 $290,000 and $283,000 to the 403(b) plan during fiscal years 2017 and 2016, respectively.

Note 12. Related Parties

AABGU had one board member who serves as legal counsel and was paid $66,920 and $107,170 in compensation for his services in fiscal years 2017 and 2016, respectively.

Approximately $28,373,000 and $31,923,000 of the gross contributions receivable at September 30, 2017 and 2016, respectively, are due from AABGU's board members.

Note 13. Leases

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

In March 2012, AABGU entered into a 12-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 $125,000 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, 2017.

The following is a schedule of estimated future minimum lease payments:

Years ending September 30:		
2018	$	564,501
2019		480,631
2020		420,621
2021		409,901
2022		425,082
Thereafter		743,894
	$	3,044,630

Rent expense was $724,362 and $672,353 for the years ended September 30, 2017 and 2016, respectively.