



FINANCIAL STATEMENTS

Year Ended December 31, 2017

*With Summarized Financial Information
For the Year Ended December 31, 2016*

With Report of Independent Auditors



John Vazzana CPA PLLC



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Independent Auditor's Report

To the Board of Directors of
The French-American Foundation

We have audited the accompanying financial statements of The French-American Foundation which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's December 31, 2016 financial statements and, in our report dated November 04, 2017, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

John Vazzana CPA PLLC

Brooklyn, New York

November 06, 2018

The French-American Foundation

Statement of Financial Position

December 31, 2017

(With Summarized Financial Information for December 31, 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 134,876	\$ 147,966
Investments	2,742,101	2,810,389
Pledges receivable	558,124	228,142
Prepaid expenses	11,103	10,013
Property and equipment (net)	1,727	3,444
Other assets	694,000	694,000
Security deposit	<u>22,878</u>	<u>22,832</u>
Total Assets	<u>\$ 4,164,809</u>	<u>\$ 3,916,786</u>

LIABILITIES & NET ASSETS

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued expenses	\$ 98,166	\$ 13,652
Grants payable	-	5,000
Line of credit	-	250
Deferred rent	<u>41,855</u>	<u>52,411</u>
Total Liabilities	<u>140,021</u>	<u>71,313</u>
Net Assets		
Unrestricted:		
Undesignated	740,472	772,513
Board designated	<u>2,741,189</u>	<u>2,810,389</u>
Total unrestricted	3,481,661	3,582,902
Temporarily restricted	543,127	262,571
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>4,024,788</u>	<u>3,845,473</u>
Total Liabilities and Net Assets	<u>\$ 4,164,809</u>	<u>\$ 3,916,786</u>

The French-American Foundation
Statement of Activities

For year ended December 31, 2017

(With Summarized Financial Information for December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenues, gains, and other support					
General contributions	\$ 360,461	\$ 536,154	\$ -	\$ 896,615	\$ 552,925
Special events revenue and contributions	428,305	-	-	428,305	521,215
Direct event expenses	(187,855)	-	-	(187,855)	(134,879)
Other income	24,829	-	-	24,829	14,114
Investment income	60,476	-	-	60,476	74,586
Realized gains (losses)	236,743	-	-	236,743	(30,480)
Unrealized gains (losses)	28,504	-	-	28,504	112,526
Net assets released from restrictions	255,598	(255,598)	-	-	-
Total revenues, gains, and other support	1,207,061	280,556	-	1,487,617	1,110,007
Expenses:					
Program services	864,700	-	-	864,700	720,378
Management and general	283,181	-	-	283,181	267,847
Fundraising	160,421	-	-	160,421	95,554
Total expenses	1,308,302	-	-	1,308,302	1,083,779
Changes in net assets	(101,241)	280,556	-	179,315	26,228
Net assets at beginning of year	3,582,902	262,571	-	3,845,473	3,819,245
Net assets at end of year	\$ 3,481,661	\$ 543,127	\$ -	\$ 4,024,788	\$ 3,845,473

The French-American Foundation
Statement of Cash Flows

For year ended December 31, 2017

(With Summarized Financial Information for December 31, 2016)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 179,315	\$ 26,228
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	1,718	4,087
Net realized and unrealized (gain)/loss on investments	(265,247)	(82,046)
Donated stock	(10,790)	(10,248)
Loss on uncollectable promises to give	31,022	-
Changes in operating assets and liabilities		
Decrease/(increase) in:		
Pledges receivable	(329,982)	(104,117)
Prepaid expenses	(1,090)	(653)
Increase/(decrease) in:		
Accrued expenses and accounts payable	84,514	(20,277)
Grants payable	(5,000)	-
Deferred rent	(10,556)	(7,438)
Net cash provided by/(used in) operating activities	(326,096)	(194,464)
CASH FLOW FROM INVESTING ACTIVITIES:		
Decrease/(increase) in:		
Proceeds from sale of investments	375,000	185,000
Dividend Reinvestments	(61,698)	(295,031)
Increase in security deposit	(46)	-
Net cash provided by/(used in) investing activities	313,256	(110,031)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase (decrease) in line of credit balance	(250)	250
Net cash provided by/(used in) financing activities	(250)	250
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,090)	(304,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	147,966	452,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 134,876	\$ 147,966
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Contribution of securities	\$ 10,790	\$ 10,248

The French-American Foundation

Statement of Functional Expenses

For year ended December 31, 2017

(With Summarized Financial Information for December 31, 2016)

	Program Services	Management and General	Fundraising	2017 Total	2016 Total
Compensation and benefits	\$ 398,247	\$ 151,890	\$ 89,526	\$ 639,663	\$ 529,979
Consulting and professional fees	46,300	34,137	26,000	106,437	127,919
Promotion and advertising	2,990	-	-	2,990	375
Office expense	1,772	1,772	512	4,056	7,016
Computer and website expenses	12,291	6,253	-	18,544	17,188
Occupancy	110,018	36,674	-	146,692	144,344
Transportation and lodging	14,200	1,271	1,271	16,742	236
Conference and meetings	44,684	22,595	2,066	69,345	76,957
Young leaders seminar	164,278	-	-	164,278	36,814
Depreciation	-	1,718	-	1,718	4,087
Insurance	2,546	3,501	-	6,047	6,292
Printing and publications	3,738	2,492	-	6,230	31,706
Processing and service charges	232	9,983	3,252	13,467	6,320
Dues, subscriptions and fees	196	2,954	118	3,268	8,939
Photography and video	3,984	996	-	4,980	10,183
Bad debt expense	-	-	31,022	31,022	-
Equipment rental and maintenance	2,955	2,955	657	6,567	5,389
Postage and shipping	851	393	602	1,846	2,584
Telephone and internet	8,992	3,597	5,395	17,984	19,920
Grants, stipends and awards	46,426	-	-	46,426	33,531
Total	\$ 864,700	\$ 283,181	\$ 160,421	\$ 1,308,302	\$ 1,069,779

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Note 1 - Description of Organization

The French-American Foundation (the “Organization” or “Foundation”) is a not-for-profit organization incorporated on August 1, 1975 in the state of Delaware. Building on more than two centuries of shared ideals between France and the United States, the Organization works to enrich a transatlantic relationship that is essential in today’s world. The Foundation addresses several current policy issues including education; immigration; security and defense; business and the economy; energy and the environment; urban development and renewal; health care; and cultural policy. Programs include its signature young leaders program, conferences, high-level professional exchanges, and study tours for leaders in government, business, academia, media, and culture, creating a rich network of people and ideas for action. Support for the organization’s programs is derived mainly from general contributions. The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

Note 2 - Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations on an accrual basis. The significant accounting and reporting policies used by the organization are described below.

Unrestricted Net Assets: Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting, from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Board-designated funds represent unrestricted funds which may, from time to time, be designated by the board of directors for specific purposes.

Temporarily Restricted Net Assets: Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use. Contributions received with temporary restrictions that are met in

The French-American Foundation
Notes to Financial Statements
December 31, 2017

the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Permanently Restricted Net Assets: Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Cash Equivalents: Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Contributions (Pledges) Receivable: Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Land, Buildings, Property and Equipment: Land, buildings, property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Accounting for Contributions: Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Gifts-in-Kind (Non-Cash Contributions): The organization periodically receives contributions in a form other than cash or investments. If the organization receives a non-cash contribution, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

Expense Recognition and Allocation: The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to the prior year's financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Advertising: Advertising costs are recorded as an expense as they are incurred.

Investments: Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses.

Note 3 - Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1:* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2:* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3:* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that a not-for-profit organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions). The primary uses of fair value measures in the organization's financial statements are the recurring measurement of investments.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Note 4 - Pledges Receivable

At December 31, 2017, all pledges receivable appear on the Statement of Financial Position net of an allowance for uncollectible accounts in the amount of \$4,530. Pledges receivable are expected by management to be collected during the next year.

Note 5 - Investments

Investments consist of the following at December 31, 2017:

	<u>Fair Value</u>
Cash and sweep funds	67,355
Equity securities	1,460,402
Fixed income securities	1,109,540
Alternative assets	<u>104,804</u>
Total investments	<u>\$2,742,101</u>

As discussed in the above note to these financial statements, the organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the organization's valuation techniques.

- *Level 1:* This, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the measurement date. An open-ended mutual fund that produces a daily NAV that has a sufficient level of observable activity (i.e., purchases and sales at NAV) will support classification of the fair value measurement as Level 1 in the fair value hierarchy. In this case, the NAV represents the exit value of the security at the measurement date.
- *Level 2:* This is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term.
- *Level 3:* This is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

There were no significant transfers between the levels during the year. The following table summarizes the levels in the fair value hierarchy of the organization's investments at December 31, 2017:

The French-American Foundation
Notes to Financial Statements
December 31, 2017

	Total	Level I	Level II	Level III
Cash and sweep funds	67,355	67,355	-	-
Equity securities	1,460,402	1,460,402	-	-
Fixed income securities	1,109,540	1,109,540	-	-
Alternative assets	104,804	-	-	104,804
Total	\$2,742,101	\$2,637,297	\$ -	\$ 104,804

The composition of the investment return reported in the statement of activities is as follows:

Investment income	60,476
Net realized gains (losses)	236,743
Net unrealized gains (losses)	28,504
Total investment return	\$ 325,723

Note 6 - Property and Equipment

The following are details of property and equipment at December 31, 2017:

Furniture and equipment (5 years/straight line)	77,977
Less: accumulated depreciation	<u>76,250</u>
Net property and equipment	<u>\$ 1,727</u>

Note 7 - Other Assets

Other assets consist of a collection of Louis XV and Louis XVI furniture and decorative objects that were donated to the organization. The organization valued the items at fair market value, date of gift, which was determined by an independent appraisal in the amount of \$694,000.

Note 8 - Line of Credit

Pursuant to an arrangement with a financial institution, the Foundation may borrow up to \$100,000 under a revolving line of credit. The line of credit has no maturity date and is secured by all assets of the Foundation. Interest is payable at prime plus 4.20%. At December 31, 2017, the line of credit was not in use and had a \$0 outstanding balance.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Note 9 - Operating Lease Commitments

In June 2010, the Organization entered into a 10-year operating lease commencing August 1, 2010 for its offices at 28 West 44 Street in New York City. Rent expense under the lease which is included in occupancy costs in the statement of functional expenses, was \$117,346 for the year ended December 31, 2017. The Foundation recognizes rent expense on the straight-line basis. The difference between rent expense incurred by the Organization on the straight-line basis and cash paid for rent is reported as a deferred rent in the statement of financial position. The amount of deferred rent at December 31, 2017 was \$ 41,855. There is a security deposit in the amount is \$22,878 being held by the landlord in conjunction with this lease.

The future minimum lease payments for the years ending December 31 are:

2018	131,102
2019	134,379
2020	79,519

Total future minimum rental payments are \$ 345,000.

Additionally, the Organization has a commitment for a lease of office equipment which commenced in February 2017. The future minimum lease payments for the years ending December 31 are:

2018	3,651
2019	3,651
2020	3,651
2021	3,651
2022	609

Total future minimum rental payments are \$ 15,213.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Note 10 - Restricted Net Assets

The Organization had no permanently restricted net assets at December 31, 2017. The details for the temporarily restricted net assets for the year ending December 31, 2017 are as follows:

Name / Description	Details	Balance 01/01/2017	Temporarily restricted contributions	Net assets released from restrictions	Balance 12/31/2017
Cyber-Security Program	With support from the Richard Lounsbery Foundation, the French-American Foundation will hold a series of panels, discussions and conferences on cyber-security issues.	49,131	-	(49,131)	-
The Florence Gould Foundation	This contribution is time restricted for use in a future period. The Florence Gould Foundation's aim is to promote French-American amity and understanding.	200,000	200,000	(200,000)	200,000
Transatlantic Relationship Events	The purpose of the transatlantic relationship events is to promote compelling discussions about the French-American relationship and to develop a network of people for whom it is of daily importance. Each event features an expert to engage participants on political, economic, social, and international policy issues.	13,440	-	(6,467)	6,973
Other	Other promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	336,154	-	336,154
	Total	\$ 262,571	\$ 536,154	\$ (255,598)	\$ 543,127

Note 11 - Board Designated Net Assets

The Organization's board has designated the assets held in its investment account as an operating reserve. The amount designated at December 31, 2017 was \$2,741,189.

Note 12 - Concentrations of Risk

The Organization maintains its cash deposits with quality banking institutions. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to limits set by law. As of December 31, 2017 there were no uninsured balances held at banks.

Note 13 - Young Leaders Seminar

The Young Leaders Program was established in 1981 and has built an enduring network of leaders on both sides of the Atlantic. This two-year program alternates between the French American Foundation in the United States (the organization) and the French-American Foundation – France, a similar entity. In 2017, the organization hosted and underwrote the five-day Young Leaders Seminar in the United States. This financial obligation was undertaken by the French-American Foundation – France for the 2016 Seminar as it will be again in 2018.

The French-American Foundation
Notes to Financial Statements
December 31, 2017

Note 14 - Donated Services

The commitment and dedication from members of the board of directors and others result in significant amounts of volunteer services. Although substantial, these donated services do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America.

Note 15 - Subsequent Events

Subsequent events have been evaluated through November 08, 2018, which is the date the financial statements were available to be issued.