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

Consolidated Financial Report
September 30, 2020

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 consolidated financial statements of American Associates Ben-Gurion University of the Negev, Inc. and its subsidiary (AABGU), which comprise the consolidated statement of financial position of as of September 30, 2020, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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. and its subsidiary as of September 30, 2020, and the changes in their net assets and their 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
February 24, 2021

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

Consolidated Statement of Financial Position
Year Ended September 30, 2020
(With Comparative Information as of September 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	**$ 10,898,438**	$ 5,026,633
Investments held in USA	**566,555,972**	554,135,290
Investments held in Israel	**145,402,350**	149,113,048
Contributions receivable, net	**30,102,798**	30,751,695
Prepaid expenses and other assets	**86,625**	242,211
Real property held for sale	**-**	595,000
Collections and works of art	**1,397,457**	1,403,057
Beneficial interests in funds held by others	**1,405,399**	1,281,343
Cash surrender value of life insurance	**411,136**	392,223
Property and equipment (net of accumulated depreciation of $759,270 in 2020 and $715,220 in 2019)	**152,187**	197,992
Total assets	**$ 756,412,362**	$ 743,138,492
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	**$ 1,006,620**	$ 1,390,470
Due to Ben-Gurion University	**20,753,041**	17,878,248
Paycheck Protection Program (PPP) loan	**973,190**	-
Obligations under split-interest agreements	**17,653,527**	15,285,049
Deferred lease obligations and incentive	**262,092**	315,790
Total liabilities	**40,648,470**	34,869,557
Net assets:		
Without donor restrictions	**$ 60,194,785**	$ 58,118,622
With donor restrictions	**655,569,107**	650,150,313
Total net assets	**715,763,892**	708,268,935
Total liabilities and net assets	**$ 756,412,362**	$ 743,138,492

See notes to consolidated financial statements.

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

Consolidated Statement of Activities
Year Ended September 30, 2020
(With Summarized Comparative Information for the Year Ended September 30, 2019)

	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total	2019 Summarized Information
Support, revenue, gains and losses:				
Contributions	$ 4,282,854	$ 20,401,741	$ 24,684,595	$ 23,941,033
Return on investments	3,256,895	35,241,911	38,498,806	16,042,965
Loss on uncollectable receivables	-	(211,489)	(211,489)	(1,079,844)
Change in value of beneficial interest in funds held by others and split-interest agreements	(2,417,408)	73,430	(2,343,978)	389,191
Net assets released from restrictions – satisfaction of purpose and time restrictions	50,086,799	(50,086,799)	-	-
Total support, revenue, gains and losses	55,209,140	5,418,794	60,627,934	39,293,345
Expenses:				
Program services	45,562,398	-	45,562,398	41,820,527
Supporting services:				
Management and general	3,784,695	-	3,784,695	3,679,539
Fund-raising	3,785,884	-	3,785,884	4,200,849
Total supporting services	7,570,579	-	7,570,579	7,880,388
Total expenses	53,132,977	-	53,132,977	49,700,915
Change in net assets	2,076,163	5,418,794	7,494,957	(10,407,570)
Net assets:				
Beginning	58,118,622	650,150,313	708,268,935	718,676,505
Ending	$ 60,194,785	$ 655,569,107	$ 715,763,892	$ 708,268,935

See notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses
Year Ended September 30, 2020
(With Summarized Comparative Information for the Year Ended September 30, 2019)

	2020					2019
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total	Summarized Information
Grants to Ben-Gurion University	$ 43,634,406	$ -	$ -	$ -	$ 43,634,406	$ 39,221,646
Scholarships	-	-	-	-	-	41,702
Compensation	1,069,730	1,478,906	2,492,811	3,971,717	5,041,447	4,963,720
Payroll taxes and employee benefits	315,821	436,623	735,963	1,172,586	1,488,407	1,450,678
Advertising and promotion	294,674	175,401	231,530	406,931	701,605	886,251
Occupancy	64,626	484,701	96,940	581,641	646,267	664,871
Professional fees	30,047	450,705	20,031	470,736	500,783	711,812
Meetings and travel	106,102	148,542	169,762	318,304	424,406	1,007,866
Office expenses	23,915	119,576	15,943	135,519	159,434	171,576
Information technology	17,179	124,941	14,056	138,997	156,176	127,981
Insurance	-	99,136	-	99,136	99,136	101,038
Miscellaneous	-	89,628	-	89,628	89,628	88,056
Telecommunications	5,898	58,983	8,848	67,831	73,729	71,744
Bank fees	-	61,743	-	61,743	61,743	54,237
Depreciation	-	44,050	-	44,050	44,050	48,675
Bad debt expense	-	11,760	-	11,760	11,760	89,062
Total expenses – 2020	$ 45,562,398	$ 3,784,695	$ 3,785,884	$ 7,570,579	$ 53,132,977	
Total expenses – 2019	$ 41,820,527	$ 3,679,539	$ 4,200,849	$ 7,880,388		$ 49,700,915

See notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows
Year Ended September 30, 2020
(With Comparative Information for the Year Ended September 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 7,494,957**	$ (10,407,570)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**44,050**	48,675
Loss on disposal of property and equipment	**1,756**	-
Net realized/unrealized gains on investments	**(35,213,911)**	(10,329,393)
CPI adjustments on investments held in Israel	**(114,570)**	(1,459,899)
Change in value of split-interest agreements	**2,343,978**	(389,191)
Change in cash surrender value of life insurance	**(18,913)**	(18,311)
Contributions restricted for long-term investment	**(6,631,979)**	(6,816,399)
Change in value of donated real property held for sale	**93,104**	391,500
Amortization of present value discount on contributions receivable	**(2,739,721)**	2,139,941
Provision for bad debts	**223,249**	1,168,860
Amortization of deferred lease obligation	**(53,698)**	(53,697)
Changes in operating assets and liabilities:		
Proceeds from sale of donated real property held for sale	**501,896**	-
Decrease (increase) in contributions receivable, net	**3,165,369**	(3,166,481)
Decrease in prepaid expenses and other assets	**155,586**	177,481
(Decrease) increase in accounts payable, accrued expenses and other liabilities	**(383,850)**	250,351
Increase (decrease) in due to Ben-Gurion University	**2,874,793**	(4,852,820)
Net cash used in operating activities	**(28,257,904)**	(33,316,953)
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	**38,749,133**	40,789,827
Purchase of investments	**(12,130,637)**	(14,306,500)
Distribution from donors' life insurance policies	**-**	999,035
Proceeds from sale of collections and work of art	**5,600**	28,601
Purchase of property and equipment	**-**	(14,155)
Net cash provided by investing activities	**26,624,096**	27,496,808
Cash flows from financing activities:		
Contributions subject to split-interest agreements	**1,601,455**	1,060,967
Contributions restricted for long-term investment	**6,631,979**	6,816,399
Proceeds from PPP Loan	**973,190**	-
Payments on obligations under split-interest agreements	**(1,701,011)**	(1,886,643)
Net cash provided by financing activities	**7,505,613**	5,990,723
Net increase in cash and cash equivalents	**5,871,805**	170,578
Cash and cash equivalents:		
Beginning	**5,026,633**	4,856,055
Ending	**$ 10,898,438**	$ 5,026,633

See notes to consolidated 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.

The consolidated financial statements (collectively, the financial statements) include the accounts of Marcus Gift Film, LLC (The LLC), a single-member limited liability company of which AABGU is the sole member. The LLC was established on March 30, 2020 for the purpose to produce a documentary and other future potential projects to raise awareness about BGU and the Negev region.

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 of 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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, 2019, 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.

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, 2020 and 2019, AABGU did not have material UBIT expenses and liabilities. The LLC is treated as a disregarded entity for tax purposes.

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 2017, which is the standard statute of limitations look-back period.

Recently adopted accounting pronouncement:

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. AABGU has adopted this ASU by applying the modified prospective transition method in its financial statements. The adoption did not have a material impact on the financial statements.

Recently issued accounting pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. AABGU is evaluating the impact of this ASU on the financial statements.

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. 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 ASU on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This ASU is effective for fiscal years beginning after December 15, 2022. AABGU is evaluating the impact of adoption of this ASU on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

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 ASU 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 ASU on the financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses.* This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. AABGU is evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including fixed assets and other items. This ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. AABGU is evaluating the impact of this ASU on the financial statements.

Note 3. Liquidity and Availability of Resources

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

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 10,898,438	$ 5,026,633
Investments	711,958,322	703,248,338
Contributions receivable, net	30,102,798	30,751,695
Total financial assets	752,959,558	739,026,666
Less:		
Amounts subject to satisfaction or appropriation	(28,801,289)	(26,170,773)
Contributions receivable restricted by donors	(29,691,164)	(30,713,445)
Donor restricted endowments funds	(631,664,724)	(624,728,066)
Funds restricted by the Board	(41,636,108)	(42,020,924)
Financial assets available to meet cash needs for general expenditures within one year	$ 21,166,273	$ 15,393,458

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 (unless otherwise designated by the Board) 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 are held for the following purposes:

	2020	2019
General operations	$ 7,526,016	$ 6,676,564
Program support	48,064	88,289
Funds restricted by the Board	41,636,108	42,020,924
Annuities and trusts	23,984,517	23,179,138
Endowments (Note 12):		
Marcus endowment fund	435,986,427	427,600,575
Others	57,374,840	54,569,800
Investments – USA	566,555,972	554,135,290
Endowments – Israel (Note 12)	145,402,350	149,113,048
	$ 711,958,322	$ 703,248,338

Note 5. Contributions Receivable

All unconditional contributions receivable have been recorded at their estimated realizable value. Those receivables that are payable over a year have been discounted to their present value using a range of discount rates of 0.40% to 6.14%. The discount rates are considered to be a Level 3 input in the fair value hierarchy.

	2020	2019
Amounts due:		
One year or less	$ 7,876,331	$ 7,764,295
In more than one year and less than five years	3,643,679	10,210,591
In five or more years	23,608,447	20,358,220
	35,128,457	38,333,106
Less discount to present value	(2,331,297)	(5,071,018)
Less allowance for uncollectible pledges	(2,694,362)	(2,510,393)
Contributions receivable, net	$ 30,102,798	$ 30,751,695

As of September 30, 2020 and 2019, AABGU had outstanding unrecorded conditional contribution receivable of 13,000,000. The revenue will be recognized in increments when specific stages of the building project at BGU are complete.

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 0.4% and 2.2% in the years ended September 30, 2020 and 2019, respectively, using actuarially based mortality tables.

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

	2020	2019
Total value of beneficial interests in funds held by others	$ 1,436,339	$ 1,449,017
Less discount to present value	(30,940)	(167,674)
Beneficial interests in funds held by others	$ 1,405,399	$ 1,281,343

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 years ended September 30, 2020 and 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:

		2020 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	$ 19,531,217	$ 19,531,217	$ -	$ -
U.S. Treasuries and other bonds	53,097,760	-	53,097,760	-
Common stock and domestic ETFs	100,752,362	100,752,362	-	-
Mutual funds	86,246,899	86,246,899	-	-
Total investments in fair value hierarchy	259,628,238	206,530,478	53,097,760	-
Investment funds measured at net asset value (1)	306,927,734			
Investments – USA	566,555,972	206,530,478	53,097,760	-
Investments held in Israel	145,402,350	-	145,402,350	-
Total investments	$ 711,958,322	$ 206,530,478	$ 198,500,110	$ -
Beneficial interests in funds held by others	$ 1,405,399	$ -	$ -	$ 1,405,399
Cash surrender value of life insurance	$ 411,136	$ -	$ -	$ 411,136
Obligations under split-interest agreements	$ 17,653,527	$ -	$ -	$ 17,653,527

		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	-
Common stock and domestic ETFs	125,503,689	125,503,689	-	-
Mutual funds	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)

[(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.

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.

Note 7. Note Fair Value Measurements (Continued)

The following table summarizes AABGU's investments in investment funds at September 30, 2020 and 2019:

Investment Objective	2020 Fair Value	2019 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy[1]	$ 68,167,078	$ 66,204,897	$ -	Quarterly	45-65 days
Long/short equity securities[2]	131,240,144	118,983,420	-	Quarterly	45-90 days
Event driven corporate credit fund[3]	2,749,608	1,539,136	5,105,706	Quarterly	90 days
Private equity[4]	35,197,865	21,179,373	26,594,276	N/A	N/A
International equity[5]	69,573,039	62,267,347	-	Monthly	5-30 days
	$ 306,927,734	$ 270,174,173	$ 31,699,982		

(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.

(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 equity, 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 four 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.

See Note 12 for description of investments held in Israel.

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 9, respectively. The carrying amount of cash surrender value of life insurance approximates the fair value of life insurance policies.

Note 7. Fair Value Measurements (Continued)

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

	2020		
	Beneficial Interests in Funds Held by Others	Cash Surrender Value of Life Insurance	Obligations Under Split-Interest Agreements
Balance, September 30, 2019	$ 1,281,343	$ 392,223	$ 15,285,049
New agreements	-	-	1,601,455
Payments on annuities	-	-	(1,701,011)
Change in value	124,056	18,913	2,468,034
Balance, September 30, 2020	$ 1,405,399	$ 411,136	$ 17,653,527

	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 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, 2020 and 2019, approximately 90% and 99% of cash accounts are held by one bank, respectively. Investments in the USA are held by four custodians. Two custodians held approximately 81% and 77% of these investments at September 30, 2020 and 2019, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 53% and 49% or $18,665,000 for both years of gross contributions receivable at September 30, 2020 and 2019, respectively, were due from three 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 0.4% and 2.2% discount rates and the IAR-2012 Mortality Tables in determining its liabilities at September 30, 2020 and 2019, respectively.

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

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

	2020		
	Charitable Gift Annuities	Charitable Remainder Trusts	Total
Statement of financial position:			
Investments	$ 22,900,766	$ 1,083,751	$ 23,984,517
Obligations under split-interest agreements	16,873,252	780,275	17,653,527
Statement of activities:			
Contributions (net of discount)	(204,899)	-	(204,899)
Change in value of beneficial interests in split-interest agreements	(2,417,408)	73,430	(2,343,978)

	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

Note 9. Split-Interest Agreements (Continued)

As of September 30, 2020 and 2019, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of $16,485,572 and $15,487,508, respectively, and the California Gift Annuity Reserve of $4,691,163 and $4,990,841, respectively. AABGU maintains additional reserves against its gift annuity obligations of $1,724,031 and $1,604,061 at September 30, 2020 and 2019, 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. Paycheck Protection Program (PPP) Loan

In May 2020, AABGU received a loan in an amount $973,190 under the U.S. Small Business Administration (SBA)'s PPP established by the CARES Act. The loan matures on May 5, 2022 and bears interest rate of 1% per annum, payable monthly commencing in September 2021. Funds from the loan may only be used for payroll costs including benefits, interest on mortgages, rent and utilities. AABGU intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Note 11. Net Assets with Donor Restrictions

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

	2020	2019
Time restricted or purpose restricted for university projects and scholarships	$ 33,348,042	$ 40,395,173
Perpetual in nature	591,946,198	585,526,380
Accumulated investment income	30,274,867	24,228,760
Total net assets with donor restrictions	$ 655,569,107	$ 650,150,313

Net assets with donor restrictions that are perpetual in nature include net contributions receivable restricted for endowment funds of approximately $1,748,000 and $2,200,000 as of September 30, 2020 and 2019, respectively.

For the years ended September 30, 2020 and 2019, net assets with donor restrictions of $50,086,799 and $51,599,880, 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 12. 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.

Note 12. Endowments (Continued)

AABGU's endowment fund activities are summarized below:

	2020		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2019	$ 482,170,375	$ 149,113,048	$ 631,283,423
Net investment returns	33,045,087	1,831,150	34,876,237
Contributions	5,877,804	754,175	6,631,979
Appropriations of endowment assets for expenditures	(27,732,004)	(6,296,023)	(34,028,027)
Change in endowment net assets	11,190,887	(3,710,698)	7,480,189
Balance, September 30, 2020	$ 493,361,262	$ 145,402,350	$ 638,763,612

	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

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 (1) preserve the real (after inflation) purchasing power of the Endowment Fund assets and (2) increase the value of the Fund's assets over time. 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 12-quarter moving average of the portfolio market value at each June 30.

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, 2020 and 2019.

Note 12. Endowments (Continued)

Endowments held in Israel: Endowments held in Israel are restricted gifts that are maintained by BGU on behalf of AABGU. This endowment fund does not include a loan receivable balance of $385,632 from the original loan amount of $1,500,000 that was loaned to BGU from one donor endowment fund with the donor's consent. The interest receivable from BGU on this loan as of September 30, 2020, is $410,944. The loan principal and interest receivable from BGU is netted in Due to Ben-Gurion University balance in the statement of financial position.

Approximately 79% of the AABGU endowments held by BGU are maintained at the original currency of the gifts, U.S. dollar. 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. In November 2013, this agreement was renewed for an additional 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.

Except for certain endowments with a donor-stipulated disbursement, under the agreement between AABGU and BGU, BGU annually determines a spend rate to calculate the appropriation for distribution. The distribution is used to fulfill each endowment fund's purpose. The spend rate was 3% and 3.5% for the years ended September 30, 2020 and 2019, respectively. The spend rate may be more or less than BGU's actual earnings on its investment portfolio.

Note 13. 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. Common costs such as occupancy and office expenses are allocated based on estimated usage. All other expenses are directly charged to their functions.

Note 14. 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 the years ended September 30, 2020 and 2019, respectively, was approximately $324,000 and $322,000.

Note 15. Related Parties

Approximately $24,478,000 and $26,573,000 of the gross contributions receivable at September 30, 2020 and 2019, respectively, are due from AABGU's board members.

Note 16. Leases

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

Note 16. Leases (Continued)

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, 2020.

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

Years ending September 30:		
2021	$	467,000
2022		425,000
2023		425,000
2024		319,000
	$	1,636,000

Rent expense was $621,160 and $631,570 for the years ended September 30, 2020 and 2019, respectively.

Note 17. Contingency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 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 the spread of 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. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to AABGU. Accordingly, management cannot presently estimate the overall operational and financial impact to AABGU.

Note 18. Subsequent Events

AABGU evaluated its September 30, 2020, financial statements for subsequent events through February 24, 2021, the date the financial statements were available to be issued. AABGU is not aware of any subsequent events that would require recognition or disclosure.