

**THE FRENCH-AMERICAN FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**(WITH SUMMARIZED COMPARATIVE  
TOTALS FOR DECEMBER 31, 2009)**

## THE FRENCH-AMERICAN FOUNDATION

### CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statement of Financial Position at December 31, 2010 (With Summarized Comparative Totals at December 31, 2009)	2
Statement of Activities for the Year Ended December 31, 2010 (With Summarized Comparative Totals for the Year Ended December 31, 2009)	3
Statement of Functional Expenses for the Year Ended December 31, 2010 (With Summarized Comparative Totals for the Year Ended December 31, 2009)	4
Statement of Cash Flows for the Year Ended December 31, 2010 (With Summarized Comparative Totals for the Year Ended December 31, 2009)	5
Notes to Financial Statements	6-12
<u>Supplementary Information</u>	
Schedule of Temporarily Restricted Program Activities for the Year Ended December 31, 2010	13



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 (the "Foundation") at December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 2009 financial statements and, in our report dated April 19, 2010, we expressed an unqualified opinion on those financial statements.

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 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 Foundation at December 31, 2010, and the results of its operations and 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.*

GRASSI & CO., CPAs, P.C.

Jericho, New York  
November 10, 2011

THE FRENCH-AMERICAN FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010  
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 424,409	\$ 503,120
Investments, at fair value	1,868,776	2,056,861
Contributions receivable	127,650	70,500
Security deposits and other assets	37,456	28,088
Works of art	694,000	694,000
Furniture and equipment (net of accumulated depreciation of \$66,377 in 2010)	<u>25,471</u>	<u>33,685</u>
Total Assets	<u>\$ 3,177,762</u>	<u>\$ 3,386,254</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 95,201	\$ 90,523
Deferred rent payable	<u>7,332</u>	<u>-</u>
Total Liabilities	<u>102,533</u>	<u>90,523</u>
Commitments		
Net Assets:		
Unrestricted	1,642,263	1,655,172
Temporarily restricted	<u>1,432,966</u>	<u>1,640,559</u>
Total Net Assets	<u>3,075,229</u>	<u>3,295,731</u>
Total Liabilities and Net Assets	<u>\$ 3,177,762</u>	<u>\$ 3,386,254</u>

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

THE FRENCH-AMERICAN FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 370,850	\$ 489,781	\$ 860,631	\$ 1,057,488
Special events	\$ 623,800			
Less: direct costs of special events	<u>138,150</u>	-	485,650	479,284
Investment income allocated to operations	102,361	20,965	123,326	145,772
Net assets released from restriction	<u>718,339</u>	<u>(718,339)</u>	-	-
Total Operating Revenues and Other Support	<u>1,677,200</u>	<u>(207,593)</u>	<u>1,469,607</u>	<u>1,682,544</u>
OPERATING EXPENSES				
Program services				
Project implementation	1,101,357	-	1,101,357	979,675
Supporting services				
Management and general	204,926	-	204,926	218,133
Fund raising and relationship development	<u>431,396</u>	<u>-</u>	<u>431,396</u>	<u>392,604</u>
Total Operating Expenses	<u>1,737,679</u>	<u>-</u>	<u>1,737,679</u>	<u>1,590,412</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(60,479)	(207,593)	(268,072)	92,132
INVESTMENT INCOME ALLOCATED TO NON-OPERATING REVENUES	<u>47,570</u>	<u>-</u>	<u>47,570</u>	<u>102,821</u>
CHANGE IN NET ASSETS	(12,909)	(207,593)	(220,502)	194,953
NET ASSETS, BEGINNING OF YEAR	<u>1,655,172</u>	<u>1,640,559</u>	<u>3,295,731</u>	<u>3,100,778</u>
NET ASSETS, END OF YEAR	<u>\$ 1,642,263</u>	<u>\$ 1,432,966</u>	<u>\$ 3,075,229</u>	<u>\$ 3,295,731</u>

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

THE FRENCH-AMERICAN FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	PROGRAM SERVICES	SUPPORTING SERVICES			2010	2009
	Project Implementation	Management and General	Fund Raising and Relationship Development	Direct Costs of Special Events	Total	Total
SALARIES	\$ 311,890	\$ 121,873	\$ 203,891	\$ -	\$ 637,654	\$ 674,026
BENEFITS AND PAYROLL TAXES	77,176	30,156	50,453	-	157,785	140,382
OCCUPANCY	81,413	14,593	27,873	-	123,879	122,874
INSURANCE	3,827	686	1,310	-	5,823	5,586
OFFICE EXPENSE	15,011	1,973	14,092	-	31,076	53,056
POSTAGE AND SHIPPING	5,551	593	3,424	-	9,568	8,445
DUPLICATION, PRINTING AND PUBLICATIONS	34,200	415	24,767	-	59,382	30,088
EQUIPMENT RENTAL AND MAINTENANCE	9,395	1,534	2,931	-	13,860	11,003
TELEPHONE	44,822	8,034	15,346	-	68,202	51,017
DEPRECIATION	7,529	1,349	2,577	-	11,455	14,400
PROJECT CONSULTING AND PROFESSIONAL FEES	240,070	22,790	73,033	-	335,893	179,627
TRANSPORTATION AND LODGING	195,082	186	6,792	-	202,060	177,612
CONFERENCE FACILITIES, MEETINGS AND CATERING	65,391	744	4,907	138,150	209,192	191,736
MISCELLANEOUS	10,000	-	-	-	10,000	20,000
TOTAL EXPENSES	1,101,357	204,926	431,396	138,150	1,875,829	1,679,852
LESS: EXPENSES DEDUCTED DIRECTLY FROM REVENUES ON THE STATEMENT OF ACTIVITIES	-	-	-	138,150	138,150	89,440
TOTAL FUNCTIONAL EXPENSES	\$ 1,101,357	\$ 204,926	\$ 431,396	\$ -	\$ 1,737,679	\$ 1,590,412

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

THE FRENCH-AMERICAN FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (220,502)	\$ 194,953
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(140,717)	(184,288)
Bad debt	4,660	25,533
Depreciation	11,455	14,400
Deferred rent	7,332	-
Changes in assets (increase) decrease:		
Contributions receivable	(61,810)	(41,000)
Security deposits and other assets	(9,368)	(1,915)
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	<u>4,678</u>	<u>(186,428)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(404,272)</u>	<u>(178,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,184,497	564,858
Purchase of investments	(1,855,695)	(63,585)
Fixed asset acquisitions	<u>(3,241)</u>	<u>(13,229)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>325,561</u>	<u>488,044</u>
NET (DECREASE) INCREASE IN CASH	(78,711)	309,299
CASH, BEGINNING OF YEAR	<u>503,120</u>	<u>193,821</u>
CASH, END OF YEAR	<u>\$ 424,409</u>	<u>\$ 503,120</u>

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

THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 1 - Nature of Operations

The French-American Foundation (the "Foundation") is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC. 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, 2009, 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.



THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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

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.

Investments

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

The Foundation has a "total return" policy with regards to 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.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2010, the fair value of the Foundation's financial instruments including cash, contributions receivable, accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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

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, 2010, management has determined that no allowance for doubtful accounts is necessary.

Works of Art

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

Furniture and Equipment

Furniture 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 furniture 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 furniture 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

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.

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.

THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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

Accounting for Uncertainty in Income Taxes

The Foundation adopted the provisions pertaining to uncertain tax provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

The Foundation has evaluated all events or transactions that occurred after December 31, 2010 through the date of issuance of these financial statements. During this period, there were no material subsequent events requiring disclosure.

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements*, requiring reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements, and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The guidance is effective for interim and annual reporting periods after December 15, 2009, except for Level 3 reconciliation disclosures, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Foundation's financial statements.

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. From time to time, the Foundation's balances may exceed this limit. At December 31, 2010, uninsured cash balances were approximately \$144,000. The Foundation believes it is not exposed to any significant credit risk for cash.

Note 4 - Investments

Included in the statement of activities are realized gains on investments of \$77,957 and unrealized gains of \$62,760 for the year ended December 31, 2010.

THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 4 - Investments (cont'd.)

Investment income consisted of the following:

Interest and dividends	\$ 30,179
Net realized and unrealized gain on investments	<u>140,717</u>
	<u>\$ 170,896</u>
Allocated to operations	
Spending formula of 5%	\$ 123,326
Allocated to non-operating revenues	<u>47,570</u>
	<u>\$ 170,896</u>

Note 5 - Fair Value Measurements

The Foundation measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Foundation's own assumptions of market participant valuation (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

The following table presents the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity securities				
Domestic	\$ 652,470	\$ 652,470	\$ -	\$ -
Non-domestic	329,916	329,916	-	-
Mutual funds				
Fixed income	773,285	773,285	-	-
Other	<u>113,105</u>	<u>113,105</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 1,868,776</u>	<u>\$ 1,868,776</u>	<u>\$ -</u>	<u>\$ -</u>

THE FRENCH-AMERICAN FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

Note 6 - Contributions Receivable

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

Note 7 - 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 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 4.2%, which at December 31, 2010 totaled 7.45%. At December 31, 2010, the Foundation had no related debt outstanding.

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	62,017
Courants	76,873
Breakfast Roundtables	<u>39,513</u>
	 <u>\$ 1,432,966</u>

THE FRENCH-AMERICAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 9 - Temporarily Restricted Net Assets (cont'd.)

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

Translation Prize	\$ 52,940
Defense Symposium	30,000
Young Leaders/Young Leaders Circle	128,127
Equality of Opportunity	115,695
Courants	147,622
Young Scientific Leaders	5,000
Media Coverage of Immigration	194,342
Breakfast Roundtables	23,648
Tuck Speaker Series	<u>20,965</u>
	<u>\$ 718,339</u>

Note 10 - Commitments

The Foundation leases office space and has noncancellable operating leases for equipment until July 2020, which requires future minimum rental payments as follows:

Years Ending December 31:

2011	\$ 107,234
2012	109,754
2013	112,341
2014	114,695
2015	118,096
Thereafter	<u>597,689</u>
	<u>\$ 1,159,809</u>

Rent expense charged to operations for the year ended December 31, 2010 amounted to \$110,121. During the year ended December 31, 2010, actual cash paid for rent was \$102,789.

Note 11 - 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 2010, the Foundation's expense was \$14,264.

SUPPLEMENTARY INFORMATION

THE FRENCH-AMERICAN FOUNDATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF TEMPORARILY RESTRICTED PROGRAM ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	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
TRANSLATION PRIZE	-	52,940	52,940	52,940	-
DEFENSE SYMPOSIUM	-	30,000	30,000	30,000	-
YOUNG LEADERS/YOUNG LEADERS CIRCLE	13,344	176,800	190,144	128,127	62,017
EQUALITY OF OPPORTUNITY	103,695	12,000	115,695	115,695	-
COURANTS	84,615	139,880	224,495	147,622	76,873
YOUNG SCIENTIFIC LEADERS	5,000	-	5,000	5,000	-
MEDIA COVERAGE OF IMMIGRATION	179,342	15,000	194,342	194,342	-
BREAKFAST ROUNDTABLES	-	63,161	63,161	23,648	39,513
TUCK SPEAKER SERIES	-	20,965	20,965	20,965	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,640,559</b>	<b>\$ 510,746</b>	<b>\$ 2,151,305</b>	<b>\$ 718,339</b>	<b>\$ 1,432,966</b>

See independent auditors' report.