

**THE FRENCH - AMERICAN FOUNDATION**

**FINANCIAL STATEMENTS**

**JULY 1, 2006 - DECEMBER 31, 2006**

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
The French-American Foundation

We have audited the accompanying balance sheet of the French-American Foundation (The "Foundation") as of December 31, 2006, and the related statements of activities and cash flows for the six months ended December 31, 2006. These financial statements are the responsibility of the Foundation's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The French-American Foundation at December 31, 2006 and the changes in its net assets and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States.

  
Certified Public Accountants

Dated: February 22, 2007

**THE FRENCH - AMERICAN FOUNDATION**  
**BALANCE SHEET**

December 31,  
**2006**

**ASSETS**

Cash ( Note 2 )	\$ 405,240
Investments-----at Fair Value ( Note 3 )	4,031,326
Contributions Receivable ( Note 4 )	685,000
Other Receivables and Other Assets	18,429
Furniture and Equipment-----at Cost, less Accumulated Depreciation of \$17,030	35,469
Works of Art ( Note 5 )	<u>694,000</u>
<b>Total Assets</b>	<b><u><u>\$ 5,869,463</u></u></b>

**Liabilities and Net Assets**

Accrued Expenses and Other Liabilities	<u>\$ 118,925</u>
Total Liabilities	<u>\$ 118,925</u>
Commitments ( Note 8 )	
<b>Net assets:</b>	
Unrestricted ( Note 6 )	\$ 4,304,965
Temporarily Restricted ( Note 7 )	<u>1,445,573</u>
Total Net Assets	<u>\$ 5,750,538</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 5,869,463</u></u></b>

(See Notes to Financial Statements)

**THE FRENCH - AMERICAN FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**JULY 1, 2006 - DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>
<b><u>Revenue and Reclassifications</u></b>			
Contributions and Grants	\$ 66,355	\$ 260,890	\$ 327,245
Special Events	613,494		
Less: Costs of Direct Benefit to Donors	<u>109,043</u>	504,452	504,452
Transfer from Board Designated Fund	103,884	12,675	116,559
Investment Income	154,282	0	154,282
Other	59	0	59
Total Revenue	<u>829,032</u>	<u>273,566</u>	<u>1,102,597</u>
Net Assets Released from Restrictions (Note 7)	<u>286,515</u>	<u>-286,515</u>	<u>0</u>
<b>Total Revenue and Reclassifications</b>	<b><u>\$ 1,115,547</u></b>	<b><u>\$ (12,949)</u></b>	<b><u>\$ 1,102,597</u></b>
<b><u>Expenses:</u></b>			
Program Services	<u>579,844</u>		<u>579,844</u>
Supporting Services:			
General and Administrative	211,414		211,414
Fundraising	202,673		202,673
Relationship Development	63,574		63,574
Total Supporting Services	<u>477,661</u>	<u>0</u>	<u>477,661</u>
<b>Total Expenses</b>	<b><u>\$ 1,057,505</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,057,505</u></b>
<b>Change in Net Assets</b>	<b>58,042</b>	<b>-12,949</b>	<b>45,092</b>
Realized Gain on Investments	0	0	0
Unrealized Gain on Investments	88,731	0	88,731
Change in Net Assets	<u>146,773</u>	<u>-12,949</u>	<u>133,823</u>
Net Assets-----Beginning of Year	<u>4,158,192</u>	<u>1,458,522</u>	<u>5,616,714</u>
<b>Net Assets-----End of Year</b>	<b><u>\$ 4,304,965</u></b>	<b><u>\$ 1,445,573</u></b>	<b><u>\$ 5,750,537</u></b>

(See Notes to Financial Statements)

**THE FRENCH - AMERICAN FOUNDATION**  
**STATEMENT OF CASH FLOWS**

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	<b>Six Months Ended <u>December 31, 2006</u></b>
<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 133,823
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:	
Change in Unrealized Appreciation of Investments	-217,432
Depreciation	4,644
Change in Operating Assets and Liabilities:	
Other Receivables and Other Assets	-6,839
Contributions Receivable	28,250
Accrued Expenses and Other Liabilities	<u>-2,793</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b><u>\$ (60,347)</u></b>
 <b>Cash Flows from Investing Activities</b>	
Purchases of Furniture and Equipment	<u>-7,568</u>
<b>Net cash (Used in) Provided by Investing Activities</b>	<b><u>\$ (7,568)</u></b>
<b>Net Increase (Decrease) in Cash</b>	<b>-67,915</b>
Cash, Beginning of Year	<u>473,155</u>
<b>Cash, End of Year</b>	<b><u><u>\$ 405,240</u></u></b>

**(See Notes to Financial Statements)**

# The French American Foundation

## Notes to Financial Statements

December 31, 2006

### 1. Organization and Summary of Significant Accounting Policies

The French-American Foundation (the "Foundation") is a voluntary, not-for-profit agency that qualifies as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code and has been classified as a publicly supported charitable organization under Section 509 (a) (1) of the Internal Revenue Code. The Foundation qualifies for the maximum charitable contribution deduction by donors. Its primary purpose is to strengthen relations between the United States and France by fostering cooperative projects among United States and French leaders and professionals in government, education and business.

The Foundation executes certain programs in conjunction with the French-American Foundation Comite Francais, which is an independent organization in France with a mission similar to that of the Foundation.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain 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 reported period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Foundation considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### Works of Art

The Foundation has a collection of works of art that have been contributed to the Foundation. The collection is maintained by the Foundation for public exhibition in furtherance of its mission. The works of art are recorded at cost, if purchased, or at fair value, if donated.

## **Fund Accounting and Net Asset Classifications**

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the Foundation's accounts are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying financial statements net assets that have similar characteristics have been combined into two net asset classes: unrestricted and temporarily restricted.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The Foundation's Board of Directors has designated a portion of the unrestricted net assets of the Foundation for long term investment purposes (see Note 6).

Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

## **Support and Revenue**

Grants and contributions are recorded as revenue when received or pledged unconditionally at fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is when a time restriction ends or purpose restriction is fulfilled. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

## **Investments**

Investments consist of United States Treasuries and mutual funds, and are reported at fair value.

## **Furniture and Equipment**

Furniture and Equipment are recorded at cost and are depreciated on the straight-line, half-year convention basis over their estimated useful lives (five to seven years).



# The French American Foundation

## Functional Expense Allocations

The costs of providing program services and supporting services have been allocated in the financial statements among functional categories based upon the ultimate purpose of the expense. Functional expenses which are not specifically attributable to program services or supporting services have been allocated by Management in accordance with various criteria.

### 2. Cash

At December 31, 2006, all of the Foundation's cash is maintained in one major financial institution.

### 3. Investments

Investments consist of the following at December 31,

2006

	Cost	Market	Cost	Market
Mutual Funds			2,416,821	3,989,676
U.S. Treasury Money Market			41,650	41,650
<b>Totals</b>			<b>\$ 2,458,471</b>	<b>\$ 4,031,326</b>

Fair Values of investments are based on quoted market prices.

### 4. Contributions Receivable

At December 31, 2006, contributions receivable are as follows:

Unrestricted	\$150,000
Temporarily Restricted	<u>535,000</u>
Total	<u>\$685,000</u>

## The French American Foundation

### 5. Works of Art

This consists of the following works :

Bronze Statute of General Charles De Gaulle	\$ 8,000
Louis XV & XVI collection of decorative elements	<u>686,000</u>

Total Appraised Value	<u>\$ 694,000</u>
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During 1997, the French – American Foundation received a collection of Louis XV and Louis XVI furniture and decorative objects. At that time, the Collection was independently appraised by Christie's, in New York City, and valued at \$686,000. In 1998, as stipulated by the donor, these items were displayed in the Cultural Services of the French Embassy in New York City. The collection is maintained by the Foundation for public exhibition in furtherance of its mission. It is important to note, however, that while the French – American Foundation is the outright owner of this asset, the Foundation does not have sole discretion over the conditions under which it may be monetized or otherwise disposed of and, therefore, its actual value to the Foundation may be conditioned by the inability on the part of the Foundation to realize a monetary value for this asset.

### 6. Board Designated Fund

A resolution of the Board of Directors dated July 1, 1991, established a designated fund to be utilized for long term investment purposes. At December 30, 2006, the balance of the Board Designated Fund was \$3,355,925 and is included within the unrestricted net assets in the accompanying balance sheet.

### 7. Temporarily Restricted Net Assets

At December 31, 2006, the Foundation's temporarily restricted net assets are available for the following purposes:

EHT Fund	\$ 886,219
Bicentennial Fellowships	368,344
Courants	82,841
Equality of Opportunity	47,271
Lounsbery Project – Historical Ties	7,126
Translation Prize	<u>53,772</u>

\$1,445,573

## The French American Foundation

### 7. Temporarily Restricted Net Assets ( Continued )

Temporarily restricted net assets were released from restrictions in fiscal 2006 in fulfillment of the following purposes:

EHT Speaker Series	\$ 10,549
National Programming	55,253
Policy Meetings & Briefings	72,147
Defense Symposium	20,520
Young Leaders Meeting	97,013
Young Leaders Circle	21,951
Annual Conference	7,827
Others	<u>8,069</u>
Total	<u>\$ 293,329</u>

### 8. Commitments

The foundation leases office space in New York City under an operating lease which expires July 2010. Rent expense for period ended December 31, 2006 was \$58,432. For a security deposit on the lease, the Foundation has a letter of credit with a commercial bank for \$22,741. This letter of credit is secured by certain of the Foundation's investments. The letter of credit expires on March 12, 2007. The future minimum annual rental commitments of the lease are approximately as follows:

2007	97,244
2008	99,432
2009	101,699
2010	105,608

### 9. Retirement Plan

The Foundation sponsors a noncontributory defined contribution plan which qualifies under Section 403 (b) of the Internal Revenue Code. All full time employees are eligible after they have completed one month of service. During fiscal year 2006, the Foundation made contributions in the amount of \$ 13,011.

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REPORT OF INDEPENDENT AUDITORS  
ON OTHER FINANCIAL INFORMATION

The Board of Directors  
The French-American Foundation

Our audit was conducted for the purpose of forming an opinion on The French-American Foundation, taken as a whole. The accompanying schedules of expenses and program activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Saul L. Klaw & Co., P.C.*

Certified Public Accountants

Dated: February 22, 2007

**THE FRENCH - AMERICAN FOUNDATION  
SCHEDULE OF EXPENSES  
JULY 1, 2006 - DECEMBER 31, 2006**

**Supporting Services**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Relationship Development</u>	<u>Total</u>
ies/ Project Staff Fees	\$ 28,509	\$ 374,670	\$ -	\$ -	\$ 403,179
ortation and Lodging	126,070	7,509	6,416	6,997	146,992
ct Consulting and Professional Fees	38,112	46,564	55,323	0	139,999
ng Space / Equipment	11,065	0	0	0	11,065
pancy	0	58,432	0	0	58,432
r Expense	0	8,320	1,052	0	9,372
ing, Meals and Conference Facilities	102,865	16,836	4,236	3,006	126,943
ating, Printing and Publications	6,702	11,408	28,872	1,590	48,573
ince	0	4,492	0	0	4,492
oyee Benefits	0	46,371	0	0	46,371
ll Taxes	0	21,725	0	0	21,725
ge and Shipping	2,907	1,888	2,290	244	7,329
ment Rental/Maintenance	2,983	11,148	0	0	14,131
hone	369	9,945	382	108	10,803
ciation	0	4,644	0	0	4,644
	1,473	1,983	0	0	3,456
<b>Total</b>	<b>321,056</b>	<b>625,933</b>	<b>98,571</b>	<b>11,945</b>	<b>1,057,505</b>
<b>itions</b>	<b>258,788</b>	<b>-414,519</b>	<b>104,102</b>	<b>51,629</b>	<b>0</b>
	<b>\$ 579,844</b>	<b>\$ 211,414</b>	<b>\$ 202,673</b>	<b>\$ 63,574</b>	<b>\$ 1,057,505</b>

**The French-American Foundation**  
**Schedule of Program Activities**  
**July 1, 2006 - December 31, 2006**

	Net Assets at Beginning of Year	Revenues	Total	Expenses	Net Assets Decrease	Unrestricted Net Assets Used for Programs	Net Assets at End of Year
EHT Fund	\$ 886,219	-	886,219	-	-	-	886,219
Bicentennial Fellowships	368,344	-	368,344	-	-	-	368,344
Young Leaders Meeting	59,928	-	59,928	156,941	59,928	97,013	-
Equality of Opportunity	6,394	125,000	131,394	84,123	84,123	-	47,271
Courants	85,199	45,000	130,199	47,358	47,358	-	82,841
Young Leaders Circle	-	-	-	21,951	-	21,951	-
Translation Prize	8,420	55,640	64,060	10,288	10,288	-	53,772
Lounsbery Project -Historical Ties	14,861	-	14,861	7,735	7,735	-	7,126
Policy Meetings and Briefings	-	27,750	27,750	99,897	27,750	72,147	-
Annual Conference	9,407	-	9,407	17,234	9,407	7,827	-
Defense Symposium	-	3,000	3,000	23,520	3,000	20,520	-
EHT Speaker Series	19,750	12,676	32,426	42,975	32,426	10,549	-
National Programming	-	-	-	55,253	-	55,253	-
Editors Exchange	-	-	-	6,634	-	6,634	-
Early Education	-	4,500	4,500	5,935	4,500	1,435	-
	<b>\$ 1,458,522</b>	<b>\$ 273,566</b>	<b>\$ 1,732,088</b>	<b>\$ 579,844</b>	<b>\$ 286,515</b>	<b>\$ 293,329</b>	<b>\$ 1,445,573</b>