

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

**AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A AMERICAN FRIENDS OF BAR-ILAN UNIVERSITY)**

For the years ended September 30, 2018 and 2017

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Overseers of American Division of Bar-Ilan University in Israel

Report on the financial statements

We have audited the accompanying consolidated financial statements of the American Division of Bar-Ilan University in Israel, Inc. (d/b/a American Friends of Bar-Ilan University) (the “Organization”), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated 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 Organization’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Division of Bar-Ilan University in Israel, Inc. (d/b/a American Friends of Bar-Ilan University) as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, included on pages 23 and 24, is presented for purposes of additional analysis, rather than to present the results of operations of the individual companies for the years ended September 30, 2018 and 2017, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York
July 3, 2019

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statements of Financial Position
As of September 30, 2018 and 2017

	2018			2017		
	AFBIU	Haron Dahan Fund	Total	AFBIU	Haron Dahan Fund	Total
ASSETS						
ASSETS						
Cash and cash equivalents	\$ 8,693,210	\$ -	\$ 8,693,210	\$ 10,036,752	\$ -	\$ 10,036,752
Contributions receivable, net	10,771,986	-	10,771,986	9,277,843	-	9,277,843
Beneficial interests in trusts	2,364,142	-	2,364,142	2,176,988	-	2,176,988
Due to/from AFBIU/Haron Dahan Fund	28,374	(28,374)	-	21,210	(21,210)	-
Accrued interest receivable	23,624	-	23,624	20,890	-	20,890
Other receivables	-	-	-	3,367	-	3,367
Prepaid expenses and other assets	133,832	-	133,832	131,817	-	131,817
Investments	20,043,559	37,242,871	57,286,430	19,868,661	24,997,752	44,866,413
Cash surrender value of life insurance	177,027	-	177,027	165,539	-	165,539
Furniture and equipment, net	17,039	-	17,039	91,558	-	91,558
Total assets	<u>\$ 42,252,793</u>	<u>\$ 37,214,497</u>	<u>\$ 79,467,290</u>	<u>\$ 41,794,625</u>	<u>\$ 24,976,542</u>	<u>\$ 66,771,167</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 494,097	\$ -	\$ 494,097	\$ 230,185	\$ -	\$ 230,185
Grants payable	1,091,466	-	1,091,466	1,598,980	-	1,598,980
Deferred compensation	662,227	-	662,227	715,812	-	715,812
Annuities payable	1,319,498	-	1,319,498	1,500,209	-	1,500,209
Total liabilities	3,567,288	-	3,567,288	4,045,186	-	4,045,186
NET ASSETS						
Unrestricted	7,271,030	-	7,271,030	8,189,043	-	8,189,043
Temporarily restricted	20,872,459	-	20,872,459	19,026,955	-	19,026,955
Permanently restricted	10,542,016	37,214,497	47,756,513	10,533,441	24,976,542	35,509,983
Total net assets	<u>38,685,505</u>	<u>37,214,497</u>	<u>75,900,002</u>	<u>37,749,439</u>	<u>24,976,542</u>	<u>62,725,981</u>
Total liabilities and net assets	<u>\$ 42,252,793</u>	<u>\$ 37,214,497</u>	<u>\$ 79,467,290</u>	<u>\$ 41,794,625</u>	<u>\$ 24,976,542</u>	<u>\$ 66,771,167</u>

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

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statement of Activities
For the year ended September 30, 2018

			Permanently Restricted			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Haron Dahan Fund	Total	Total
OPERATING ACTIVITIES						
REVENUES AND SUPPORT						
Contributions	\$ 535,438	\$ 9,709,652	\$ -	\$ 9,761,148	\$ 9,761,148	\$ 20,006,238
Gain on investments	348,045	938,368	7,575	2,483,971	2,491,546	3,777,959
Changes in value of split-interest agreements	(94,661)	330,724	-	-	-	236,063
Fee from Bar-Ilan University	4,700,000	-	-	-	-	4,700,000
Rental income	4,373	-	-	-	-	4,373
Net assets released from restrictions	9,139,404	(9,133,240)	1,000	(7,164)	(6,164)	-
Total revenues and support	<u>14,632,599</u>	<u>1,845,504</u>	<u>8,575</u>	<u>12,237,955</u>	<u>12,246,530</u>	<u>28,724,633</u>
EXPENSES						
Supporting services:						
Management and general	875,958	-	-	-	-	875,958
Management and general - Haron Dahan Fund	7,164	-	-	-	-	7,164
Fundraising	3,793,003	-	-	-	-	3,793,003
Total supporting services	4,676,125	-	-	-	-	4,676,125
Programs services:						
University projects (grants to Bar-Ilan University in Israel)	11,221,108	-	-	-	-	11,221,108
Change in pledges receivable allowance	(346,621)	-	-	-	-	(346,621)
Total expenses	<u>15,550,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,550,612</u>
Change in net assets	(918,013)	1,845,504	8,575	12,237,955	12,246,530	13,174,021
Net assets, beginning of year	<u>8,189,043</u>	<u>19,026,955</u>	<u>10,533,441</u>	<u>24,976,542</u>	<u>35,509,983</u>	<u>62,725,981</u>
Net assets, end of year	<u>\$ 7,271,030</u>	<u>\$ 20,872,459</u>	<u>\$ 10,542,016</u>	<u>\$ 37,214,497</u>	<u>\$ 47,756,513</u>	<u>\$ 75,900,002</u>

The accompanying notes are an integral part of this consolidated financial statement.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statement of Functional Expenses
For the year ended September 30, 2018

	Programs Services	Supporting Services			
	University Projects	Management and General	Fundraising	Total	Total
Salaries and related expenses	\$ -	\$ 424,616	\$ 2,661,586	\$ 3,086,202	\$ 3,086,202
Travel and lodging	-	-	112,185	112,185	112,185
Seminar and conferences	-	3,112	12,729	15,841	15,841
Telephone and fax	-	9,982	35,532	45,514	45,514
Computer costs	-	29,802	52,420	82,222	82,222
Stationery and printing	-	5,284	22,237	27,521	27,521
Occupancy	-	152,449	420,195	572,644	572,644
Maintenance and equipment costs	-	1,013	11,284	12,297	12,297
Registrations and subscriptions	-	905	9,134	10,039	10,039
Professional fees (includes \$7,164 of Haron Dahan Fund expenses)	-	159,832	151,017	310,849	310,849
Insurance	-	7,703	21,420	29,123	29,123
Advertising	-	-	171,921	171,921	171,921
Mail campaign	-	-	94,235	94,235	94,235
Contribution promotion	-	-	8,397	8,397	8,397
Depreciation	-	82,051	-	82,051	82,051
Other	-	6,373	8,711	15,084	15,084
Subtotal	-	883,122	3,793,003	4,676,125	4,676,125
Grants to Bar-Ilan University in Israel	11,221,108	-	-	-	11,221,108
Total expenses and grants to Bar-Ilan University before change in pledges receivable allowance	<u>\$ 11,221,108</u>	<u>\$ 883,122</u>	<u>\$ 3,793,003</u>	<u>\$ 4,676,125</u>	15,897,233
Change in pledges receivable allowance					<u>(346,621)</u>
Total expenses and grants to Bar-Ilan University					<u>\$ 15,550,612</u>

The accompanying notes are an integral part of this consolidated financial statement.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statement of Activities
For the year ended September 30, 2017

			Permanently Restricted			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Haron Dahan Fund	Total	Total
OPERATING ACTIVITIES						
REVENUES AND SUPPORT						
Contributions	\$ 902,606	\$ 10,254,282	\$ 163,196	\$ 4,970,599	\$ 5,133,795	\$ 16,290,683
Gain on investments	862,303	1,300,909	7,575	2,626,108	2,633,683	4,796,895
Changes in value of split-interest agreements	(253,619)	128,299	-	-	-	(125,320)
Fee from Bar-Ilan University	4,700,000	-	-	-	-	4,700,000
Rental income	17,372	-	-	-	-	17,372
Net assets released from restrictions	9,492,356	(9,486,246)	1,000	(7,110)	(6,110)	-
Total revenues and support	<u>15,721,018</u>	<u>2,197,244</u>	<u>171,771</u>	<u>7,589,597</u>	<u>7,761,368</u>	<u>25,679,630</u>
EXPENSES						
Supporting services:						
Management and general	771,345	-	-	-	-	771,345
Management and general - Haron Dahan Fund	7,110	-	-	-	-	7,110
Fundraising	<u>3,386,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,386,449</u>
Total supporting services	4,164,904	-	-	-	-	4,164,904
Programs services:						
University projects (grants to Bar-Ilan University in Israel)	9,851,593	-	-	-	-	9,851,593
Bad debt	<u>124,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,646</u>
Total expenses	<u>14,141,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,141,143</u>
Change in net assets	1,579,875	2,197,244	171,771	7,589,597	7,761,368	11,538,487
Net assets, beginning of year	<u>6,609,168</u>	<u>16,829,711</u>	<u>10,361,670</u>	<u>17,386,945</u>	<u>27,748,615</u>	<u>51,187,494</u>
Net assets, end of year	<u>\$ 8,189,043</u>	<u>\$ 19,026,955</u>	<u>\$ 10,533,441</u>	<u>\$ 24,976,542</u>	<u>\$ 35,509,983</u>	<u>\$ 62,725,981</u>

The accompanying notes are an integral part of this consolidated financial statement.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statement of Functional Expenses
For the year ended September 30, 2017

	Programs Services	Supporting Services			
	University Projects	Management and General	Fundraising	Total	Total
Salaries and related expenses	\$ -	\$ 347,677	\$ 2,611,969	\$ 2,959,646	\$ 2,959,646
Travel and lodging	-	-	94,078	94,078	94,078
Seminar and conferences	-	-	6,559	6,559	6,559
Telephone and fax	-	10,629	44,621	55,250	55,250
Computer costs	-	29,453	51,139	80,592	80,592
Stationery and printing	-	7,524	35,214	42,738	42,738
Occupancy	-	114,951	306,103	421,054	421,054
Maintenance and equipment costs	-	1,063	11,592	12,655	12,655
Registrations and subscriptions	-	401	8,835	9,236	9,236
Professional fees (includes \$7,110 of Haron Dahan Fund expenses)	-	249,653	21,787	271,440	271,440
Insurance	-	7,786	21,612	29,398	29,398
Advertising	-	-	28,661	28,661	28,661
Mail campaign	-	-	108,376	108,376	108,376
Contribution promotion	-	-	5,586	5,586	5,586
Depreciation	-	8,449	20,687	29,136	29,136
Other	-	869	9,630	10,499	10,499
Subtotal	-	778,455	3,386,449	4,164,904	4,164,904
Grants to Bar-Ilan University in Israel	9,851,593	-	-	-	9,851,593
Total expenses and grants to Bar-Ilan University before bad debt expense	<u>\$ 9,851,593</u>	<u>\$ 778,455</u>	<u>\$ 3,386,449</u>	<u>\$ 4,164,904</u>	14,016,497
Bad debt expense					<u>124,646</u>
Total expenses and grants to Bar-Ilan University					<u>\$ 14,141,143</u>

The accompanying notes are an integral part of this consolidated financial statement.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Consolidated Statements of Cash Flows
For the years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,174,021	\$ 11,538,487
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on sale of investments	(6,098,993)	105,608
Unrealized loss (gain) on investments	3,067,326	(4,353,330)
Depreciation and amortization	82,051	29,136
Change in contributions receivable allowance and discount	51,475	(1,045,192)
Contributions restricted for long-term investment	(9,761,148)	(5,133,796)
Donated securities	(400,464)	(967,406)
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable, gross	(1,545,618)	732,799
Increase in beneficial interests	(187,154)	(348,955)
(Increase) decrease in accrued interest receivable	(2,734)	1,444
Decrease (increase) in other receivables	3,367	(3,258)
Increase in prepaid expenses and other assets	(2,015)	(4,726)
Increase in cash surrender value of life insurance	(11,488)	(11,068)
Increase (decrease) in accounts payable and accrued expenses	263,912	(47,711)
Decrease in grants payable	(507,514)	(2,287,331)
Decrease in deferred compensation payable	(53,585)	(59,129)
(Decrease) increase in annuities payable	(180,711)	208,534
Net cash used in operating activities	<u>(2,109,272)</u>	<u>(1,645,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,533)	(4,565)
Purchase of investments	(50,202,095)	(9,212,822)
Proceeds from sale of investments	<u>41,214,210</u>	<u>7,800,032</u>
Net cash used in investing activities	<u>(8,995,418)</u>	<u>(1,417,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions received	<u>9,761,148</u>	<u>5,133,796</u>
Net cash provided by financing activities	<u>9,761,148</u>	<u>5,133,796</u>
Change in cash and cash equivalents	(1,343,542)	2,070,547
Cash and cash equivalents, beginning of year	<u>10,036,752</u>	<u>7,966,205</u>
Cash and cash equivalents, end of year	<u>\$ 8,693,210</u>	<u>\$ 10,036,752</u>

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

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Notes to Consolidated Financial Statements
September 30, 2018 and 2017

1. NATURE OF ORGANIZATION

Bar-Ilan University in Israel (the “University”), located in Ramat Gan, Israel, is an educational institution chartered by the New York State Board of Regents. The Internal Revenue Service has determined that the University is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

The University conducts various fund-raising activities in the United States through the American Division of Bar-Ilan University in Israel, Inc. (d/b/a American Friends of Bar-Ilan University) (the “Organization” or “AFBIU”). The Organization is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization’s primary source of revenue is contributions that will ultimately support the University’s educational mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis. The financial statements present only those financial transactions applicable to the Organization and do not include the financial transactions or accounts maintained by the University.

Consolidated in these financial statements is The Haron Dahan Fund for Bar-Ilan University in Israel, Inc. (the “Fund”), an entity related through common board control and economic interest. All intercompany transactions and balances have been eliminated in the consolidation.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets subject to donor-imposed stipulations, including net appreciation on permanently restricted endowment funds, that may or will be met by actions of the Organization or the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 the reported amounts of revenue and expenses during the reporting period. The most significant assumptions relate to the realization of pledges receivable and the carrying value of investments. Actual results could differ from those estimates.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Notes to Consolidated Financial Statements
September 30, 2018 and 2017

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments purchased with maturities when acquired of three months or less.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities.” This ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. This update is effective for the fiscal year beginning October 1, 2018, with early adoption permitted. The Organization is currently assessing the effect that adoption of the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases.” This ASU will require lessees to recognize almost all leases on the statement of financial position as a right-of-use asset and a lease liability. For statement of activities purposes, the FASB retained a dual model, requiring leases to be classified as finance leases or operating leases. This update is effective for the fiscal year beginning October 1, 2020, with early adoption permitted. The Organization is currently assessing the effect that adoption of the new standard will have on its financial statements.

Investments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurement, the Organization uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no observable pricing. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

AMERICAN DIVISION OF BAR-ILAN UNIVERSITY IN ISRAEL, INC.
(D/B/A American Friends of Bar-Ilan University)
Notes to Consolidated Financial Statements
September 30, 2018 and 2017

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

Investments in marketable securities are stated at fair value based on quoted market prices. State of Israel Bonds are generally stated at cost, which approximates fair value. As of September 30, 2018 and 2017, the Organization invested in State of Israel Bonds with values totaling \$1,203,500 and \$1,204,500, respectively, which were included in investments on the consolidated statements of financial position. Refer to Note 4 for marketable securities classified within the fair value hierarchy.

Investments are recorded at fair value based upon market value. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility 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 materially affect the amounts reported in the Organization's consolidated financial statements.

The guidance permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a net asset value ("NAV") per share of the investment or its equivalent. In May 2015, an amendment to the guidance was released, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The Organization adopted this amendment during the fiscal year ended September 30, 2018 and has applied the new amendments retrospectively for all periods presented, as required. The adoption of this new guidance by the Organization only amended disclosure requirements and did not have any further impact on the Organization's consolidated financial statements for the periods presented.

Fixed Assets

Fixed assets are stated at cost. Items with a cost of \$1,000 and an estimated useful life of two years or more are capitalized. Depreciation and amortization are taken on the straight-line method over the assets' estimated useful lives of 3 to 10 years.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

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Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

The Organization determines whether an allowance for uncollectibles should be provided for contributions. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all collection efforts have been exhausted.

For the years ended September 30, 2018 and 2017, approximately 69% and 40%, respectively, of the consolidated contribution revenues were provided by two contributors. The consolidation of the Haron Dahan Fund weighs heavily on these percentages.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable and investments. The Organization maintains its cash in various bank accounts that may exceed federally insured limits at times. The Organization has not experienced, nor does it anticipate any losses with respect to such accounts.

Grants

All grants made to the University for its various projects are made pursuant to authorization by the Grants Committee of the Board of Overseers of the Organization.

Fee from Bar-Ilan University

The Organization and the University entered into an agreement for the University to pay the Organization a set fee each fiscal year for the fundraising services that the Organization provides. For each of the years ended September 30, 2018 and 2017, the Organization earned \$4,700,000 which is included in the fee from Bar-Ilan University in the accompanying statement of activities.

Income Taxes

Both the Organization and The Haron Dahan Fund follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

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Both AFBIU and The Haron Dahan Fund are exempt from federal income tax under IRC section 501(c)(3), though both are subject to tax on income unrelated to their exempt purpose, unless that income is otherwise excluded by the Code. AFBIU and Haron Dahan have processes presently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions.

Both organizations have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following as of September 30, 2018 and 2017:

	2018	2017
Contributions receivable due in:		
Less than 1 year	\$ 3,929,886	\$ 3,387,268
1-5 years	6,551,000	7,148,000
Greater than 5 years	<u>1,600,000</u>	<u>-</u>
	12,080,886	10,535,268
Less:		
Allowance for uncollectible contributions	(585,464)	(932,085)
Discount to present value	<u>(723,436)</u>	<u>(325,340)</u>
	<u><u>\$ 10,771,986</u></u>	<u><u>\$ 9,277,843</u></u>

Discount rates for pledges outstanding at September 30, 2018 and 2017 ranged from 1.20% to 3.51%.

At both September 30, 2018 and 2017, three donors' gross pledge balance represented 77% and 75% of gross contributions receivable, respectively.

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4. INVESTMENTS, AT FAIR VALUE

The following tables summarize investments within the fair value hierarchy (see Note 2) as of September 30, 2018 and 2017:

2018				
	Level 1	Level 2	NAV*	Total
Money market funds	\$ 2,528,071	\$ -	\$ -	\$ 2,528,071
Fixed income	3,174,715	34,947,283	-	38,121,998
Common stocks	5,315,859	-	-	5,315,859
Alternative investments:				
Other private funds	-	-	2,026,282	2,026,282
Private equity	-	-	1,134,840	1,134,840
Fund of funds	-	-	3,768,237	3,768,237
Hedge funds	-	-	3,187,643	3,187,643
Total investments, at fair value	<u>\$ 11,018,645</u>	<u>\$ 34,947,283</u>	<u>\$ 10,117,002</u>	56,082,930
State of Israel bonds				1,203,500
Total investments				<u>\$ 57,286,430</u>
2017				
	Level 1	Level 2	NAV*	Total
Money market funds	\$ 2,168,318	\$ -	\$ -	\$ 2,168,318
Fixed income	9,285,390	1,043,345	-	10,328,735
Common stocks	21,018,110	-	-	21,018,110
Alternative investments:				
Other private funds	-	-	1,759,068	1,759,068
Private equity	-	-	896,863	896,863
Fund of funds	-	-	4,079,101	4,079,101
Hedge funds	-	-	3,411,718	3,411,718
Total investments, at fair value	<u>\$ 32,471,818</u>	<u>\$ 1,043,345</u>	<u>\$ 10,146,750</u>	43,661,913
State of Israel bonds				1,204,500
Total investments				<u>\$ 44,866,413</u>

* In accordance with the Organization's policy and relevant accounting guidance, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

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The Organization uses the NAV to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per the accounting standard governing NAV as a practical expedient, the following tables list investments in other companies by major category as of September 30, 2018 and 2017:

2018						
Type	Strategy	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity	Limited partnership venture capital fund and energy credit fund	\$ 1,134,840	3	\$821,569	Limited liquidity	Limited liquidity
Other private fund	Limited partnership invested in individual equities	2,026,282	3	N/A	30 - 95 days notice with monthly - semi-annual redemptions	N/A
Fund of funds	Top tier managers providing diversification of strategy and investment process	67,689	1	N/A	90 days notice and quarterly redemptions	N/A
	Principally invests in separate accounts of individual money managers	3,700,548	1	N/A	Monthly redemptions, 5-30 days notice	N/A
Hedge fund	Private investment funds sponsored by Wellington Global	1,201,825	1	N/A	45 days notice and quarterly redemptions	N/A
	U.S. equities long and short	866,605	2	N/A	30-60 days notice with monthly - quarterly redemptions	N/A
	Strategic opportunities primarily in U.S. equities long and short	1,119,213	1	N/A	30 days notice and quarterly redemptions	N/A
		<u>\$ 10,117,002</u>				
2017						
Type	Strategy	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Private equity	Limited partnership venture capital fund and energy credit fund	\$ 896,863	3	\$821,569	Limited liquidity	Limited liquidity
Other private fund	Limited partnership invested in individual equities	1,759,068	3	N/A	30 - 95 days notice with monthly - semi-annual redemptions	N/A
Fund of funds	Top tier managers providing diversification of strategy and investment process	917,173	1	N/A	90 days notice and quarterly redemptions	N/A
	Principally invests in separate accounts of individual money managers	3,161,928	1	N/A	Monthly redemptions, 5-30 days notice	N/A
Hedge fund	Private investment funds sponsored by Wellington Global	1,118,045	1	N/A	45 days notice and quarterly redemptions	N/A
	U.S. equities long and short	1,180,834	3	N/A	30-60 days notice with monthly - quarterly redemptions	N/A
	Strategic opportunities primarily in U.S. equities long and short	1,112,839	1	N/A	30 days notice and quarterly redemptions	N/A
		<u>\$ 10,146,750</u>				

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Investment return is comprised of interest, dividends, and realized and unrealized gains and losses. Return for the years ended September 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 746,292	\$ 549,173
Realized and unrealized gain	<u>3,031,667</u>	<u>4,247,722</u>
Total investment return	<u>\$ 3,777,959</u>	<u>\$ 4,796,895</u>

For fiscal years 2018 and 2017, \$136,052 and \$112,048, respectively, of investment fees were netted against investment income.

5. BENEFICIAL INTEREST IN TRUSTS (TRUSTS WHERE THE ORGANIZATION IS NOT THE TRUSTEE)

The Organization obtains commitments from donors whereby the donor establishes a trust in which the Organization has an irrevocable interest and the assets are placed under the control of a trustee other than the Organization. This party acts as a fiduciary of the assets and, upon the death of the donor, these assets will be transferred to the Organization. As of September 30, 2018 and 2017, these interests have been discounted at a rate of 3.4% and 2.4%, respectively, using actuarially based mortality tables.

At September 30, 2018 and 2017, the Organization's beneficial interests in its trusts were classified as Level 3 within the fair value hierarchy. The following tables summarize the changes in the Organization's Level 3 beneficial interests in trusts for the years ended September 30, 2018 and 2017:

	<u>Beneficial Interests in Trusts</u>
Balance at September 30, 2017	\$ 2,176,988
Payments received on a lead trust	(90,632)
Change in value of trust assets	<u>277,786</u>
Balance at September 30, 2018	<u>\$ 2,364,142</u>
	<u>Beneficial Interests in Trusts</u>
Balance at September 30, 2016	\$ 1,828,033
Payments received on a lead trust	(54,380)
Change in value of trust assets	<u>403,335</u>
Balance at September 30, 2017	<u>\$ 2,176,988</u>

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6. FURNITURE AND EQUIPMENT, NET

Furniture and equipment consisted of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 125,308	\$ 128,010
Leasehold improvements	23,480	237,224
Software	<u>3,269</u>	<u>3,020</u>
	152,057	368,254
Accumulated depreciation and amortization	<u>(135,018)</u>	<u>(276,696)</u>
	<u>\$ 17,039</u>	<u>\$ 91,558</u>

Depreciation expense amounted to \$82,051 and \$29,136 for the years ended September 30, 2018 and 2017, respectively.

7. PENSION PLANS

The Organization has a defined contribution plan covering substantially all employees who have attained the age of twenty-one and completed one year of service. Under the plan, the Organization makes a base contribution of between 5% and 9%, depending on years of service, of the employees' annual salary. For the years ended September 30, 2018 and 2017, the Organization contributed \$154,633 and \$154,239, respectively, to the plan.

8. ENDOWMENT

The Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;

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- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization; and
- Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects of the Organization.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

The following tables summarize endowment net asset composition by type of fund and changes in endowment net assets as of and for the years ended September 30, 2018 and 2017:

2018				
Endowment Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,481,294	\$ 35,509,983	\$ 36,991,277
Contributions	-	-	9,761,148	9,761,148
Interest and dividends	-	62,238	414,081	476,319
Realized and unrealized gain	-	855,608	2,077,465	2,933,073
Change in pledge receivable allowance	-	-	1,000	1,000
Appropriated for expenditure	-	(385,486)	(7,164)	(392,650)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,013,654</u>	<u>\$ 47,756,513</u>	<u>\$ 49,770,167</u>

2017				
Endowment Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 472,560	\$ 27,748,615	\$ 28,221,175
Contributions	-	-	5,133,796	5,133,796
Interest and dividends	-	56,208	286,508	342,716
Realized and unrealized gain	-	1,220,375	2,347,174	3,567,549
Change in pledge receivable allowance	-	-	1,000	1,000
Appropriated for expenditure	-	(267,849)	(7,110)	(274,959)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,481,294</u>	<u>\$ 35,509,983</u>	<u>\$ 36,991,277</u>

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9. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

	<u>2018</u>	<u>2017</u>
Special educational projects at the University	<u>\$ 20,872,459</u>	<u>\$ 19,026,955</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2018</u>	<u>2017</u>
Special educational projects at the University	<u>\$ 47,756,513</u>	<u>\$ 35,509,983</u>

10. LEASE COMMITMENTS

The Organization's future minimum rental commitments as of September 30, 2018 under non-cancelable operating leases for New York, Florida, Illinois and California are as follows:

Year Ending September 30,

2019	\$ 294,248
2020	297,712
2021	306,539
2022	316,002
2023	253,682
2024	<u>14,938</u>
	<u>\$ 1,483,121</u>

The above leases are subject to escalation clauses. Rent expense for the years ended September 30, 2018 and 2017 amounted to approximately \$549,890 and \$388,336, respectively.

11. CHARITABLE REMAINDER TRUSTS AND GIFT ANNUITIES

The Organization's investments include funds of charitable remainder trust and gift annuity agreements. Contribution revenues for charitable remainder trusts and gift annuities are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries. There was no contribution revenue recognized under charitable remainder trusts and gift annuity agreements during the years ended September 30, 2018 and 2017. The present value of payments to beneficiaries of charitable remainder trusts is calculated using an annual discount rate ranging from 6% to 8%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class. The market values of the trusts are in the temporarily restricted net asset class. When the trusts terminate, the funds will be restricted for special educational projects at the University.

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The fair market value of the investments of the trusts and gift annuities totaled \$1,184,452 and \$1,940,829 at September 30, 2018 and 2017, respectively, and are included as investments in the accompanying consolidated statements of financial position.

At September 30, 2018 and 2017, the Organization's annuities payable were classified as Level 3 within the fair value hierarchy (see Note 2).

The following tables summarize the changes in the Organization's Level 3 annuities payables for the years ended September 30, 2018 and 2017:

	<u>Charitable Remainder Trusts and Gift Annuities</u>
Balance at September 30, 2017	\$ 1,500,209
Payments to annuitants	(229,456)
Terminated agreements	(151,801)
Change in fair value of annuities payable	<u>200,546</u>
Balance at September 30, 2018	<u>\$ 1,319,498</u>
	<u>Charitable Remainder Trusts and Gift Annuities</u>
Balance at September 30, 2016	\$ 1,291,675
Payments to annuitants	(320,120)
Terminated agreements	(12,030)
Change in fair value of annuities payable	<u>540,684</u>
Balance at September 30, 2017	<u>\$ 1,500,209</u>

12. RELATED PARTY TRANSACTIONS

As of September 30, 2018 and 2017, grants payable due to the University totaled \$1,091,466 and \$1,598,980, respectively.

As of September 30, 2017, amounts due from the University totaled \$3,367 and were included in other receivables in the accompanying 2017 consolidated statement of financial position. There were no amounts due from the University as of September 30, 2018.

As of September 30, 2018 and 2017, The Haron Dahan Fund for Bar-Ilan University in Israel, Inc. was consolidated in these financial statements. This Fund is controlled by the American Friends of Bar-Ilan

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University, and was established as a supporting organization to benefit the University and the Organization. All or substantially all future contributions made by a certain donor for the benefit of the Organization will be made to the Fund. All of the income earned by the Fund shall be accumulated and added to the principal during the accumulation period, which shall terminate the earlier of December 31, 2025 or when the fair market value of the fund equals at least forty-five million dollars. Beginning in the first full calendar year after the termination of the accumulation period, the Fund shall annually distribute to the University an amount equal to the lesser of the net income of the Fund for the previous calendar year or \$2,500,000.

13. SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2018 financial statements for subsequent events through July 3, 2019, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

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	AFBIU	Haron Dahan Fund	Consolidated
REVENUES AND SUPPORT			
Contributions	\$ 10,245,090	\$ 9,761,148	\$ 20,006,238
Investment returns	1,293,988	2,483,971	3,777,959
Changes in value of split-interest agreements	236,063	-	236,063
Fee from Bar-Ilan University	4,700,000	-	4,700,000
Rental income	4,373	-	4,373
Total revenues and support	<u>16,479,514</u>	<u>12,245,119</u>	<u>28,724,633</u>
EXPENSES			
Salaries and related expenses	3,086,202	-	3,086,202
Travel and lodging	112,185	-	112,185
Seminars and conferences	15,841	-	15,841
Telephone and fax	45,514	-	45,514
Computer costs	82,222	-	82,222
Stationery and printing	27,521	-	27,521
Occupancy	572,644	-	572,644
Maintenance and equipment costs	12,297	-	12,297
Registrations and subscriptions	10,039	-	10,039
Professional fees	303,685	7,164	310,849
Insurance	29,123	-	29,123
Advertising	171,921	-	171,921
Mail campaign	94,235	-	94,235
Contribution promotion	8,397	-	8,397
Depreciation	82,051	-	82,051
Other	15,084	-	15,084
Total operating expenses	<u>4,668,961</u>	<u>7,164</u>	<u>4,676,125</u>
Grants to Bar-Ilan University in Israel	11,221,108	-	11,221,108
Change in pledges receivable allowance	(346,621)	-	(346,621)
Total expenses	<u>15,543,448</u>	<u>7,164</u>	<u>15,550,612</u>
Change in net assets	936,066	12,237,955	13,174,021
Net assets, beginning of year	<u>37,749,439</u>	<u>24,976,542</u>	<u>62,725,981</u>
Net assets, end of year	<u>\$ 38,685,505</u>	<u>\$ 37,214,497</u>	<u>\$ 75,900,002</u>

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Consolidating Statement of Activities
For the year ended September 30, 2017

	AFBIU	Haron Dahan Fund	Consolidated
REVENUES AND SUPPORT			
Contributions	\$ 11,320,084	\$ 4,970,599	\$ 16,290,683
Investment returns	2,170,787	2,626,108	4,796,895
Changes in value of split-interest agreements	(125,320)	-	(125,320)
Fee from Bar-Ilan University	4,700,000	-	4,700,000
Rental income	17,372	-	17,372
Total revenues and support	<u>18,082,923</u>	<u>7,596,707</u>	<u>25,679,630</u>
EXPENSES			
Salaries and related expenses	2,959,646	-	2,959,646
Travel and lodging	94,078	-	94,078
Seminars and conferences	6,559	-	6,559
Telephone and fax	55,250	-	55,250
Computer costs	80,592	-	80,592
Stationery and printing	42,738	-	42,738
Occupancy	421,054	-	421,054
Maintenance and equipment costs	12,655	-	12,655
Registrations and subscriptions	9,236	-	9,236
Professional fees	264,330	7,110	271,440
Insurance	29,398	-	29,398
Advertising	28,661	-	28,661
Mail campaign	108,376	-	108,376
Contribution promotion	5,586	-	5,586
Depreciation	29,136	-	29,136
Other	10,499	-	10,499
Total operating expenses	<u>4,157,794</u>	<u>7,110</u>	<u>4,164,904</u>
Grants to Bar-Ilan University in Israel	9,851,593	-	9,851,593
Bad debt expense	124,646	-	124,646
Total expenses	<u>14,134,033</u>	<u>7,110</u>	<u>14,141,143</u>
Change in net assets	3,948,890	7,589,597	11,538,487
Net assets, beginning of year	<u>33,800,549</u>	<u>17,386,945</u>	<u>51,187,494</u>
Net assets, end of year	<u>\$ 37,749,439</u>	<u>\$ 24,976,542</u>	<u>\$ 62,725,981</u>