



FINANCIAL STATEMENTS

Year Ended December 31, 2018

*With Summarized Financial Information
For the Year Ended December 31, 2017*

With Report of Independent Auditors



John Vazzana CPA PLLC



TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6



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, 2018, 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, 2017 financial statements and, in our report dated November 08, 2018, 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, 2018, 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

October 15, 2019

The French-American Foundation

Statement of Financial Position

December 31, 2018

(With Summarized Financial Information for December 31, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 78,522	\$ 134,876
Investments	2,684,913	2,742,101
Pledges receivable	354,053	558,124
Prepaid expenses	4,641	11,103
Property and equipment (net)	476	1,727
Other assets	694,000	694,000
Security deposit	<u>22,912</u>	<u>22,878</u>
Total Assets	<u>\$ 3,839,517</u>	<u>\$ 4,164,809</u>

LIABILITIES & NET ASSETS

	<u>2018</u>	<u>2017</u>
Accrued expenses	\$ 26,617	\$ 98,166
Deferred rent	<u>1,719</u>	<u>41,855</u>
Total Liabilities	<u>28,336</u>	<u>140,021</u>
 Net Assets		
Without donor restrictions		
Undesignated	791,023	740,472
Board designated	<u>2,684,004</u>	<u>2,741,189</u>
Total without donor restrictions	3,475,027	3,481,661
With donor restrictions	<u>336,154</u>	<u>543,127</u>
Total Net Assets	<u>3,811,181</u>	<u>4,024,788</u>
Total Liabilities and Net Assets	<u>\$ 3,839,517</u>	<u>\$ 4,164,809</u>

The French-American Foundation
Statement of Activities

For year ended December 31, 2018

(With Summarized Financial Information for December 31, 2017)

	Without donor restrictions	With donor restrictions	2018 Total	2017 Total
Revenues, Gains, and Other Support				
General contributions	\$ 451,992	\$ 200,000	\$ 651,992	\$ 896,615
Special events revenue and contributions	510,925	-	510,925	428,305
Direct event expenses	(162,537)	-	(162,537)	(187,855)
Other income	31,546	-	31,546	24,829
Investment income	71,005	-	71,005	60,476
Realized gains (losses)	39,479	-	39,479	236,743
Unrealized gains (losses)	(228,013)	-	(228,013)	28,504
Net assets released from restrictions	406,973	(406,973)	-	-
Total Revenues, Gains, and Other Support	1,121,370	(206,973)	914,397	1,487,617
Expenses:				
Program services	689,937	-	689,937	864,700
Management and general	363,293	-	363,293	283,181
Fundraising	74,774	-	74,774	160,421
Total Expenses	1,128,004	-	1,128,004	1,308,302
Changes in Net Assets	(6,634)	(206,973)	(213,607)	179,315
Net Assets at Beginning of Year	3,481,661	543,127	4,024,788	3,845,473
Net Assets at End of Year	\$ 3,475,027	\$ 336,154	\$ 3,811,181	\$ 4,024,788

The French-American Foundation
Statement of Cash Flows

For year ended December 31, 2018

(With Summarized Financial Information for December 31, 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (213,607)	\$ 179,315
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	1,251	1,718
Net realized and unrealized (gain)/loss on investments	188,534	(265,247)
Donated stock	(11,105)	(10,790)
Loss on uncollectable promises to give	470	31,022
Changes in operating assets and liabilities		
Decrease/(increase) in:		
Pledges receivable	204,071	(329,982)
Prepaid expenses	6,462	(1,090)
Increase/(decrease) in:		
Accrued expenses	(71,549)	84,514
Grants payable	-	(5,000)
Deferred rent	(40,136)	(10,556)
Net cash provided by/(used in) operating activities	64,391	(326,096)
CASH FLOW FROM INVESTING ACTIVITIES:		
Decrease/(increase) in:		
Proceeds from sale of investments	-	375,000
Purchased investments (net)	(70,336)	-
Dividend Reinvestments	(50,375)	(61,698)
Increase in security deposit	(34)	(46)
Net cash provided by/(used in) investing activities	(120,745)	313,256
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase (decrease) in line of credit balance	-	(250)
Net cash provided by/(used in) financing activities	-	(250)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(56,354)	(13,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	134,876	147,966
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 78,522	\$ 134,876
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Contribution of securities	\$ 11,105	\$ 10,790

The French-American Foundation

Statement of Functional Expenses

For year ended December 31, 2018

(With Summarized Financial Information for December 31, 2017)

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Compensation and benefits	\$ 401,459	\$ 189,881	\$ 45,512	\$ 636,852	\$ 639,663
Consulting and professional fees	-	117,196	27,200	144,396	106,437
Promotion and advertising	3,050	-	-	3,050	2,990
Office expense	3,777	2,158	-	5,935	4,056
Computer and website expenses	8,002	8,002	-	16,004	18,544
Occupancy	86,102	21,525	-	107,627	146,692
Transportation and lodging	39,554	-	-	39,554	16,742
Conference and meetings	92,417	-	-	92,417	69,345
Young leaders seminar	-	-	-	-	164,278
Depreciation	-	1,251	-	1,251	1,718
Insurance	3,246	3,504	-	6,750	6,047
Printing and design	3,066	2,452	613	6,131	6,230
Processing and service charges	-	11,875	-	11,875	13,467
Dues, subscriptions and fees	1,238	495	743	2,476	3,268
Photography and video	6,358	-	-	6,358	4,980
Bad debt expense	-	470	-	470	31,022
Equipment rental and maintenance	3,350	1,117	-	4,467	6,567
Postage and shipping	354	706	706	1,766	1,846
Telephone and internet	7,981	2,661	-	10,642	17,984
Grants, stipends and awards	29,983	-	-	29,983	46,426
Total	\$ 689,937	\$ 363,293	\$ 74,774	\$ 1,128,004	\$ 1,308,302

The French-American Foundation
Notes to Financial Statements
December 31, 2018

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.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

All revenues and net gains are reported as increases in *Net Assets Without Donor Restrictions* 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 *Net Assets Without Donor Restrictions*.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

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 \$3,000 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.

Accounting for Contributions: Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in *Net Assets Without Donor Restrictions* 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 *Net Assets with Donor Restrictions*, 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 in *Net Assets with Donor Restrictions* until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. 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 *Net Assets without Donor Restrictions*.

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.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

Functional 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.

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.

Advertising: The Organization's direct advertising and promotion costs are charged to operations when incurred.

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.

New Accounting Pronouncements:

Leases: In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

Note 3 - Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 78,522
Investments	2,684,913
Pledges receivable	<u>354,053</u>
Total	<u>\$ 3,117,488</u>

As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The organization also maintains a line of credit in the amount of \$100,000, which could be drawn upon in the event of an anticipated liquidity need.

Note 4 - 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.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level I 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.

Note 5 - Pledges Receivable

At December 31, 2018, all pledges receivable appear on the Statement of Financial Position net of an allowance for uncollectible accounts in the amount of \$4,000. Pledges receivable are expected by management to be collected during the next year.

Note 6 - Investments

Investments consist of the following at December 31, 2018:

	<u>Fair Value</u>
Cash and sweep funds	63,011
Equity securities	1,396,350
Fixed income securities	1,120,557
Alternative assets	<u>104,995</u>
Total investments	<u>\$2,684,913</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.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

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, 2018:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Cash and sweep funds	63,011	63,011	-	-
Equity securities	1,396,350	1,396,350	-	-
Fixed income securities	1,120,557	1,120,557	-	-
Alternative assets	104,995	-	-	104,995
Total	<u>\$2,684,913</u>	<u>\$2,579,918</u>	<u>\$ -</u>	<u>\$ 104,995</u>

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

Investment income	71,005
Net realized gains (losses)	39,479
Net unrealized gains (losses)	<u>(228,013)</u>
Total investment return	<u><u>\$ (117,529)</u></u>

Note 7 - Property and Equipment

The following are details of property and equipment at December 31, 2018:

Furniture and equipment (5 years/straight line)	77,977
Less: accumulated depreciation	<u>77,501</u>
Net property and equipment	<u><u>\$ 476</u></u>

Note 8 - 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.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

Note 9 - 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, 2018, the line of credit was not in use and had a \$0 outstanding balance.

Note 10 - 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 \$ 45,653 for the year ended December 31, 2018. 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, 2018 was \$ 1,719. There is a security deposit in the amount is \$22,912 being held by the landlord in conjunction with this lease.

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

2019	110,067
2020	65,132

Total future minimum rental payments are \$ 175,199.

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:

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

Total future minimum rental payments are \$ 11,562.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

Note 11 - Net Assets

The details for the donor restricted net assets for the year ending December 31, 2018 are as follows:

Name / Description	Details	Balance 01/01/2018	Donor restricted contributions	Net assets released from restrictions	Balance 12/31/2018
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.	6,973	-	(6,973)	-
Other	Other promises to give that are not restricted by donors, but which are unavailable for expenditure until received.	336,154	-	(200,000)	136,154
Total		\$ 543,127	\$ 200,000	\$ (406,973)	\$ 336,154

Note 12 - 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, 2018 was \$ 2,684,004.

Note 13 - 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, 2018, there were no uninsured balances held at banks.

The French-American Foundation
Notes to Financial Statements
December 31, 2018

Note 14 - 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. The program is run jointly between the Organization and the French-American Foundation – France, a similar entity. The annual Young Leaders seminar alternates between being hosted in the United States and France. When in the United States, the organization undertakes the financial obligations of the seminar. In 2018, the French organization hosted and underwrote the five-day Young Leaders Seminar in France. The organization will again assume the financial obligations for the 2019 seminar being held in the United States.

Note 15 - 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 16 - Subsequent Events

Subsequent events have been evaluated through October 15, 2019, which is the date the financial statements were available to be issued.