

AMERICAN JEWISH UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

AMERICAN JEWISH UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Jewish University

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Jewish University (a nonprofit educational institution) (the University), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 entity'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 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 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 University as of June 30, 2018 and 2017, 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.

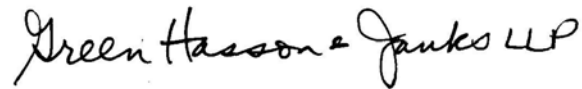
To the Board of Directors
American Jewish University

Other Matters - Supplementary Schedule

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal and Nonfederal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and Nonfederal Awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



February 13, 2019
Los Angeles, California

AMERICAN JEWISH UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

	Notes	2018	2017
ASSETS			
Cash and Cash Equivalents		\$ 1,298,078	\$ 2,056,162
Investments at Fair Value	3,8	85,763,216	77,433,571
Investment Sales Receivable	3	423,635	9,679,547
Investment in ZSRS	4	12,255,658	12,400,191
Accounts and Other Receivables (Net)		447,990	318,306
Contributions Receivable (Net)	5	3,563,638	5,337,361
Inventories		143,811	133,254
Prepaid Expenses and Other Assets		675,944	1,522,361
Property and Equipment (Net)	6	35,007,309	35,201,706
Collections of Art and Literature	2 (l)	-	-
		\$ 139,579,279	\$ 144,082,459
TOTAL ASSETS			
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Expenses		\$ 4,774,266	\$ 3,776,624
Deferred Revenue		1,992,911	2,015,531
Notes Payable (Net)	7	33,409,243	34,373,605
		40,176,420	40,165,760
TOTAL LIABILITIES			
 NET ASSETS:			
Unrestricted	10	29,335,348	34,092,973
Temporarily Restricted	10	48,899,003	48,779,522
Permanently Restricted	10,11	21,168,508	21,044,204
		99,402,859	103,916,699
TOTAL NET ASSETS			
		\$ 139,579,279	\$ 144,082,459
TOTAL LIABILITIES AND NET ASSETS			

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AMERICAN JEWISH UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	Notes	2018			2017 Total	
		Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUE AND PUBLIC SUPPORT:						
Tuition and Fees (Net of Scholarships and Financial Aid of \$2,491,798)		\$ 2,569,188	\$ -	\$ -	\$ 2,569,188	\$ 2,703,161
Gifts, Grants and Bequests		4,807,430	2,125,618	46,488	6,979,536	6,046,950
Program, Sales and Services		44,214	-	-	44,214	51,002
Auxiliary Enterprises		6,603,446	-	-	6,603,446	6,062,423
Investment Income (Net)	3	2,107,740	1,513,515	77,816	3,699,071	9,894,836
Income from ZSRS	4	-	755,467	-	755,467	557,159
Other Income		645,492	-	-	645,492	193,474
Net Assets Released from Purpose Restrictions		4,275,119	(4,275,119)	-	-	-
TOTAL REVENUE AND PUBLIC SUPPORT		21,052,629	119,481	124,304	21,296,414	25,509,005
EXPENSES:						
Program Services						
Academic		7,993,284	-	-	7,993,284	8,571,713
Auxiliary Enterprises		7,219,560	-	-	7,219,560	6,523,021
Department of Continuing Education		2,028,467	-	-	2,028,467	2,077,056
Total Program Services		17,241,311	-	-	17,241,311	17,171,790
Supporting Services						
Management and General		7,057,088	-	-	7,057,088	5,919,383
Fundraising		1,511,855	-	-	1,511,855	1,314,464
Total Supporting Services		8,568,943	-	-	8,568,943	7,233,847
TOTAL EXPENSES		25,810,254	-	-	25,810,254	24,405,637
CHANGE IN NET ASSETS		(4,757,625)	119,481	124,304	(4,513,840)	1,103,368
Net Assets - Beginning of Year		34,092,973	48,779,522	21,044,204	103,916,699	102,813,331
NET ASSETS - END OF YEAR		\$29,335,348	\$48,899,003	\$21,168,508	\$99,402,859	\$103,916,699

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AMERICAN JEWISH UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Notes	2017			Total
		Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND PUBLIC SUPPORT:					
Tuition and Fees (Net of Scholarships and Financial Aid of \$2,281,534)		\$ 2,703,161	\$ -	\$ -	\$ 2,703,161
Gifts, Grants and Bequests		4,854,957	1,181,620	10,373	6,046,950
Program, Sales and Services		51,002	-	-	51,002
Auxiliary Enterprises		6,062,423	-	-	6,062,423
Investment Income (Net)	3	4,791,083	4,877,413	226,340	9,894,836
Income from ZSRS	4	-	557,159	-	557,159
Other Income		193,440	34	-	193,474
Net Assets Released from Purpose Restrictions		3,894,909	(3,894,909)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT		22,550,975	2,721,317	236,713	25,509,005
EXPENSES:					
Program Services					
Academic		8,571,713	-	-	8,571,713
Auxiliary Enterprises		6,523,021	-	-	6,523,021
Department of Continuing Education		2,077,056	-	-	2,077,056
Total Program Services		17,171,790	-	-	17,171,790
Supporting Services					
Management and General		5,919,383	-	-	5,919,383
Fundraising		1,314,464	-	-	1,314,464
Total Supporting Services		7,233,847	-	-	7,233,847
TOTAL EXPENSES		24,405,637	-	-	24,405,637
CHANGE IN NET ASSETS		(1,854,662)	2,721,317	236,713	1,103,368
Net Assets - Beginning of Year		35,947,635	46,058,205	20,807,491	102,813,331
NET ASSETS - END OF YEAR		\$ 34,092,973	\$ 48,779,522	\$ 21,044,204	\$ 103,916,699

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AMERICAN JEWISH UNIVERSITY

CONSOLIDATED STATEMENT OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (4,513,840)	\$ 1,103,368
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	2,336,349	2,589,944
Amortization of Debt Issuance Costs	41,294	42,089
Net Realized and Unrealized Gains on Investments	(2,457,671)	(8,887,075)
Change in Value of Liability Under Gift Annuities	5,853	5,809
Allowance for Doubtful Contributions Receivable	(37,758)	(222)
Present Value Discount on Contributions Receivable	(51,465)	(43,470)
Contributions Restricted for Endowment	(46,488)	(10,373)
Equity Accounted Income from ZSRS	(755,467)	(557,159)
Changes in Assets and Liabilities:		
Accounts and Other Receivables	(129,684)	17,441
Contributions Receivable	1,862,946	11,099
Inventories	(10,557)	6,206
Prepaid Expenses and Other Assets	846,417	(37,759)
Accounts Payable and Accrued Expenses	998,985	(18,689)
Deferred Revenue	(22,620)	(22,947)
NET CASH USED IN OPERATING ACTIVITIES	(1,933,706)	(5,801,738)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,141,952)	(440,464)
Purchase of Investments	(17,322,410)	(8,805,500)
Sale of Investments	20,706,348	10,532,268
Distribution from ZSRS	900,000	875,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,141,986	2,161,304
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Endowment	46,488	10,373
Proceeds from Notes Payable	3,158,109	1,852,384
Principal Payments on Notes Payable	(4,163,765)	(1,212,399)
Liability Under Gift Annuities	(7,196)	(7,196)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(966,364)	643,162
NET DECREASE IN CASH AND CASH EQUIVALENTS	(758,084)	(2,997,272)
Cash and Cash Equivalents - Beginning of Year	2,056,162	5,053,434
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,298,078	\$ 2,056,162
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 1,398,191	\$ 1,345,365

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 - NATURE OF ORGANIZATION

The American Jewish University (the University) is a nonprofit educational institution built upon the mission of Jewish Learning, Culture, Ethics, Leadership and Peoplehood. The University is accredited by the Western Association of Schools and Colleges (WASC).

The University is the sole member of AJU BBI Holdings LLC and AJU Peppertree Holdings LLC. AJU BBI Holdings LLC, in turn, has a 100% ownership interest in a separate corporation, the Brandeis Mutual Water Company, which was established to protect the water rights for one of the University's campuses, the Brandeis-Bardin campus. There was no activity in these companies for the years ended June 30, 2018 and 2017.

The University also has a 100% equity interest in ZSRS Fund, LLC (ZSRS). ZSRS holds notes receivable and a number of minority interests in partnerships that own property in California and Arizona. The University accounts for this investment using the equity method of accounting for investments (See Note 4).

The University is a designated beneficiary of the University of Judaism Foundation (the "Foundation"). The Foundation was established in 1980 by officers of the University to support the University and other public charities, as defined by the Internal Revenue Code. Under the terms of the Foundation's incorporating documents, the University receives a minimum of approximately 35% of the Foundation's annual income. Additional income amounts, as well as the principal of the Foundation, may be received by the University based upon annual designations of the Foundation's members. The University has the ability to control the majority of the board of directors of the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the American Jewish University, AJU BBI Holdings LLC, Brandeis Mutual Water Company, AJU Peppertree Holdings LLC and the Jewish Television Network (collectively, the University). All intercompany transactions and balances have been eliminated upon consolidation.

The University has not consolidated the Foundation's financial position and activities into these consolidated financial statements as it considers the impact to be immaterial.

(b) BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the accrual basis of accounting.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the University are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The University reports gifts of cash and other assets as temporarily 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 of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from purpose or time restrictions.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the University to expend all of the income (or other economic benefits) derived from the donated assets.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2018 and 2017 approximates its fair value.

The University maintains its temporary cash investments in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in alternative strategies, for which there is no readily available market, are valued by the University using methods that management believes provide a reasonable estimate of fair value. These methods include initial due diligence and ongoing monitoring by management of investment funds.

Investment purchases and sales are accounted for on a trade-date basis, which resulted in receivables and payables on trades that had not yet settled at the financial statement date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income net of investment fees are reflected in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could be material.

The University's investment in the Brandeis Mutual Water Company represents a wholly-owned investment in a separate corporation formed to protect the University's interest in the natural water source attached to a local water district serving the Brandeis-Bardin campus. The investment allows the University to buy its water from the local water district at cost. Brandeis Mutual Water Company has \$75,000 in assets, included in other assets in the consolidated statement of financial position. There was no activity in the company for the years ended June 30, 2018 and 2017.

Investments are made according to the investment policies, guidelines, and objectives adopted by the University's Board of Directors. Market values of such investments are routinely reviewed by the Investment Committee of the Board of Directors.

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated fair value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2018 and 2017, management evaluated the collectability of its receivables and determined that an allowance of \$54,193 for uncollectible receivables was necessary.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges and bequests are recorded at estimated fair value, and recognized as revenues in the period received. The University reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2018 and 2017, the University had conditional grants totaling approximately \$169,418 and \$182,588, respectively, restricted for the Master of Arts in Teaching program.

In addition, the University had other conditional contributions totaling approximately \$780,000 at June 30, 2018. During October 2018, the University recorded revenue totaling approximately \$780,000 when the related conditions were satisfied.

(h) INVENTORIES

Inventories consist mainly of items held for sale in the University's food service, and are stated at the lower-of-cost or market and accounted for using the first-in, first-out (FIFO) method.

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings	40 Years
Building Improvements	10 Years
Furniture and Equipment	5 Years
Automotive Equipment	5 Years

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

(j) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by use of the straight-line method over the anticipated life of the related debt. Debt issuance costs, other than those costs related to line of credit arrangements, are netted against the long-term portion of the corresponding liability as shown in Note 7. The amortization of these costs is included in interest expense.

(k) LONG-LIVED ASSETS

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2018 and 2017.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) COLLECTIONS OF ART AND LITERATURE

The University's library collection, fine art works and sculpture collection, which were acquired through contributions and purchases, are not recognized as assets on the consolidated statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires deaccessioning proceeds to be used to acquire other items for collections.

(m) GIFT ANNUITIES

The University has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. Assets contributed by donors under gift annuity agreements and controlled by the University are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. The excess of the cash received over the present value of the annuity obligation is recorded as contribution revenue on the date the annuity gift is received and the liability is determined. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. To the extent the University is entitled, annuity funds are transferred to operations upon the death of the annuitant. The University monitors reserve funds and is in compliance with guidelines specified by the State of California Department of Insurance. The present value of these liabilities amounted to \$33,723 and \$35,066, at June 30, 2018 and 2017, respectively. Amortization of the discount and changes in actuarial assumptions are included in the change in value of the liability under gift annuity agreements in the consolidated statement of activities.

(n) REVENUE RECOGNITION AND DEFERRED REVENUE

Tuition and Fees. Tuition income is recognized as the educational services are provided. Tuition and fees received by the University for semesters or sessions occurring subsequent to June 30, 2018 and 2017 are recorded as deferred revenue. Certain federal grants which the University administers and for which it receives reimbursements are subject to inspection and audit by federal granting agencies. The purpose is to determine whether such funds were used in accordance with their respective guidelines and regulations. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The University expects that such amounts, if any, would not have a significant impact on the consolidated financial position of the University.

Gifts and Grants. Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. The University reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) REVENUE RECOGNITION AND DEFERRED REVENUE (continued)

Bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of testator, the amount of the bequest is known, the University is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

Auxiliary Enterprises. Fees received in advance for conferences and camps are deferred and recognized as income in the period in which the related conferences and camps are held. Program and service revenues are recognized when the related services have been performed.

(o) INCOME TAXES

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

(p) FUNCTIONAL ALLOCATION OF EXPENSES

The direct costs of providing the University's programs and other activities which are identifiable have been allocated to the related programs or supporting services. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit.

(q) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries following U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the University for the year ending June 30, 2020. The University is currently evaluating the effect the provisions of ASU 2014-09 will have on its consolidated financial statements.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in consolidated financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the University, the ASU will be effective for the year ending June 30, 2019.

In June 2018, FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For the University, the ASU will be effective for the year ending June 30, 2020.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the consolidated financial statements. For the University, the ASU will be effective for the year ending June 30, 2021.

(s) RECLASSIFICATION

For comparability, certain June 30, 2017 amounts have been reclassified, where appropriate, to conform with the consolidated financial statement presentation used at June 30, 2018.

(t) SUBSEQUENT EVENTS

The University has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2018 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through February 13, 2019, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as otherwise noted in these consolidated financial statements.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 3 - INVESTMENTS AT FAIR VALUE

Investments at fair value at June 30, 2018 and 2017 consist of the following:

	2018	2017
Mutual Funds - Equity	\$ 40,555,077	\$ 29,228,231
Mutual Funds - Fixed Income	18,369,175	10,459,636
Equity Securities	9,669,599	6,114,215
Corporate Bonds	621,950	2,433,067
Government Bonds	-	465,062
Israel Bonds	6,500	8,000
Alternative Strategies	16,540,915	28,725,360
<i>TOTAL INVESTMENTS AT FAIR VALUE</i>	\$ 85,763,216	\$ 77,433,571

Investments are generally pooled and managed under various asset diversification strategies, depending upon the specific pool's objectives, and to avoid significant concentrations of market risk. Under the University's endowment spending policy, certain amounts (based on percentage of the investment value of the endowment) are appropriated to support current operations.

At June 30, 2018 and 2017, the University has commitments to make additional capital contributions to invest in the various alternative strategies of \$1,849,149 and \$1,030,391, respectively.

Investments held for gift annuities are segregated and included in mutual funds - fixed income in the above investment schedule. The balance was \$428,043 and \$444,403, at June 30, 2018 and 2017, respectively.

Investment income reflected in the consolidated statement of activities for the years ended June 30, 2018 and 2017 consists of the following:

	2018	2017
Realized Gains	\$ 5,851,830	\$ 4,744,465
Interest and Dividend Income		
Net of Investment Fees	1,241,400	1,007,761
Unrealized Gains (Losses)	(3,394,159)	4,142,610
<i>INVESTMENT INCOME (NET)</i>	\$ 3,699,071	\$ 9,894,836

Investment sales receivable consists of alternative strategies sold, and totaled \$423,635 and \$9,679,547 at June 30, 2018 and 2017, respectively.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4 - INVESTMENT IN ZSRS

The University holds a 100% equity interest in ZSRS, but is not the managing member and does not have substantive participating or kick-out rights. As of June 30, 2018 and 2017, the University does not control ZSRS, and therefore accounts for its membership interest in ZSRS using the equity method of accounting for investments. The University records its share of ZSRS's income or loss. Distributions received are recorded as a decrease in the carrying value of its investment in ZSRS.

Summarized financial information for ZSRS as of June 30:

	2018	2017
Cash	\$ 2,117,245	\$ 2,274,097
Notes Receivable	2,532,753	2,683,632
Investments in Partnerships	7,731,253	7,525,545
TOTAL ASSETS	\$ 12,381,251	\$ 12,483,274
Liabilities	\$ 125,593	\$ 83,083
Equity	12,255,658	12,400,191
TOTAL LIABILITIES AND EQUITY	\$ 12,381,251	\$ 12,483,274
Revenues (Net)	\$ 790,853	\$ 564,125
Expenses	(35,386)	(6,966)
NET INCOME	\$ 755,467	\$ 557,159

ZSRS has ownership interests ranging from approximately 16% to 38% in ten real estate partnerships. ZSRS accounts for the following partnership interests using the equity method as of June 30:

Partnership	Ownership Percentage	2018 Carrying Value	2017 Carrying Value
10 th Street Ziegler Partnership	16.67%	\$ 294,966	\$ 296,983
29 th Avenue Arizona Partnership	16.67%	187,014	143,826
409 N Genesee LP	21.12%	98,525	120,654
9015 & 9025 Rangely LP	30.21%	475,056	641,181
Santa Maria Industrial Building LLC	16.67%	832,407	850,593
Circle Partnership	37.77%	1,307,270	1,334,170
Glen Development Company	15.96%	1,995,925	2,054,405
Orange Grove Bridge Lenders LP	26.32%	480,193	-
Standard Saybrook Associates	16.67%	726,339	726,490
WPI Properties, Ltd	19.36%	1,333,558	1,357,243
INVESTMENTS IN PARTNERSHIPS		\$ 7,731,253	\$ 7,525,545

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 - INVESTMENT IN ZSRS (continued)

ZSRS holds the following promissory notes receivable at June 30:

	2018	2017
Promissory note collateralized by a deed of trust from 3951 Marathon LP in the amount of \$1,800,000. The note has a fixed interest rate of 7% and matured on February 28, 2018. Interest is payable quarterly and principal is payable on maturity date.	\$ -	\$ 1,800,000
Promissory note collateralized by a deed of trust from 1341 S Burnside LP in the amount of \$1,700,000. The note has a fixed interest rate of 7% and was repaid in full on October 25, 2018. Interest is payable quarterly and principal is payable on maturity date.	1,700,000	-
Promissory note collateralized by a deed of trust from Circle Partnership in the amount of \$1,595,636. The note has a fixed interest rate of 5.5% and matures on December 31, 2020. Terms of the note require monthly interest-only payments of \$2,992.	652,753	652,753
Promissory note uncollateralized in the amount of \$83,333. The note has a fixed interest rate of 6.5% and matures on August 1, 2021. Principal and interest due monthly. Note paid prior to maturity in 2018.	-	50,879
Promissory note collateralized by a deed of trust in the amount of \$180,000. The amended note has a fixed interest rate of 4.5% and matures on January 15, 2027. Interest is payable monthly and principal is payable on maturity date.	180,000	180,000
<i>TOTAL NOTES RECEIVABLE</i>	<u>\$ 2,532,753</u>	<u>\$ 2,683,632</u>

The future maturity of notes receivable at June 30, 2018 is as follows:

Years Ending June 30	
2019	\$ 1,700,000
2020	-
2021	652,753
2022	-
2023	-
Thereafter	<u>180,000</u>
<i>TOTAL</i>	<u>\$ 2,532,753</u>

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are due to be received as follows:

	2018	2017
Due in 1 Year	\$ 1,932,028	\$ 3,116,774
Due in 2-5 Years	1,592,800	2,172,800
Due in over 5 Years	214,400	312,600
TOTAL	3,739,228	5,602,174
Less:		
Allowance for Doubtful Contributions Receivable	(74,285)	(112,043)
Discount to Reflect Present Value of Contributions Receivable (Discount Rates Ranging from 0.19% to 6.03%)	(101,305)	(152,770)
TOTAL CONTRIBUTIONS RECEIVABLE (NET)	\$ 3,563,638	\$ 5,337,361

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	2018	2017
Land	\$ 5,169,104	\$ 3,399,104
Buildings and Improvements	72,997,085	72,467,005
Furniture and Equipment	5,491,217	5,458,737
Automotive Equipment	155,425	155,423
Construction in Progress	227,130	417,740
TOTAL	84,039,961	81,898,009
Less: Accumulated Depreciation	(49,032,652)	(46,696,303)
PROPERTY AND EQUIPMENT (NET)	\$ 35,007,309	\$ 35,201,706

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,336,349 and \$2,589,944, respectively.

Buildings and improvements include the two campuses in Los Angeles and Simi Valley, California.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 7 - NOTES PAYABLE

The University is obligated under the following borrowing arrangements at June 30:

	2018	2017
\$31,500,000 Mortgage Loan from a Financial Institution with an Initial Interest Rate of 4% Per Annum, Amortized Over 30 Years. The Initial Maturity date of August 1, 2025 may be Extended for (i) 5 Years with an Annual Interest Rate of the 10 Year Constant Maturity Treasury (CMT) Rate Plus 1.8% or 3.75%, whichever is the higher; or (ii) 10 Years with an Annual Interest Rate of the 10 Year CMT Rate Plus 2% or 4%, whichever is the higher. Principal and Interest Payments of \$151,640 are Due Monthly and a Balloon Payment is Due upon Final Maturity. The Mortgage Loan is Collateralized by Certain Assets of the University	\$ 29,869,376	\$ 30,464,434
\$2,500,000 Line of Credit with a Financial Institution, Guaranteed by a Third-Party Donor Trust; Interest at the Prime Rate Less 0.75%; Repaid in 2018	-	2,469,595
\$9,803,732 Line of Credit with a Financial Institution, Collateralized by Investments; Interest at the Financial Institution's base rate less 4.25%; Due on Demand. The credit extension limit fluctuates daily with the loanable value of the pledged securities	3,508,109	1,352,384
Note Payable to a Financial Institution; Principal and Interest Due Monthly at 4%; Secured by Land and Buildings; Maturing on July 16, 2024	198,576	295,304
Note Payable to the University of Judaism Foundation; Interest Due Quarterly at 1% below the Prime Rate; Due on Demand; Uncollateralized	100,000	100,000
TOTAL NOTES PAYABLE	33,676,061	34,681,717
Less: Unamortized Debt Issuance Costs	(266,818)	(308,112)
TOTAL NOTES PAYABLE (NET)	\$ 33,409,243	\$ 34,373,605

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 7 - NOTES PAYABLE (continued)

The notes payable maturity schedule is as follows:

Years Ending June 30	
2019	\$ 4,326,078
2020	737,958
2021	669,490
2022	697,152
2023	725,956
Thereafter	<u>26,519,427</u>
	33,676,061
Less: Unamortized Debt Issuance Costs	<u>(266,818)</u>
TOTAL	<u><u>\$ 33,409,243</u></u>

The prime rate and the Financial Institution's base rate were 5% and 7.25%, respectively, at June 30, 2018.

The notes payable contain certain covenants and restrictions including the maintenance of a loan-to-value ratio of 70%.

Interest expense incurred on these notes amounted to \$1,439,485 and \$1,387,454, for the years ended June 30, 2018 and 2017, respectively. Included in interest expense is amortization of debt issuance costs of \$41,294 and \$42,089, for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

The University has implemented an accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 8 - FAIR VALUE MEASUREMENTS (continued)

The following tables present information about the University's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2018 and 2017 and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30	Fair Value Measurements Using			Net Asset Value Per Share or its Equivalent (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2018:					
Mutual Funds - Equity	\$ 40,555,077	\$ 40,555,077	\$ -	\$ -	\$ -
Mutual Funds - Fixed Income	18,369,175	18,369,175	-	-	-
Equity Securities	9,669,599	9,669,599	-	-	-
Corporate Bonds	621,950	-	621,950	-	-
Israel Bonds	6,500	-	-	6,500	-
Alternative Strategies	16,540,915	-	-	-	16,540,915
TOTAL INVESTMENTS AT FAIR VALUE	\$ 85,763,216	\$ 68,593,851	\$ 621,950	\$ 6,500	\$ 16,540,915
Liability Under Gift Annuities	\$ 33,723	\$ -	\$ -	\$ 33,723	\$ -
TOTAL LIABILITIES AT FAIR VALUE	\$ 33,723	\$ -	\$ -	\$ 33,723	\$ -
2017:					
Mutual Funds - Equity	\$ 29,228,231	\$ 29,228,231	\$ -	\$ -	\$ -
Mutual Funds - Fixed Income	10,459,636	10,459,636	-	-	-
Equity Securities	6,114,215	6,114,215	-	-	-
Corporate Bonds	2,443,067	-	2,433,067	-	-
Government Bonds	465,062	465,062	-	-	-
Israel Bonds	8,000	-	8,000	-	-
Alternative Strategies	28,725,360	-	-	-	28,725,360
TOTAL INVESTMENTS AT FAIR VALUE	\$ 77,433,571	\$ 46,267,144	\$ 2,441,067	\$ -	\$ 28,725,360
Liability Under Gift Annuities	\$ 35,066	\$ -	\$ -	\$ 35,066	\$ -
TOTAL LIABILITIES AT FAIR VALUE	\$ 35,066	\$ -	\$ -	\$ 35,066	\$ -

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 8 - FAIR VALUE MEASUREMENTS (continued)

The fair values of marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The bonds within Level 2 were valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Investments valued at NAV are invested in a number of strategies including, but not limited to, emerging market, publicly traded equities, fixed income, commodity and currency trading. Investments are valued using the NAV provided by the fund managers, which is based on the value of underlying investments within the funds. All lock-up periods on the funds have expired and redemptions can be made monthly, daily, or quarterly. Unfunded commitments at June 30, 2018 and 2017 were \$1,849,149 and \$1,030,391, respectively.

The fair value of the liability under gift annuities within Level 3 was determined as described in Note 2(m).

The University recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. There were no transfers between Level 1 and 2 investments for the years ended June 30, 2018 and 2017. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between Level 2 and 3 investments for the years ended June 30, 2018 and 2017.

Changes in Level 3 measurements for the years ended June 30 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Liability Under Gift Annuities	
	2018	2017
Beginning Balance	\$ 35,066	\$ 36,453
Additions/Subscriptions	-	-
Payments/Settlements	(7,196)	(7,196)
Change in Value	5,853	5,809
ENDING BALANCE	\$ 33,723	\$ 35,066

NOTE 9 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the University may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the University which, from time to time, may have an impact on its change in net assets. The University does not believe that these proceedings, individually or in the aggregate, are material to the accompanying consolidated financial statements.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 10 - NET ASSETS

Net assets are available for the following purposes at June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General Endowment Funds	\$ -	\$ -	\$ 18,536,887	\$ 18,536,887
Endowment Funds Held for Scholarships	-	-	2,631,621	2,631,621
General Fund	13,017,981	4,887,881	-	17,905,862
Gift Annuities	-	445,802	-	445,802
Property and Equipment Fund	-	3,022,266	-	3,022,266
Other Funds	16,317,367	40,543,054	-	56,860,421
TOTAL NET ASSETS	\$ 29,335,348	\$ 48,899,003	\$ 21,168,508	\$ 99,402,859

Net assets are available for the following purposes at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General Endowment Funds	\$ -	\$ -	\$ 18,438,331	\$ 18,438,331
Endowment Funds Held for Scholarships	-	-	2,605,873	2,605,873
General Fund	18,342,423	3,448,431	-	21,790,854
Gift Annuities	-	451,171	-	451,171
Property and Equipment Fund	-	3,561,155	-	3,561,155
Other Funds	15,750,550	41,318,765	-	57,069,315
TOTAL NET ASSETS	\$ 34,092,973	\$ 48,779,522	\$ 21,044,204	\$ 103,916,699

NOTE 11 - ENDOWMENTS

Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to the University, or a term endowment, which is to provide income for a specified period to the University.

The University's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. The University therefore appropriates for expenditure or accumulates so much of an endowment fund as the Board determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Board of Directors acts in good faith and with care that an ordinary prudent person in a like position would exercise under similar circumstances, keeping in mind the continued existence of the program the gift was intended to support.

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 11 - ENDOWMENTS (continued)

The University's investment objectives are to provide the University with a rate of growth equal to or exceeding the University's annual draw rate or the rate of inflation, whichever is higher. The endowment assets are to be invested as a balanced portfolio consisting of equity, fixed income, cash equivalent securities and other assets with due regard to preservation and growth of principal.

The University's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board of Directors considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers. The annual rate for spendable transfers, distributed quarterly, is decided on by the Board of Directors. For the years ended June 30, 2018 and 2017, this rate was on average 4.8% to 6.4%, and 4.5% to 6.3%, respectively, of each endowment's spending base. The spending base is calculated by using a 3-year average market value of each endowment's investments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets at June 30, 2018 and 2017.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Endowment Net Assets for the Year Ended June 30, 2018				
Endowment Net Assets -				
Beginning of Year	\$ -	\$ 1,149,533	\$ 21,044,204	\$ 22,193,737
Contributions	-	-	46,488	46,488
Interest and Dividends	-	77,534	31,431	108,965
Net Realized and Unrealized Gains	-	358,469	46,385	404,854
Appropriation of Endowment Assets for Expenditure	-	(648,856)	-	(648,856)
ENDOWMENT NET ASSETS - END OF YEAR	\$ -	\$ 936,680	\$ 21,168,508	\$ 22,105,188
Changes in Endowment Net Assets for the Year Ended June 30, 2017				
Endowment Net Assets -				
Beginning of Year	\$ -	\$ 213,558	\$ 20,807,491	\$ 21,021,049
Contributions	-	-	10,373	10,373
Interest and Dividends	-	69,042	28,053	97,095
Net Realized and Unrealized Gains	-	1,529,588	198,287	1,727,875
Appropriation of Endowment Assets for Expenditure	-	(662,655)	-	(662,655)
ENDOWMENT NET ASSETS - END OF YEAR	\$ -	\$ 1,149,533	\$ 21,044,204	\$ 22,193,737

AMERICAN JEWISH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 12 - PENSION PLANS

The University has a defined contribution pension plan covering substantially all of its full-time executives and employees. The plan is fully funded currently by payments to the various plan trustees. Payments to the plan totaled \$246,812 and \$236,018, for the years ended June 30, 2018 and 2017, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS

As of August 29, 2017, the University entered into an agreement with the former president of the University (the Former President) to compensate the Former President for stepping down from his position effective June 30, 2018. The University will make post-employment payments to the Former President each pay period beginning July 1, 2018 and ending June 30, 2021. Each payment will approximate the Former President's salary plus benefits. The University has recorded a liability totaling approximately \$1,065,000 as of June 30, 2018, included in accounts payable.

During the years ended June 30, 2018 and 2017, the Foundation distributed \$11,000 and \$12,000, respectively, to the University. In addition, included in notes payable (see Note 7) is a \$100,000 loan by the Foundation to the University. During the years ended June 30, 2018 and 2017, the University paid \$3,460 and \$2,713, respectively, of interest on this loan.

As of June 30, 2018 and 2017, included in accounts payable and accrued expenses is a loan of \$25,000 by the Foundation to Jewish Television Network, the loan is non-interest bearing and payable on demand. For the year ended June 30, 2018, included in the consolidated statement of activities is program revenue of \$7,192 and \$192,371 of expenses related to the Jewish Television Network, which resulted in a net loss of \$185,179 that has been included in the consolidated change in net assets before other income (loss) for the year ended June 30, 2018.

For the year ended June 30, 2017, included in the consolidated statement of activities is program revenue of \$4,022 and \$271,015 of expenses related to the Jewish Television Network, which resulted in a net loss of \$266,993 that has been included in the consolidated change in net assets before other income (loss) for the year ended June 30, 2017.

As of June 30, 2017, included in accounts and other receivables is a note receivable from a Senior Vice President. The original amount of the note was \$175,000, and the balance at June 30, 2017 was \$153,000. The note is secured by a deed of trust and certain real property, with interest due monthly at 5% per annum. Interest income on the note totaled \$7,650 for the year ended June 30, 2017. The note was repaid in full on July 13, 2017.

NOTE 14 - RESTATEMENT

During the year ended June 30, 2018, further clarification of the relationship between the University and ZSRS resulted in the University accounting for its investment in ZSRS using the equity method. Consequently, the comparative financial statements as of and for the year ended June 30, 2017, which reflected ZSRS on a consolidated basis, have been restated. The restatement resulted in cash and cash equivalents and notes receivable at June 30, 2017 decreasing by \$2,274,097 and \$2,683,632, respectively, and investments at June 30, 2017 increasing by \$4,874,646. There was no impact on total net assets or the change in net assets as of and for the year ended June 30, 2017.

AMERICAN JEWISH UNIVERSITY
(A Nonprofit Educational Institution)

SUPPLEMENTARY SCHEDULE

YEAR ENDED JUNE 30, 2018

AMERICAN JEWISH UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL
AND NONFEDERAL AWARDS
June 30, 2018

	Passed through Grantor's Number	Contract and/or Federal CFDA Number	Disbursements or Expenditures
FEDERAL AWARDS			
Agency/Program Grant Title			
MAJOR AWARDS			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants Program (FSEOG)	-	84.007	\$ 14,260
Federal Direct Student Loans (DIRECT LOAN)	-	84.268	1,685,553
Federal Work-Study Program (FWS)	-	84.033	27,386
Federal Pell Grant Program (PELL)	-	84.063	<u>176,605</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,903,804</u>
TOTAL FEDERAL AWARDS			1,903,804
STATE AND LOCAL AWARDS			
California Student Aid Commission (Cal Grant)	-	-	<u>114,498</u>
TOTAL STATE AND LOCAL AWARDS			<u>114,498</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS			<u><u>\$ 2,018,302</u></u>

Summary of Significant Accounting Policies

1. Basis of Accounting - The Schedule of Expenditures of Federal and Nonfederal Awards has been reported on the accrual basis of accounting.
2. American Jewish University is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.
3. American Jewish University did not elect to use the 10% de minimis cost rate.

See Independent Auditor's Report