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

Financial Report
September 30, 2018

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RSM US LLP

Independent Auditor's Report

To the 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, 2018, 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 American Associates Ben-Gurion University of the Negev, Inc. as of September 30, 2018, 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 American Associates Ben-Gurion University of the Negev, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter
As discussed in Note 2, American Associates Ben-Gurion University adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended September 30, 2018. The adoption of the standard resulted in additional note disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to September 30, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
August 12, 2019

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

Statement of Financial Position
September 30, 2018
(with summarized comparative information as of September 30, 2017)

	2018	2017
Assets		
Cash and cash equivalents	**$ 4,856,055**	$ 6,665,238
Investments held in USA	**573,233,659**	273,322,693
Investments held in Israel	**144,708,714**	145,982,756
Contributions receivable, net	**30,894,015**	305,249,650
Prepaid expenses and other assets	**419,692**	218,511
Real property held for sale	**986,500**	-
Collections and works of art	**1,431,658**	1,425,520
Beneficial interests in funds held by others	**1,247,107**	1,203,543
Cash surrender value of life insurance	**1,372,947**	1,308,195
Property and equipment (net of accumulated depreciation of $666,546 in 2018 and $607,094 in 2017)	**232,512**	291,964
Total assets	**$ 759,382,859**	$ 735,668,070
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 973,109**	$ 602,723
Due to Ben-Gurion University	**22,731,068**	17,972,302
Other liabilities	**167,010**	55,308
Obligations under split-interest agreements	**16,465,680**	15,742,956
Deferred lease obligations and incentive	**369,487**	423,185
Total liabilities	**40,706,354**	34,796,474
Commitments and contingency		
Net assets:		
Without donor restrictions	**51,519,045**	16,247,706
With donor restrictions	**667,157,460**	684,623,890
Total net assets	**718,676,505**	700,871,596
Total liabilities and net assets	**$ 759,382,859**	$ 735,668,070

See notes to financial statements.

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

Statement of Activities
Year Ended September 30, 2018
(with summarized comparative information for the year ended September 30, 2017)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Summarized Information
Support, revenue, gains and losses:				
Contributions	**$ 3,446,725**	**$ 26,934,564**	**$ 30,381,289**	$ 295,068,216
Special events, net	**19,762**	**-**	**19,762**	(17,498)
Return on investments	**4,865,148**	**38,710,465**	**43,575,613**	32,489,439
Termination and change in value of beneficial interest in funds held by others and split-interest agreements	**153,818**	**2,911**	**156,729**	(960,354)
Net assets released from restrictions - satisfaction of purpose and time restrictions	**55,067,170**	**(55,067,170)**	**-**	-
Total support, revenue, gains and losses	**63,552,623**	**10,580,770**	**74,133,393**	326,579,803
Expenses:				
Program services:				
Grants for university projects and scholarships	**46,287,311**	**-**	**46,287,311**	38,527,450
Supporting services:				
Management and general	**4,562,121**	**-**	**4,562,121**	2,864,700
Fund-raising	**5,479,052**	**-**	**5,479,052**	5,944,099
Total supporting services	**10,041,173**	**-**	**10,041,173**	8,808,799
Total expenses	**56,328,484**	**-**	**56,328,484**	47,336,249
Change in net assets before assessment for administrative expenses	**7,224,139**	**10,580,770**	**17,804,909**	279,243,554
Assessment for administrative expenses	**28,047,200**	**(28,047,200)**	**-**	-
Change in net assets	**35,271,339**	**(17,466,430)**	**17,804,909**	279,243,554
Net assets:				
Beginning	**16,247,706**	**684,623,890**	**700,871,596**	421,628,042
Ending	**$ 51,519,045**	**$ 667,157,460**	**$ 718,676,505**	$ 700,871,596

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended September 30, 2018
(with summarized comparative information for the year ended September 30, 2017)

	2018					2017
	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	$ 45,600,148	$ -	$ -	$ -	$ 45,600,148	$ 37,738,195
Scholarships	54,654	-	-	-	54,654	160,200
Compensation	356,555	1,716,356	3,070,443	4,786,799	5,143,354	4,735,573
Payroll taxes and employee benefits	91,813	441,581	790,639	1,232,220	1,324,033	1,101,494
Advertising and promotion	2,894	12,315	903,222	915,537	918,431	903,996
Office expenses	12,950	90,516	46,499	137,015	149,965	135,837
Occupancy	-	374,033	288,243	662,276	662,276	686,408
Insurance	-	89,607	-	89,607	89,607	90,550
Meetings and travel	146,131	210,918	319,847	530,765	676,896	789,688
Information technology	17,906	74,982	8,886	83,868	101,774	81,503
Professional fees	-	586,500	3,470	589,970	589,970	706,456
Telecommunications	3,762	34,319	47,744	82,063	85,825	78,935
Bank fees	-	44,332	-	44,332	44,332	53,401
Depreciation	-	59,452	-	59,452	59,452	65,406
Miscellaneous	498	51,818	59	51,877	52,375	8,607
Bad debt expense	-	775,392	-	775,392	775,392	-
Total expenses - 2018	$ 46,287,311	$ 4,562,121	$ 5,479,052	$ 10,041,173	$ 56,328,484	
Total expenses - 2017	$ 38,527,450	$ 2,864,700	$ 5,944,099	$ 8,808,799		$ 47,336,249

See notes to financial statements.

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

Statement of Cash Flows
Year Ended September 30, 2018
(with summarized comparative information for the year ended September 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 17,804,909	$ 279,243,554
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,452	65,406
Net realized/unrealized gain on investments	(36,530,952)	(20,529,860)
CPI adjustments on investments held in Israel	476,380	(1,856,679)
Change in value of split-interest agreements	(156,729)	960,354
Contributions under split-interest agreements	(1,529,020)	(546,898)
Change in cash surrender value of life insurance	(64,752)	(56,396)
Contributions restricted for long-term investment	(245,508,765)	(55,535,408)
In-kind work of art received	(6,138)	(177,814)
Donated real property held for sale	(986,500)	-
Amortization of present value discount on contributions receivable	(594,924)	(963,200)
Bad debt expense	775,392	-
Amortization of deferred lease obligation	(53,698)	(53,697)
Changes in operating assets and liabilities:		
Decrease (increase) in contributions receivable	274,175,167	(210,456,969)
Increase in prepaid expenses and other assets	(201,181)	(96,578)
Increase (decrease) in accounts payable and accrued expenses	370,386	(219,203)
Increase in due to Ben-Gurion University	4,758,766	16,113,009
Increase (decrease) in other liabilities	111,702	(15,120)
Net cash provided by operating activities	12,899,495	5,874,501
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	70,069,132	122,360,289
Purchase of investments	(332,651,484)	(193,077,220)
Purchase of property and equipment	-	(8,493)
Net cash used in investing activities	(262,582,352)	(70,725,424)
Cash flows from financing activities:		
Contributions subject to split-interest agreements	4,380,626	3,269,189
Contributions restricted for long-term investment	245,508,765	55,535,408
Payments on obligations under split-interest agreements	(2,015,717)	(1,727,963)
Net cash provided by financing activities	247,873,674	57,076,634
Net decrease in cash and cash equivalents	(1,809,183)	(7,774,289)
Cash and cash equivalents:		
Beginning	6,665,238	14,439,527
Ending	$ 4,856,055	$ 6,665,238

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 7. 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 net assets without donor restrictions 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 support with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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: Net assets without donor restrictions are net assets available for the general use of AABGU and have no donor restrictions associated with them.

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions are net assets whose use has been limited by donors to a specific time period or purpose. Restricted net assets that are perpetual in nature are net assets whose principal may not be expended. The donor may or may not restrict the use of investment income.

For the year ended September 30, 2018, AABGU took $28,047,200 of overhead from a final remittance from an estate to fund AABGU operations, in conformity with AABGU's existing policy. This amount was included in net contributions receivable and support with donor restrictions as of and for year ended September 30, 2017. This amount was reclassified from net assets with donor restrictions to net assets without donor restrictions for the year ended September 30, 2018 when AABGU received the remittance.

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 8).

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 8).

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, 2017, 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 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.

Reclassification: Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

Subsequent events: AABGU evaluated its September 30, 2018 financial statements for subsequent events through August 12, 2019, the date the financial statements were available to be issued. AABGU is not aware of any subsequent events that would require recognition.

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, 2018 and 2017, AABGU did not have material UBIT expenses and liabilities.

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 2015, which is the standard statute of limitations look-back period.

Recently adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* AABGU has adopted this ASU in the year ended September 30, 2018. The impact to the financial statements include a change in the net asset classification from unrestricted, temporarily restricted, and permanently restricted to with donor restrictions and without donor restrictions, additional disclosure on liquidity analysis (see Note 3) and an expanded disclosure on the functional expense allocation (See Note 12).

Recently issued accounting pronouncements: In February 2016, the FASB issued 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 adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance presented in Topic 958, "Not-for-Profit Entities," of the FASB's Accounting Standards Codification (ASC) for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU is effective for resource recipients in annual periods beginning after June 15, 2019. AABGU is currently evaluating the impact of adoption of the new standard on the financial statements.

Note 3. Liquidity and Availability of Resources

The following represents AABGU's available financial assets as of September 30, 2018.

Financial assets at September 30, 2018	
Cash equivalents	$ 4,856,055
Investments	717,942,373
Contributions receivable, net	30,894,015
Total financial assets at September 30, 2018	$ 753,692,443
Less those unavailable for general expenditures within one year:	
Amounts subject to satisfaction or appropriation	675,136,799
Contributions receivable restricted by donors	30,894,015
Total financial assets unavailable within one year	706,030,814
Financial assets available to meet cash needs for general expenditures within one year at September 30, 2018	$ 47,661,629

As part of AABGU's liquidity management, AABGU regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investments of its available funds. Investment income without donor restrictions, earnings appropriated from endowments, contributions without donor restrictions are considered to be available to meet cash needs for operations. AABGU has a policy to maintain available cash or short-term investments to meet 90 days of normal operating expenses, which on average, is approximately $2,500,000. Excess cash is invested in various short-term investments designed to meet the obligations as they become due.

Note 4. Investments

Investments, at fair value, consist of the following:

	2018	2017
Cash equivalents	$ 29,502,467	$ 12,154,227
U.S. Treasuries and other bonds	69,313,284	71,473,341
Equities	209,726,483	24,830,351
Mutual funds	67,367,396	47,335,972
Investment funds	197,324,029	117,528,802
Investments held in USA	573,233,659	273,322,693
Investments held in Israel (Note 11)	144,708,714	145,982,756
	$ 717,942,373	$ 419,305,449

Note 4. Investments (Continued)

These investments are held for the following purposes:

	2018	2017
General operations	$ 47,884,720	$ 15,962,006
Program support	63,139	62,836
Annuities and trusts	22,719,160	19,949,836
Endowments (Note 11):		
Marcus endowment fund	451,647,648	189,070,206
Others	50,918,992	48,277,809
Investments - USA	573,233,659	273,322,693
Endowments - Israel (Note 11)	144,708,714	145,982,756
	$ 717,942,373	$ 419,305,449

Note 5. 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%.

	2018	2017
Amounts due:		
Within one year or less	$ 9,016,781	$ 277,703,959
In more than one year and less than five years	13,899,961	19,380,863
In five or more years	13,273,428	13,280,513
	36,190,170	310,365,335
Less discount to present value	(2,931,077)	(3,525,999)
Less allowance for uncollectible pledges	(2,365,078)	(1,589,686)
Contributions receivable, net	$ 30,894,015	$ 305,249,650

In 2016, AABGU received a substantial bequest of 1,930 shares of Berkshire Hathaway Class A Stock to establish a permanent endowment fund in support of certain BGU activities. 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 were held by the executor of the estate, 963 shares of Berkshire Hathaway Class A Stock. Subsequent to fiscal 2017, the Internal Revenue Service (IRS) had approved the final estate tax return and the final distribution was received in the year ended September 30, 2018. The final shares of Berkshire Hathaway stock were valued as of September 30, 2017, at $264,574,620 and were recorded as contributions receivable and revenue in the financial statements.

In June 2018, the remaining 963 shares of Berkshire Hathaway Class A stock were received by AABGU, valued at $273,973,500 on the date of receipt. The difference between the valuation of the shares on the date of receipt and the receivable recorded as of September 30, 2017 in an amount of $9,398,880, was recognized as contribution revenue for the year ended September 30, 2018.

Note 6. 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 3.4% and 3.6% in 2018 and 2017, respectively, using actuarially based mortality tables.

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

	2018	2017
Total value of beneficial interests in funds held by others	$ 1,615,423	$ 1,580,285
Less discount to present value	(368,316)	(376,742)
Beneficial interests in funds held by others	$ 1,247,107	$ 1,203,543

Note 7. Fair Value Measurements

AABGU follows FASB 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.

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 the year ended September 30, 2018.

Note 7. 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:

		2018 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	$ 29,502,467	$ 29,502,467	$ -	$ -
U.S. Treasuries and other bonds	69,313,284	-	69,313,284	-
Equities:				
Common stock	200,422,774	200,422,774	-	-
Domestic ETFs	9,303,709	9,303,709	-	-
	209,726,483	209,726,483	-	-
Mutual funds:				
International REIT	2,099,018	2,099,018	-	-
Emerging markets	896,524	896,524	-	-
International equities	20,534,272	20,534,272	-	-
Small caps	-	-	-	-
Mid caps	588,545	588,545	-	-
Large caps	10,956,589	10,956,589	-	-
Value funds	1,062,524	1,062,524	-	-
Investment grade bond funds	4,097,457	4,097,457	-	-
High yield bond funds	4,134,368	4,134,368	-	-
Low duration bond funds	5,157,057	5,157,057	-	-
High-quality bonds (government)	-	-	-	-
Real return bonds	14,066,936	14,066,936	-	-
Floating rate bank loan funds	2,640,888	2,640,888	-	-
International bond funds	1,133,218	1,133,218	-	-
	67,367,396	67,367,396	-	-
Total investments in fair value hierarchy	375,909,630	306,596,346	69,313,284	-
Investment funds measured at net asset value [(1)]	197,324,029			
Investments - USA	573,233,659	306,596,346	69,313,284	-
Investments held in Israel	144,708,714	-	144,708,714	-
Total investments	$ 717,942,373	$ 306,596,346	$ 214,021,998	$ -
Beneficial interests in funds held by others	$ 1,247,107	$ -	$ -	$ 1,247,107
Cash surrender value of life insurance	$ 1,372,947	$ -	$ -	$ 1,372,947
Obligations under split-interest agreements	$ 16,465,680	$ -	$ -	$ 16,465,680

Note 7. Fair Value Measurements (Continued)

		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

(1) In accordance with the Fair Value Measurements topic, 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 7. 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, 2018:

Investment Objective	2018 Fair Value	2017 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy[(1)]	$ 59,169,601	$ 33,502,982	$ 2,100,000	Quarterly	45 - 65 days
Long/short equity securities[(2)]	104,927,707	53,137,961	-	Quarterly	45 - 90 days
Event driven corporate credit fund[(3)]	677,261	888,193	1,398,912	Quarterly	90 days
Private equity[(4)]	8,622,884	5,529,264	11,564,942	N/A	N/A
International equity[(5)]	23,926,576	24,470,402	8,617,517	Monthly	5 - 30 days
	$ 197,324,029	$ 117,528,802	$ 23,681,371		

(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 7. 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 11.

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 6 and Note 7, respectively. The carrying amount of cash surrender value of life insurance approximates the fair value of life insurance policies.

The following tables present a reconciliation of Level 3 assets and liabilities measured at fair value:

	2018		
	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2017	$ 1,203,543	$ 1,308,195	$ 15,742,956
New agreements	-	-	2,851,606
Payments on annuities	-	-	(2,015,717)
Change in value	43,564	64,752	(113,165)
Balance, September 30, 2018	$ 1,247,107	$ 1,372,947	$ 16,465,680

	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 7. Fair Value Measurements (Continued)

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, 2018 and 2017, newly received contributions receivable totaling $673,429 and $269,980,376, respectively, and 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 8. 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, 2018 and 2017, approximately 98% and 97% of cash accounts are held by one bank, respectively. Investments in the USA are held by four custodians. Two custodians held approximately 79% of these investments at September 30, 2018, and one custodian held approximately 67% of these investments at September 30, 2017. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 44% or $15,745,000 of gross contributions receivable at September 30, 2018 was due from two donors. It is management’s opinion that the contribution receivable from these donors will be collected in full. Approximately 86% or $265,752,540 of gross contributions receivable at September 30, 2017 was an outstanding distribution to be received from one estate.

Note 9. 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.

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 3.4% and 2.4% discount rates and the IAR-2012 Mortality Tables in determining its liabilities at September 30, 2018 and 2017, respectively.

In addition, AABGU has irrevocable interests in charitable trusts and another fund held by third parties (see Note 6).

Note 9. Split-Interest Agreements (Continued)

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

	2018			
	Charitable Gift Annuities	Charitable Remainder Trusts	Other Fund	Total
Statement of Financial Position				
Investments	$ 21,494,767	$ -	$ -	$ 21,494,767
Beneficial interests in funds held by others	-	1,247,107	-	1,247,107
Obligations under split-interest agreements	15,560,279	905,401	-	16,465,680
Statement of Activities				
Contributions (net of discount)	1,451,309	510,973	-	1,962,282
Change in value of beneficial interests in funds held by others and split-interest agreements	153,818	2,911	-	156,729

	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)

As of September 30, 2018 and 2017, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of $14,849,740 and $14,400,508, respectively, and the California Gift Annuity Reserve of $5,094,818 and $2,858,874, respectively. AABGU maintains additional reserves against its gift annuity obligations of $1,515,209 and $1,810,336 at September 30, 2018 and 2017, 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 10. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows as of September 30:

	2018	2017
Time restricted or purpose restricted for university projects		
and scholarships	$ 47,123,864	$ 34,834,580
Perpetual in nature	581,979,067	603,480,333
Accumulated investment income	38,054,529	46,308,977
	620,033,596	649,789,310
Total net assets with donor restrictions	$ 667,157,460	$ 684,623,890

Net assets with donor restrictions that are perpetual in nature, include net contributions receivable restricted for endowment funds of $5,431,797 and $272,258,560 as of September 30, 2018 and 2017, respectively.

For the years ended September 30, 2018 and 2017, net assets with donor restrictions amounted to $55,067,170 and $45,565,511, respectively, and 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.

Note 11. 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 holds these funds in perpetual duration: (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.

Note 11. Endowments (Continued)

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

	2018		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2017	$ 237,348,015	$ 145,982,756	$ 383,330,771
Net investment returns	33,125,816	5,670,805	38,796,621
Contributions	248,678,391	1,344,607	250,022,998
Appropriations of endowment assets for expenditures	(16,585,582)	(8,289,454)	(24,875,036)
Change in endowment net assets	265,218,625	(1,274,042)	263,944,583
Balance, September 30, 2018	$ 502,566,640	$ 144,708,714	$ 647,275,354

	2017		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2016	$ 168,397,848	$ 138,088,112	$ 306,485,960
Net investment returns	16,338,156	13,740,086	30,078,242
Contributions	53,800,736	1,734,672	55,535,408
Appropriations of endowment assets for expenditures	(1,188,725)	(7,580,114)	(8,768,839)
Change in endowment net assets	68,950,167	7,894,644	76,844,811
Balance, September 30, 2017	$ 237,348,015	$ 145,982,756	$ 383,330,771

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.

Note 11. Endowments (Continued)

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 net assets with donor restrictions. There were no such deficiencies in the endowment funds as of September 30, 2018 and 2017.

Endowments held in Israel: Endowments held in Israel are restricted gifts that have been transmitted to BGU, and are maintained by BGU on behalf of AABGU. 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. As of September 30, 2018, the accumulated repayments made toward the loan was $748,000.

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, 2018 and 2017, endowments held in Israel had investment gains totaling $5,670,805 and $8,398,658, 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 3.57% and 3.00% for the years ended September 30, 2018 and 2017, respectively.

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 12. Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. According, certain expenses have been allocated among program and supporting services. Compensation expense is allocated based on employee estimated time and effort. Payroll taxes and employee benefits are allocated based on compensation. All other expenses are directly charged to their functions.

Note 13. 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.

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 $286,000 and $290,000 to the 403(b) plan during fiscal years 2018 and 2017, respectively.

Note 14. Related Parties

AABGU had one board member who served as legal counsel and was paid $16,545 and $66,920 in compensation for his services in fiscal years 2018 and 2017, respectively.

Approximately $25,380,000 and $28,373,000 of the gross contributions receivable at September 30, 2018 and 2017, respectively, are due from AABGU's board members.

Note 15. 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, 2018.

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

Years ending September 30:		
2019	$	525,281
2020		428,046
2021		412,376
2022		425,082
2023		425,082
Thereafter		318,811
	$	2,534,678

Note 15. Leases (Continued)

Rent expense was $662,276 and $686,408 for the years ended September 30, 2018 and 2017, respectively.