

**ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016
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, 2017 and 2016, and the related statements of activities and changes in net assets 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 audits. We conducted our audits 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, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

November 14, 2018

ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2017	2016
ASSETS		
Current assets		
Cash	\$ 3,301,532	\$ 4,460,090
Certificates of deposit	6,378,020	6,338,810
Investments	13,110,810	1,292,497
Contributions receivable	2,878,879	754,462
Other receivables	5,142,672	7,778,619
Other asset	3,520,000	-
Due from related party	421,447	1,146,794
Total current assets	34,753,360	21,771,272
Endowment investments	182,277,258	178,938,317
Property and equipment, at cost less accumulated depreciation and amortization	32,170,397	32,613,513
	\$ 249,201,015	\$ 233,323,102
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other liabilities	\$ 1,454,040	\$ 1,463,388
Net assets		
Unrestricted net assets (deficit)		
Unrestricted	(42,774,163)	(47,615,694)
Designated for real estate	15,102,273	15,568,424
Designated for reserve	25,901,478	25,011,180
	(1,770,412)	(7,036,090)
Temporarily restricted net assets	53,181,785	45,899,143
Permanently restricted net assets, including real estate endowments of \$14,058,344	196,335,602	192,996,661
	247,746,975	231,859,714
	\$ 249,201,015	\$ 233,323,102

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenues				
Public support				
Contributions	\$ 1,333,206	\$ 15,608,799	\$ 2,945,294	\$ 19,887,299
Membership dues	35,480	-	-	35,480
Special events and other income	1,330,510	1,340	-	1,331,850
	2,699,196	15,610,139	2,945,294	21,254,629
Revenues				
Investment income (loss)	18,317,784	7,818	-	18,325,602
Rental and royalty income	33,011	2,025	-	35,036
Tuition and other school income	855,801	-	-	855,801
	19,206,596	9,843	-	19,216,439
	21,905,792	15,619,982	2,945,294	40,471,068
Satisfaction of program restrictions	11,228,544	(11,228,544)	-	-
	33,134,336	4,391,438	2,945,294	40,471,068
Program and administrative expenses				
Program				
Educational	5,202,925	-	-	5,202,925
Cultural	11,002,531	-	-	11,002,531
Religious	1,418,946	-	-	1,418,946
Humanitarian	1,011,962	-	-	1,011,962
	18,636,364	-	-	18,636,364
Administrative				
Administrative	5,358,111	-	-	5,358,111
Fundraising	552,861	-	-	552,861
Life estate	36,471	-	-	36,471
	24,583,807	-	-	24,583,807
Changes in net assets from operations	8,550,529	4,391,438	2,945,294	15,887,261
Inter fund transfers	(3,284,851)	2,891,204	393,647	-
Changes in net assets	5,265,678	7,282,642	3,338,941	15,887,261
Net assets (deficit), beginning of year	(7,036,090)	45,899,143	192,996,661	231,859,714
Net assets (deficit), end of year	\$ (1,770,412)	\$ 53,181,785	\$ 196,335,602	\$ 247,746,975

See notes to financial statements.

Year Ended December 31, 2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,121,041	\$ 13,441,477	\$ 4,064,913	\$ 20,627,431
17,203	-	-	17,203
1,089,359	16,105	-	1,105,464
4,227,603	13,457,582	4,064,913	21,750,098
10,954,798	9,367	-	10,964,165
34,041	2,077	-	36,118
659,186	-	-	659,186
11,648,025	11,444	-	11,659,469
15,875,628	13,469,026	4,064,913	33,409,567
12,689,003	(12,689,003)	-	-
28,564,631	780,023	4,064,913	33,409,567
5,652,018	-	-	5,652,018
8,548,032	-	-	8,548,032
2,073,712	-	-	2,073,712
1,127,704	-	-	1,127,704
17,401,466	-	-	17,401,466
4,839,800	-	-	4,839,800
491,555	-	-	491,555
35,471	-	-	35,471
22,768,292	-	-	22,768,292
5,796,339	780,023	4,064,913	10,641,275
(6,212,171)	5,326,904	885,267	-
(415,832)	6,106,927	4,950,180	10,641,275
(6,620,258)	39,792,216	188,046,481	221,218,439
\$ (7,036,090)	\$ 45,899,143	\$ 192,996,661	\$ 231,859,714

ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT CORPORATION)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ 15,887,261	\$ 10,641,275
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,306,869	1,538,637
Contributions restricted for endowments	(2,945,294)	(4,064,913)
Donated stock	-	(1,466,419)
Net realized gain on sale of investments	(5,058,233)	(3,174,150)
Net unrealized (gain) loss on investments	(10,345,628)	(5,357,255)
Bad debt expense - related party	585,945	-
Changes in assets and liabilities		
Contributions receivable	(2,124,417)	-
Other receivables	(4,439,235)	3,764,043
Other asset	(3,520,000)	-
Accounts payable and other liabilities	(9,348)	160,819
Net cash (used in) provided by operating activities	(10,662,080)	2,042,037
Cash flows from investing activities		
Loan to related party	139,402	(108,319)
Purchase of real estate	(768,831)	(3,226,993)
Purchase of furniture and equipment	(94,922)	(143,805)
Proceeds from sale of investments	35,364,983	34,941,942
Purchase of investments	(28,043,194)	(36,607,611)
Purchase certificates of deposit	(39,210)	(233,638)
Net cash provided by (used in) investing activities	6,558,228	(5,378,424)
Cash flows from financing activities		
Proceeds from contributions restricted for endowments	2,945,294	4,064,913
Net (decrease) increase in cash	(1,158,558)	728,526
Cash, beginning of year	4,460,090	3,731,564
Cash, end of year	\$ 3,301,532	\$ 4,460,090

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 preserve and promote the Armenian identity and heritage through educational, cultural and humanitarian programs throughout Armenia and the diaspora.

The financial statements include the accounts of the Central Board (consisting of the worldwide administrative headquarters whose books reflect the majority of the Organization's assets) and all of the 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"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets consist of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Unrestricted, designated net assets 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.

Temporarily restricted net assets include funds with donor-imposed restrictions which permit the Organization to expend the assets as specified. Restrictions are satisfied and re-classified to unrestricted net assets either by the passage of time or by actions of the Organization that satisfy the donor's restriction. Funds of this nature originated from contributions, gifts, grants, and bequests. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Permanently restricted net assets include funds which have donor restrictions stipulating that the corpus of the assets are to be maintained permanently as endowments. The Organization is permitted to expend part or all of the income derived from the donated assets for its programs. The undistributed income (earnings) generated from these net assets are accumulated and classified as temporarily restricted.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 investments in financial institutions which are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation 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.

Contributions Receivable and Promises to Give

Contributions are recognized when the donor makes a pledge that is in substance an unconditional promise to give to the Organization. Contributions dated prior to the year end and received in the subsequent period are recorded as contributions receivable at year end.

Other Receivables

Accounts and other receivables include tuition, rent, interest, and hedge fund redemption receivable, which are stated at their net realizable value. 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, 2017 and 2016 as management has determined that substantially all accounts are deemed to be collectible.

Other Asset

The Organization received a contribution of a 55% interest in a building in Armenia used for programs. The discounted present value of the aggregate ownership interest transferred, totaling \$3,520,000, is included in other asset.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to sales prices, costs, holding periods or other factors that may result in changes in the Organization's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result. Based on management's evaluations, no impairment charge was deemed necessary at December 31, 2017 or 2016.

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 \$1,000, 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 that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts 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 individual funds established for a variety of purposes and include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 calculated as a share of the fund's net asset value. Investments in these funds are classified as Level 2 investments.

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.

Certificates of Deposit

The certificates of deposit have varying terms and earn interest at rates ranging from 2.6% to 6.0%. Upon maturity, the proceeds are usually re-invested for terms ranging from three to twelve months.

Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenues in the period received or promised.

The Organization reports contributions in the temporarily or permanently restricted net assets class if they are received with a time restriction or donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statements of activities.

Gifts of long-lived assets or gifts restricted by the donor for the acquisition of long-lived assets are reported as permanently restricted.

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.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

These financial statements were approved by management and available for issuance on November 14, 2018. Management has evaluated subsequent events through this date.

3 - OTHER RECEIVABLES

Other receivables consist of the following:

	December 31,	
	2017	2016
Accounts and other receivables	\$ 550,504	\$ 602,836
Interest receivable	301,475	555,121
Hedge fund redemption receivable	4,290,693	6,620,662
	<u>\$ 5,142,672</u>	<u>\$ 7,778,619</u>

4 - INVESTMENTS

Investments at fair value are summarized as follows:

	December 31, 2017		
	Level 1	Level 2	Total
Debt securities	\$ 18,162,777	\$ -	\$ 18,162,777
Equity securities	56,928,762	-	56,928,762
Money market funds	29,216,046	-	29,216,046
US government bonds	8,883,110	-	8,883,110
Hedge funds	-	62,872,717	62,872,717
Mutual funds	11,365,275	7,959,381	19,324,656
	<u>\$ 124,555,970</u>	<u>\$ 70,832,098</u>	<u>\$ 195,388,068</u>

	December 31, 2016		
	Level 1	Level 2	Total
Debt securities	\$ 26,614,938	\$ -	\$ 26,614,938
Equity securities	52,057,607	-	52,057,607
Money market funds	27,574,533	-	27,574,533
US government bonds	253,648	-	253,648
Hedge funds	-	62,065,471	62,065,471
Mutual funds	4,708,743	6,955,874	11,664,617
	<u>\$ 111,209,469</u>	<u>\$ 69,021,345</u>	<u>\$ 180,230,814</u>

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

4 - INVESTMENTS (Continued)

Investments are classified as follows:

	December 31,	
	2017	2016
Investments - current	\$ 13,110,810	\$ 1,292,497
Endowment investments - noncurrent	182,277,258	178,938,317
	\$ 195,388,068	\$ 180,230,814

Investment income is summarized as follows:

	December 31,	
	2017	2016
Net realized gain on investments	\$ 5,058,233	\$ 3,174,150
Net unrealized gain on investments	10,345,628	5,357,255
Interest and dividends	3,466,219	2,987,815
Investment fees	(544,472)	(555,055)
	\$ 18,325,602	\$ 10,964,165

5 - RELATED PARTY TRANSACTIONS

The related party receivable balance of \$421,447 and \$1,146,794 at December 31, 2017 and 2016, respectively, reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses.

Amounts due from a related party for operating expenses paid in prior periods totaling \$585,945 were forgiven by the board and reflected as bad debt expense in the year ended December 31, 2017.

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

NOTES TO FINANCIAL STATEMENTS

6 - 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 at December 31, 2017 and 2016 respectively:

Country	Furniture, Equipment, Vehicles, Leasehold Improvements	Real Estate	Land	2017 Total
Argentina	\$ -	\$ 6,087,443	\$ 1,290,323	\$ 7,377,766
Armenia	576,537	12,153,488	1,392,985	14,123,010
Australia	-	2,828,512	1,142,657	3,971,169
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	2,947,244	24,289,074	6,194,138	33,430,456
Uruguay	-	1,896,235	333,893	2,230,128
	3,523,781	47,679,478	10,496,876	61,700,135
Less - Accumulated depreciation and amortization	(3,053,061)	(26,476,677)	-	(29,529,738)
	\$ 470,720	\$ 21,202,801	\$ 10,496,876	\$ 32,170,397

Depreciation and amortization expense is allocated between administrative and program expense as follows:

	December 31,	
	2017	2016
Program expense	\$ 25,094	\$ 63,593
Administrative expense	1,281,775	1,475,044
	\$ 1,306,869	\$ 1,538,637

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

6 - PROPERTY AND EQUIPMENT (Continued)

Country	Furniture, Equipment, Vehicles, Leasehold Improvements	Real Estate	Land	2016 Total
Argentina	\$ -	\$ 6,011,932	\$ 1,290,323	\$ 7,302,255
Armenia	576,537	12,153,488	1,392,985	14,123,010
Australia	-	2,828,512	1,142,657	3,971,169
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	2,852,322	24,009,786	6,194,138	33,056,246
Uruguay	-	1,482,203	333,893	1,816,096
	3,428,859	46,910,647	10,496,876	60,836,832
Less - Accumulated depreciation and amortization	(2,942,114)	(25,280,755)	-	(28,222,869)
	\$ 486,745	\$ 21,629,892	\$ 10,496,876	\$ 32,613,513

7 - 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.

8 - ENDOWMENT FUNDS

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

	December 31, 2017		
	Board-Designated	Donor-Restricted	Total
Unrestricted - Reserve	\$ 25,901,478	\$ -	\$ 25,901,478
Temporarily restricted - Unexpended endowment earnings	19,010,900	-	19,010,900
Permanently restricted - Endowments	-	182,277,258	182,277,258
	\$ 44,912,378	\$ 182,277,258	\$ 227,189,636

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

NOTES TO FINANCIAL STATEMENTS

8 – ENDOWMENT FUNDS (Continued)

	December 31, 2016		
	Board-Designated	Donor-Restricted	Total
Unrestricted - Reserve	\$ 25,011,180	\$ -	\$ 25,011,180
Temporarily restricted - Unexpended endowment earnings	17,855,589	-	17,855,589
Permanently restricted - Endowments	-	178,938,317	178,938,317
	<u>\$ 42,866,769</u>	<u>\$ 178,938,317</u>	<u>\$ 221,805,086</u>

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

	December 31, 2017			
	Reserve (1)	Unexpended Endowment Earnings (2)	Endowments (3)	Total
Endowment net assets, beginning of year	\$ 25,011,180	\$ 17,855,589	\$ 178,938,317	\$ 221,805,086
Income distribution	-	6,594,585	-	6,594,585
Contributions	-	-	2,945,294	2,945,294
Inter-fund transfers and other adjustments	11,020	169,309	289,198	469,527
Capitalization	-	(104,449)	104,449	-
Appropriation of endowment earnings for expenditure	-	(5,504,134)	-	(5,504,134)
Inter-fund transfer, undistributed income	879,278	-	-	879,278
Endowment net assets, end of year	<u>\$ 25,901,478</u>	<u>\$ 19,010,900</u>	<u>\$ 182,277,258</u>	<u>\$ 227,189,636</u>

	December 31, 2016			
	Reserve (1)	Unexpended Endowment Earnings (2)	Endowments (3)	Total
Endowment net assets, beginning of year	\$ 24,242,634	\$ 17,020,931	\$ 173,988,137	\$ 215,251,702
Income distribution	-	5,681,129	-	5,681,129
Contributions	-	-	4,064,913	4,064,913
Inter-fund transfers and other adjustments	11,062	249,090	800,000	1,060,152
Capitalization	-	(85,267)	85,267	-
Appropriation of endowment earnings for expenditure	-	(5,010,294)	-	(5,010,294)
Inter-fund transfer, undistributed income	757,484	-	-	757,484
Endowment net assets, end of year	<u>\$ 25,011,180</u>	<u>\$ 17,855,589</u>	<u>\$ 178,938,317</u>	<u>\$ 221,805,086</u>

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

8 – ENDOWMENT FUNDS (Continued)

- (1) Included in unrestricted net assets
- (2) Included in temporarily restricted net assets, see note 9
- (3) Included in permanently restricted net assets

The reserve is a board designated fund classified as unrestricted net assets. Additions to unexpended endowment earnings results from the current year’s income distribution. Endowments reflect the principal amount of permanently restricted net assets.

9 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets are as follows:

	December 31,	
	2017	2016
Balance at beginning of year	\$ 45,899,143	\$ 39,792,216
Contributions and other income	15,619,982	13,469,026
Satisfaction of restrictions	(11,228,544)	(12,689,003)
Interfund transfers	2,891,204	5,326,904
	\$ 53,181,785	\$ 45,899,143

	December 31,	
	2017	2016
Income distribution	\$ 6,594,585	\$ 5,681,129
Interfund transfers, other	(3,703,381)	(354,225)
Total interfund transfers	\$ 2,891,204	\$ 5,326,904

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Educational	\$ 17,031,486	\$ 9,889,174
Cultural	7,964,595	10,518,059
Humanitarian	7,810,286	7,295,344
Religious	507,840	1,467,598
Life estate	209,251	209,251
General programs	4,303,591	3,499,246
General purpose	7,531,209	7,213,010
Other	7,823,527	5,807,461
	\$ 53,181,785	\$ 45,899,143

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets also include the accumulated balance of board designated unexpended endowment earnings of \$19,010,900 and \$17,855,589 in 2017 and 2016 respectively, which are classified in the various categories above in accordance with the endowment's purpose.

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

	December 31,	
	2017	2016
Educational	\$ 2,197,944	\$ 3,579,809
Cultural programs	6,721,824	3,642,597
Humanitarian	893,982	1,031,106
Religious	1,361,486	2,054,735
Other	53,308	2,380,756
	\$ 11,228,544	\$ 12,689,003

10 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes:

	December 31,	
	2017	2016
Real estate - capital funds	\$ 14,058,344	\$ 14,058,344
Educational	66,740,254	64,046,783
Cultural	6,256,828	5,835,096
Humanitarian	12,499,346	11,166,040
Religious	11,187,105	11,129,738
General purpose	85,593,725	86,760,660
	\$ 196,335,602	\$ 192,996,661

11 - INCOME DISTRIBUTION

The Board of Directors designates a percentage of investment earnings, annually, to be allocated for endowment purposes. The gross income distribution, \$8,792,778 and \$7,574,836 for 2017 and 2016 respectively, represents 4.5% and 4% (gross), of endowment principal, including donations received during the year on a pro-rata basis, and the corresponding reserve balances at December 31, 2017 and 2016, respectively.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

11 - 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 temporarily restricted net assets 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.

The income distribution is allocated as follows:

	December 31,	
	2017	2016
Reserves - unrestricted net assets	\$ 879,278	\$ 757,484
Management fee - unrestricted net assets	1,318,915	1,136,223
	2,198,193	1,893,707
Unexpended endowment earnings - temporarily restricted net assets	6,594,585	5,681,129
	<u>\$ 8,792,778</u>	<u>\$ 7,574,836</u>

12- RETIREMENT PLAN

The Organization has a defined contribution retirement plan covering all eligible Central Board New York and Pasadena, California employees. Contributions to the Plan totaled approximately \$79,000 and \$59,000 in 2017 and 2016 respectively. All employees are also eligible to participate in a non-contributory salary deferral 401(k) plan.

13 - CONCENTRATIONS

Major donors

The Organization received contributions from major donors as follows:

Donor	December 31,	
	2017	2016
A	\$ 3,520,000	\$ -
B	3,220,033	-
C	2,760,000	4,695,000
D	-	2,075,000
	<u>\$ 9,500,033</u>	<u>\$ 6,770,000</u>

SUPPLEMENTARY INFORMATION

ARMENIAN GENERAL BENEVOLENT UNION
(A NONPROFIT CORPORATION)

SCHEDULES OF PROGRAM AND ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2017	2016
Program		
Educational		
EL-HI	\$ 2,805,389	\$ 2,819,774
Universities	985,012	957,970
Scholarship	728,240	786,615
Children's center	417,473	569,034
Assisted educational programs	129,765	439,867
General	137,046	78,758
	5,202,925	5,652,018
Cultural projects		
Cultural programs	3,757,600	1,964,613
Cultural centers	5,058,138	4,648,785
Youth programs	1,418,893	1,244,724
Publications/media	758,629	673,821
Bookstore operations and library	9,271	16,089
	11,002,531	8,548,032
Religious		
Religious construction - support	1,057,268	597,080
Institutions support	361,678	1,476,632
	1,418,946	2,073,712
Humanitarian		
Relief	935,863	1,073,590
Medical aid programs	76,099	54,114
	1,011,962	1,127,704
Administrative		
Administration	5,358,111	4,839,800
Fundraising	552,861	491,555
Life estate	36,471	35,471
	5,947,443	5,366,826
	\$ 24,583,807	\$ 22,768,292

See independent auditors' report.

ARMENIAN GENERAL BENEVOLENT UNION
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SCHEDULES OF ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2017	2016
Salaries and wages	\$ 2,019,162	\$ 1,734,834
Retirement plan contribution and expense	130,933	120,508
Employee benefits	296,617	221,505
Payroll taxes	171,274	150,810
Accounting fees	97,007	110,489
Legal fees	60,996	14,456
Consulting fees	105,579	134,292
Other professional services	142,031	87,226
Telephone	19,029	42,819
Postage and shipping	6,914	20,775
Occupancy	89,715	205,008
Equipment rental and maintenance	111,224	92,024
Travel	19,831	56,549
Conferences, conventions, and meetings	95,200	49,939
Depreciation and amortization	1,281,775	1,475,044
Office expense	62,346	51,196
Insurance	43,922	48,424
Miscellaneous expense	18,138	223,557
Advertising	473	345
Bad debt expense - related party	585,945	-
	\$ 5,358,111	\$ 4,839,800

See independent auditors' report.