

ARMENIAN GENERAL BENEVOLENT UNION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

ARMENIAN GENERAL BENEVOLENT UNION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Armenian General Benevolent Union

Opinion

We have audited the financial statements of Armenian General Benevolent Union, which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Armenian General Benevolent Union as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Notes 8 and 13 to the financial statements, the Organization's net assets as of January 1, 2022, have been restated due to a correction of errors in the prior year. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Armenian General Benevolent Union as of and for the year ended December 31, 2021, were audited by Friedman LLP whose practice was combined with Marcum LLP and whose report dated December 20, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Marcum LLP

Melville, NY
March 1, 2024

ARMENIAN GENERAL BENEVOLENT UNION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

Assets

Cash	\$ 5,085,131
Certificates of deposit	647,123
Prepaid expenses	60,827
Investments	209,717,653
Beneficial interest in split interest agreements and perpetual trusts	29,484,895
Contributions receivable	7,896,747
Other receivables	6,345,589
Due from related parties	3,509,886
Property and equipment, at cost less accumulated depreciation and amortization	<u>34,778,064</u>

Total Assets \$ 297,525,915

Liabilities and Net Assets

Liabilities

Accounts payable and other liabilities	\$ 4,313,670
Due to related parties	<u>840,071</u>

Total Liabilities \$ 5,153,741

Net Assets (Deficit)

Without donor restrictions	
Operating	(11,096,416)
Board designated	<u>7,269,360</u>

Total Without Donor Restrictions (3,827,056)

With donor restrictions 296,199,230

Total Net Assets 292,372,174

Total Liabilities and Net Assets \$ 297,525,915

The accompanying notes are an integral part of these financial statements.

ARMENIAN GENERAL BENEVOLENT UNION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Public Support			
Contributions	\$ 4,149,957	\$ 29,014,337	\$ 33,164,294
Membership dues	22,528	--	22,528
Other income	<u>1,114,053</u>	<u>--</u>	<u>1,114,053</u>
Total Public Support	5,286,538	29,014,337	34,300,875
Revenues			
Tuition and other school income	781,587	--	781,587
Investment return, net, appropriated for spending	<u>2,512,874</u>	<u>6,922,377</u>	<u>9,435,251</u>
Total Revenues	8,580,999	35,936,714	44,517,713
Net assets released from donor restrictions	<u>15,323,359</u>	<u>(15,323,359)</u>	<u>--</u>
Total Public Support and Revenues	<u>23,904,358</u>	<u>20,613,355</u>	<u>44,517,713</u>
Expenses			
Program			
Educational	7,567,529	--	7,567,529
Cultural	14,854,180	--	14,854,180
Religious	739,269	--	739,269
Humanitarian	<u>1,408,840</u>	<u>--</u>	<u>1,408,840</u>
Total Program Expenses	24,569,818	--	24,569,818
Management and general	3,222,923	--	3,222,923
Fundraising	<u>850,019</u>	<u>--</u>	<u>850,019</u>
Total Expenses	<u>28,642,760</u>	<u>--</u>	<u>28,642,760</u>
Change in Net Assets Before Other Changes	<u>(4,738,402)</u>	<u>20,613,355</u>	<u>15,874,953</u>
Other Changes			
Rental and royalty income	65,651	--	65,651
Change in fair value of beneficial interest in split interest agreements and perpetual trusts	(2,545,477)	(791,896)	(3,337,373)
Investment return, net, less appropriated for spending	<u>1,819,915</u>	<u>(34,343,733)</u>	<u>(32,523,818)</u>
	<u>(659,911)</u>	<u>(35,135,629)</u>	<u>(35,795,540)</u>
Changes in Net Assets	<u>(5,398,313)</u>	<u>(14,522,274)</u>	<u>(19,920,587)</u>
Net assets, beginning of year, as previously reported	31,510,033	261,539,892	293,049,925
Restatement	<u>(29,938,776)</u>	<u>49,181,612</u>	<u>19,242,836</u>
Net Assets, Beginning of Year, as Restated	<u>1,571,257</u>	<u>310,721,504</u>	<u>312,292,761</u>
Net Assets (Deficit), End of Year	<u>\$ (3,827,056)</u>	<u>\$ 296,199,230</u>	<u>\$ 292,372,174</u>

The accompanying notes are an integral part of these financial statements.

ARMENIAN GENERAL BENEVOLENT UNION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Educational	Cultural	Religious	Humanitarian	Total Program	Management and General	Fundraising	Total
Grants	\$ 5,377,941	\$ 9,060,554	\$ 739,243	\$ 1,132,344	\$ 16,310,082	\$ --	\$ --	\$ 16,310,082
Supplies and events	8,548	593,638	--	87	602,273	25	--	602,298
Salaries and wages	680,493	1,824,170	--	--	2,504,663	1,255,415	529,724	4,289,802
Employee benefits	69,084	321,504	--	--	390,588	196,698	82,997	670,283
Retirement plan contribution	49,899	44,330	--	--	94,229	66,577	28,092	188,898
Payroll taxes	52,796	145,070	--	--	197,866	96,994	40,927	335,787
Accounting fees	--	75	--	--	75	167,732	--	167,807
Legal fees	17,020	--	--	--	17,020	22,958	--	39,978
Consulting fees and professional services	235,923	540,895	--	59,150	835,968	140,666	8,532	985,166
Occupancy	275,961	153,336	--	--	429,297	102,786	33,989	566,072
Insurance	122,871	127,389	--	--	250,260	149,870	--	400,130
Travel	66,112	109,618	--	40	175,770	25,598	401	201,769
Conferences, conventions, and meetings	--	237,517	--	1,145	238,662	69,619	23,325	331,606
Depreciation and amortization	342,352	914,942	--	199,781	1,457,075	180,161	27,401	1,664,637
Training and professional development	7,500	5,721	--	--	13,221	988	--	14,209
Office expense	63,727	504,724	26	262	568,739	100,965	45,006	714,710
Miscellaneous expense	--	14,645	--	--	14,645	99,481	--	114,126
Advertising	27,103	15,569	--	81	42,753	79,544	--	122,297
Bad debt	3,800	--	--	--	3,800	23,923	--	27,723
Dues and subscriptions	468	6,788	--	--	7,256	9,885	635	17,776
Repairs and maintenance	79,808	158,352	--	--	238,160	14,944	882	253,986
Information technology	86,123	45,346	--	--	131,469	125,089	28,108	284,666
Severance and life estate expense	--	29,997	--	15,950	45,947	293,005	--	338,952
	<u>\$ 7,567,529</u>	<u>\$ 14,854,180</u>	<u>\$ 739,269</u>	<u>\$ 1,408,840</u>	<u>\$ 24,569,818</u>	<u>\$ 3,222,923</u>	<u>\$ 850,019</u>	<u>\$ 28,642,760</u>

The accompanying notes are an integral part of these financial statements.

ARMENIAN GENERAL BENEVOLENT UNION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities

Change in net assets	\$ (19,920,587)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	1,664,637
Contributions restricted for endowments	(2,369,908)
Donated stock	107,206
Net realized gain on sale of investments	(3,012,331)
Net unrealized loss on investments	30,032,937
Change in fair value of beneficial interest in split interest agreements and perpetual trusts	(3,337,373)
Bad debt	27,723
Changes in assets and liabilities	
Prepaid expenses	(42,238)
Beneficial interest in split interest agreements and perpetual trusts	2,376,665
Contributions receivable	(4,121,270)
Other receivables	(5,232,727)
Accounts payable and other liabilities	156,148
Due from related parties	<u>(530,159)</u>

Net Cash Used in Operating Activities \$ (4,201,277)

Cash Flows From Investing Activities

Purchase of property	(388,891)
Purchase of furniture and equipment	(814,533)
Proceeds from sale of investments	197,909,052
Purchase of investments	(202,221,940)
Redemption of certificates of deposit	<u>1,337,272</u>

Net Cash Used in Investing Activities (4,179,040)

Cash Flows From Financing Activity

Proceeds from contributions restricted for endowments	<u>2,369,908</u>
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Net Decrease in Cash (6,010,409)

Cash, Beginning of Year 11,095,540

Cash, End of Year \$ 5,085,131

The accompanying notes are an integral part of these financial statements.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - ORGANIZATION

The Armenian General Benevolent Union (the “Organization,” or “AGBU”) 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. AGBU is a not-for-profit organization exempt from federal income tax under Internal Revenue Code (“IRC”) Section 501(c)(3), and is classified as a publicly supported charitable organization as described in IRC Section 509(a).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND 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 (“U.S. 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 are those net assets that are not subject to donor-imposed restrictions. 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

FAIR VALUE OF INVESTMENTS

U.S. 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 U.S. 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.

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's net asset value ("NAV") to determine the fair value.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Equity Securities

Shares of 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 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.

Government Securities

United States treasury securities 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 treasury securities 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.

Fixed Income Securities

Investments in fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Investments in fixed income securities are classified as Level 2 investments.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 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 statement of activities. Transactions are recorded on a trade date basis. Dividends and interest are recognized when earned.

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*.

AGBU’s endowment consists of 1) net assets with donor restrictions, which includes the original value of the gifts donated to the donor-restricted endowment and the original value of subsequent gifts to the donor-restricted endowment, and 2) funds designated by the board of directors to function as endowments and 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. 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 Organization’s interpretation of NYPMIFA is that it has the ability to spend from underwater endowment funds, if any, in a manner consistent with the standards of prudence prescribed by NYPMIFA.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENDOWMENT INVESTMENT AND SPENDING POLICIES (CONTINUED)

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.

BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS AND PERPETUAL TRUSTS

The Organization is the beneficiary of split-interest agreements held in trusts and other perpetual trusts. The assets are included in the statement of financial position because the Organization has a beneficial interest in the fair value of the trusts' assets.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS RECEIVABLE

Contributions are recognized when a donor makes a pledge that is in substance an unconditional promise to give to the Organization. Unconditional contributions dated prior to the year-end and received in the subsequent period are recorded as contributions receivable at year-end. All contributions receivable as of December 31, 2022, are due within one year.

OTHER RECEIVABLES

Other receivables include tuition, rent, interest, and investment redemption receivables, which are stated at their net realizable value. Other receivables as of December 31, 2022 and 2021, was \$6,345,589 and \$1,140,585 respectively.

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, 2022, as management has determined that substantially all accounts are deemed to be collectible.

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization are recorded at cost. Donated property used by the Organization is recorded at fair 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.

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, 2022.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 the promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome.

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 financial statements for donated services in as much as no objective basis is available to measure the value of such services.

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.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

Indirect costs are allocated to the different programs and supporting services benefited 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 Organization or AGBU worldwide entities which are located in 32 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.

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 and are subject to certain limitations.

The Organization invests in various investment securities including alternative investments. 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, and defaults, and may be adversely affected by shifts in the markets’ perception of the issuers and changes in interest rates.

UNCERTAIN TAX POSITIONS

The Organization recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UNCERTAIN TAX POSITIONS (CONTINUED)

Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes, respectively, in the statement of activities. The Organization did not identify any uncertain tax positions for the year ended December 31, 2022. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

SUBSEQUENT EVENTS

These financial statements were approved by management and available for issuance on March 1, 2024. Management has evaluated subsequent events through this date.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash	\$ 5,085,131
Certificates of deposit	647,123
Investments	209,717,653
Contributions receivable	7,896,747
Other receivables	<u>6,345,589</u>
Total Financial Assets, End of Year	229,692,243
Less - Amounts unavailable for general expenditures within one year:	
Restricted by donors with time and purpose restrictions	(38,852,126)
Restricted by donors in perpetuity	<u>(195,359,269)</u>
Excess of Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ (4,519,152)</u>

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

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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.

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.

NOTE 4 - OTHER RECEIVABLES

Other receivables consist of the following:

Accounts and other receivables	\$	611,624
Interest receivable		168,058
Hedge funds redemption receivable		<u>5,565,907</u>
	\$	<u>6,345,589</u>

NOTE 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
Equity securities	\$ 103,735,070	\$ --	\$ --	\$ 103,735,070
Fixed income securities	--	38,556,110	--	38,556,110
Money market funds	20,437,608	--	--	20,437,608
U.S. treasury securities	22,717,500	--	--	22,717,500
Hedge funds	--	--	22,847,088	22,847,088
Mutual funds	<u>1,424,277</u>	<u>--</u>	<u>--</u>	<u>1,424,277</u>
	<u>\$ 148,314,455</u>	<u>\$ 38,556,110</u>	<u>\$ 22,847,088</u>	<u>\$ 209,717,653</u>

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 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	\$ 5,854,927	Quarterly	60 Days
Morgan Stanley - Alternative Investments	16,802,970	Various	Various
Various	<u>189,191</u>	Various	Various
	<u>\$ 22,847,088</u>		

Investment return, net is summarized as follows:

Net realized gain on investments	\$ 3,012,331
Net unrealized loss on investments	(30,032,937)
Interest and dividends	4,636,341
Investment fees	<u>(704,302)</u>
	<u>\$ (23,088,567)</u>

NOTE 6 - RELATED PARTIES TRANSACTIONS

The related parties receivable balance of \$3,509,886 at December 31, 2022, reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses. The related parties payable balance of \$840,071 at December 31, 2022, reflects amounts due for endowment distributions and advances from unconsolidated related parties.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2022
Real estate	\$ 67,382,450
Furniture and equipment	<u>3,162,642</u>
	70,545,092
Less - Accumulated depreciation and amortization	<u>35,767,028</u>
	<u>\$ 34,778,064</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS, AS RESTATED

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	\$ 97,092,594	\$ 213,628,910	\$ 310,721,504
Contributions and other income	26,644,429	2,369,908	29,014,337
Changes in fair value of beneficial interest in split interest agreements and perpetual trusts	(791,896)	--	(791,896)
Investment return, net, appropriated for spending	6,922,377	--	6,922,377
Investment return, net, less appropriated for spending	(34,343,733)	--	(34,343,733)
Satisfaction of restrictions	<u>(15,429,129)</u>	<u>105,770</u>	<u>(15,323,359)</u>
	<u>\$ 80,094,642</u>	<u>\$ 216,104,588</u>	<u>\$ 296,199,230</u>

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	Time or Purpose Restriction	Restricted in Perpetuity	Total
Real estate	\$ --	\$ 14,002,545	\$ 14,002,545
Educational	21,370,507	76,174,389	97,544,896
Cultural	8,305,019	7,871,284	16,176,303
Humanitarian	16,296,475	16,994,819	33,291,294
Religious	1,272,954	12,042,241	13,315,195
General purposes	32,849,687	89,019,310	121,868,997
	<u>\$ 80,094,642</u>	<u>\$ 216,104,588</u>	<u>\$ 296,199,230</u>

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

Educational	\$ 3,940,873
Cultural programs	7,598,689
Humanitarian	1,219,807
Religious	751,832
General purposes	<u>1,812,158</u>
	<u>\$ 15,323,359</u>

NOTE 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 for 2022 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, 2022. 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.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 - INCOME DISTRIBUTION (CONTINUED)

The income distribution is allocated as follows:

Reserves - net assets without donor restrictions	\$ 889,055
Management fee - net assets without donor restrictions	1,333,586
Board designated endowments and capitalization	<u>290,233</u>
Investment Return, Net, Appropriated for Spending Without Donor Restrictions	<u>2,512,874</u>
Unexpended endowment earnings - net assets with donor restrictions	6,377,681
Time or purpose restriction earnings, net, appropriated for spending	<u>544,696</u>
Investment Return, Net, Appropriated for Spending With Donor Restrictions	<u>6,922,377</u>
Total Investment Return, Net, Appropriated for Spending	<u>\$ 9,435,251</u>

NOTE 10 - ENDOWMENT FUNDS

Changes in endowment net assets are as follows:

	December 31, 2022		
	Unexpended Endowment Earnings	Endowment (Restricted in Perpetuity)	Total
Endowment Net Assets, Beginning of Year	\$ 44,316,020	\$213,628,910	\$ 257,944,930
Contributions and other income	5,241	2,369,908	2,375,149
Investment return, net, appropriated for spending	(2,512,874)	--	(2,512,874)
Investment return, net, less appropriated for spending	(25,200,895)	--	(25,200,895)
Reclassifications of purpose restrictions	4,390	105,770	110,160
Appropriation of endowment earnings for expenditure	<u>(2,044,850)</u>	<u>--</u>	<u>(2,044,850)</u>
Endowment Net Assets, End of Year	<u>\$ 14,567,032</u>	<u>\$216,104,588</u>	<u>\$ 230,671,620</u>

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering all eligible Central Board New York and Pasadena, California employees. Contributions to the plan are discretionary and determined by the board annually. Contributions to the plan totaled approximately \$102,000 in 2022. All employees are also eligible to participate in the salary deferral 401(k) plan.

NOTE 12 - CONCENTRATIONS

MAJOR DONORS

The Organization received contributions from two major donors totaling approximately 21% and 11% of total contributions for the year ended December 31, 2022.

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.

ARMENIAN GENERAL BENEVOLENT UNION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - RESTATEMENT

Reclassification of net assets are allocated as follows:

	Without donor Restriction	With time or Purpose Restriction	With Restriction in Perpetuity	Total
Net Assets, January 1, 2022, as Previously Reported	\$ 31,510,033	\$ 54,653,757	\$ 206,886,135	\$ 293,049,925
Reclassifications of purpose restrictions	(6,659,132)	6,659,132	--	--
Reclassifications of realized and unrealized gain (loss) and other investments	(32,845,655)	32,845,655	--	--
To record beneficial interest in split interest agreements and perpetual trusts	8,081,151	2,934,050	6,742,775	17,757,976
To adjust accumulated depreciation of building contribution	(1,170,140)	--	--	(1,170,140)
To adjust fair market value of building contribution	<u>2,655,000</u>	<u>--</u>	<u>--</u>	<u>2,655,000</u>
Net Assets, January 1, 2022, as Restated	<u>\$ 1,571,257</u>	<u>\$ 97,092,594</u>	<u>\$ 213,628,910</u>	<u>\$ 312,292,761</u>