

Americans for Ben-Gurion University, Inc.

Consolidated Financial Report
September 30, 2021

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Independent Auditor's Report

Board of Directors
Americans for Ben-Gurion University, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Americans for Ben-Gurion University, Inc. and its subsidiary (A4BGU), which comprise the consolidated statement of financial position of as of September 31, 2021, 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 Americans for Ben-Gurion University, Inc. and its subsidiary as of September 30, 2021, 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 A4BGU's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
May 3, 2022

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Financial Position

Year Ended September 30, 2021

(With Summarized Comparative Information as of September 30, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 8,677,980	\$ 10,898,438
Investments held in USA (Notes 4, 7 and 12)	654,822,981	566,555,972
Investments held in Israel (Notes 4, 7 and 12)	176,311,447	145,402,350
Contributions receivable, net (Note 5)	30,234,391	30,102,798
Prepaid expenses and other assets	225,727	86,625
Collections and works of art	1,397,457	1,397,457
Beneficial interests in funds held by others (Note 6)	1,208,983	1,405,399
Cash surrender value of life insurance	403,252	411,136
Property, equipment and software (net of accumulated depreciation and amortization of \$609,604 in 2021 and \$759,270 in 2020)	316,531	152,187
Total assets	\$ 873,598,749	\$ 756,412,362
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 1,733,512	\$ 1,006,620
Due to Ben-Gurion University	18,964,701	20,753,041
Paycheck Protection Program (PPP) (Note 10)	-	973,190
Obligations under split-interest agreements (Note 9)	16,507,021	17,653,527
Deferred lease obligations and incentive	203,334	262,092
Total liabilities	37,408,568	40,648,470
Net assets:		
Without donor restrictions	\$ 73,871,372	\$ 60,194,785
With donor restrictions (Note 11)	762,318,809	655,569,107
Total net assets	836,190,181	715,763,892
Total liabilities and net assets	\$ 873,598,749	\$ 756,412,362

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Activities

Year Ended September 30, 2021

(With Summarized Comparative Information for the Year Ended September 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Information
Support, revenue, gains and losses:				
Contributions	\$ 4,468,757	\$ 19,578,275	\$ 24,047,032	\$ 24,684,595
Return on investments	13,238,772	135,394,984	148,633,756	38,498,806
Loss on uncollectable receivables	-	(4,450)	(4,450)	(211,489)
Change in value of beneficial interest in funds held by others and obligations under split-interest agreements	97,611	(320,291)	(222,680)	(2,343,978)
Net assets released from restrictions—satisfaction of purpose and time restrictions	47,898,816	(47,898,816)	-	-
Total support, revenue, gains and losses	65,703,956	106,749,702	172,453,658	60,627,934
Expenses:				
Program services	44,191,306	-	44,191,306	45,562,398
Supporting services:				
Management and general	3,590,160	-	3,590,160	3,784,695
Fund-raising	4,245,903	-	4,245,903	3,785,884
Total supporting services	7,836,063	-	7,836,063	7,570,579
Total expenses	52,027,369	-	52,027,369	53,132,977
Change in net assets	13,676,587	106,749,702	120,426,289	7,494,957
Net assets:				
Beginning	60,194,785	655,569,107	715,763,892	708,268,935
Ending	\$ 73,871,372	\$ 762,318,809	\$ 836,190,181	\$ 715,763,892

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2021

(With Summarized Comparative Information for the Year Ended September 30, 2020)

	2021				2020	
	Program Services	Supporting Services Management and General	Fundraising	Total Supporting Services	Total	Summarized Information
Grants to Ben-Gurion University	\$ 41,698,693	\$ -	\$ -	\$ -	\$ 41,698,693	\$ 43,634,406
Compensation	1,502,224	1,548,272	2,474,716	4,022,988	5,525,212	5,041,447
Payroll taxes and employee benefits	418,386	431,211	689,236	1,120,447	1,538,833	1,488,407
Advertising and promotion	303,874	237,401	408,330	645,731	949,605	701,605
Documentary production	125,176	-	500,704	500,704	625,880	35,000
Occupancy	57,326	429,947	85,989	515,936	573,262	646,267
Professional fees	30,106	451,595	20,071	471,666	501,772	500,783
Office expenses	19,440	97,200	12,960	110,160	129,600	159,434
Information technology	9,584	95,843	14,376	110,219	119,803	156,176
Insurance	-	85,238	-	85,238	85,238	99,136
Telecommunications	7,609	67,636	9,300	76,936	84,545	73,729
Meetings and travel	18,888	26,444	30,221	56,665	75,553	424,406
Bank fees	-	51,561	-	51,561	51,561	61,743
Depreciation and amortization	-	48,333	-	48,333	48,333	44,050
Miscellaneous	-	19,479	-	19,479	19,479	66,388
Total expenses—2021	\$ 44,191,306	\$ 3,590,160	\$ 4,245,903	\$ 7,836,063	\$ 52,027,369	
Total expenses—2020	\$ 45,562,398	\$ 3,784,695	\$ 3,785,884	\$ 7,570,579		\$ 53,132,977

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Cash Flows

Year Ended September 30, 2021

(With Summarized Comparative Information for the Year Ended September 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 120,426,289	\$ 7,494,957
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	48,333	44,050
Loss on disposal of property and equipment	137	1,756
Net realized/unrealized gains on investments	(143,788,183)	(35,213,911)
CPI adjustments on investments held in Israel	(2,683,289)	(114,570)
Change in value of split-interest agreements	222,680	2,343,978
Change in cash surrender value of life insurance	7,884	(18,913)
Contributions restricted for long-term investment	(1,935,427)	(6,631,979)
Change in value of donated real property held for sale	-	93,104
Amortization of present value discount on contributions receivable	807,617	(2,739,721)
Amortization of deferred lease obligation	(58,758)	(53,698)
Changes in operating assets and liabilities:		
Proceeds from sale of donated real property held for sale	-	501,896
(Increase) decrease in contributions receivable	(939,210)	3,388,618
(Increase) decrease in prepaid expenses and other assets	(139,102)	155,586
Increase (decrease) in accounts payable, accrued expenses and other liabilities	726,892	(383,850)
(Decrease) increase in due to Ben-Gurion University	(1,788,340)	2,874,793
(Decrease) increase in Paycheck Protection Program (PPP)	(973,190)	973,190
Net cash used in operating activities	(30,065,667)	(27,284,714)
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	231,286,342	128,141,689
Purchase of investments	(203,990,977)	(101,523,193)
Distribution from beneficial interest in funds held by others	17,166	-
Proceeds from sale of collections and work of art	-	5,600
Purchase of property, equipment and software	(212,813)	-
Net cash provided by investing activities	27,099,718	26,624,096
Cash flows from financing activities:		
Contributions subject to split-interest agreements	559,542	1,601,455
Contributions restricted for long-term investment	1,935,427	6,631,979
Payments on obligations under split-interest agreements	(1,749,478)	(1,701,011)
Net cash provided by financing activities	745,491	6,532,423
Net (decrease) increase in cash and cash equivalents	(2,220,458)	5,871,805
Cash and cash equivalents:		
Beginning	10,898,438	5,026,633
Ending	\$ 8,677,980	\$ 10,898,438

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 1. Organization

Americans for Ben-Gurion University, Inc. (A4BGU), formerly known as 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 A4BGU is the sole member. The LLC was established on March 30, 2020 for the purpose of producing 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 A4BGU'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 A4BGU'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 A4BGU'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, equipment and software: Property, equipment and software 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. Amortization of software is provided on the straight-line method over the remaining term of the agreement or the estimated useful life, whichever is shorter.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets: Net assets without donor restrictions are net assets available for the general use of A4BGU, or restricted by the board (see Note 4), 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 A4BGU 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 A4BGU.

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: A4BGU maintains cash and temporary cash investments in bank deposit accounts with major financial institutions which, at times, may exceed federally-insured limits. A4BGU 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).

A4BGU 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 A4BGU's financial statements as of and for the year ended September 30, 2020, 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.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

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: A4BGU 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. A4BGU is not classified as a private foundation, and is subject to unrelated business income tax (UBIT), if applicable. For the years ended September 30, 2021 and 2020, A4BGU did not have material UBIT expenses and liabilities. The LLC is treated as a disregarded entity for tax purposes.

Management has evaluated A4BGU's tax positions and concluded that A4BGU had taken no uncertain tax positions that require adjustment or disclosure to the financial statements. With few exceptions, A4BGU is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2018 which is the standard statute of limitations look-back period.

Recently adopted accounting pronouncements: A4BGU adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods and services to customers. The adoption of ASU 2014-09 did not have an impact on A4BGU's financial position, activities, net assets or cash flows as of the adoption date or for the years ended September 30, 2021 and 2020.

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU eliminates the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timings of transfers between levels; the valuation processes for Level 3 fair value measurements; and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU also eliminated the requirement to disclose a roll forward for Level 3 fair value measurements. The adoption of this guidance did not have a significant impact on A4BGU's 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. A4BGU has adopted this ASU on a prospective basis effective September 1, 2020. The adoption of this guidance did not have an impact on A4BGU's financial statements.

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 statement of activities. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the Accounting Standards Codification (ASC) 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The ASU is effective for fiscal years beginning after December 15, 2022. Early application is permitted. A4BGU is currently evaluating the impact of adoption 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. A4BGU is currently 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. A4BGU 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. A4BGU is evaluating the impact of this ASU on the financial statements.

Note 3. Liquidity and Availability of Resources

The following represents A4BGU's available financial assets as of September 30:

	2021	2020
Financial assets:		
Cash equivalents	\$ 8,677,980	\$ 10,898,438
Investments	831,134,428	711,958,322
Contributions receivable, net	30,234,391	30,102,798
Total financial assets	<u>870,046,799</u>	<u>752,959,558</u>
Less:		
Amounts subject to satisfaction or appropriation	(30,844,745)	(28,801,289)
Contributions receivable restricted by donors	(30,001,390)	(29,691,164)
Donor restricted endowments funds	(737,301,998)	(631,664,724)
Funds restricted by the Board	<u>(48,255,376)</u>	<u>(41,636,108)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,643,290</u>	<u>\$ 21,166,273</u>

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 3. Liquidity and Availability of Resources (Continued)

As part of A4BGU's liquidity management, A4BGU 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 A4BGU operations and (unless otherwise designated by the Board) contributions without donor restrictions are considered to be available to meet cash needs for operations. A4BGU 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.

In February 2021, A4BGU entered into a demand line of credit for \$2,500,000. Pursuant to the demand line of credit agreement, A4BGU is required to maintain a tangible net worth of not less than \$500,000,000 and unrestricted net assets of not less than \$10,000,000, so long as any portion of the loan balance shall remain unpaid. Unrestricted net assets are defined as net assets without donor restrictions. The demand line of credit is collateralized by certain investments of A4BGU in accordance with the agreement. Borrowings bear interest at a variable rate based on the one-month London Interbank Offered Rate (LIBOR) rate plus 1.25% at September 30, 2021. Interest and principal is due upon demand from the Lender. As of September 30, 2021, there were no drawdowns from this demand line of credit agreement.

Note 4. Investments

Investments are held for the following purposes:

	2021	2020
General operations	\$ 12,102,616	\$ 7,526,016
Program support	18,380	48,064
Funds restricted by the Board	48,255,376	41,636,108
Annuities and trusts	26,741,451	23,984,517
Endowments (Note 12):		
Marcus endowment fund	501,455,464	435,986,427
Others	66,249,694	57,374,840
Investments—USA	654,822,981	566,555,972
Endowments—Israel (Note 12)	176,311,447	145,402,350
	<u>\$831,134,428</u>	<u>\$711,958,322</u>

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 5. Contributions Receivable

All 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 0.82% to 6.14%. The discount rates are considered to be a Level 3 input in the fair value hierarchy.

	2021	2020
Amounts due:		
Within one year or less	\$ 6,290,570	\$ 7,876,331
In more than one year and less than five years	4,811,839	3,643,679
In five or more years	23,219,480	23,608,447
	<u>34,321,889</u>	<u>35,128,457</u>
Less discount to present value	(3,138,914)	(2,331,297)
Less allowance for uncollectible pledges	(948,584)	(2,694,362)
Contributions receivable, net	<u>\$ 30,234,391</u>	<u>\$ 30,102,798</u>

As of September 30, 2021 and 2020, A4BGU had unrecorded conditional contributions receivable of \$13,476,000 and \$13,504,000 respectively. At such time as the conditional barriers are overcome and the donor's rights of return/release have expired, the contribution will be recorded.

Note 6. Beneficial Interests in Funds Held by Others

Certain individuals have established trusts in which A4BGU has an irrevocable remainder interest. The assets have been placed under the control of a third-party trustee who serves in a fiduciary capacity. Upon the death of the donor or beneficiary, the remaining assets will be transferred to A4BGU. These have been discounted at a rate of 1.0% and 0.4% in the years ended September 30, 2021 and 2020, respectively, using actuarially based mortality tables.

A4BGU's interests in funds held by others are as follows:

	2021	2020
Total value of beneficial interests in funds held by others	\$ 1,288,240	\$ 1,436,339
Distribution to A4BGU	(17,166)	-
Less discount to present value	(62,091)	(30,940)
Beneficial interests in funds held by others	<u>\$ 1,208,983</u>	<u>\$ 1,405,399</u>

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements

A4BGU 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 A4BGU 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, A4BGU 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.

The following tables present A4BGU's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

Description	Total	2021 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	\$ 6,985,016	\$ 6,985,016	\$ -	\$ -
U.S. treasuries and other bonds	38,531,597	-	38,531,597	-
Common stock and domestic ETFs	66,989,295	66,989,295	-	-
Mutual funds	101,116,615	101,116,615	-	-
Total investments in fair value hierarchy	213,622,523	175,090,926	38,531,597	-
Investment funds measured at net asset value ⁽¹⁾	441,200,458			
Investments—USA	654,822,981	175,090,926	38,531,597	-
Investments held in Israel	176,311,447	-	176,311,447	-
Total investments	\$ 831,134,428	\$ 175,090,926	\$ 214,843,044	\$ -
Beneficial interests in funds held by others	\$ 1,208,983	\$ -	\$ -	\$ 1,208,983
Cash surrender value of life insurance	\$ 403,252	\$ -	\$ -	\$ 403,252
Obligations under split-interest agreements	\$ 16,507,021	\$ -	\$ -	\$ 16,507,021

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

Description	Total	2020 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	\$ 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

⁽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. A4BGU'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 A4BGU 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.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

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, A4BGU 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 A4BGU's investments in investment funds at September 30, 2021 and 2020:

Investment Objective	2021 Fair Value	2020 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy ⁽¹⁾	\$ 79,707,296	\$ 68,167,078	\$ -	Quarterly	45-65 days
Long/short equity securities ⁽²⁾	226,145,869	131,240,144	-	Quarterly	45-90 days
Event driven corporate credit fund ⁽³⁾	5,358,050	2,749,608	3,748,321	Quarterly	90 days
Private equity ⁽⁴⁾	57,728,653	35,197,865	31,679,001	N/A	N/A
International equity ⁽⁵⁾	72,260,590	69,573,039	-	Monthly	5-30 days
	<u>\$ 441,200,458</u>	<u>\$ 306,927,734</u>	<u>\$ 35,427,322</u>		

- (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 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.

See Note 12 for description of investments held in Israel.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 8. Concentrations

Financial instruments that potentially subject A4BGU 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, 2021 and 2020, approximately 62% and 90% of cash accounts are held by one bank, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Investments in the USA are held by four custodians. Two custodians held approximately 89% and 81% of these investments at September 30, 2021 and 2020, respectively.”

Approximately 54% and 53% or \$18,660,000 and \$18,665,000 of gross contributions receivable at September 30, 2021 and 2020, respectively, were due from three donors.

Note 9. Split-Interest Agreements

A4BGU has numerous split-interest agreements, which include charitable remainder trusts and gift annuities where A4BGU serves as trustee for the benefit of the individual beneficiaries. Under the charitable remainder trust agreements, A4BGU 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 A4BGU agrees to pay a life annuity to the donor or a designated beneficiary.

At the time of the gift, and adjusted annually, A4BGU 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. A4BGU used 1.0% and 0.4% discount rates and the IAR-2012 mortality tables in determining its liabilities at September 30, 2021 and 2020, respectively.

In addition, A4BGU has irrevocable interests in charitable trusts held by third parties (see Note 6).

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

	2021		
	Charitable Gift Annuities	Charitable Remainder Trusts	Total
Statement of financial position:			
Investments	\$ 25,548,531	\$ 1,192,920	\$ 26,741,451
Obligations under split-interest agreements	15,656,050	850,971	16,507,021
Statement of activities:			
Contributions (net of discount)	128,118	-	128,118
Change in value of beneficial interest in obligations under split-interest agreements	97,611	(141,042)	(43,431)

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 9. Split-Interest Agreements (Continued)

	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 interest in obligations under split-interest agreements	(2,417,408)	73,430	(2,343,978)

As of September 30, 2021 and 2020, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of \$18,638,809 and \$16,485,572, respectively, and the California Gift Annuity Reserve of \$4,832,777 and \$4,691,163, respectively. A4BGU maintains additional reserves against its gift annuity obligations of \$2,076,946 and \$1,724,031 at September 30, 2021 and 2020, 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)

In May 2020, A4BGU received a loan in the amount of \$973,190 under the U.S. Small Business Administration (SBA)'s PPP established by the Coronavirus Aid, Relief, and Economic Security (CARES Act). Funds from the loan may only be used for payroll costs including benefits, interest on mortgages, rent and utilities. 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. A4BGU used the entire loan amount for qualifying expenses and has submitted a loan forgiveness request in accordance with the terms of the PPP loan. The forgiveness application was approved by the SBA on July 26, 2021. A4BGU accounted for the loan as a conditional contribution and recognized the entire amount of the loan proceeds as contribution without restrictions upon forgiveness.

Note 11. Net Assets with Donor Restrictions

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

	2021	2020
Time restricted or purpose restricted for university projects and scholarships	\$ 33,364,643	\$ 33,348,042
Perpetual in nature	593,489,403	591,946,198
Accumulated investment income	135,464,763	30,274,867
Total net assets with donor restrictions	<u>\$762,318,809</u>	<u>\$655,569,107</u>

Net assets with donor restrictions that are perpetual in nature, include net contributions receivable restricted for endowment funds of approximately \$1,469,000 and \$1,748,000 as of September 30, 2021 and 2020, respectively.

For the years ended September 30, 2021 and 2020, net assets with donor restrictions of \$47,898,816 and \$50,086,799, 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.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 12. Endowments

A4BGU is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA or the Act) 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. A4BGU 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.

A4BGU's endowment fund activities are summarized below:

	With Donor Restrictions		
	Endowments	Endowments	Total
	Held in the USA	Held in Israel	
Balance, September 30, 2020	\$ 493,361,267	\$ 145,402,350	\$ 638,763,617
Net investment returns	98,801,311	36,409,558	135,210,869
Contributions	1,138,817	796,610	1,935,427
Appropriations of endowment assets for expenditures	(25,596,237)	(6,297,071)	(31,893,308)
Change in endowment net assets	74,343,891	30,909,097	105,252,988
Balance, September 30, 2021	\$ 567,705,158	\$ 176,311,447	\$ 744,016,605
	2020		
	With Donor Restrictions		
	Endowments	Endowments	Total
	Held in the USA	Held in Israel	
Balance, September 30, 2019	\$ 482,170,375	\$ 149,113,048	\$ 631,283,423
Net investment returns	33,045,092	1,831,150	34,876,242
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	11,190,892	(3,710,698)	7,480,194
Balance, September 30, 2020	\$ 493,361,267	\$ 145,402,350	\$ 638,763,617

Endowments held in the USA: A4BGU 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, A4BGU 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, the first distribution, is based on the monthly average of portfolio market value at September 30.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires A4BGU 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, 2021 and 2020.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 12. Endowments (Continued)

Endowments held in Israel: Endowments held in Israel are restricted gifts that are maintained by BGU on behalf of A4BGU. 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, 2021, is \$424,418. 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 A4BGU endowments held by BGU are maintained at the original currency of the gifts, US 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 A4BGU 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% for the years ended September 30, 2021 and 2020. 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

A4BGU maintains a 403(b) tax-deferred retirement plan, which is funded by contributions from both A4BGU and its employees. A4BGU'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, 2021 and 2020, respectively, was approximately \$237,000 and \$324,000.

Note 15. Related Parties

Approximately \$23,361,000 and \$24,478,000 of the gross contributions receivable at September 30, 2021 and 2020, respectively, are due from A4BGU's board members.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 16. Leases

A4BGU leases office space in New York City and Pennsylvania under operating lease agreements.

In March 2012, A4BGU 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. A4BGU 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. A4BGU 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, 2021.

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

Years ending September 30:	
2022	\$ 428,000
2023	425,000
2024	319,000
Thereafter	-
	<u>\$ 1,172,000</u>

Rent expense was \$406,169 and \$621,160 for the years ended September 30, 2021 and 2020, 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 A4BGU operates. On March 27, 2020, the 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 A4BGU. Accordingly, management cannot presently estimate the overall operational and financial impact to A4BGU.

Note 18. Subsequent Events

A4BGU evaluated its September 30, 2021, financial statements for subsequent events through May 3, 2022, the date the financial statements were available to be issued. A4BGU is not aware of any subsequent events that would require recognition or disclosure.