

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

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

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FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Armenian General Benevolent Union

Opinion

We have audited the accompanying financial statements of Armenian General Benevolent Union (the "Organization") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

As described in Note 14 to the financial statements, the Organization's net assets as of January 1, 2021 have been restated due to a correction of errors in the prior year. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Armenian General Benevolent Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Armenian General Benevolent Union's ability to continue as a going concern for a reasonable period of time.

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



December 20, 2022

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Cash	\$ 11,095,540
Certificates of deposit	1,984,395
Investments	233,017,558
Split interest agreement	10,281,230
Contributions receivable	1,634,977
Other receivables	1,140,585
Due from related parties	3,061,165
Other assets	4,498,589
Property and equipment, at cost less accumulated depreciation and amortization	31,414,917
Total assets	\$ 298,128,956

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and other liabilities	\$ 4,157,522
Due to related parties	921,509
Total liabilities	5,079,031

Net assets

Without donor restrictions	31,510,033
With donor restrictions	261,539,892
Total net assets	293,049,925
Total liabilities and net assets	\$ 298,128,956

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Contributions	\$ 3,603,251	\$ 15,118,211	\$ 18,721,462
Membership dues	7,628	-	7,628
Other income	644,816	6,220	651,036
Total public support	4,255,695	15,124,431	19,380,126
Revenues			
Tuition and other school income	448,398	-	448,398
Investment return, net appropriated for spending	2,737,723	7,532,750	10,270,473
Total revenues	7,441,816	22,657,181	30,098,997
Net assets released from donor restrictions	8,234,179	(8,234,179)	-
Total public support and revenues	15,675,995	14,423,002	30,098,997
Expenses			
Program			
Educational	7,292,389	-	7,292,389
Cultural	7,439,213	-	7,439,213
Religious	1,433,738	-	1,433,738
Humanitarian	1,461,401	-	1,461,401
Total program expenses	17,626,741	-	17,626,741
Management and general	2,859,016	-	2,859,016
Fundraising	758,022	-	758,022
Total expenses	21,243,779	-	21,243,779
Changes in net assets from operations	(5,567,784)	14,423,002	8,855,218
Other changes			
Rental and royalty income	27,965	6,416	34,381
Net investment income return less income distribution	11,135,602	-	11,135,602
	11,163,567	6,416	11,169,983
Changes in net assets	5,595,783	14,429,418	20,025,201
Net assets (deficit), beginning of year, as previously reported	(12,762,959)	276,191,277	263,428,318
Restatement	38,677,209	(29,080,803)	9,596,406
Net assets, beginning of year as restated	25,914,250	247,110,474	273,024,724
Net assets, end of year	\$ 31,510,033	\$ 261,539,892	\$ 293,049,925

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Educational	Cultural	Religious	Humanitarian	Total Program	Management and General	Fundraising	Total
Grants	\$ 5,608,600	\$ 2,780,684	\$ 1,433,738	\$ 1,413,730	\$ 11,236,752	\$ -	\$ -	\$ 11,236,752
Program activities	-	270,097	-	1,680	271,777	132	-	271,909
Salaries and wages	587,875	1,657,545	-	-	2,245,420	1,321,183	480,430	4,047,033
Employee benefits	74,326	341,562	-	-	415,888	251,565	91,478	758,931
Retirement plan contribution and expense	26,269	16,416	-	-	42,685	124,764	9,728	177,177
Payroll taxes	45,397	134,808	-	-	180,205	101,546	36,926	318,677
Accounting fees	-	-	-	-	-	106,780	-	106,780
Legal fees	2,580	-	-	-	2,580	38,866	-	41,446
Consulting fees and professional services	187,625	361,180	-	18,993	567,798	164,375	5,009	737,182
Occupancy	306,235	259,634	-	-	565,869	178,204	30,708	774,781
Travel	23,625	9,031	-	50	32,706	17,021	-	49,727
Conferences, conventions, and meetings	60	11,427	-	10,313	21,800	41,727	31	63,558
Depreciation and amortization	319,557	916,889	-	-	1,236,446	209,077	33,190	1,478,713
Training and professional development	3,750	2,367	-	-	6,117	1,038	-	7,155
Office expense	28,066	434,376	-	40	462,482	79,514	30,959	572,955
Miscellaneous expense	-	32,170	-	-	32,170	11,559	6,167	49,896
Advertising	749	33,836	-	-	34,585	10,320	721	45,626
Bad debt expense	9,500	-	-	-	9,500	3,000	-	12,500
Dues and subscriptions	-	9,494	-	-	9,494	13,505	289	23,288
Repairs and maintenance	34,957	104,905	-	-	139,862	5,760	2,094	147,716
Information technology	33,218	58,792	-	95	92,105	92,736	30,292	215,133
Severance and life estate expense	-	4,000	-	16,500	20,500	86,344	-	106,844
	\$ 7,292,389	\$ 7,439,213	\$ 1,433,738	\$ 1,461,401	\$ 17,626,741	\$ 2,859,016	\$ 758,022	\$ 21,243,779

See notes to financial statements.

**ARMENIAN GENERAL BENEVOLENT UNION
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STATEMENT OF CASH FLOWS

DECEMBER 31, 2021

Cash flows from operating activities	
Changes in net assets	\$ 20,025,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	1,478,713
Contributions restricted for endowments	(3,331,194)
Donated stock	265,349
Net realized gain on sale of investments	(21,469,648)
Net realized gain on sale of real estate	(431,362)
Net unrealized loss on investments	3,274,310
Forgiveness of PPP loan payable	(791,100)
Changes in assets and liabilities	
Split interest agreement	(684,824)
Contributions receivable	2,944,743
Other receivables	2,235,898
Accounts payable and other liabilities	327,097
Net cash provided by operating activities	3,843,183
Cash flows from investing activities	
Due from related parties	(216,248)
Purchase of real estate	(624,067)
Sale of furniture and equipment	107,006
Proceeds from sale of investments	121,034,435
Purchase of investments	(126,928,462)
Redemption of certificates of deposit	1,608,522
Net cash used in investing activities	(5,018,814)
Cash flows from financing activity	
Proceeds from contributions restricted for endowments	3,331,194
Net increase in cash	2,155,563
Cash, beginning of year	8,939,977
Cash, end of year	\$ 11,095,540

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION AND NATURE OF ACTIVITIES

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

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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

Use of Estimates

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

Revenue Recognition

Contributions

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

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

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

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

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

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

Promises to Give

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

Donated Services

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

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.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk (Continued)

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

Other Receivables

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

Allowance for Doubtful Accounts

An allowance is established for accounts deemed potentially uncollectible. The allowance is based upon management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. The Organization did not provide for any doubtful accounts for the year ended December 31, 2021, 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, 2021, totals approximately 70%. At December 31, 2021, the discounted present value of the aggregate ownership interest transferred of approximately \$4,499,000 is included in other assets.

Long-Lived Assets

The Organization reviews the carrying values of its long-lived assets whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the year ended December 31, 2021.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Endowment Funds

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

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

Endowment Investment and Spending Policies

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

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

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investment and Spending Policies (Continued)

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

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

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

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

Fair Value Measurements

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

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

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include:

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

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

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

The Organization has certain alternative investments for which there is not a readily determinable fair value. These investment entities issue financial statements that are consistent with the measurement principles or attributes of an investment company. For such investments, as a practical expedient, the Organization uses its ownership interest in the entity NAV (net asset value) 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 NAV per share held by the Organization at year end. Investments in money market funds 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)

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 NAV per share held by the Organization at year end. Investments in these funds are generally classified as Level 1 investments or Level 2 if there is a withdrawal restriction.

Hedge Funds

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

Realized and unrealized gains and losses on investments are determined by comparison of fair value at date of donation or specific cost at date of purchase to proceeds at the time of disposal or fair value at year-end, respectively, and are reported in the statement 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 split-interest agreements held in trust. The assets are included in the Statement of Financial Position, because the Organization has a beneficial interest in the fair market value of the trust's assets.

Certificates of Deposit

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

Functional Allocation of Expenses

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

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

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

Paycheck Protection Program (“PPP”) Loan

The Organization’s policy is to account for the PPP loan as debt. The PPP loan amount of \$791,100 has been fully forgiven as of September 17, 2021.

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).

Board Designated Endowments

The Board has designated net assets in the amount of \$6,284,746 to be used for purposes consistent with the Organization’s mission. The Board designated endowment is included in net assets without donor restrictions on the Statement of Financial Position.

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

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets consist of the Organization's cash, investments and certain receivable. The financial assets available for general expenditures within one year of the statement of financial position date consist of the following components:

Cash	\$ 11,095,540
Certificates of deposit	1,984,395
Investments	233,017,558
Contributions receivable	1,634,977
Other receivables	1,140,585
<u>Total financial assets, end of year</u>	<u>248,873,055</u>
Less - Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with time and purpose restrictions	(23,430,132)
Endowments:	
Unexpended income	(21,009,352)
Restricted by donors in perpetuity	(192,883,590)
<u>Excess of financial assets available to meet cash needs for general expenditures within one year</u>	<u>\$ 11,549,981</u>

The investments reflect a cumulative unrealized gain of approximately \$22 million at December 31, 2021. 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.

Due to/from related parties were excluded, as those transactions are not due within a year of the financial statement position date.

The Organization's goal is to maintain liquidity to meet operational and strategic needs. Ongoing liquidity needs of the Organization are monitored to ensure that minimum cash flow requirements are met. As part of the Organization's liquidity management, it has a policy to structure its financial assets, primarily cash, to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization has donor restricted net assets available for general purposes totaling approximately \$8.7 million that could be made available for current operations, if necessary (see note 8).

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

4 - OTHER RECEIVABLES

Other receivables consist of the following:

Accounts and other receivables	\$	565,450
Interest receivable		243,470
Hedge funds redemption receivable		331,665
	\$	1,140,585

5 - INVESTMENTS

Investments at fair value or NAV are summarized as follows:

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

	Level 1	Level 2	Measured at NAV	Total
Debt securities	\$ 11,647,747	\$ -	\$ -	\$ 11,647,747
Equity securities	56,115,904	-	-	56,115,904
Money market funds	39,497,118	-	-	39,497,118
US government bonds	10,328,150	-	-	10,328,150
Hedge funds	-	-	36,258,194	36,258,194
Mutual funds	79,170,445	-	-	79,170,445
	\$ 196,759,364	\$ -	\$ 36,258,194	\$ 233,017,558

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

5 - INVESTMENTS (Continued)

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

	Measured at NAV	Redemption Frequency (if currently eligible)	Redemption Notice Period
Farallon Capital Institutional Partners LP	\$ 5,842,082	Quarterly	60 Days
AKO European Long-Only Fund Ltd	3,334,656	Quarterly	33 Days
Morgan Stanley - Alternative Investments	4,812,966	Various	Various
The Kiltearn Global Equity Fund	9,143,108	Monthly	6 Days
Kensico Offshore Fund II Ltd	5,835,419	Triennial	90 Days
Whale Rock Flagship Fund Ltd	7,266,593	Quarterly	45 Days
Various	23,370	Various	Various
	<u>\$ 36,258,194</u>		

Investment return, net is summarized as follows:

Net realized gain on investments	\$ 21,469,648
Net realized gain on sale of real estate	431,362
Net unrealized loss on investments	(3,274,310)
Interest and dividends	3,339,400
Investment fees	(560,025)
	<u>\$ 21,406,075</u>

6 - RELATED PARTIES TRANSACTIONS

The related parties receivable balance of \$3,061,165 at December 31, 2021, reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses. The related parties payable balance of \$921,509 at December 31, 2021, reflects amounts due for endowment distributions and advances from unconsolidated related parties.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021
Real estate	\$ 61,728,929
Furniture and equipment	825,129
Construction in progress	270,130
	62,824,188
Less - accumulated depreciation and amortization	31,409,271
	\$ 31,414,917

8 - NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions are as follows:

	Time or purpose restriction	Restriction in perpetuity	Total
Balance at beginning of year			
As restated	\$ 46,146,087	\$ 200,964,387	\$ 247,110,474
Contributions and other income	11,799,653	3,331,194	15,130,847
Reclassification	(2,590,554)	2,590,554	-
Investment income, net appropriated for spending	7,532,750	-	7,532,750
Satisfaction of restrictions	(8,234,179)	-	(8,234,179)
	\$ 54,653,757	\$ 206,886,135	\$ 261,539,892

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

	Time or purpose restriction	Restricted in perpetuity	Total
Real estate	\$ -	\$ 14,002,344	\$ 14,002,344
Educational	15,691,574	73,819,399	89,510,973
Cultural	10,387,042	7,770,686	18,157,728
Humanitarian	14,508,879	16,773,933	31,282,812
Religious	1,145,851	11,539,950	12,685,801
General purposes	12,920,411	82,979,823	95,900,234
	\$ 54,653,757	\$ 206,886,135	\$ 261,539,892

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

Net assets with time or purpose restrictions also include the accumulated balance of unexpended endowment earnings of \$21,009,352 as of December 31, 2021 which are classified in the various categories above in accordance with the underlying donor restricted endowment's purpose.

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

Educational	\$ 4,400,178
Cultural programs	1,304,232
Humanitarian	1,042,683
Religious	1,386,282
Other	100,804
	<hr/>
	\$ 8,234,179

9 - INCOME DISTRIBUTION

The Board of Directors designates a percentage of investment earnings, annually, to be allocated for endowment purposes to pooled funds. The gross income distribution \$9,771,063 for 2021, represents 4.50% (gross), of endowment principal, including donations received during the year on a pro-rata basis, and the corresponding reserve balance at December 31, 2021. Of these earnings, 10% is added to reserves and 15% is allocated as "management" fee. The net (75%) balance is allocated to net assets with temporary donor restrictions according to the purpose as designated by the donors or their trustee. The net earnings are transferred to net assets without donor restrictions and spent, or added to the unexpended balance. Earnings that are not spent in accordance with the endowment's contractual terms are considered part of the endowments' principal.

The income distribution is allocated as follows:

Reserves - net assets without donor restrictions	\$ 977,106
Management fee - net assets without donor restrictions	1,465,659
<u>Board designated endowments and capitalization</u>	<u>294,958</u>
Investment return, net appropriated for spending	2,737,723
<u>Unexpended endowment earnings - net assets with donor restrictions</u>	<u>7,033,340</u>
	<hr/>
	\$ 9,771,063

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

NOTES TO FINANCIAL STATEMENTS

9 - INCOME DISTRIBUTION (Continued)

Investment return, net appropriated for spending also includes earnings on endowment accounts that are not pooled totaling \$499,410.

10 - 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 \$98,000 in 2021. All employees are also eligible to participate in the salary deferral 401(k) plan.

11 - CONCENTRATIONS

Major Donors

The Organization received contributions from two major donors totaling approximately 20% and 14% of total contributions for the year ended December 31, 2021.

Geographical Concentration

The Foundation provides support for cultural, religious, and educational relief throughout Armenia. Due to the level of risk associated with economic and political forces outside the U.S., it is reasonably possible that program activities could be disrupted in the near term, the impact of which could materially affect fundraising and grant making capacity.

12 - SUBSEQUENT EVENTS

These financial statements were approved by management and available for issuance on December 20, 2022. Management has evaluated subsequent events through this date.

13 - RISKS AND UNCERTAINTIES

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 continues to cause 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 to its future operations.

**ARMENIAN GENERAL BENEVOLENT UNION
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NOTES TO FINANCIAL STATEMENTS

14 - RESTATEMENT

Reclassification of net assets are allocated as follows:

	Without donor Restriction	With time or Purpose Restriction	With Restriction in Perpetuity	Total
Net assets (deficit) at January 1, 2021, as previously reported	\$ (12,762,959)	\$ 74,082,962	\$ 202,108,315	\$ 263,428,318
Reclassifications of purpose restrictions	(360,143)	1,504,071	(1,143,928)	-
Reclassify unexpended - board designated endowments	174,711	(174,711)	-	-
Reclassify realized and unrealized gain (loss)	38,862,641	(38,862,641)	-	-
Record beneficiary interest in split interest trust	-	9,596,406	-	9,596,406
Net assets, January 1, 2021 as restated	\$ 25,914,250	\$ 46,146,087	\$ 200,964,387	\$ 273,024,724