

**ARMENIAN GENERAL BENEVOLENT UNION  
(A NONPROFIT CORPORATION)  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
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, 2016 and 2015, 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, 2016 and 2015, 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 20 and 21 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 "Freedom LLC". The letters are cursive and somewhat stylized.

November 14, 2017

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

**STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 4,460,090	\$ 3,731,564
Certificates of deposit	6,338,810	6,105,172
Investments	1,292,497	1,199,846
Due from related party	1,146,794	1,038,475
Other receivables	8,533,081	5,676,462
Total current assets	21,771,272	17,751,519
Endowment investments	178,938,317	173,988,137
Property and equipment, at cost less accumulated depreciation and amortization	32,613,513	30,781,352
	\$ 233,323,102	\$ 222,521,008
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities	\$ 1,463,388	\$ 1,302,569
<b>Net assets</b>		
Unrestricted net assets (deficit)		
Unrestricted	(47,615,694)	(47,104,666)
Designated for real estate	15,568,424	16,241,774
Designated for reserve	25,011,180	24,242,634
	(7,036,090)	(6,620,258)
Temporarily restricted net assets	45,899,143	39,792,216
Permanently restricted net assets, including real estate endowments of \$14,058,344	192,996,661	188,046,481
	231,859,714	221,218,439
	\$ 233,323,102	\$ 222,521,008

See notes to financial statements.

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Public support and revenues</b>				
<b>Public support</b>				
Contributions	\$ 3,121,041	\$ 13,441,477	\$ 4,064,913	\$ 20,627,431
Membership dues	17,203	-	-	17,203
Special events and other income	1,089,359	16,105	-	1,105,464
	4,227,603	13,457,582	4,064,913	21,750,098
<b>Revenues</b>				
Investment income (loss)	10,954,798	9,367	-	10,964,165
Rental and royalty income	34,041	2,077	-	36,118
Tuition and other school income	659,186	-	-	659,186
	11,648,025	11,444	-	11,659,469
	15,875,628	13,469,026	4,064,913	33,409,567
Satisfaction of program restrictions	12,689,003	(12,689,003)	-	-
	28,564,631	780,023	4,064,913	33,409,567
<b>Program and administrative expenses</b>				
Program				
Educational	5,652,018	-	-	5,652,018
Cultural	8,548,032	-	-	8,548,032
Religious	2,073,712	-	-	2,073,712
Humanitarian	1,127,704	-	-	1,127,704
	17,401,466	-	-	17,401,466
Administrative	4,839,800	-	-	4,839,800
Fundraising	491,555	-	-	491,555
Life estate	35,471	-	-	35,471
	22,768,292	-	-	22,768,292
Changes in net assets from operations	5,796,339	780,023	4,064,913	10,641,275
Inter fund transfers	(6,212,171)	5,326,904	885,267	-
<b>Changes in net assets</b>	(415,832)	6,106,927	4,950,180	10,641,275
Net assets (deficit), beginning of year	(6,620,258)	39,792,216	188,046,481	221,218,439
<b>Net assets (deficit), end of year</b>	<b>\$ (7,036,090)</b>	<b>\$ 45,899,143</b>	<b>\$ 192,996,661</b>	<b>\$ 231,859,714</b>

See notes to financial statements.

Year Ended December 31, 2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,299,790	\$ 7,115,240	\$ 1,980,631	\$ 11,395,661
50,986	-	-	50,986
1,294,340	10,000	-	1,304,340
3,645,116	7,125,240	1,980,631	12,750,987
(2,372,938)	-	-	(2,372,938)
59,104	2,256	-	61,360
652,086	-	-	652,086
(1,661,748)	2,256	-	(1,659,492)
1,983,368	7,127,496	1,980,631	11,091,495
12,921,637	(12,921,637)	-	-
14,905,005	(5,794,141)	1,980,631	11,091,495
5,703,485	-	-	5,703,485
6,380,557	-	-	6,380,557
1,909,638	-	-	1,909,638
3,216,813	-	-	3,216,813
17,210,493	-	-	17,210,493
5,012,338	-	-	5,012,338
432,296	-	-	432,296
32,471	-	-	32,471
22,687,598	-	-	22,687,598
(7,782,593)	(5,794,141)	1,980,631	(11,596,103)
(3,515,587)	(6,586,729)	10,102,316	-
(11,298,180)	(12,380,870)	12,082,947	(11,596,103)
4,677,922	52,173,086	175,963,534	232,814,542
\$ (6,620,258)	\$ 39,792,216	\$ 188,046,481	\$ 221,218,439

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

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2016	2015
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 10,641,275	\$ (11,596,103)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,538,637	1,417,732
Contributions restricted for endowments	(4,064,913)	(1,980,631)
Donated stock	(1,466,419)	-
Net realized gain on sale of investments	(3,174,150)	(3,989,560)
Net unrealized (gain) loss on investments	(5,357,255)	11,438,839
Gain on sale of real estate	-	(2,344,910)
Changes in assets and liabilities		
Other receivables	3,764,043	(4,108,201)
Accounts payable and other liabilities	160,819	(74,054)
Net cash provided by (used in) operating activities	2,042,037	(11,236,888)
<b>Cash flows from investing activities</b>		
Loan to related party	(108,319)	(1,041,661)
Purchase of real estate	(3,226,993)	(4,024,611)
Proceeds from sale of real estate	-	2,520,128
Purchase of furniture and equipment	(143,805)	(251,403)
Proceeds from sale of investments	34,941,942	34,436,946
Purchase of investments	(36,607,611)	(24,113,374)
Purchase certificates of deposit	(233,638)	(648,154)
Net cash (used in) provided by investing activities	(5,378,424)	6,877,871
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for endowments	4,064,913	1,980,631
<b>Net increase (decrease) in cash</b>	728,526	(2,378,386)
<b>Cash, beginning of year</b>	3,731,564	6,109,950
<b>Cash, end of year</b>	\$ 4,460,090	\$ 3,731,564

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  
(A NONPROFIT CORPORATION)**

**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.

**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, 2016 and 2015 as management has determined that substantially all accounts are deemed to be collectible.

**Contributions Receivable and Promises to Give**

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

**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, 2016 or 2015.

**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 Funds (Continued)**

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

	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
	<b>\$ 42,866,769</b>	<b>\$ 178,938,317</b>	<b>\$ 221,805,086</b>

	December 31, 2015		
	Board-Designated	Donor-Restricted	Total
Unrestricted - Reserve	\$ 24,242,634	\$ -	\$ 24,242,634
Temporarily restricted - Unexpended endowment earnings	17,020,931	-	17,020,931
Permanently restricted - Endowments	-	173,988,137	173,988,137
	<b>\$ 41,263,565</b>	<b>\$ 173,988,137</b>	<b>\$ 215,251,702</b>

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

	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
Investment income	-	11,444	-	11,444
Inter-fund transfers and other adjustments	1,056	237,646	800,000	1,038,702
Capitalization	-	(85,267)	85,267	-
Appropriation of endowment earnings for expenditure	-	(5,010,294)	-	(5,010,294)
Inter-fund transfer, undistributed income	767,490	-	-	767,490
Endowment net assets, end of year	<b>\$ 25,011,180</b>	<b>\$ 17,855,589</b>	<b>\$ 178,938,317</b>	<b>\$ 221,805,086</b>

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

**NOTES TO FINANCIAL STATEMENTS**

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

**Endowment Funds (Continued)**

	December 31, 2015			
	Reserve (1)	Unexpended Endowment Earnings (2)	Endowments (3)	Total
Endowment net assets, beginning of year	\$ 23,491,166	\$ 17,084,375	\$ 161,905,190	\$ 202,480,731
Income distribution	-	5,558,179	-	5,558,179
Contributions	-	-	1,980,631	1,980,631
Investment loss	-	(13,658)	-	(13,658)
Inter-fund transfers and other adjustments	1,056	129,463	10,002,000	10,132,519
Capitalization	-	(100,316)	100,316	-
Appropriation of endowment earnings for expenditure	-	(5,637,112)	-	(5,637,112)
Inter-fund transfer, undistributed income	750,412	-	-	750,412
Endowment net assets, end of year	\$ 24,242,634	\$ 17,020,931	\$ 173,988,137	\$ 215,251,702

(1) Included in unrestricted net assets

(2) Included in temporarily restricted net assets, see note 7

(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.

**Endowment Investment and Spending Policies**

The Organization has adopted investment and spending polices, 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.

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

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

**Endowment Investment and Spending Policies (Continued)**

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.

**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.

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

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

**Investment Valuation (Continued)**

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.

*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.

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

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

**Investments (Continued)**

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 statement 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).

**Subsequent Events**

These financial statements were approved by management and available for issuance on November 14, 2017. Management has evaluated subsequent events through this date.



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

**NOTES TO FINANCIAL STATEMENTS**

**3 - OTHER RECEIVABLE**

Other receivable consist of the following:

	December 31,	
	2016	2015
Accounts and other receivables	\$ 602,836	\$ 766,770
Contributions receivable	754,462	167,664
Interest receivable	555,121	283,574
Hedge fund redemption receivable	6,620,662	4,458,454
	<u>\$ 8,533,081</u>	<u>\$ 5,676,462</u>

**4 - INVESTMENTS**

Investments at fair value are summarized as follows:

	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>

  

	December 31, 2015		
	Level 1	Level 2	Total
Debt securities	\$ 26,521,020	\$ -	\$ 26,521,020
Equity securities	51,109,692	-	51,109,692
Money market funds	23,891,698	-	23,891,698
US government bonds	229,359	-	229,359
Hedge funds	43,600	61,819,002	61,862,602
Mutual funds	5,041,045	6,532,567	11,573,612
	<u>\$ 106,836,414</u>	<u>\$ 68,351,569</u>	<u>\$ 175,187,983</u>

Investments are classified as follows:

	December 31,	
	2016	2015
Investments - current	\$ 1,292,497	\$ 1,199,846
Endowment investments - noncurrent	178,938,317	173,988,137
	<u>\$ 180,230,814</u>	<u>\$ 175,187,983</u>

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

**4 - INVESTMENTS (Continued)**

Investment income (loss) is summarized as follows:

	December 31,	
	2016	2015
Net realized gain on investments	\$ 3,174,150	\$ 3,989,553
Net unrealized gain (loss) on investments	5,357,255	(11,438,839)
Gain on real estate	-	2,344,910
Interest and dividends	2,987,815	3,279,590
Investment fees	(555,055)	(548,152)
	<u>\$ 10,964,165</u>	<u>\$ (2,372,938)</u>

**5 - RELATED PARTY TRANSACTIONS**

The related party receivable balance of \$1,146,794 and \$1,038,475 at December 31, 2016 and 2015, respectively reflects amounts advanced to unconsolidated related parties, net of amounts received for operating expenses.

Certain board members' children were employed by the Organization as staff in Outreach and Development and Scholarship Coordination and received approximately \$184,000 in compensation for the year ended December 31, 2015. There was no such compensation incurred for the year ended December 31, 2016.

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**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, 2016 and 2015 respectively:

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

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

	December 31,	
	2016	2015
Program expense	\$ 63,593	\$ 55,095
Administrative expense	1,475,044	1,362,637
	\$ 1,538,637	\$ 1,417,732

**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	2015 Total
Argentina	\$ -	\$ 6,011,932	\$ 1,290,323	\$ 7,302,255
Armenia	491,340	11,706,723	1,392,985	13,591,048
Australia	-	2,828,512	1,142,657	3,971,169
Canada	-	-	1,305	1,305
Iran	-	424,726	141,575	566,301
United States	2,793,714	21,229,558	6,194,138	30,217,410
Uruguay	-	1,482,203	333,893	1,816,096
	3,285,054	43,683,654	10,496,876	57,465,584
Less - Accumulated depreciation and amortization	(2,803,820)	(23,880,412)	-	(26,684,232)
	\$ 481,234	\$ 19,803,242	\$ 10,496,876	\$ 30,781,352

**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 - TEMPORARILY RESTRICTED NET ASSETS**

Changes in temporarily restricted net assets are as follows:

	December 31,	
	2016	2015
Balance at beginning of year	\$ 39,792,216	\$ 52,173,086
Contributions and other income	13,469,026	7,127,496
Satisfaction of restrictions	(12,689,003)	(12,921,637)
Interfund transfers		
Income distribution	5,681,129	5,558,179
Interfund transfers, other	(354,225)	(12,144,908)
Total interfund transfers	5,326,904	(6,586,729)
	\$ 45,899,143	\$ 39,792,216

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

**8 - TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2016	2015
Educational	\$ 9,889,174	\$ 10,809,634
Cultural	10,518,059	6,322,469
Humanitarian	7,295,344	6,405,150
Religious	1,467,598	643,160
Life estate	209,251	209,251
General programs	3,499,246	3,441,527
General purpose	7,213,010	5,610,335
Real estate	-	1,390,000
Other	5,807,461	4,960,690
	<b>\$ 45,899,143</b>	<b>\$ 39,792,216</b>

Temporarily restricted net assets also include the accumulated balance of board designated unexpended endowment earnings of \$17,855,589 and \$17,020,931 in 2016 and 2015 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,	
	2016	2015
Educational	\$ 3,579,809	\$ 3,841,154
Cultural programs	3,642,597	1,669,744
Humanitarian	1,031,106	3,208,649
Religious	2,054,735	1,895,973
Other	2,380,756	2,306,117
	<b>\$ 12,689,003</b>	<b>\$ 12,921,637</b>

**9 - PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes:

	December 31,	
	2016	2015
Real estate - capital funds	\$ 14,058,344	\$ 14,058,344
Educational	70,142,840	68,506,244
Cultural	5,653,389	5,530,393
Humanitarian	11,166,040	10,755,685
Religious	11,129,738	10,506,006
General purpose	80,846,310	78,689,809
	<b>\$ 192,996,661</b>	<b>\$ 188,046,481</b>

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

**10 - INCOME DISTRIBUTION**

Annually, the Board of Directors designates a percentage of investment earnings to be allocated for endowment purposes. The gross income distribution, \$7,574,836 and \$7,410,903 for 2016 and 2015 respectively, represents 4% (gross), of endowment principal and their corresponding reserve balances at year end.

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 added to the endowments' principal.

The income distribution is allocated as follows:

	December 31,	
	2016	2015
Reserves - unrestricted net assets	\$ 757,484	\$ 741,091
Management fee - unrestricted net assets	1,136,223	1,111,633
	1,893,707	1,852,724
Unexpended endowment earnings - temporarily restricted net assets	5,681,129	5,558,179
	\$ 7,574,836	\$ 7,410,903

**11 - 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 \$59,000 and \$62,000 in 2016 and 2015 respectively. All employees are also eligible to participate in a non-contributory salary deferral 401(k) plan.

**12 - CONCENTRATIONS**

**Major donors**

The Organization received contributions from major donors as follows:

	December 31,	
	2016	2015
Donor		
A	\$ 7,195,000	\$ 1,340,000
B	2,075,000	1,700,000
	\$ 9,270,000	\$ 3,040,000

**SUPPLEMENTARY INFORMATION**

**ARMENIAN GENERAL BENEVOLENT UNION**  
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**SCHEDULES OF PROGRAM AND ADMINISTRATIVE EXPENSES**

	Year Ended December 31,	
	2016	2015
<b>Program</b>		
<b>Educational</b>		
EL-HI	\$ 2,819,774	\$ 2,353,167
Universities	957,970	960,195
Scholarship	786,615	1,219,751
Children's center	569,034	354,102
Assisted educational programs	439,867	685,061
General	78,758	131,209
	5,652,018	5,703,485
<b>Cultural projects</b>		
Cultural programs	1,964,613	2,874,215
Cultural centers	4,648,785	1,373,504
Youth programs	1,244,724	1,347,884
Publications/media	673,821	768,359
Bookstore operations and library	16,089	16,595
	8,548,032	6,380,557
<b>Religious</b>		
Religious construction	597,080	800,000
Institutions support	1,476,632	1,109,638
	2,073,712	1,909,638
<b>Humanitarian</b>		
Relief	1,073,590	794,231
Medical aid programs	54,114	2,422,582
	1,127,704	3,216,813
<b>Administrative</b>		
Administration	4,839,800	5,012,338
Fundraising	491,555	432,296
Life estate	35,471	32,471
	5,366,826	5,477,105
	\$ 22,768,292	\$ 22,687,598

See independent auditors' report.



**ARMENIAN GENERAL BENEVOLENT UNION**  
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**SCHEDULES OF ADMINISTRATIVE EXPENSES**

	Year Ended December 31,	
	2016	2015
Salaries and wages	\$ 1,734,834	\$ 1,405,007
Retirement plan contribution and expense	120,508	126,805
Employee benefits	221,505	163,726
Payroll taxes	150,810	123,313
Accounting fees	110,489	93,311
Legal fees	14,456	12,322
Consulting fees	134,292	609,963
Other professional services	87,226	401,323
Telephone	42,819	30,012
Postage and shipping	20,775	46,233
Occupancy	205,008	201,520
Equipment rental and maintenance	92,024	87,429
Travel	56,549	36,744
Conferences, conventions, and meetings	49,939	8,886
Depreciation and amortization	1,475,044	1,362,637
Office expense	51,196	45,014
Insurance	48,424	73,799
Miscellaneous expense	223,557	178,352
Advertising	345	5,942
	<b>\$ 4,839,800</b>	<b>\$ 5,012,338</b>

See independent auditors' report.