

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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019 AND 2018**

**AND**

**INDEPENDENT AUDITORS' REPORT**

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

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## 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, 2019 and 2018, 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. 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, 2019 and 2018 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.

*Friedman LLP*

October 28, 2020

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

**STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 4,417,393	\$ 3,187,550
Certificates of deposit	6,319,697	6,183,577
Investments	23,319,043	6,559,013
Contributions receivable	1,900,756	3,550,000
Other receivables	1,146,632	1,023,631
Due from related parties	745,891	1,434,336
Total current assets	37,849,412	21,938,107
Endowment investments	184,757,280	180,689,370
Other assets	4,498,589	4,480,000
Property and equipment, at cost less accumulated depreciation and amortization	33,976,125	31,787,020
	\$ 261,081,406	\$ 238,894,497
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities	\$ 3,524,493	\$ 3,043,852
Due to related parties	1,043,754	766,076
<b>Net assets</b>		
Without donor restrictions (deficit)		
Without donor restrictions	(34,789,340)	(31,964,344)
Designated for real estate	28,292,880	26,459,491
	(6,496,460)	(5,504,853)
With donor restrictions	263,009,619	240,589,422
	256,513,159	235,084,569
	\$ 261,081,406	\$ 238,894,497

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support and revenues</b>			
<b>Public support</b>			
Contributions	\$ 4,450,694	\$ 12,661,125	\$ 17,111,819
Membership dues	31,297	-	31,297
Special events and other income	1,644,863	7,040	1,651,903
	6,126,854	12,668,165	18,795,019
<b>Revenues</b>			
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
	7,189,157	22,823,000	30,012,157
	13,316,011	35,491,165	48,807,176
Net assets released from donor restrictions	10,139,124	(10,139,124)	-
	23,455,135	25,352,041	48,807,176
<b>Expenses</b>			
<b>Program</b>			
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
	22,518,249	-	22,518,249
Management and general	3,652,037	-	3,652,037
Fundraising	1,208,300	-	1,208,300
	27,378,586	-	27,378,586
Changes in net assets from operations	(3,923,451)	25,352,041	21,428,590
Investment return appropriated and released for current operations from donor-restricted endowment	2,073,653	(2,073,653)	-
Inter fund transfers	858,191	(858,191)	-
<b>Changes in net assets</b>	(991,607)	22,420,197	21,428,590
Net assets (deficit), beginning of year	(5,504,853)	240,589,422	235,084,569
<b>Net assets (deficit), end of year</b>	<b>\$ (6,496,460)</b>	<b>\$ 263,009,619</b>	<b>\$ 256,513,159</b>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support and revenues</b>			
<b>Public support</b>			
Contributions	\$ 6,034,543	\$ 11,407,795	\$ 17,442,338
Membership dues	27,595	-	27,595
Special events and other income	1,482,163	-	1,482,163
	<u>7,544,301</u>	<u>11,407,795</u>	<u>18,952,096</u>
<b>Revenues</b>			
Net investment return	3,242,578	(15,996,917)	(12,754,339)
Rental and royalty income	66,302	6,105	72,407
Tuition and other school income	941,742	-	941,742
	<u>4,250,622</u>	<u>(15,990,812)</u>	<u>(11,740,190)</u>
	11,794,923	(4,583,017)	7,211,906
Net assets released from donor restrictions	7,928,942	(7,928,942)	-
	<u>19,723,865</u>	<u>(12,511,959)</u>	<u>7,211,906</u>
<b>Expenses</b>			
<b>Program</b>			
Educational	7,182,036	-	7,182,036
Cultural	7,118,070	-	7,118,070
Religious	1,218,174	-	1,218,174
Humanitarian	1,154,274	-	1,154,274
	<u>16,672,554</u>	<u>-</u>	<u>16,672,554</u>
Management and general	5,892,366	-	5,892,366
Fundraising	810,547	-	810,547
	<u>23,375,467</u>	<u>-</u>	<u>23,375,467</u>
Changes in net assets from operations	(3,651,602)	(12,511,959)	(16,163,561)
Investment return appropriated and released for current operations from donor-restricted endowment	1,995,885	(1,995,885)	-
Equity transfer	71,404	3,429,751	3,501,155
<b>Changes in net assets</b>	<u>(1,584,313)</u>	<u>(11,078,093)</u>	<u>(12,662,406)</u>
Net assets (deficit), beginning of year	(1,770,412)	249,517,387	247,746,975
Restatement	(2,150,128)	2,150,128	-
Net assets (deficit), beginning of year as restated	<u>(3,920,540)</u>	<u>251,667,515</u>	<u>247,746,975</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (5,504,853)</u>	<u>\$ 240,589,422</u>	<u>\$ 235,084,569</u>

See notes to financial statements.

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

**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 CORPORATION)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2018**

	Educational	Cultural	Religious	Humanitarian	Total Program	Management and General	Fundraising	Total
Grants	\$ 6,512,908	\$ 2,857,984	\$ 1,218,174	\$ 1,129,469	\$ 11,718,535	\$ -	\$ -	\$ 11,718,535
Program activities	61,974	1,223,381	-	-	1,285,355	-	-	1,285,355
Salaries and wages	52,207	746,275	-	-	798,482	2,361,329	515,403	3,675,214
Employee benefits	-	172,667	-	-	172,667	342,270	96,683	611,620
Retirement plan contribution and expense	25,753	-	-	-	25,753	133,446	12,445	171,644
Payroll taxes	17,239	51,184	-	-	68,423	176,534	39,041	283,998
Accounting fees	-	-	-	-	-	91,514	13,954	105,468
Legal fees	2,000	2,745	-	-	4,745	32,917	-	37,662
Consulting fees and professional services	217,618	876,233	-	24,700	1,118,551	644,095	1,417	1,764,063
Occupancy	66,521	317,296	-	-	383,817	272,198	-	656,015
Travel	58,918	25,010	-	-	83,928	107,907	5,843	197,678
Conferences, conventions, and meetings	10,887	21,362	-	-	32,249	145,906	20,767	198,922
Depreciation and amortization	28,966	3,187	-	-	32,153	1,254,495	-	1,286,648
Training and professional development	10,348	6,831	-	-	17,179	10,895	-	28,074
Office expense	14,195	468,622	-	-	482,817	105,473	75,072	663,362
Miscellaneous expense	147	77,236	-	-	77,383	51,898	-	129,281
Advertising	5,628	10,084	-	105	15,817	12,918	810	29,545
Bad debt expense	13,723	1,769	-	-	15,492	62,616	-	78,108
Dues and subscriptions	887	2,874	-	-	3,761	2,942	3,090	9,793
Repairs and maintenance	65,029	204,356	-	-	269,385	16,771	450	286,606
Information technology	17,088	48,974	-	-	66,062	66,242	25,572	157,876
	<u>\$ 7,182,036</u>	<u>\$ 7,118,070</u>	<u>\$ 1,218,174</u>	<u>\$ 1,154,274</u>	<u>\$ 16,672,554</u>	<u>\$ 5,892,366</u>	<u>\$ 810,547</u>	<u>\$ 23,375,467</u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 21,428,590	\$ (12,662,406)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,440,233	1,286,648
Contributions restricted for endowments	(4,008,984)	(1,734,436)
Donated stock	1,036,242	285,305
Net realized gain on sale of investments	(1,820,235)	(2,084,996)
Net unrealized (gain) loss on investments	(23,951,443)	18,016,756
Bad debt expense - related party	671,027	-
Bad debt expense - other	38,627	78,108
Changes in assets and liabilities		
Contributions receivable	1,649,244	(671,121)
Other receivables	(161,628)	4,119,041
Other assets	(18,589)	(960,000)
Accounts payable and other liabilities	480,641	1,589,812
Net cash (used in) provided by operating activities	(3,216,275)	7,262,711
<b>Cash flows from investing activities</b>		
Net due (from)/to related parties	295,096	(324,921)
Purchase of real estate	(2,898,248)	(699,770)
Purchase of furniture and equipment	(731,090)	(203,501)
Proceeds from sale of investments	22,460,547	26,419,642
Purchase of investments	(18,553,051)	(34,497,022)
Net (purchase) redemption of certificates of deposit	(136,120)	194,443
Net cash provided by (used in) investing activities	437,134	(9,111,129)
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for endowments	4,008,984	1,734,436
<b>Net increase (decrease) in cash</b>	<b>1,229,843</b>	<b>(113,982)</b>
<b>Cash, beginning of year</b>	<b>3,187,550</b>	<b>3,301,532</b>
<b>Cash, end of year</b>	<b>\$ 4,417,393</b>	<b>\$ 3,187,550</b>

See notes to financial statements.

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

**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 statement 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 are not subject to donor-imposed restrictions and 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.

**Adoption of Accounting Principle**

The Organization adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606) as amended, effective January 1, 2019, using the modified retrospective transition method in connection with the Organization's tuition revenue. This new accounting standard outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. This standard supersedes existing revenue recognition requirements and eliminates most industry-specific guidance from GAAP. The core principle of the new accounting standard is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has determined that no judgement is necessary in the recognition of tuition revenue. Revenue from tuition is recognized at the point in time when the related services have been rendered.

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

**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of Accounting Principles (Continued)**

The Organization also adopted ASU No. 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”, for the year ended December 31, 2019 using the modified prospective approach. The ASU amends the new revenue recognition standard and long-standing contribution accounting guidance.

This ASU provides a more robust framework to determine when a transaction should be accounted for as a grant or as an exchange transaction and provides additional guidance about how to determine whether a grant is conditional. Contributions of cash or non-cash assets 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. There was no restatement or cumulative effect to the financial statements as a result of adoption.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (“ASU 2016-18”), “Statement of Cash Flows” (Topic 230), for the presentation of cash equivalents and restricted cash and restricted cash equivalents in the statements of cash flows. ASU 2016-18 applies to all entities that have cash equivalents, restricted cash, or restricted cash equivalents and are required to present a statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as cash equivalents, restricted cash, and restricted cash equivalents should be included with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Management has elected to adopt ASU 2016-18, effective January 1, 2019.

**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**

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 statement of activities as net assets released from donor restrictions.

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

**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (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.

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.

**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. Within this designation is a reserve that has been established in accordance with the Organization's by-laws to restore the permanently restricted pooled 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 as of December 31, 2019.

**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.

**ARMENIAN GENERAL BENEVOLENT UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional

**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. When all collection efforts have been exhausted, the receivable is written off against the related reserve. The Organization did not provide for any doubtful accounts for the year ended December 31, 2019 and 2018 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, 2019 and 2018 totals approximately 70%. The discounted present value of the aggregate ownership interest transferred of \$4,480,000, is included in other assets at December 31, 2019 and 2018.

**Donated Assets**

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

**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, 2019 and 2018.

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

**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 CORPORATION)**

**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.

**Investment Valuation**

GAAP requires certain financial assets and liabilities to be measured at fair value. GAAP defines fair value, provides guidance for measuring fair value, requires certain disclosures and discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). GAAP also provides for a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three levels.

The following is a brief description of those three levels:

- Level 1: Observable inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.



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**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investment Valuation (Continued)**

Level 2: Inputs other than quoted market prices, included in Level 1, that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

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.

*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.

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**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

*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 are included in the Statement of Financial Position, because the account is in the Organization's name and the decedent's other beneficial interest is negligible. Accordingly the fair value of the underlying investments are included in pooled endowments.

**Certificates of Deposit**

The certificates of deposit have varying terms and earn interest at rates ranging from 2.0% to 4.75%. 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 benefitted on a reasonable basis that is consistently applied.

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 Statement of Functional Expenses for the year ended December 31, 2019.

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**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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).

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications have no effect on total assets or net assets.

**Subsequent Events**

These financial statements were approved by management and available for issuance on October 28, 2020. Management has evaluated subsequent events through this date.

**3 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets consist of the Organization's cash and cash equivalents, 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,	
	2019	2018
Cash and cash equivalents	\$ 4,417,393	\$ 3,187,550
Certificates of deposit	5,497,427	5,367,224
Investments, at fair value	208,076,323	187,248,383
Contributions receivable	177,756	2,560,000
Other receivables	1,146,632	1,023,631
<b>Total financial assets, end of year</b>	<b>219,315,531</b>	<b>199,386,788</b>
Less - amounts unavailable for general expenditures within one year due to:		
Restricted by donors with time and purpose restrictions	(22,274,505)	(23,828,832)
Endowments:		
Unexpended income	(18,617,808)	(22,719,417)
Restricted by donors in perpetuity	(184,757,279)	(179,699,369)
	<b>(225,649,592)</b>	<b>(226,247,619)</b>
<b>Deficit in financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ (6,334,061)</b>	<b>\$ (26,860,831)</b>

**ARMENIAN GENERAL BENEVOLENT UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

The investments, at fair value reflect an unrealized gain of approximately \$24 million at December 31, 2019 and an unrealized loss of \$18 million at December 31, 2018, 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 \$9.2 million that could be made available for current operations, if necessary (See note 10).

**4 - OTHER RECEIVABLES**

Other receivables consist of the following:

	December 31	
	2019	2018
Accounts and other receivables	\$ 884,027	\$ 553,766
Interest receivable	194,195	188,814
Hedge fund redemption receivable	68,410	281,051
	<u>\$ 1,146,632</u>	<u>\$ 1,023,631</u>

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**NOTES TO FINANCIAL STATEMENTS**

**5 - INVESTMENTS**

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

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
	<b>\$ 131,522,467</b>	<b>\$ 6,193,714</b>	<b>\$ 70,360,142</b>	<b>\$ 208,076,323</b>

December 31, 2018				
	Level 1	Level 2	Measured at net asset value	Total
Debt securities	\$ 10,983,591	\$ -	\$ -	\$ 10,983,591
Equity securities	43,083,491	-	-	43,083,491
Money market funds	38,756,211	-	-	38,756,211
US government bonds	11,430,302	-	-	11,430,302
Hedge funds	-	-	59,984,620	59,984,620
Mutual funds	15,669,526	7,340,642	-	23,010,168
	<b>\$ 119,923,121</b>	<b>\$ 7,340,642</b>	<b>\$ 59,984,620</b>	<b>\$ 187,248,383</b>

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.

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**NOTES TO FINANCIAL STATEMENTS**

**5 - INVESTMENTS (Continued)**

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

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
	<b>\$ 70,360,142</b>		

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**NOTES TO FINANCIAL STATEMENTS**

**5 - INVESTMENTS (Continued)**

December 31, 2018			
	Measured at net asset value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Kylin Offshore Fund Ltd	\$ 353,598	-	-
Davidson Kempner International (BVI) Ltd	5,919,144	Quarterly	60 Days
Farallon Capital Institutional Partners LP	4,765,734	Quarterly	60 Days
VanEck Global Hard Assets Fund - I	1,859,533	Daily	-
AKO European Long-Only Fund Ltd	5,878,830	Quarterly	33 Days
SRS Partners Ltd	5,123,024	Quarterly	60 Days
Baxter Street Offshore Fund, Ltd	3,680,916	Quarterly	30 Days
Green Light Capital Offshore Investors, Ltd	1,122,528	Quarterly	45 Days
Lakewood Capital Offshore Fund, Ltd	6,281,221	Quarterly	60 Days
The Kiltarn Global Equity Fund	6,588,965	Monthly	6 Days
Franklin Templeton Emerging Market Debt Opp Fund Ltd	6,353,722	Monthly	30 Days
Kensico Offshore Fund II Ltd	4,783,713	Triennial	90 Days
Orbis Institutional Global Equity LP	2,660,763	Daily	-
Whale Rock Flagship Fund Ltd	4,593,862	Quarterly	45 Days
Various other positions	19,067	-	-
	\$ 59,984,620		

Investments are classified as follows:

	December 31,	
	2019	2018
Investments - current	\$ 23,319,043	\$ 6,559,013
Endowment investments - noncurrent	184,757,280	180,689,370
	\$ 208,076,323	\$ 187,248,383

Investment return, net is summarized as follows:

	December 31,	
	2019	2018
Net realized gain on investments	\$ 1,820,235	\$ 2,084,996
Net unrealized gain (loss) on investments	23,951,443	(18,016,756)
Interest and dividends	3,853,043	3,660,621
Investment fees	(662,596)	(483,200)
	\$ 28,962,125	\$ (12,754,339)

**ARMENIAN GENERAL BENEVOLENT UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**6 - RELATED PARTIES TRANSACTIONS**

The related parties receivable balance of \$745,891 and \$1,434,336 at December 31, 2019 and 2018, respectively reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses. The related parties payable balance of \$1,043,754 and \$766,076 at December 31, 2019 and 2018, 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 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	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



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**NOTES TO FINANCIAL STATEMENTS**

**7 - PROPERTY AND EQUIPMENT (Continued)**

Country	Furniture, Equipment, Vehicles, Leasehold Improvements	Real Estate	Land	2018 Total
Argentina	\$ -	\$ 6,146,932	\$ 1,290,323	\$ 7,437,255
Armenia	576,538	12,176,488	1,392,985	14,146,011
Australia	-	3,068,765	1,142,657	4,211,422
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	2,976,695	24,515,071	6,179,138	33,670,904
Uruguay	-	2,062,266	333,893	2,396,159
	3,553,233	48,394,248	10,481,876	62,429,357
Less - Accumulated depreciation and amortization	(3,003,703)	(27,638,634)	-	(30,642,337)
	\$ 549,530	\$ 20,755,614	\$ 10,481,876	\$ 31,787,020

Depreciation and amortization expense is allocated as follows:

	December 31,	
	2019	2018
Program	\$ 1,212,514	\$ 32,153
Management and general	201,969	1,254,495
Fundraising	25,752	-
	\$ 1,440,235	\$ 1,286,648

**8 - 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.

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**NOTES TO FINANCIAL STATEMENTS**

**9 - ENDOWMENT FUNDS**

Endowment net asset classification, excluding real estate, by type of restriction is as follows:

	December	
	2019	2018
With donor restrictions - Unexpended endowment earnings	\$ 40,196,291	\$ 21,921,063
With donor restrictions - Endowments	184,757,280	180,689,370
	\$ 224,953,571	\$ 202,610,433

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

	December 31, 2019		
	Unexpended Endowment Earnings	Endowments	Total
	Endowment net assets, beginning of year	\$ 21,921,063	\$ 180,689,370
Contributions	4,172	4,008,984	4,013,156
Investment income	22,567,875	-	22,567,875
Capitalization	(59,323)	59,323	-
Appropriation of endowment earnings for expenditure	(1,815,298)	-	(1,815,298)
Investment return appropriated and released for current operations	(2,073,653)	-	(2,073,653)
Inter-fund transfer	(348,545)	(397)	(348,942)
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 - ENDOWMENT FUNDS (Continued)**

	December 31, 2018		
	Unexpended Endowment Earnings	Endowments	Total
Endowment net assets, beginning of year	\$ 19,010,900	\$ 182,277,258	\$ 201,288,158
Contributions	-	1,734,436	1,734,436
Investment income (loss)	(15,813,058)	-	(15,813,058)
Capitalization	(107,069)	107,069	-
Appropriation of endowment earnings for expenditure	(3,911,580)	-	(3,911,580)
Investment return appropriated and released for current operations	(1,995,885)	-	(1,995,885)
Equity transfer	-	1,993,000	1,993,000
Restatement of net assets	24,737,755	(5,422,393)	19,315,362
<b>Endowment net assets, end of year</b>	<b>\$ 21,921,063</b>	<b>\$ 180,689,370</b>	<b>\$ 202,610,433</b>

**10 - NET ASSETS WITH DONOR RESTRICTIONS**

Changes in net assets with donor restrictions are as follows:

	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 (loss)	22,818,828	-	22,818,828
Capitalization	(59,323)	59,323	-
Satisfaction of restrictions	(10,139,124)	-	(10,139,124)
Investment return appropriated and released for current operations	(2,073,653)	-	(2,073,653)
Inter-fund transfer	(857,995)	(196)	(858,191)
	<b>\$ 64,193,794</b>	<b>\$ 198,815,825</b>	<b>\$ 263,009,619</b>

**ARMENIAN GENERAL BENEVOLENT UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

	Time or purpose restriction	Restriction in perpetuity	2018 Total
Balance at beginning of year	\$ 53,181,785	\$ 196,335,602	\$ 249,517,387
Contributions and other income	9,679,464	1,734,436	11,413,900
Investment income (loss)	(15,996,917)	-	(15,996,917)
Capitalization	(107,069)	107,069	-
Satisfaction of restrictions	(7,928,942)	-	(7,928,942)
Investment return appropriated and released for current operations	(1,995,885)	-	(1,995,885)
Equity transfer	1,436,751	1,993,000	3,429,751
Restatement of net assets	7,572,521	(5,422,393)	2,150,128
	<u>\$ 45,841,708</u>	<u>\$ 194,747,714</u>	<u>\$ 240,589,422</u>

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

	December 31,	
	2019	2018
Educational	\$ 17,842,396	\$ 18,270,125
Cultural	6,719,950	6,323,314
Humanitarian	7,958,522	7,784,392
Religious	862,436	810,742
General purposes	30,810,490	12,653,135
	<u>\$ 64,193,794</u>	<u>\$ 45,841,708</u>

Net assets that are donor restricted for general purposes includes approximately \$9.2 million of liquid assets that can be made available for current operations if necessary (See note 3).

Net assets with purpose or time donor restrictions also include the accumulated balance of unexpended endowment earnings of \$40,196,291 and \$21,921,063 as of December 31, 2019 and 2018, respectively which are classified in the various categories above in accordance with the underlying donor restricted endowment's purpose.

**ARMENIAN GENERAL BENEVOLENT UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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

	December 31,	
	2019	2018
Educational	\$ 3,322,330	\$ 4,326,872
Cultural programs	4,249,832	1,177,261
Humanitarian	1,362,887	1,057,062
Religious	1,102,829	1,128,688
Other	101,246	239,059
	\$ 10,139,124	\$ 7,928,942

Net assets with donor restrictions in perpetuity are restricted for the following purposes:

	December 31,	
	2019	2018
Real estate	\$ 14,058,344	\$ 14,058,344
Educational	71,287,220	68,727,284
Cultural	7,925,956	7,235,319
Humanitarian	13,844,150	13,429,633
Religious	10,947,583	10,587,200
General purpose	80,752,572	80,709,934
	\$ 198,815,825	\$ 194,747,714

**11 - INCOME DISTRIBUTION**

The Board of Directors designates a percentage of investment earnings, annually, to be allocated for endowment purposes. The gross income distribution \$8,294,611 and \$7,983,540 for 2019 and 2018, 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, 2019 and 2018, respectively.

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 either transferred to unrestricted net assets and spent, or added to the unexpended balance, or capitalized and considered part of the endowments' principal.

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**NOTES TO FINANCIAL STATEMENTS**

**11 - INCOME DISTRIBUTION** (Continued)

The income distribution is allocated as follows:

	December 31,	
	2019	2018
Reserves - net assets without donor restrictions	\$ 829,461	\$ 798,354
Management fee – net assets without donor restrictions	1,244,192	1,197,531
	2,073,653	1,995,885
Unexpended endowment earnings – net assets with donor restrictions	6,220,958	5,987,655
	\$ 8,294,611	\$ 7,983,540

**12 - 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 \$181,000 and \$85,000 in 2019 and 2018 respectively. All employees are also eligible to participate in the salary deferral 401(k) plan.

**13 - CONCENTRATIONS**

**Major donors**

The Organization received contributions from two major donors totaling approximately 16% and 13% of total contributions for the year ended December 31, 2019, and one donor totaling approximately 11% of total contributions for the year ended December 31, 2018 .

**14 - EQUITY TRANSFER**

The Organization’s worldwide consolidated financial statements include the activities of related parties, including Union Generale Aremienne de Bienfaisance (“UGAB Suisse”), a Swiss Association and numerous local chapters and districts throughout the world. Contributions with donor restrictions totaling \$3,429,751, recognized as revenue by a related party in a prior period, were transferred to the Organization in 2018. The opening balance of net assets with donor restrictions has been restated accordingly.

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**NOTES TO FINANCIAL STATEMENTS**

**15 - RESTATEMENT**

In prior periods, certain board designated funds were reported as net assets with donor purpose and time restrictions totaling \$7,206,539 and endowments in perpetuity totaling \$5,422,393. In prior periods, accumulated depreciation on contributions of real estate restricted in perpetuity was reported as a reduction of net assets without donor restriction totaling \$9,309,076. Additionally, accumulated unrealized gains on investments was reported as net assets without donor restrictions totaling \$24,088,137. The opening balance of net assets has been restated to reflect the correct classification as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance, December 31, 2017 as reclassified (See Note 2):	\$ (1,770,412)	\$ 249,517,387	\$ 247,746,975
Board designated funds reported with purpose or time restriction	7,206,539	(7,206,539)	-
Board designated funds reported as endowments in perpetuity	5,422,393	(5,422,393)	-
Accumulated depreciation on contributions of real estate restricted in perpetuity	9,309,076	(9,309,076)	
Unrealized gain on investments as of December 31, 2017	(24,088,137)	24,088,137	-
	(2,150,129)	2,150,129	-
Balance, December 31, 2018 as restated	\$ (3,920,541)	\$ 251,667,516	\$ 247,746,975

**16 - SUBSEQUENT EVENTS**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact on its operations.

On May 4, 2020, the Organization obtained a loan from Citi Bank (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 accrues interest at a rate of 1% and matures on May 3, 2022.

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

**NOTES TO FINANCIAL STATEMENTS**

**16 - SUBSEQUENT EVENTS (Continued)**

The proceeds of the PPP Loan may be used to pay payroll costs, certain mortgage interest payments, rent payments and utility payments. Interest (and potential principal payments) is deferred for the first six months. Subject to certain conditions as defined in the Act, up to 100% of the PPP Loan may be forgiven.