

THE FRENCH-AMERICAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

**(WITH SUMMARIZED COMPARATIVE
TOTALS FOR DECEMBER 31, 2008)**

THE FRENCH-AMERICAN FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The French-American Foundation
New York, New York

We have audited the accompanying statement of financial position of The French-American Foundation (Foundation) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. 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. The prior year summarized comparative information has been derived from the Foundation's 2008 financial statements. These statements were audited by other auditors whose report dated November 18, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 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 as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The information in the supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grassi & Co., CPAs, P.C.
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Jericho, New York
April 19, 2010

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THE FRENCH-AMERICAN FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
Cash	\$ 503,120	\$ 193,821
Investments	2,056,861	2,373,846
Contributions receivable	70,500	55,033
Security deposits and other assets	28,088	26,173
Works of art	694,000	694,000
Furniture and equipment (net of accumulated depreciation of \$54,922 in 2009)	<u>33,685</u>	<u>34,856</u>
 Total Assets	 <u>\$ 3,386,254</u>	 <u>\$ 3,377,729</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ <u>90,523</u>	\$ <u>276,951</u>
Commitments		
Net Assets:		
Unrestricted	1,655,172	1,592,972
Temporarily restricted	<u>1,640,559</u>	<u>1,507,806</u>
Total Net Assets	<u>3,295,731</u>	<u>3,100,778</u>
 Total Liabilities And Net Assets	 <u>\$ 3,386,254</u>	 <u>\$ 3,377,729</u>

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

THE FRENCH-AMERICAN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 453,014	\$ 604,474	\$ 1,057,488	\$ 1,130,815
Special events	\$ 568,724			
Less: direct costs of special events	<u>89,440</u>	-	479,284	247,934
Investment income allocated to operations	145,772	-	145,772	200,383
Net assets released from restriction	<u>471,721</u>	<u>(471,721)</u>	-	-
Total Operating Revenues and Other Support	<u>1,549,791</u>	<u>132,753</u>	<u>1,682,544</u>	<u>1,579,132</u>
OPERATING EXPENSES				
Program services				
Project implementation	979,675	-	979,675	1,346,564
Supporting services				
Management and general	218,133	-	218,133	332,752
Fund raising and relationship development	<u>392,604</u>	<u>-</u>	<u>392,604</u>	<u>463,589</u>
Total Operating Expenses	<u>1,590,412</u>	<u>-</u>	<u>1,590,412</u>	<u>2,142,905</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(40,621)	132,753	92,132	(563,773)
INVESTMENT INCOME ALLOCATED TO NON-OPERATING REVENUES	<u>102,821</u>	<u>-</u>	<u>102,821</u>	<u>(923,632)</u>
CHANGE IN NET ASSETS	62,200	132,753	194,953	(1,487,405)
NET ASSETS, BEGINNING OF YEAR	<u>1,592,972</u>	<u>1,507,806</u>	<u>3,100,778</u>	<u>4,588,183</u>
NET ASSETS, END OF YEAR	<u>\$ 1,655,172</u>	<u>\$ 1,640,559</u>	<u>\$ 3,295,731</u>	<u>\$ 3,100,778</u>

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

THE FRENCH-AMERICAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	PROGRAM SERVICES	SUPPORTING SERVICES			2009	2008
	Project Implementation	Management and General	Fund Raising and Relationship Development	Direct Cost of Special Events	Total	Total
SALARIES	\$ 411,156	\$ 94,364	\$ 168,506	\$ -	\$ 674,026	\$ 814,741
BENEFITS AND PAYROLL TAXES	85,633	19,653	35,096	-	140,382	168,536
OCCUPANCY	74,953	17,202	30,719	-	122,874	118,660
INSURANCE	3,407	782	1,397	-	5,586	6,072
OFFICE EXPENSE	32,363	7,428	13,265	-	53,056	84,726
POSTAGE AND SHIPPING	5,152	1,182	2,111	-	8,445	13,743
DUPLICATION, PRINTING AND PUBLICATIONS	18,354	4,212	7,522	-	30,088	80,043
EQUIPMENT RENTAL AND MAINTENANCE	6,713	1,540	2,750	-	11,003	12,038
TELEPHONE	32,844	5,419	12,754	-	51,017	38,713
DEPRECIATION	8,784	2,016	3,600	-	14,400	12,795
PROJECT CONSULTING AND PROFESSIONAL FEES	109,572	25,148	44,907	-	179,627	384,223
TRANSPORTATION AND LODGING	108,343	24,866	44,403	-	177,612	233,778
CONFERENCE FACILITIES, MEETINGS AND CATERING	62,401	14,321	25,574	89,440	191,736	265,351
MISCELLANEOUS	20,000	-	-	-	20,000	20,000
TOTAL EXPENSES	979,675	218,133	392,604	89,440	1,679,852	2,253,419
LESS: EXPENSES DEDUCTED DIRECTLY FROM REVENUES ON THE STATEMENT OF ACTIVITIES	-	-	-	89,440	89,440	110,514
TOTAL FUNCTIONAL EXPENSES	\$ 979,675	\$ 218,133	\$ 392,604	\$ -	\$ 1,590,412	\$ 2,142,905

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

THE FRENCH-AMERICAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 194,953	\$ (1,487,405)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	14,400	12,795
Bad debt	25,533	64,570
Net realized and unrealized (gain) loss on investments	(184,288)	862,288
Changes in assets (increase) decrease:		
Contributions receivable	(41,000)	215,906
Security deposits and other assets	(1,915)	7,907
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	<u>(186,428)</u>	<u>114,523</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(178,745)</u>	<u>(209,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	564,858	295,291
Purchase of investments	(63,585)	(139,039)
Fixed asset acquisitions	<u>(13,229)</u>	<u>(13,269)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>488,044</u>	<u>142,983</u>
NET INCREASE (DECREASE) IN CASH	309,299	(66,433)
CASH, BEGINNING OF YEAR	<u>193,821</u>	<u>260,254</u>
CASH, END OF YEAR	<u>\$ 503,120</u>	<u>\$ 193,821</u>

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

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature and Purpose of Organization

The French-American Foundation (Foundation) is a not-for-profit organization exempt from federal income tax 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's primary sources of revenue are contributions and special events.

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

Note 2 - Summary of Significant Accounting Policies

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Works of Art

Works of art are recorded at fair value at the date of donation.

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions, including unconditional promises to give, are recorded as pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are to be received.

Investments

Investments are stated at fair value, which is determined based on quoted market prices.

The Foundation has a "total return" policy as regards the spending of net investment income for operations. The total return to be spent is equal to 5% of the average fair market values of the investments for the prior twelve calendar quarters, and is reported as operating revenues. The balance of net investment income is reported as non-operating revenues.

Property and Equipment

Property and equipment is stated at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and a useful life of over one year, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Furniture	7 years
Equipment	5 years

Allowance for Doubtful Accounts

The Foundation determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At December 31, 2009, management has determined that no allowance for doubtful accounts is necessary.

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

In January 2008, the Foundation adopted FASB Accounting Standards Codification Topic 820, *Fair Value Measurements* ("FASB ASC 820"), formerly SFAS 157. FASB ASC 820 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements when such measurements are required by generally accepted accounting principles. Various inputs are used in determining the fair value of assets and liabilities which are as follows:

Level 1 - price quotations in active markets for identical securities.

Level 2 - quoted prices for similar assets or liabilities in markets that are active or non-active, inputs other than quoted prices that are observable for the assets or liabilities such as interest rates, yield curves, credit risk or default risk.

Level 3 - to the extent observable inputs are not available, inputs based on the best information available in the circumstances.

The following table summarizes the inputs used as of December 31, 2009 in determining the fair value of the Company's assets and liabilities:

<u>Valuation Inputs</u>	<u>Assets</u>	<u>Liabilities</u>
Level 1	\$ 2,056,861 (see Note 4)	\$ -
Level 2	-	-
Level 3	-	-

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Subsequent Events

The Foundation has evaluated all events or transactions that occurred after December 31, 2009 through the date of the audit of these financial statements. During this period, there were no material subsequent events requiring disclosure.

New Accounting Pronouncements

Effective January 1, 2009, the Foundation accounts for uncertain tax positions in accordance with FASB Accounting Standards Codification Topic 740, *Income Taxes* ("FASB ASC 740"). FASB ASC 740 incorporates the provisions of former FASB Interpretation No. 48 ("FIN 48"). FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements.

In examining its tax positions under FASB ASC 740, the Foundation will assume the positions will be examined by the appropriate taxing authority, and the taxing authority would have full knowledge of all relevant information. The technical merits of the Foundation's tax positions are derived from sources of authorities in the tax law (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax positions. Past administrative practices and precedents of the taxing authority in its dealings with the Foundation or similar enterprises that are widely understood will also be taken into account. Each tax position will be evaluated without consideration of the possibility of offset or aggregation with other positions. The measurement of tax positions will be based on management's best judgment of the amount the taxpayer would ultimately accept in a settlement with taxing authorities. Interest expense related to tax liabilities will be recognized in the first period that it would begin to accrue according to the relevant tax law. The amount of interest to be recognized will be computed by applying the statutory rate of interest to the difference between the tax position recognized under FASB ASC 740 and the amount previously taken or expected to be taken in a tax return. In addition, the Foundation will recognize an expense for any applicable interest and penalties in the period in which the Foundation claims or expects to claim the position in the tax return. Interest and penalties expense will be recorded as accrued expenses and charged to general and administrative expenses. The Foundation will create a liability for uncertain tax positions it believes to be a potential future obligation. In the case of a net operating carryforward or a refund, the amount of such carryforward or refund will be reduced. The liability will not be combined with deferred tax liabilities or assets.

In September 2009, the FASB issued Accounting Standards Update No. 6 ("ASU 6"). ASU 6 eliminates the tabular disclosure requirements of uncertain tax positions under FASB ASC 740 for non-public entities.

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

The Foundation does not expect that the adoption of FASB ASC 740 will have a material effect on its financial position, change in net assets or cash flows.

Note 3 - Concentration of Credit Risk

The Foundation maintains cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution and unlimited coverage for non-interest bearing accounts, and by the Securities Investor Protection Corporation (SIPC) up to \$100,000 for cash and \$500,000 for securities. From time to time, the Foundation's balances may exceed these limits. At December 31, 2009, uninsured cash and investment balances were approximately \$769,000. The Foundation believes it is not exposed to any significant credit risk for cash.

Note 4 - Investments

Investments are stated at fair value using Level 1 inputs which are based on quoted market price at December 31, 2009 and consist of the following:

	Fair Value
Mutual funds	\$ 2,056,221
Money market fund	<u>640</u>
	<u>\$ 2,056,861</u>

Included in the statement of activities are gains on sale of investments - realized of \$32,595 and unrealized of \$151,693 for the year ended December 31, 2009.

Investment income consisted of the following:

Interest and dividends	\$ 64,305
Net realized and unrealized gain on investments	<u>184,288</u>
	<u>\$ 248,593</u>
Allocated to operations	
Spending formula of 5%	\$ 145,772
Allocated to non-operating revenues	<u>102,821</u>
	<u>\$ 248,593</u>

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 5 - Contributions Receivable

All unconditional pledges receivable have been recorded at realized value and are due within one year.

Note 6 - Works of Art

During 1997, the 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 Cultural Services for public exhibition in furtherance of the Foundation's mission. It is important to note, however, that while the Foundation holds formal title to this asset, the Foundation has lent it to the French Government for an indefinite term; and therefore 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, within a foreseeable future, a monetary value for this asset.

This consists of the following works:

Bronze Statue of General Charles De Gaulle	\$ 8,000
Louis XV and XVI collection of decorative elements	<u>686,000</u>
Total appraised value	<u>\$ 694,000</u>

Note 7 - Line of Credit

Pursuant to an arrangement with JPMorgan Chase Bank, 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 4.2%, which at December 31, 2009 totaled 7.45%. At December 31, 2009, the Foundation had no related debt outstanding.

Note 8 - Retirement Expense

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 2009, the Foundation's expense was \$5,527.

THE FRENCH-AMERICAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

EHT Fund	\$ 886,219
Bicentennial Fund	368,344
Young Leaders/Young Leaders Circle	13,344
Equality of Opportunity	103,695
Courants	84,615
Young Scientific Leaders	5,000
Media Coverage of Immigration	<u>179,342</u>
	<u>\$ 1,640,559</u>

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Young Leaders/Young Leaders Circle	\$ 176,706
Equality of Opportunity	21,305
Courants	73,052
Media Coverage of Immigration	<u>200,658</u>
	<u>\$ 471,721</u>

Note 10 - Commitments

The Foundation leases office space and has noncancellable operating leases for equipment until December 2014, which requires future minimum rentals as follows:

<u>Years Ending December 31:</u>	
2010	\$ 68,246
2011	3,552
2012	3,552
2013	3,552
2014	<u>3,256</u>
	<u>\$ 82,158</u>

Rent expense charged to operations for the year ended December 31, 2009 amounted to \$110,194.

SUPPLEMENTARY INFORMATION

THE FRENCH-AMERICAN FOUNDATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF TEMPORARILY RESTRICTED PROGRAM ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Net Assets at Beginning of Year	Revenues	Total	Net Assets Released from Restriction	Net Assets at End of Year
EHT FUND	\$ 886,219	\$ -	\$ 886,219	\$ -	\$ 886,219
BICENTENNIAL FUND	368,344	-	368,344	-	368,344
YOUNG LEADERS/YOUNG LEADERS CIRCLE	-	190,050	190,050	176,706	13,344
EQUALITY OF OPPORTUNITY	-	125,000	125,000	21,305	103,695
COURANTS	48,243	109,424	157,667	73,052	84,615
YOUNG SCIENTIFIC LEADERS	5,000	-	5,000	-	5,000
MEDIA COVERAGE OF IMMIGRATION	200,000	180,000	380,000	200,658	179,342
TOTAL FUNCTIONAL EXPENSES	\$ 1,507,806	\$ 604,474	\$ 2,112,280	\$ 471,721	\$ 1,640,559

See independent auditors' report.