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

Financial Report
September 30, 2019

Contents

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
August 14, 2020

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

Statement of Financial Position
September 30, 2019
(With Summarized Comparative Information as of September 30, 2018)

	2019	2018
Assets		
Cash and cash equivalents	**$ 5,026,633**	$ 4,856,055
Investments held in USA	**554,135,290**	573,233,659
Investments held in Israel	**149,113,048**	144,708,714
Contributions receivable, net	**30,751,695**	30,894,015
Prepaid expenses and other assets	**242,211**	419,692
Real property held for sale	**595,000**	986,500
Collections and works of art	**1,403,057**	1,431,658
Beneficial interests in funds held by others	**1,281,343**	1,247,107
Cash surrender value of life insurance	**392,223**	1,372,947
Property and equipment (net of accumulated depreciation of $715,220 in 2019 and $666,546 in 2018)	**197,992**	232,512
Total assets	**$ 743,138,492**	$ 759,382,859
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,039,331**	$ 973,109
Due to Ben-Gurion University	**17,878,248**	22,731,068
Other liabilities	**351,139**	167,010
Obligations under split-interest agreements	**15,285,049**	16,465,680
Deferred lease obligations and incentive	**315,790**	369,487
Total liabilities	**34,869,557**	40,706,354
Commitments and contingency		
Net assets:		
Without donor restrictions	**58,118,622**	51,519,045
With donor restrictions	**650,150,313**	667,157,460
Total net assets	**708,268,935**	718,676,505
Total liabilities and net assets	**$ 743,138,492**	$ 759,382,859

See notes to financial statements.

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

Statement of Activities
Year Ended September 30, 2019
(With Summarized Comparative Information for the Year Ended September 30, 2018)

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Summarized Information
Support, revenue, gains and losses:				
Contributions	**$ 2,127,755**	**$ 21,939,375**	**$ 24,067,130**	$ 30,381,289
Special events, net	**(126,097)**	**-**	**(126,097)**	19,762
Return on investments	**2,387,604**	**13,655,361**	**16,042,965**	43,575,613
Loss on uncollectable receivables	**-**	**(1,079,844)**	**(1,079,844)**	-
Change in value of beneficial interest in funds held by others and split-interest agreements	**311,350**	**77,841**	**389,191**	156,729
Net assets released from restrictions – satisfaction of purpose and time restrictions	**51,599,880**	**(51,599,880)**	**-**	-
Total support, revenue, gains and losses	**56,300,492**	**(17,007,147)**	**39,293,345**	74,133,393
Expenses:				
Program services:				
Grants for university projects and scholarships	**41,820,527**	**-**	**41,820,527**	46,287,311
Supporting services:				
Management and general	**3,679,539**	**-**	**3,679,539**	4,562,121
Fundraising	**4,200,849**	**-**	**4,200,849**	5,479,052
Total supporting services	**7,880,388**	**-**	**7,880,388**	10,041,173
Total expenses	**49,700,915**	**-**	**49,700,915**	56,328,484
Change in net assets	**6,599,577**	**(17,007,147)**	**(10,407,570)**	17,804,909
Net assets:				
Beginning	**51,519,045**	**667,157,460**	**718,676,505**	700,871,596
Ending	**$ 58,118,622**	**$ 650,150,313**	**$ 708,268,935**	$ 718,676,505

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended September 30, 2019
(With Summarized Comparative Information for the Year Ended September 30, 2018)

	2019					2018
	Program Services	Supporting Services				
	Grants for University Projects and Scholarships	Management and General	Fundraising	Total Supporting Services	Total	Summarized Information
Grants to Ben-Gurion University	$ 39,221,646	$ -	$ -	$ -	$ 39,221,646	$ 45,600,148
Scholarships	41,702	-	-	-	41,702	54,654
Compensation	1,203,206	1,068,192	2,692,322	3,760,514	4,963,720	5,143,354
Payroll taxes and employee benefits	351,644	312,186	786,848	1,099,034	1,450,678	1,324,033
Advertising and promotion	443,126	177,250	265,875	443,125	886,251	918,431
Office expenses	25,736	128,682	17,158	145,840	171,576	149,965
Occupancy	99,731	498,653	66,487	565,140	664,871	662,276
Insurance	-	101,038	-	101,038	101,038	89,607
Meetings and travel	332,596	372,910	302,360	675,270	1,007,866	676,896
Information technology	19,197	95,986	12,798	108,784	127,981	101,774
Professional fees	71,181	590,804	49,827	640,631	711,812	589,970
Telecommunications	10,762	53,808	7,174	60,982	71,744	85,825
Bank fees	-	54,237	-	54,237	54,237	44,332
Depreciation	-	48,675	-	48,675	48,675	59,452
Miscellaneous	-	88,056	-	88,056	88,056	52,375
Bad debt expense	-	89,062	-	89,062	89,062	775,392
Total expenses – 2019	$ 41,820,527	$ 3,679,539	$ 4,200,849	$ 7,880,388	$ 49,700,915	
Total expenses – 2018	$ 46,287,311	$ 4,562,121	$ 5,479,052	$ 10,041,173		$ 56,328,484

See notes to financial statements.

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

Statement of Cash Flows
Year Ended September 30, 2019
(With Summarized Comparative Information for the Year Ended September 30, 2018)

		2019		2018
Cash flows from operating activities:				
Change in net assets	**$**	**(10,407,570)**	$	17,804,909
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation		**48,675**		59,452
Net realized/unrealized gains on investments		**(10,329,393)**		(36,530,952)
CPI adjustments on investments held in Israel		**(1,459,899)**		476,380
Change in value of split-interest agreements		**(389,191)**		(156,729)
Contributions under split-interest agreements		**(89,279)**		(1,529,020)
Change in cash surrender value of life insurance		**(18,311)**		(64,752)
Contributions restricted for long-term investment		**(6,816,399)**		(245,508,765)
Donated work of art		**-**		(6,138)
Change in value of donated real property held for sale		**391,500**		(986,500)
Amortization of present value discount on contributions receivable		**2,139,941**		(594,924)
Provision for bad debts		**1,168,860**		775,392
Amortization of deferred lease obligation		**(53,697)**		(53,698)
Changes in operating assets and liabilities:				
(Increase) decrease in contributions receivable, net		**(3,166,481)**		274,175,167
Decrease (increase) in prepaid expenses and other assets		**177,481**		(201,181)
Increase in accounts payable and accrued expenses		**66,222**		370,386
(Decrease) increase in due to Ben-Gurion University		**(4,852,820)**		4,758,766
Increase in other liabilities		**184,129**		111,702
Net cash (used in) provided by operating activities		**(33,406,232)**		12,899,495
Cash flows from investing activities:				
Proceeds from sale or redemption of investments		**40,789,827**		70,069,132
Purchase of investments		**(14,217,221)**		(332,651,484)
Distribution from donors' life insurance policies		**999,035**		-
Proceeds from sale of collections and work of art		**28,601**		-
Purchase of property and equipment		**(14,155)**		-
Net cash provided by (used in) investing activities		**27,586,087**		(262,582,352)
Cash flows from financing activities:				
Contributions subject to split-interest agreements		**1,060,967**		4,380,626
Contributions restricted for long-term investment		**6,816,399**		245,508,765
Payments on obligations under split-interest agreements		**(1,886,643)**		(2,015,717)
Net cash provided by financing activities		**5,990,723**		247,873,674
Net increase (decrease) in cash and cash equivalents		**170,578**		(1,809,183)
Cash and cash equivalents:				
Beginning		**4,856,055**		6,665,238
Ending	**$**	**5,026,633**	$	4,856,055

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 three to five 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 subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of AABGU or by the passage of time. Other donor restrictions are perpetual in nature.

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 (see 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 (see 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, 2018, 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2019, financial statements for subsequent events through August 14, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which AABGU operates. While it is unknown how long these conditions will last and what the effect will be to AABGU, to date, AABGU is expecting to experience declines in its contributions and return on investments. The full extent to which the coronavirus impacts AABGU's results will depend upon future developments, which are highly uncertain and cannot be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to AABGU.

In May 2020, AABGU received approximately $973,000 in funding from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP) established by the CARES Act. The loan, or a portion thereof, is eligible for forgiveness by the SBA if the qualifying entity meets certain conditions. Whether an entity qualifies for a PPP loan, and whether it meets the necessary conditions for forgiveness, requires careful consideration of the PPP requirements and the individual entity's facts and circumstances. As guidance requires funds are spent prior to forgiveness, AABGU has not applied for loan forgiveness as of August 14, 2020. The loan will be accounted for in accordance with ASC Subtopic 958-605 as a conditional contribution, in line with FASB guidance for treatment of PPP loans made to nonprofit entities where loan forgiveness is expected.

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, 2019 and 2018, 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 2016, 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. Due to the coronavirus pandemic, the FASB recently proposed the effective date of the ASU be deferred to fiscal years beginning after December 15, 2021. AABGU is evaluating the impact of this standard on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

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 evaluating the impact of adoption of this standard on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies, and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years beginning after December 15, 2019. AABGU is evaluating the impact of adoption of this standard on the financial statements.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definition of Collections.* This ASU modifies the definition of "collections" to allow proceeds from sales of collection items to be used to support the direct care of existing collections, in addition to the acquisition of other items for collections. This ASU also requires a collection-holding entity to disclose its policy for the use of proceeds from when collection items are deaccessioned. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. AABGU is evaluating the impact of adoption of this standard on the financial statements.

Note 3. Liquidity and Availability of Resources

The following represents AABGU's available financial assets as of September 30:

	2019	2018
Financial assets:		
Cash equivalents	$ 5,026,633	$ 4,856,055
Investments	703,248,338	717,942,373
Contributions receivable, net	30,751,695	30,894,015
Total financial assets	739,026,666	753,692,443
Less:		
Amounts subject to satisfaction or appropriation	(26,170,773)	(28,338,412)
Contributions receivable restricted by donors	(30,713,445)	(30,107,518)
Donor restricted endowment funds	(624,728,066)	(640,441,709)
Reserve funds restricted by management	(42,020,924)	(42,894,960)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,393,458	$ 11,909,844

Note 3. Liquidity and Availability of Resources (Continued)

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 for AABGU operations and 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:

	2019	2018
Cash equivalents	$ 17,978,112	$ 29,502,467
U.S. Treasuries and other bonds	65,104,996	69,313,284
Equities	125,503,689	209,726,483
Mutual funds	75,374,320	67,367,396
Investment funds	270,174,173	197,324,029
Investments held in USA	554,135,290	573,233,659
Investments held in Israel (Note 11)	149,113,048	144,708,714
	$ 703,248,338	$ 717,942,373

These investments are held for the following purposes:

	2019	2018
General operations	$ 6,676,564	$ 4,989,760
Program support	88,289	63,139
Reserve funds restricted by management	42,020,924	42,894,960
Annuities and trusts	23,179,138	22,719,160
Endowments (Note 11):		
Marcus endowment fund	427,600,575	451,647,648
Others	54,569,800	50,918,992
Investments – USA	554,135,290	573,233,659
Endowments – Israel (Note 11)	149,113,048	144,708,714
	$ 703,248,338	$ 717,942,373

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%. The discount rates are considered to be a Level 3 input in the fair value hierarchy (see Note 7).

	2019	2018
Amounts due:		
in less than one year	$ 7,764,295	$ 9,016,781
In more than one year and less than five years	10,210,591	13,899,961
In five or more years	20,358,220	13,273,428
	38,333,106	36,190,170
Less discount to present value	(5,071,018)	(2,931,077)
Less allowance for uncollectible pledges	(2,510,393)	(2,365,078)
Contributions receivable, net	$ 30,751,695	$ 30,894,015

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 2.2% and 3.4% in 2019 and 2018, respectively, using actuarially based mortality tables.

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

	2019	2018
Total value of beneficial interests in funds held by others	$ 1,449,017	$ 1,615,423
Less discount to present value	(167,674)	(368,316)
Beneficial interests in funds held by others	$ 1,281,343	$ 1,247,107

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. There were no transfers between levels of fair value measurements for the year ended September 30, 2019.

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:

		2019 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	$ 17,978,112	$ 17,978,112	$ -	$ -
U.S. Treasuries and other bonds	65,104,996	-	65,104,996	-
Equities:				
Common stock	117,501,190	117,501,190	-	-
Domestic ETFs	8,002,499	8,002,499	-	-
	125,503,689	125,503,689	-	-
Mutual funds:				
Real estate	1,582,043	1,582,043	-	-
Emerging markets	6,210,824	6,210,824	-	-
Multi strategy/absolute return	4,751,927	4,751,927		
International equities	16,655,949	16,655,949	-	-
Small caps	6,661,538	6,661,538	-	-
Mid caps	352,784	352,784	-	-
Large caps	9,613,290	9,613,290	-	-
Preferreds	312,731	312,731	-	-
Investment grade bond funds	7,522,558	7,522,558	-	-
High yield bond funds	18,526,468	18,526,468	-	-
Low duration bond funds	306,674	306,674	-	-
Floating rate bank loan funds	2,877,534	2,877,534	-	-
	75,374,320	75,374,320	-	-
Total investments in fair value hierarchy	283,961,117	218,856,121	65,104,996	-
Investment funds measured at net asset value [1]	270,174,173			
Investments – USA	554,135,290	218,856,121	65,104,996	-
Investments held in Israel	149,113,048	-	149,113,048	-
Total investments	$ 703,248,338	$ 218,856,121	$ 214,218,044	$ -
Beneficial interests in funds held by others	$ 1,281,343	$ -	$ -	$ 1,281,343
Cash surrender value of life insurance	$ 392,223	$ -	$ -	$ 392,223
Obligations under split-interest agreements	$ 15,285,049	$ -	$ -	$ 15,285,049

Note 7. Fair Value Measurements (Continued)

Description	Total	2018 Fair Value Measurements Using: 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

(1) The fair value of certain investments were estimated by using net asset value (NAV) as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy. The fair value amounts of such investments are presented for reconciliation purposes.

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 NAV or equivalent provided by the fund managers. 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, 2019:

Investment Objectives	Fair Value 2019	Fair Value 2018	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy(1)	$ 66,204,897	$ 59,169,601	$ -	Quarterly	45-65 days
Long/short equity securities(2)	118,983,420	104,927,707	-	Quarterly	45-90 days
Event driven corporate credit fund(3)	1,539,136	677,261	2,188,238	Quarterly	90 days
Private equity(4)	21,179,373	8,622,884	26,663,987	N/A	N/A
International equity(5)	62,267,347	23,926,576	-	Monthly	5-30 days
	$ 270,174,173	$ 197,324,029	$ 28,852,225		

(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 mispriced 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 range 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:

	2019		
	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2018	$ 1,247,107	$ 1,372,947	$ 16,465,680
New agreements	-	-	1,060,967
Payments on annuities	-	-	(1,886,643)
Distributions	(100,000)	(999,035)	-
Change in value	134,236	18,311	(354,955)
Balance, September 30, 2019	$ 1,281,343	$ 392,223	$ 15,285,049

Note 7. Fair Value Measurements (Continued)

	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

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, 2019 and 2018, approximately 99% and 98% of cash accounts are held by one bank, respectively. Investments in the USA are held by four custodians. Two custodians held approximately 77% and 79% of these investments at September 30, 2019 and 2018, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 49% or $18,665,000 of gross contributions receivable at September 30, 2019, was due from three donors. Approximately 44% or $15,745,000 of gross contributions receivable at September 30, 2018, was due from two donors.

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 2.2% and 3.4% discount rates and the IAR-2012 Mortality Tables in determining its liabilities at September 30, 2019 and 2018, respectively.

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

Note 9. Split-Interest Agreements (Continued)

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

	2019		
	Charitable Gift Annuities	Charitable Remainder Trusts	Total
Statement of financial position:			
Investments	$ 22,082,410	$ 1,096,728	$ 23,179,138
Obligations under split-interest agreements	14,488,229	796,820	15,285,049
Statement of activities:			
Contributions (net of discount)	189,279	(100,000)	89,279
Change in value of beneficial interests in split-interest agreements	311,350	43,605	354,955

	2018		
	Charitable Gift Annuities	Charitable Remainder Trusts	Total
Statement of financial position:			
Investments	$ 21,494,767	$ 1,224,392	$ 22,719,159
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 split-interest agreements	153,818	(40,653)	113,165

As of September 30, 2019 and 2018, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of $15,487,508 and $14,849,740, respectively, and the California Gift Annuity Reserve of $4,990,841 and $5,094,818, respectively. AABGU maintains additional reserves against its gift annuity obligations of $1,604,061 and $1,515,209 at September 30, 2019 and 2018, 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:

	2019	2018
Time or purpose restricted for university projects and scholarships	$ 40,395,173	$ 47,123,864
Perpetual in nature	585,526,380	581,979,067
Endowment investment income	24,228,760	38,054,529
Total net assets with donor restrictions	$ 650,150,313	$ 667,157,460

Note 10. Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions that are perpetual in nature, include net contributions receivable restricted for endowment funds of approximately $2,200,000 and $5,400,000 as of September 30, 2019 and 2018, respectively.

For the years ended September 30, 2019 and 2018, net assets with donor restrictions of $51,599,880 and $55,067,170, respectively, 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 obligations.

Note 11. Endowments

AABGU is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) and manages its endowment according to the Act. NYPMIFA moves away from the historic dollar value standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AABGU classifies as net assets with donor restrictions 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.

AABGU's endowment fund activities are summarized below:

	2019		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2018	$ 502,566,640	$ 144,708,714	$ 647,275,354
Net investment returns	4,137,278	9,537,463	13,674,741
Contributions	5,737,655	1,078,744	6,816,399
Appropriations of endowment assets for expenditures	(30,271,198)	(6,211,873)	(36,483,071)
Change in endowment net assets	(20,396,265)	4,404,334	(15,991,931)
Balance, September 30, 2019	$ 482,170,375	$ 149,113,048	$ 631,283,423

	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

Note 11. Endowments (Continued)

Endowments held in the USA: AABGU has adopted investment and spending policies for endowment assets held in the USA that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. AABGU's approach to the management of these investments is to obtain a total return that exceeds inflation and assists its annual spending needs. Unless otherwise specified by the donor, AABGU has a policy of an annual appropriation for distribution, currently at 5%, 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 net assets with donor restrictions. There were no such deficiencies in the endowment funds as of September 30, 2019 and 2018.

Endowments held in Israel: Endowments held in Israel are restricted gifts that are maintained by BGU on behalf of AABGU. These endowments include a $15,000,000 endowment (The Joyce and Irving Goldman Family Medical School) where $1,500,000 has been lent, with the donor's permission, to fund the construction of the Caroline House Health Sciences Student Center. As of September 30, 2019, the remaining balance on this loan plus interest is $1,073,125.

Approximately 79% of the AABGU endowments held by BGU are maintained at the original dollar value of the gifts. The other 21%, under a 2003 agreement, are maintained in New Israeli Shekels and are linked to the Israel Consumer Price Index (the CPI) for a period of 10 years. Any foreign exchange and CPI gains or losses are recorded as revenue with or without donor restrictions 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 10-year period.

Except for certain endowment funds which require that a portion of the earnings be reinvested in the endowment fund, 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 3.5% and 3.57% for the years ended September 30, 2019 and 2018, respectively.

For the year ended September 30, 2019 and 2018, endowments held in Israel had investment gains totaling $9,537,463 and $5,670,805, respectively.

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. Accordingly, 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 maintains a 403(b) tax-deferred retirement plan, which is funded by contributions from both AABGU and its employees. AABGU's contribution is based upon employees' years of service and employee's contribution to the plan, ranges from 4.5% to 10% of eligible employees' salaries, and is recorded as an expense annually. The related expense for fiscal years 2019 and 2018, respectively, was approximately $322,000 and $286,000.

Note 14. Related Parties

In fiscal year 2018, AABGU had one board member who served as legal counsel and was paid $16,545 in compensation for his services.

Approximately $26,573,000 and $25,380,000 of the gross contributions receivable at September 30, 2019 and 2018, 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, 2019.

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

Years ending September 30:		
2020	$	504,000
2021		471,000
2022		440,000
2023		425,000
2024		319,000
	$	2,159,000

Rent expense was $631,570 and $662,276 for the years ended September 30, 2019 and 2018, respectively.