

Americans for Ben-Gurion University, Inc.

Consolidated Financial Report
September 30, 2022

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RSM US LLP

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Americans for Ben-Gurion University, Inc. and its subsidiary (A4BGU), which comprise the consolidated statement of financial position as of September 30, 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of A4BGU as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of A4BGU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about A4BGU's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 A4BGU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about A4BGU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited A4BGU's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
April 14, 2023

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Financial Position

September 30, 2022

(With Summarized Comparative Information as of September 30, 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 9,374,152	\$ 8,677,980
Investments held in USA (Notes 4, 7 and 12)	531,205,185	654,822,981
Investments held in Israel (Notes 4, 7 and 12)	153,615,767	176,311,447
Contributions receivable, net (Note 5)	32,126,793	30,234,391
Prepaid expenses and other assets	347,410	225,727
Collections and works of art	1,090,356	1,397,457
Beneficial interests in funds held by others (Note 6)	1,048,814	1,208,983
Cash surrender value of life insurance	411,259	403,252
Property, equipment and software (net of accumulated depreciation and amortization of \$654,107 in 2022 and \$609,604 in 2021)	398,407	316,531
Total assets	\$ 729,618,143	\$ 873,598,749
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 1,619,217	\$ 1,733,512
Due to Ben-Gurion University	19,280,778	18,964,701
Obligations under split-interest agreements (Note 9)	12,900,013	16,507,021
Deferred lease obligations and incentive	129,394	203,334
Total liabilities	33,929,402	37,408,568
Net assets:		
Without donor restrictions	61,372,793	73,871,372
With donor restrictions (Note 11)	634,315,948	762,318,809
Total net assets	695,688,741	836,190,181
Total liabilities and net assets	\$ 729,618,143	\$ 873,598,749

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Activities

Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	2022		Total	2021
	Without Donor Restrictions	With Donor Restrictions		Summarized Information
Support, revenue, gains and losses:				
Contributions	\$ 4,843,823	\$ 24,367,725	\$ 29,211,548	\$ 24,047,032
Net (loss) return on investments	(12,352,551)	(98,739,271)	(111,091,822)	148,633,756
Loss on uncollectable receivables	-	(71,574)	(71,574)	(4,450)
Loss on sale of collections and work of art	-	(317,252)	(317,252)	-
Change in value of beneficial interest in funds held by others and obligations under split-interest agreements	2,160,849	(40,434)	2,120,415	(222,680)
Net assets released from restrictions—satisfaction of purpose and time restrictions	53,202,055	(53,202,055)	-	-
Total support, revenue, gains and losses	47,854,176	(128,002,861)	(80,148,685)	172,453,658
Expenses:				
Program services	52,450,810	-	52,450,810	44,191,306
Supporting services:				
Management and general	3,925,400	-	3,925,400	3,590,160
Fund-raising	3,976,545	-	3,976,545	4,245,903
Total supporting services	7,901,945	-	7,901,945	7,836,063
Total expenses	60,352,755	-	60,352,755	52,027,369
Change in net assets	(12,498,579)	(128,002,861)	(140,501,440)	120,426,289
Net assets:				
Beginning	73,871,372	762,318,809	836,190,181	715,763,892
Ending	\$ 61,372,793	\$ 634,315,948	\$ 695,688,741	\$ 836,190,181

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	2022				2021	
	Program Services	Supporting Services		Fundraising	Total Supporting Services	Total
Management and General						
Grants to Ben-Gurion University	\$ 49,838,550	\$ -	\$ -	\$ -	\$ 49,838,550	\$ 41,698,693
Compensation	1,488,981	1,352,356	2,260,050	3,612,406	5,101,387	5,525,212
Payroll taxes and employee benefits	475,446	431,820	721,656	1,153,476	1,628,922	1,538,833
Advertising and promotion	317,224	247,832	426,270	674,102	991,326	949,605
Professional fees	50,808	762,123	33,872	795,995	846,803	501,772
Meetings and travel	137,274	192,184	219,639	411,823	549,097	75,553
Occupancy	53,999	404,989	80,998	485,987	539,986	573,262
Documentary production	47,373	-	189,492	189,492	236,865	625,880
Information technology	15,754	157,541	23,631	181,172	196,926	119,803
Office expenses	18,195	90,977	12,130	103,107	121,302	129,600
Insurance	-	112,957	-	112,957	112,957	85,238
Telecommunications	7,206	64,053	8,807	72,860	80,066	84,545
Depreciation and amortization	-	61,878	-	61,878	61,878	48,333
Bank fees	-	48,124	-	48,124	48,124	51,561
Miscellaneous	-	(1,434)	-	(1,434)	(1,434)	19,479
Total expenses—2022	\$ 52,450,810	\$ 3,925,400	\$ 3,976,545	\$ 7,901,945	\$ 60,352,755	
Total expenses—2021	\$ 44,191,306	\$ 3,590,160	\$ 4,245,903	\$ 7,836,063		\$ 52,027,369

See notes to consolidated financial statements.

Americans for Ben-Gurion University, Inc.

Consolidated Statement of Cash Flows

Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (140,501,440)	\$ 120,426,289
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	61,878	48,333
Loss on disposal of property and equipment	1,061	137
Loss on sale of collections and work of art	317,252	-
Net realized/unrealized losses (gains) on investments	112,587,891	(143,788,183)
CPI adjustments on investments held in Israel	1,747,590	(2,683,289)
Change in value of split-interest agreements	(2,120,415)	222,680
Change in cash surrender value of life insurance	(8,007)	7,884
Contributions restricted for long-term investment	(2,085,777)	(1,935,427)
Amortization of present value discount on contributions receivable	2,493,594	807,617
Amortization of deferred lease obligation	(73,940)	(58,758)
Changes in operating assets and liabilities:		
Increase in contributions receivable	(4,385,996)	(939,210)
Increase in prepaid expenses and other assets	(121,683)	(139,102)
Increase in collections and work of art	(14,650)	-
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(114,295)	726,892
Increase (decrease) in due to Ben-Gurion University	316,077	(1,788,340)
Decrease in Paycheck Protection Program (PPP)	-	(973,190)
Net cash used in operating activities	(31,900,860)	(30,065,667)
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	227,907,531	231,286,342
Purchase of investments	(195,929,538)	(203,990,977)
Distribution from beneficial interest in funds held by others	-	17,166
Proceeds from sale of collections and work of art	4,500	-
Purchase of property, equipment and software	(144,815)	(212,813)
Net cash provided by investing activities	31,837,678	27,099,718
Cash flows from financing activities:		
Contributions subject to split-interest agreements	283,814	559,542
Contributions restricted for long-term investment	2,085,777	1,935,427
Payments on obligations under split-interest agreements	(1,610,237)	(1,749,478)
Net cash provided by financing activities	759,354	745,491
Net increase (decrease) in cash and cash equivalents	696,172	(2,220,458)
Cash and cash equivalents:		
Beginning	8,677,980	10,898,438
Ending	\$ 9,374,152	\$ 8,677,980

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 consolidated 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.

Advertising and promotion: A4BGU's policy is to expense the cost of advertising and promotion as it is incurred. Advertising and promotion expense totaled \$991,326 and \$949,605 for the years ended September 30, 2022 and 2021, respectively.

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, 2021, from which the summarized information was derived.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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, 2022 and 2021, 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 2019 which is the standard statute of limitations look-back period.

Recently adopted accounting pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 did not receive any contributed nonfinancial assets in the years ended September 30, 2022 and 2021. This ASU has no the impact of on the 2022 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 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. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. ASU 2016-02 is effective for the years beginning after December 15, 2021. 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.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 3. Liquidity and Availability of Resources

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

	2022	2021
Financial assets:		
Cash equivalents	\$ 9,374,152	\$ 8,677,980
Investments	684,820,952	831,134,428
Contributions receivable, net	32,126,793	30,234,391
Total financial assets	<u>726,321,897</u>	<u>870,046,799</u>
Less:		
Amounts subject to satisfaction or appropriation	(24,951,565)	(30,844,745)
Contributions receivable restricted by donors	(32,024,611)	(30,001,390)
Donor restricted endowments funds	(607,865,193)	(737,301,998)
Funds restricted by the Board	<u>(39,201,439)</u>	<u>(48,255,376)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,279,089</u>	<u>\$ 23,643,290</u>

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 Secured Overnight Financing Rate (SOFR) plus 1.29%. Interest and principal is due upon demand from the Lender. As of September 30, 2022 and 2021, there were no drawdowns from this demand line of credit agreement.

Note 4. Investments

Investments are held for the following purposes:

	2022	2021
General operations	\$ 9,314,930	\$ 12,102,616
Program support	10,400	18,380
Funds restricted by the Board	39,201,439	48,255,376
Annuities and trusts	21,405,270	26,741,451
Endowments (Note 12):		
Marcus endowment fund	406,060,620	501,455,464
Others	<u>55,212,526</u>	<u>66,249,694</u>
Investments—USA	531,205,185	654,822,981
Endowments—Israel (Note 12)	<u>153,615,767</u>	<u>176,311,447</u>
	<u>\$ 684,820,952</u>	<u>\$ 831,134,428</u>

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

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

	2022	2021
Amounts due:		
Within one year or less	\$ 6,665,753	\$ 6,290,570
In more than one year and less than five years	14,545,714	4,811,839
In five or more years	17,541,445	23,219,480
	<u>38,752,912</u>	<u>34,321,889</u>
Less discount to present value	(5,632,507)	(3,138,914)
Less allowance for uncollectible pledges	(993,612)	(948,584)
Contributions receivable, net	<u>\$ 32,126,793</u>	<u>\$ 30,234,391</u>

As of September 30, 2022 and 2021, A4BGU had outstanding unrecorded conditional contributions receivable of \$13,750,000 and \$13,476,000, respectively. When the conditional barriers are overcome and the donor's rights of return/release has expired, the revenue 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. A third-party trustee serves in a fiduciary capacity for these trusts. Upon the death of the beneficiary, the remaining trust assets will be transferred to A4BGU. These have been discounted at a rate of 3.6% and 1.0% in the years ended September 30, 2022 and 2021, respectively, using actuarially based mortality tables.

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

	2022	2021
Total value of beneficial interests in funds held by others	\$ 1,250,600	\$ 1,288,240
Distribution to A4BGU	-	(17,166)
Less discount to present value	(201,786)	(62,091)
Beneficial interests in funds held by others	<u>\$ 1,048,814</u>	<u>\$ 1,208,983</u>

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements

A4BGU follows FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value under U.S. GAAP, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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	2022 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	\$ 21,235,365	\$ 21,235,365	\$ -	\$ -
U.S. Treasuries and other bonds	25,567,449	-	25,567,449	-
Common stock and domestic ETFs	54,981,964	54,981,964	-	-
Mutual funds	70,939,732	70,939,732	-	-
Total investments in fair value hierarchy	172,724,510	147,157,061	25,567,449	-
Investment funds measured at net asset value ⁽¹⁾	358,480,675			
Investments—USA	531,205,185	147,157,061	25,567,449	-
Investments held in Israel	153,615,767	-	153,615,767	-
Total investments	\$ 684,820,952	\$ 147,157,061	\$ 179,183,216	\$ -
Beneficial interests in funds held by others	\$ 1,048,814	\$ -	\$ -	\$ 1,048,814
Cash surrender value of life insurance	\$ 411,259	\$ -	\$ -	\$ 411,259
Obligations under split-interest agreements	\$ 12,900,013	\$ -	\$ -	\$ 12,900,013

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

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

(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, 2022 and 2021:

Investment Objective	2022 Fair Value	2021 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Multi-strategy ⁽¹⁾	\$ 73,468,091	\$ 79,707,296	\$ -	Quarterly	45-65 days
Long/short equity securities ⁽²⁾	167,964,444	226,145,869	-	Quarterly	45-90 days
Event driven corporate credit fund ⁽³⁾	7,594,501	5,358,050	6,783,368	Quarterly	90 days
Private equity ⁽⁴⁾	63,392,291	57,728,653	25,756,668	N/A	N/A
International equity ⁽⁵⁾	46,061,348	72,260,590	-	Monthly	5-30 days
	<u>\$ 358,480,675</u>	<u>\$ 441,200,458</u>	<u>\$ 32,540,036</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, 2022 and 2021, approximately total 92% and 93% of cash accounts are held by two banks, respectively. Investments in the USA are held by four custodians. Two custodians held approximately 88% and 89% of these investments at September 30, 2022 and 2021, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Approximately 48% and 54% or \$18,660,000, respectively, of gross contributions receivable at September 30, 2022 and 2021, 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 3.6% and 1.0% discount rates and the IAR-2012 Mortality Tables in determining its liabilities at September 30, 2022 and 2021, 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:

	2022		
	Charitable Gift Annuities	Charitable Remainder Trusts	Total
Statement of financial position:			
Investments	\$ 20,330,060	\$ 1,075,211	\$ 21,405,271
Obligations under split-interest agreements	12,138,015	761,998	12,900,013
Statement of activities:			
Contributions (net of discount)	116,175	74,084	190,259
Change in value of beneficial interest in obligations under split-interest agreements	2,160,849	119,735	2,280,584

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 9. Split-Interest Agreements (Continued)

	2021		Total
	Charitable Gift Annuities	Charitable Remainder Trusts	
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)

As of September 30, 2022 and 2021, the investments associated with split-interest agreements include the multi-state gift annuity reserve pool of \$14,760,871 and \$18,638,809, respectively, and the California Gift Annuity Reserve of \$3,852,427 and \$4,832,777, respectively. A4BGU maintains additional reserves against its gift annuity obligations of \$1,716,761 and \$2,076,946 at September 30, 2022 and 2021, 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 were used for qualifying expenses. The loan was forgiven 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 in the year ended September 30, 2021.

Note 11. Net Assets with Donor Restrictions

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

	2022	2021
Time restricted or purpose restricted for university projects and scholarships	\$ 34,580,728	\$ 33,364,643
Perpetual in nature	596,038,946	593,489,403
Accumulated investment income	3,696,274	135,464,763
Total net assets with donor restrictions	<u>\$ 634,315,948</u>	<u>\$ 762,318,809</u>

Net assets with donor restrictions that are perpetual in nature, include net contributions receivable restricted for endowment funds of approximately \$1,851,000 and \$1,469,000 as of September 30, 2022 and 2021, respectively.

For the years ended September 30, 2022 and 2021, net assets with donor restrictions of \$53,202,055 and \$47,898,816, 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) 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:

	2022		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2021	\$ 567,705,158	\$ 176,311,447	\$ 744,016,605
Net investment loss	(84,145,992)	(14,390,903)	(98,536,895)
Contributions	1,907,489	178,288	2,085,777
Appropriations of endowment assets for expenditures	(24,193,509)	(8,483,065)	(32,676,574)
Change in endowment net assets	(106,432,012)	(22,695,680)	(129,127,692)
Balance, September 30, 2022	<u>\$ 461,273,146</u>	<u>\$ 153,615,767</u>	<u>\$ 614,888,913</u>
	2021		
	With Donor Restrictions		
	Endowments Held in the USA	Endowments Held in Israel	Total
Balance, September 30, 2020	\$ 493,361,267	\$ 145,402,350	\$ 638,763,617
Net investment return	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	<u>\$ 567,705,158</u>	<u>\$ 176,311,447</u>	<u>\$ 744,016,605</u>

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.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 12. Endowments (Continued)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historical amount donated. As of September 30, 2022, the Marcus endowment fund with an original gift value of \$416,985,697 had a fair value of \$406,060,621, and an underwater amount of \$10,925,076. Situations of this nature also exist in eighteen other donor-restricted endowment funds, which together have an original gift value of \$3,825,368, a current fair value of \$3,526,064, and an underwater amount of \$299,304 as of September 30, 2022. These situations resulted from unfavorable market fluctuations and continued appropriation for programs that was deemed prudent by A4BGU and as permitted by NYPMIFA. There were no such underwater endowment funds as of September 30, 2021.

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 as of September 30, 2022 and 2021, 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, 2022 and 2021, is \$437,892 and \$424,418, respectively. The loan principal and interest receivable from BGU is netted in Due to Ben-Gurion University balance in the consolidated 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 3.5% and 3% for the years ended September 30, 2022 and 2021, respectively. The spend rate may be more or less than BGU's actual earnings on its investment portfolio. As of September 30, 2022, there were four endowment funds held in Israel with a total original gift value of \$12,100,000, a fair value of \$10,507,623, and an underwater amount of \$1,592,377. The underwater amount resulted from unfavorable market fluctuations and continued appropriation for programs that was deemed prudent by A4BGU and as permitted by NYPMIFA. There were no such underwater endowment funds as of September 30, 2021.

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 up to 6% to eligible employees' salaries, and is recorded as an expense annually. The related expense for the years ended September 30, 2022 and 2021, respectively, was approximately \$250,000 and \$237,000.

Americans for Ben-Gurion University, Inc.

Notes to Consolidated Financial Statements

Note 15. Related Parties

Approximately \$27,274,000 and \$23,361,000 of the gross contributions receivable at September 30, 2022 and 2021, respectively, are due from A4BGU's board members and employees.

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, 2022.

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

Years ending September 30:		
2023	\$	428,000
2024		319,000
Thereafter		-
	\$	<u>747,000</u>

Rent expense was \$358,912 and \$406,169 for the years ended September 30, 2022 and 2021, respectively.

Note 17. Subsequent Events

A4BGU evaluated its September 30, 2022, financial statements for subsequent events through April 14, 2023, the date the financial statements were available to be issued. A4BGU is not aware of any subsequent events that would require recognition or disclosure.