

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Armenian General Benevolent Union

We have audited the accompanying financial statements of Armenian General Benevolent Union (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

(Continued)

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 Armenian General Benevolent Union as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

November 12, 2021

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
Cash	\$ 8,939,977	\$ 4,417,393
Certificates of deposit	3,592,917	6,319,697
Investments	209,193,542	208,076,323
Contributions receivable	4,579,720	1,900,756
Other receivables	3,376,483	1,146,632
Due from related parties	1,743,579	745,891
Other assets	4,498,589	4,498,589
Property and equipment, at cost less accumulated depreciation and amortization	32,607,407	33,976,125
Total assets	\$ 268,532,214	\$ 261,081,406
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 3,830,425	\$ 3,524,493
PPP loan payable	791,100	-
Due to related parties	482,371	1,043,754
Total liabilities	5,103,896	4,568,247
Net assets		
Without donor restrictions (deficit)		
Without donor restrictions	(39,876,214)	(34,789,340)
Designated for real estate	27,113,255	28,292,880
Total without donor restriction	(12,762,959)	(6,496,460)
With donor restrictions	276,191,277	263,009,619
Total net assets	263,428,318	256,513,159
Total liabilities and net assets	\$ 268,532,214	\$ 261,081,406

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Contributions	\$ 3,075,092	\$ 22,506,864	\$ 25,581,956
Membership dues	7,173	-	7,173
Other income	401,145	-	401,145
Total public support	3,483,410	22,506,864	25,990,274
Revenues			
Net investment return	4,413,969	8,080,280	12,494,249
Rental and royalty income	32,225	1,560	33,785
Tuition and other school income	78,076	-	78,076
Total revenues	4,524,270	8,081,840	12,606,110
	8,007,680	30,588,704	38,596,384
Net assets released from donor restrictions	15,303,395	(15,303,395)	-
Total public support and revenues	23,311,075	15,285,309	38,596,384
Expenses			
Program			
Educational	6,906,825	-	6,906,825
Cultural	7,373,083	-	7,373,083
Religious	681,217	-	681,217
Humanitarian	12,742,912	-	12,742,912
Total program expenses	27,704,037	-	27,704,037
Management and general	3,078,882	-	3,078,882
Fundraising	898,306	-	898,306
Total expenses	31,681,225	-	31,681,225
Changes in net assets from operations	(8,370,150)	15,285,309	6,915,159
Investment return appropriated and released for current operations from donor-restricted endowment	2,103,651	(2,103,651)	-
Changes in net assets	(6,266,499)	13,181,658	6,915,159
Net assets (deficit), beginning of year	(6,496,460)	263,009,619	256,513,159
Net assets (deficit), end of year	\$ (12,762,959)	\$ 276,191,277	\$ 263,428,318

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Contributions	\$ 4,450,694	\$ 12,661,125	\$ 17,111,819
Membership dues	31,297	-	31,297
Other income	1,644,863	7,040	1,651,903
Total public support	6,126,854	12,668,165	18,795,019
Revenues			
Net investment return	6,143,297	22,818,828	28,962,125
Rental and royalty income	39,155	4,172	43,327
Tuition and other school income	1,006,705	-	1,006,705
Total revenues	7,189,157	22,823,000	30,012,157
	13,316,011	35,491,165	48,807,176
Net assets released from donor restrictions	10,997,315	(10,997,315)	-
Total public support and revenues	24,313,326	24,493,850	48,807,176
Expenses			
Program			
Educational	8,459,010	-	8,459,010
Cultural	10,928,484	-	10,928,484
Religious	1,262,269	-	1,262,269
Humanitarian	1,868,486	-	1,868,486
Total program expenses	22,518,249	-	22,518,249
Management and general	3,652,037	-	3,652,037
Fundraising	1,208,300	-	1,208,300
Total expenses	27,378,586	-	27,378,586
Changes in net assets from operations	(3,065,260)	24,493,850	21,428,590
Investment return appropriated and released for current operations from donor-restricted endowment	2,073,653	(2,073,653)	-
Changes in net assets	(991,607)	22,420,197	21,428,590
Net assets (deficit), beginning of year	(5,504,853)	240,589,422	235,084,569
Net assets (deficit), end of year	\$ (6,496,460)	\$ 263,009,619	\$ 256,513,159

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Educational	Cultural	Religious	Humanitarian	Total Program	Management and General	Fundraising	Total
Grants	\$ 5,335,437	\$ 3,309,349	\$ 677,967	\$ 12,610,577	\$ 21,933,330	\$ -	\$ -	\$ 21,933,330
Program activities	1,890	175,549	-	-	177,439	-	-	177,439
Salaries and wages	601,836	1,274,760	-	-	1,876,596	1,175,492	602,081	3,654,169
Employee benefits	109,784	284,342	-	-	394,126	210,227	107,678	712,031
Retirement plan contribution and expense	24,594	13,984	-	-	38,578	121,356	12,768	172,702
Payroll taxes	48,159	101,187	-	-	149,346	87,366	44,748	281,460
Accounting fees	-	-	-	-	-	139,247	-	139,247
Legal fees	3,500	45,752	-	-	49,252	20,857	-	70,109
Consulting fees and professional services	163,409	552,878	-	56,969	773,256	349,926	2,005	1,125,187
Occupancy	248,474	226,170	-	-	474,644	179,450	39,867	693,961
Travel	12,152	5,838	-	2,545	20,535	11,273	12	31,820
Conferences, conventions, and meetings	1,663	28,104	-	39,003	68,770	18,416	64	87,250
Depreciation and amortization	337,458	885,865	3,250	4,794	1,231,367	244,310	49,530	1,525,207
Training and professional development	2,450	680	-	-	3,130	2,709	-	5,839
Office expense	10,562	295,294	-	2,160	308,016	185,552	10,169	503,737
Miscellaneous expense	35	21,729	-	-	21,764	254	5,306	27,324
Advertising	604	8,749	-	3,914	13,267	30,189	686	44,142
Bad debt expense	-	24,441	-	-	24,441	-	-	24,441
Dues and subscriptions	72	1,777	-	-	1,849	6,831	-	8,680
Repairs and maintenance	7,786	45,963	-	-	53,749	4,229	226	58,204
Information technology	11,960	36,672	-	-	48,632	125,462	23,166	197,260
Severance and life estate expense	(15,000)	34,000	-	22,950	41,950	165,736	-	207,686
	\$ 6,906,825	\$ 7,373,083	\$ 681,217	\$ 12,742,912	\$ 27,704,037	\$ 3,078,882	\$ 898,306	\$ 31,681,225

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Educational	Cultural	Religious	Humanitarian	Total Program	Management and General	Fundraising	Total
Grants	\$ 6,157,092	\$ 5,379,050	\$ 1,184,253	\$ 1,687,966	\$ 14,408,361	\$ -	\$ -	\$ 14,408,361
Program activities	12,993	979,049	-	-	992,042	-	-	992,042
Salaries and wages	634,444	1,126,332	47,016	69,494	1,877,286	1,726,718	676,851	4,280,855
Employee benefits	65,820	205,938	7,398	10,934	290,090	256,500	121,674	668,264
Retirement plan contribution and expense	46,069	27,159	3,435	5,077	81,740	156,448	19,155	257,343
Payroll taxes	51,712	75,776	3,632	5,368	136,488	135,403	50,270	322,161
Accounting fees	-	-	-	-	-	173,381	-	173,381
Legal fees	12,700	18,986	-	-	31,686	15,120	-	46,806
Consulting fees and professional services	57,517	741,597	925	33,381	833,420	227,723	25,854	1,086,997
Occupancy	88,375	406,301	9,050	18,100	521,826	167,816	144,721	834,363
Travel	57,454	121,620	-	-	179,074	35,353	1,948	216,375
Conferences, conventions, and meetings	4,063	320,567	-	990	325,620	83,765	2,860	412,245
Depreciation and amortization	326,237	877,187	3,030	6,060	1,212,514	201,969	25,752	1,440,235
Training and professional development	10,900	10,296	-	-	21,196	2,702	-	23,898
Office expense	56,005	389,863	1,984	4,249	452,101	57,751	107,674	617,526
Miscellaneous expense	560	15,152	-	-	15,712	542	-	16,254
Advertising	10,204	14,739	-	335	25,278	14,448	603	40,329
Bad debt expense	677,092	-	-	-	677,092	32,563	-	709,655
Dues and subscriptions	-	4,689	-	-	4,689	6,433	550	11,672
Repairs and maintenance	46,075	118,099	550	1,100	165,824	11,017	4,673	181,514
Information technology	9,272	29,404	996	1,992	41,664	85,665	25,715	153,044
Severance and life estate expense	134,426	66,680	-	23,440	224,546	260,720	-	485,266
	\$ 8,459,010	\$ 10,928,484	\$ 1,262,269	\$ 1,868,486	\$ 22,518,249	\$ 3,652,037	\$ 1,208,300	\$ 27,378,586

See notes to financial statements.

ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 6,915,159	\$ 21,428,590
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	1,525,207	1,440,233
Contributions restricted for endowments	(3,275,090)	(4,008,984)
Donated stock	391,928	1,036,242
Net realized gain on sale of investments	(6,377,555)	(1,820,235)
Net unrealized gain on investments	(3,777,450)	(23,951,443)
Bad debt expense - related party	-	671,027
Bad debt expense - other	24,441	38,627
Changes in assets and liabilities		
Contributions receivable	(2,678,964)	1,649,244
Other receivables	(2,254,292)	(161,628)
Other assets	-	(18,589)
Accounts payable and other liabilities	305,932	480,641
Net cash used in operating activities	(9,200,684)	(3,216,275)
Cash flows from investing activities		
Net due (from)/to related parties	(1,559,071)	295,096
Purchase of real estate	(75,575)	(2,898,248)
Purchase of furniture and equipment	(80,914)	(731,090)
Proceeds from sale of investments	33,902,368	22,460,547
Purchase of investments	(25,256,510)	(18,553,051)
Net redemption (purchase) of certificates of deposit	2,726,780	(136,120)
Net cash provided by investing activities	9,657,078	437,134
Cash flows from financing activities		
Proceeds from contributions restricted for endowments	3,275,090	4,008,984
Proceeds from PPP loan payable	791,100	-
Net cash provided by financing activities	4,066,190	4,008,984
Net increase in cash	4,522,584	1,229,843
Cash, beginning of year	4,417,393	3,187,550
Cash, end of year	\$ 8,939,977	\$ 4,417,393
Noncash investing activities		
Disposal of fully depreciated property and equipment	\$ 1,875,018	\$ -

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Armenian General Benevolent Union (the "Organization") is incorporated under the laws of the State of Delaware. The Organization's stated purpose is to promote the prosperity and well-being of all Armenians through educational, cultural, humanitarian, and social development programs and projects and economic initiatives.

The financial statements include the accounts of the Central Board and all of the unincorporated chapters located throughout the United States of America.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP").

The financial statements presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958, "Not-for-Profit Entities". Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the Organization's mission at the board's discretion. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as of the date of the financial statements and for the periods presented. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions, unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Unconditional gifts expected to be collected within one year are reported at their net realizable value and classified as without donor restrictions. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows.

Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome.

Promises to Give

Contributions are recognized when the donor makes a pledge that is in substance an unconditional promise to give to the Organization and is included in with donor restrictions net assets. Contributions dated prior to the year end and received in the subsequent period are recorded as contributions receivable at year end. The balance of contributions receivable is expected to be collected within the next year.

Donated Services

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising activities; however, no amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

Designation of Net Assets Without Donor Restrictions

Designation of net assets without donor restrictions represent limits imposed by the board of directors to support specific purposes, including amounts expended to acquire real estate. Within this designation is a reserve that has been established in accordance with the Organization's by-laws to restore the endowment funds in the event that sales from the investment portfolio or market fluctuations and other unforeseen events, generate substantial losses. This reserve has been absorbed by expenditures in prior periods as of December 31, 2020.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash balances, money market accounts and other securities. Financial instruments in financial institutions are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation are subject to certain limitations.

The Organization invests in various investment securities including alternatives. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could reduce market values to below cost. The Organization, at times, may have underlying investments in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the markets' perception of the issuers and changes in interest rates.

Other Receivables

Accounts and other receivables include tuition, rent, interest, and hedge fund redemption receivable, which are stated at their net realizable value.

Allowance for Doubtful Accounts

An allowance is established for accounts deemed potentially uncollectible. The allowance is based upon management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. The Organization did not provide for any doubtful accounts for the years ended December 31, 2020 and 2019 as management has determined that substantially all accounts are deemed to be collectible.

Other Assets

The Organization has been gifted a partial interest over time in a building in Armenia used for programs. The ownership percentage at December 31, 2020 and 2019 totals approximately 70%. At December 31, 2020 and 2019, the discounted present value of the aggregate ownership interest transferred of approximately \$4,499,000 is included in other assets.

Long-Lived Assets

The Organization reviews the carrying values of its long-lived assets whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the years ended December 31, 2020 and 2019.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Donated property used by the Organization is recorded at fair market value on the date contributed. Depreciation is provided by the straight line method over the estimated useful lives of the assets, which range from 5 to 40 years. Leasehold improvements are amortized over the estimated useful life or term of the lease, whichever is shorter. It is the Organization's policy to capitalize all property and equipment acquisitions in excess of \$10,000, lesser amounts are expensed.

Endowment Funds

In accordance with the provisions of the New York Prudent Management of Institutional Funds act ("NYPMIFA"), donor-restricted endowment funds, and earnings on those funds are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by NYPMIFA, and in accordance with the disclosure provisions set forth by ASC 958-205, *Not-for-Profit Entities*.

Endowments consist of net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment, the original value of subsequent gifts to the donor restricted endowment, and funds designated by the board of directors to function as endowments. Investment income earned by the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by NYPMIFA.

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective.

The investment policy of the Organization is to provide for the current and long term needs of the Organization by balancing the goal of capital preservation with the goal of increasing the portfolio value. The Organization seeks to achieve its investment aims by investing its surplus cash in equity and fixed income investments. The majority of the Organization's portfolio is managed by professional investment managers. The Organization, through its Investment Committee, manages some of its portfolio assets internally primarily for generating short term cash and as a means of further controlling the risk on the total portfolio.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investment and Spending Policies (Continued)

The exposure of the Organization's portfolio to equity investments is undertaken through a diverse group of managers in a multitude of investment categories, such as large cap value, large cap growth and others. The fixed income investments are primarily in domestic government and corporate bond issues. The Organization relies on both capital appreciation and current yield (interest and dividends) to gauge the performance of its portfolio and to undertake its budget, grants and assistance.

The Investment Committee reviews, on a regular basis, the performance of the professional investment managers and the portfolio. To assist it in this task, the Organization has retained a third-party consulting company that prepares monthly reviews and analyses of the portfolio and its managers, both external and internal. The consulting firm also advises the Investment Committee in selecting managers and allocating assets among different investment categories.

The spending policy of the Organization calculates the amount of money needed to support the Organization's activities of its endowed funds, grant-making and administration. Investment income is the primary source for endowment funded programs.

The annual performance of investment income determines the level of distribution to those endowment supported programs, and, if need be, previously established income reserves may be utilized. The support of administration and other programs is provided according to budgeted forecasts and on a special needs basis and are paid via investment income and donations received.

Fair Value

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under GAAP, the three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that reflect management's own assumptions.

The Organization has certain alternative investments for which there is not a readily determinable fair value. These investment entities issue financial statements that are consistent with the measurement principles or attributes of an investment company. For such investments, as a practical expedient, the Organization uses its ownership interest in the entity NAV to determine the fair value.

Investments

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the fair value hierarchy:

Debt and Equity Securities

Shares of debt and equity securities are stated at fair value based on quoted prices on recognized securities exchanges and are valued at the last reported sales price on the last business day of the Organization's year-end. Investments in debt and equity securities are classified as Level 1 investments.

Money Market Funds

Shares of money market funds are valued at the quoted market price, which represents the net asset value per share held by the Organization at year end. Investments in money market funds are classified as Level 1 investments.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Government Securities

United States Government bonds are valued based upon quoted market prices as of the last reported sales price on the last business day of the Organization's year-end. Investments in United States Government bonds are classified as Level 1 investments.

Mutual Funds

Shares of mutual funds are valued at quoted market prices, which represent the net asset value per share held by the Organization at year end. Investments in these funds are generally classified as Level 1 investments or Level 2 if there is a withdrawal restriction.

Hedge Funds

Investments in hedge funds are determined using the ownership interest in the entity NAV to determine the fair value.

Realized and unrealized gains and losses on investments are determined by comparison of fair value at date of donation or specific cost at date of purchase to proceeds at the time of disposal or fair value at year-end, respectively, and are reported in the statements of activities. Transactions are recorded on a trade date basis. Dividends and interest are recognized when earned.

Split-Interest Agreements

The Organization is the beneficiary of a split-interest agreement. The assets totaling \$4,498,589 are included in the Statement of Financial Position, because the Organization is the ultimate beneficiary and the other beneficiary's interest is negligible.

Certificates of Deposit

The certificates of deposit have varying terms and earn interest at rates ranging from 0.5% to 2.75%. Upon maturity, the proceeds are usually re-invested for terms ranging from three to twelve months.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis. Some costs are directly charged to each service area as they are clearly identified as program services or supporting services. Indirect costs are allocated to the different programs and supporting services benefited on a reasonable basis that is consistently applied.

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

The Central Board (see Note 1) provides administrative support, coordinating and supervising program activities (“Activities”), for the Armenian General Benevolent Union worldwide entities which are located in 26 countries. Central Board salaries, related employee benefits and payroll taxes are allocated to Activities based upon individual employee functions. Other indirect allocable expenses are allocated on a pro rata basis based upon the number of full-time equivalent employees for each Activity to total full-time equivalent employees.

This policy for allocating Central Board expenses was implemented as of January 1, 2019 and is reflected in the Statements of Functional Expenses for the years ended December 31, 2020 and 2019.

Paycheck Protection Program (“PPP”) Loan

The Organization’s policy is to account for the PPP loan (see note 13) as debt. The Organization will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and has been legally released, at which point the amount forgiven will be recorded as income or (2) the Organization pays off the loan.

Income Taxes

The Organization is exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3), and is classified as a publicly supported charitable organization as described in Section 509(a).

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassification have no effect on previously reported total assets, total liabilities or changes in net assets.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets consist of the Organization’s cash, investments and net pledges receivable. The financial assets available for general expenditures within one year of the statements of financial position date consist of the following components:

	December 31,	
	2020	2019
Cash	\$ 8,939,977	\$ 4,417,393
Certificates of deposit	2,812,302	5,497,427
Investments, at fair value	209,116,635	208,076,323
Contributions receivable	93,166	177,756
Other receivables	3,376,483	1,146,632
Total financial assets, end of year	224,338,563	219,315,531
Less - amounts unavailable for general expenditures within one year due to:		
Restricted by donors with time and purpose restrictions	(25,456,401)	(22,274,505)
Endowments:		
Unexpended income	(19,587,848)	(18,617,808)
Restricted by donors in perpetuity	(188,049,770)	(184,757,279)
	(233,094,019)	(225,649,592)
Deficit in financial assets available to meet cash needs for general expenditures within one year	\$ (8,755,456)	\$ (6,334,061)

The investments, at fair value reflect a cumulative unrealized gain of approximately \$34 million and \$32 million at December 31, 2020 and 2019, respectively. The Organization and its worldwide chapters and districts have extensive appreciated real estate holdings with market values that far exceed their respective depreciated basis. There are a number of opportunities to convert under-used real estate into cash if additional liquidity is required.

The Organization’s goal is to maintain liquidity to meet operational and strategic needs. Ongoing liquidity needs of the Organization are monitored to ensure that minimum cash flow requirements are met. As part of the Organization’s liquidity management, it has a policy to structure its financial assets, primarily cash, to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization has donor restricted net assets available for general purposes totaling approximately \$8.7 million that could be made available for current operations, if necessary (See note 10).

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

4 - OTHER RECEIVABLES

Other receivables consist of the following:

	December 31,	
	2020	2019
Accounts and other receivables	\$ 2,239,098	\$ 884,027
Interest receivable	238,449	194,195
Hedge fund redemption receivable	898,936	68,410
	\$ 3,376,483	\$ 1,146,632

5 - INVESTMENTS

Investments at fair value or net asset value are summarized as follows:

December 31, 2020				
	Level 1	Level 2	Measured at net asset value	Total
Debt securities	\$ 19,830,068	\$ -	\$ -	19,830,068
Equity securities	56,944,626	-	-	56,944,626
Money market funds	64,202,972	-	-	64,202,972
US government bonds	465,355	-	-	465,355
Hedge funds	-	-	39,383,368	39,383,368
Mutual funds	28,290,246	-	-	28,290,246
	\$ 169,733,267	\$ -	\$ 39,383,368	\$ 209,116,635

December 31, 2019				
	Level 1	Level 2	Measured at net asset value	Total
Debt securities	\$ 12,895,050	\$ -	\$ -	\$ 12,895,050
Equity securities	49,779,496	-	-	49,779,496
Money market funds	41,091,723	-	-	41,091,723
US government bonds	7,920,114	-	-	7,920,114
Hedge funds	-	-	70,360,142	70,360,142
Mutual funds	19,836,084	6,193,714	-	26,029,798
	\$ 131,522,467	\$ 6,193,714	\$ 70,360,142	\$ 208,076,323

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

5 - INVESTMENTS (Continued)

Investments measured at net asset value are included in the fair value table for purposes of investment reconciliation to amounts in the statement of financial position.

The following table provides additional information about alternative investments measured at NAV:

December 31, 2020			
	Measured at net asset value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Kylin Offshore Fund Ltd	\$ 142,001	-	-
Farallon Capital Institutional Partners LP	5,703,381	Quarterly	60 Days
VanEck Global Hard Assets Fund - I	2,573,356	Daily	-
AKO European Long-Only Fund Ltd	2,582,074	Quarterly	33 Days
SRS Partners Ltd	3,026,487	Quarterly	60 Days
The Kiltearn Global Equity Fund	7,547,669	Monthly	6 Days
Kensico Offshore Fund II Ltd	5,033,591	Triennial	90 Days
Orbis Institutional Global Equity LP	3,779,973	Daily	-
Whale Rock Flagship Fund Ltd	8,994,836	Quarterly	45 Days
	\$ 39,383,368		

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

5 - INVESTMENTS (Continued)

December 31, 2019			
	Measured at net asset value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Kylin Offshore Fund Ltd	\$ 146,908	-	-
Davidson Kempner International (BVI) Ltd	6,320,328	Quarterly	60 Days
Farallon Capital Institutional Partners LP	5,451,645	Quarterly	60 Days
VanEck Global Hard Assets Fund - I	2,158,284	Daily	-
AKO European Long-Only Fund Ltd	7,732,443	Quarterly	33 Days
SRS Partners Ltd	5,818,949	Quarterly	60 Days
Baxter Street Offshore Fund, Ltd	4,751,919	Quarterly	30 Days
Green Light Capital Offshore Investors, Ltd	1,259,731	Quarterly	45 Days
Lakewood Capital Offshore Fund, Ltd	7,887,028	Quarterly	60 Days
The Kiltearn Global Equity Fund	7,738,309	Monthly	6 Days
Franklin Templeton Emerging Market Debt Opp Fund Ltd	7,053,996	Monthly	30 Days
Kensico Offshore Fund II Ltd	5,536,389	Triennial	90 Days
Orbis Institutional Global Equity LP	3,245,708	Daily	-
Whale Rock Flagship Fund Ltd	5,258,505	Quarterly	45 Days
	\$ 70,360,142		

Investments are classified as follows:

	December 31,	
	2020	2019
Investments - current	\$ 21,066,865	\$ 23,319,043
Endowment investments - noncurrent	188,049,770	184,757,280
	\$ 209,116,635	\$ 208,076,323

Investment return, net is summarized as follows:

	December 31,	
	2020	2019
Net realized gain on investments	\$ 6,377,555	\$ 1,820,235
Net unrealized gain on investments	3,777,450	23,951,443
Interest and dividends	2,942,706	3,853,043
Investment fees	(603,462)	(662,596)
	\$ 12,494,249	\$ 28,962,125

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

6 - RELATED PARTIES TRANSACTIONS

The related parties receivable balance of \$1,743,579 and \$745,891 at December 31, 2020 and 2019, respectively reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses. The related parties payable balance of \$482,371 and \$1,043,754 at December 31, 2020 and 2019 respectively, reflects amounts due for endowment distributions and advances from unconsolidated related parties.

7 - PROPERTY AND EQUIPMENT

Property and equipment consist of real estate (including with donor restrictions, see note 9), including construction in progress; land and furniture, equipment, vehicles and leasehold improvements, located in the following countries as follows:

Country	Furniture, Equipment, Vehicles, Leasehold Improvements	Real Estate	Land	2020 Total
Argentina	\$ -	\$ 6,146,932	\$ 1,290,323	\$ 7,437,255
Armenia	576,538	12,257,401	1,456,385	14,290,324
Australia	-	3,068,765	1,142,657	4,211,422
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	1,820,433	27,344,581	6,179,138	35,344,152
Uruguay	-	2,062,266	333,893	2,396,159
	2,396,971	51,304,671	10,545,276	64,246,918
Less - Accumulated depreciation and amortization	(1,376,645)	(30,262,866)	-	(31,639,511)
	\$ 1,020,326	\$ 21,041,805	\$ 10,545,276	\$ 32,607,407

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

7 - PROPERTY AND EQUIPMENT (Continued)

Country	Furniture, Equipment, Vehicles, Leasehold Improvements	Real Estate	Land	2019 Total
Argentina	\$ -	\$ 6,146,932	\$ 1,290,323	\$ 7,437,255
Armenia	576,538	12,257,401	1,456,385	14,290,324
Australia	-	3,068,765	1,142,657	4,211,422
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	3,614,537	27,269,006	6,179,138	37,062,681
Uruguay	-	2,062,266	333,893	2,396,159
	4,191,075	51,229,096	10,545,276	65,965,447
Less - Accumulated depreciation and amortization	(3,073,472)	(28,915,850)	-	(31,989,322)
	\$ 1,117,603	\$ 22,313,246	\$ 10,545,276	\$ 33,976,125

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

8 - ENDOWMENT FUNDS

Changes in endowment net assets, excluding real estate are as follows:

	December 31, 2020		
	Unexpended Endowment Earnings	Endowments	Total
Endowment net assets, beginning of year	\$ 40,196,291	\$ 184,757,280	\$ 224,953,571
Contributions	1,560	3,275,090	3,276,650
Investment income	7,827,727	-	7,827,727
Contractual addition, unspent earnings	(61,160)	61,160	-
Appropriation of endowment earnings for expenditure	(1,720,762)	(43,760)	(1,764,522)
Investment return appropriated and released for current operations	(2,103,651)	-	(2,103,651)
Endowment net assets, end of year	\$ 44,140,005	\$ 188,049,770	\$ 232,189,775

	December 31, 2019		
	Unexpended Endowment Earnings	Endowments	Total
Endowment net assets, beginning of year	\$ 21,921,063	\$ 180,689,370	\$ 202,610,433
Contributions	4,172	4,008,984	4,013,156
Investment income	22,567,875	-	22,567,875
Contractual addition unspent earnings	(59,323)	59,323	-
Appropriation of endowment earnings for expenditure	(2,163,843)	(397)	(2,164,240)
Investment return appropriated and released for current operations	(2,073,653)	-	(2,073,653)
Endowment net assets, end of year	\$ 40,196,291	\$ 184,757,280	\$ 224,953,571

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

9 - NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	Time or purpose restriction	Restriction in perpetuity	2020 Total
Balance at beginning of year	\$ 64,193,794	\$ 198,815,825	\$ 263,009,619
Contributions and other income	19,233,334	3,275,090	22,508,424
Investment income	8,080,280	-	8,080,280
Contractual addition unspent earnings (see note 10)	(61,160)	61,160	-
Satisfaction of restrictions	(15,259,635)	(43,760)	(15,303,395)
Investment return appropriated and released for current operations	(2,103,651)	-	(2,103,651)
	<u>\$ 74,082,962</u>	<u>\$ 202,108,315</u>	<u>\$ 276,191,277</u>

	Time or purpose restriction	Restriction in perpetuity	2019 Total
Balance at beginning of year	\$ 45,841,708	\$ 194,747,714	\$ 240,589,422
Contributions and other income	8,663,353	4,008,984	12,672,337
Investment income	22,818,828	-	22,818,828
Contractual addition unspent earnings (see note 10)	(59,323)	59,323	-
Satisfaction of restrictions	(10,997,119)	(196)	(10,997,315)
Investment return appropriated and released for current operations	(2,073,653)	-	(2,073,653)
	<u>\$ 64,193,794</u>	<u>\$ 198,815,825</u>	<u>\$ 263,009,619</u>

Net assets with donor restrictions are available for the following purposes:

December 31, 2020			
	Time or purpose restriction	Restricted in perpetuity	Total
Real estate	\$ -	\$ 14,058,344	\$ 14,058,344
Educational	17,688,970	73,203,971	90,892,941
Cultural	6,559,064	7,945,242	14,504,306
Humanitarian	15,100,120	13,878,790	29,978,910
Religious	1,496,158	10,952,206	12,448,364
General purposes	33,238,650	82,069,762	115,308,412
	<u>\$ 74,082,962</u>	<u>\$ 202,108,315</u>	<u>\$ 276,191,277</u>

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

9 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	December 31, 2019		
	Time or purpose restriction	Restricted in perpetuity	Total
Real estate	\$ -	\$ 14,058,344	\$ 14,058,344
Educational	17,842,396	71,287,220	89,129,616
Cultural	6,719,950	7,925,956	14,645,906
Humanitarian	7,958,522	13,844,150	21,802,672
Religious	862,436	10,947,583	11,810,019
General purposes	30,810,490	80,752,572	111,563,062
	<u>\$ 64,193,794</u>	<u>\$ 198,815,825</u>	<u>\$ 263,009,619</u>

Net assets that are donor restricted for general purposes includes approximately \$8.7 million of liquid assets that can be made available for current operations if necessary (See note 3).

Net assets with time or purpose restrictions also include the accumulated balance of unexpended endowment earnings of \$44,140,005 and \$40,196,291 as of December 31, 2020 and 2019, respectively, which are classified in the various categories above in accordance with the underlying donor restricted endowment's purpose.

Net assets were released from donor restrictions, by incurring expenses satisfying the time or purpose restrictions specified by donors, as follows:

	December 31,	
	2020	2019
Educational	\$ 3,069,357	\$ 3,246,744
Cultural programs	2,730,172	4,010,765
Humanitarian	7,172,803	1,303,947
Religious	586,063	851,329
Other	1,745,000	1,584,530
	<u>\$ 15,303,395</u>	<u>\$ 10,997,315</u>

10 - INCOME DISTRIBUTION

The Board of Directors designates a percentage of investment earnings, annually, to be allocated for endowment purposes. The gross income distribution \$8,414,597 and \$8,294,611 for 2020 and 2019, respectively, represents 4% (gross), of endowment principal, including donations received during the year on a pro-rata basis, and the corresponding reserve balance at December 31, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

10 - INCOME DISTRIBUTION (Continued)

Of these earnings, 10% is added to reserves and 15% is allocated as “management” fee. The net (75%) balance is allocated to net assets with temporary donor restrictions according to the purpose as designated by the donors or their trustee. The net earnings are transferred to unrestricted net assets and spent, or added to the unexpended balance. Earnings that are not spent in accordance with the endowment’s contractual terms are considered part of the endowments' principal (see note 9).

The income distribution is allocated as follows:

	December 31,	
	2020	2019
Reserves - net assets without donor restrictions	\$ 841,459	\$ 829,461
Management fee – net assets without donor restrictions	1,262,192	1,244,192
Investment return appropriated and released for current operations	2,103,651	2,073,653
Unexpended endowment earnings – net assets with donor restrictions	6,310,946	6,220,958
	\$ 8,414,597	\$ 8,294,611

11 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering all eligible Central Board New York and Pasadena, California employees. Contributions to the plan are discretionary and determined by the board annually. Contributions to the plan totaled approximately \$96,000 and \$181,000 in 2020 and 2019 respectively. All employees are also eligible to participate in the salary deferral 401(k) plan.

12 - CONCENTRATIONS

Major donors

The Organization received contributions from two major donors totaling approximately 11% and 10% of total contributions for the year ended December 31, 2020. For the year ended December 31, 2019 the Organization received contributions from two major donors totaling approximately 16% and 13% of total contributions.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

13 - PPP LOAN PAYABLE AND SUBSEQUENT EVENTS

The Organization obtained a loan from Citibank (the "PPP Loan") in the amount of \$791,100 pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus, Aid, Relief, and Economic Security (CARES) Act (the "Act") enacted March 27, 2020 as implemented by the U.S. Small Business Administration. The PPP Loan has an interest rate of 1% per annum and no payments were due until November 3, 2021. In September 2021, the PPP Loan and accrued interest were fully forgiven.

These financial statements were approved by management and available for issuance on November 12, 2021. Management has evaluated subsequent events through this date.

14 - RISKS AND UNCERTAINTIES

The Organization's operations may be affected by the ongoing outbreak of the coronavirus disease 2019 ("COVID-19"), which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, cash flows, and the value of assets, including pledges and grants receivable.