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**AMERICAN  
COUNCIL ON  
GERMANY**

**Audited Financial Statements**

**December 31, 2014**



## **Independent Auditors' Report**

To the Board of Directors of  
The American Council on Germany, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The American Council on Germany, Inc. ("ACG"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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.

### ***Auditors' 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 from 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 auditors' 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 organization'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 organization'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.

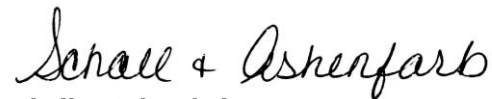
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Council on Germany, Inc. as of December 31, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited ACG's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

September 2, 2015

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2014**  
(With comparative totals at December 31, 2013)

	<u>12/31/14</u>	<u>12/31/13</u>
<b>Assets</b>		
Cash and cash equivalents	\$302,038	\$336,619
Investments (Note 3)	11,746,456	12,167,354
Contributions receivable	60,349	61,332
Prepaid expenses and other assets	22,626	20,650
Fixed assets, net (Note 4)	182,290	48,033
Security deposit	<u>35,904</u>	<u>35,904</u>
 Total assets	 <u><u>\$12,349,663</u></u>	 <u><u>\$12,669,892</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$143,978	\$174,911
Fellowship stipends and travel payable	84,829	85,650
Deferred rent	<u>18,304</u>	<u>16,091</u>
Total liabilities	<u><u>247,111</u></u>	<u><u>276,652</u></u>
Net assets:		
Unrestricted	12,035,168	12,359,153
Temporarily restricted (Note 5)	<u>67,384</u>	<u>34,087</u>
Total net assets	<u><u>12,102,552</u></u>	<u><u>12,393,240</u></u>
 Total liabilities and net assets	 <u><u>\$12,349,663</u></u>	 <u><u>\$12,669,892</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With comparative totals for the year ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Total 12/31/14	Total 12/31/13*
Revenue and support:				
Contributions	\$701,249	\$180,481	\$881,730	\$782,472
Awards dinner (net of direct expenses)(Note 6)	518,492		518,492	390,247
Discussion programs, luncheons, & meetings	11,748		11,748	49,715
Interest and dividend income (Note 3)	278,855		278,855	271,434
In-kind contributions (Note 8)	74,323		74,323	52,680
Net assets released from restrictions	147,184	(147,184)	0	0
Total revenue and support	1,731,851	33,297	1,765,148	1,546,548
Expenses:				
Program services	1,839,461		1,839,461	1,866,520
Management and general	255,310		255,310	171,489
Fundraising	89,446		89,446	96,437
Total expenses	2,184,217	0	2,184,217	2,134,446
Change in net assets from operating activities	(452,366)	33,297	(419,069)	(587,898)
Non-operating activities (Note 3):				
Net gains on investments	152,946		152,946	2,092,264
(Loss)/gain on currency exchange	(24,565)		(24,565)	4,456
Total non-operating activities	128,381	0	128,381	2,096,720
Change in net assets	(323,985)	33,297	(290,688)	1,508,822
Net assets - beginning	12,359,153	34,087	12,393,240	10,804,323
Prior period adjustment (Note 10)			0	80,095
Net assets - ending	\$12,035,168	\$67,384	\$12,102,552	\$12,393,240

\* Reclassified for comparative purposes

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With comparative totals for the year ended December 31, 2013)

	Program Services	Management and General	Fundraising	Total 12/31/14	Total 12/31/13
Salaries	\$682,123	\$49,899	\$40,637	\$772,659	\$707,114
Payroll taxes & employee benefits	190,889	13,963	11,372	216,224	214,991
Fellowship awards	76,450			76,450	195,650
Discussion programs and meetings (including in-kind)(Note 8)	330,149	6,454	381	336,984	305,444
Professional fees	4,773	109,277	100	114,150	52,903
Public policy program (including in-kind)(Note 8)	40,514			40,514	54,401
Communications and information technology	10,777	26,094	642	37,513	44,922
Occupancy	133,931	9,797	7,979	151,707	157,941
Travel, events and accommodations	280,161	9,803	104	290,068	291,119
Office supplies and equipment	35,713	3,461	2,630	41,804	30,338
Postage and shipping	5,998	599	720	7,317	11,588
Insurance	6,787	496	404	7,687	7,959
Dues and subscriptions	565	3,619	684	4,868	8,142
Indirect fundraising event expenses			21,474	21,474	28,727
Miscellaneous (including in-kind)(Note 8)	1,713	16,892		18,605	21,023
Depreciation	38,918	2,847	2,319	44,084	2,184
Bad debt		2,109		2,109	0
<b>Total expenses</b>	<b>\$1,839,461</b>	<b>\$255,310</b>	<b>\$89,446</b>	<b>\$2,184,217</b>	<b>\$2,134,446</b>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With comparative totals for the year ended December 31, 2013)

	<u>12/31/14</u>	<u>12/31/13*</u>
Cash flows from operating activities:		
Change in net assets	(\$290,688)	\$1,508,822
Adjustment to reconcile change in net assets to net cash used for operations:		
Depreciation	44,084	2,184
Realized and unrealized gain on investments	(152,946)	(2,092,264)
Changes in assets and liabilities:		
Contributions receivable	983	(14,860)
Prepaid expenses and other assets	(1,976)	(14,355)
Accounts payable and accrued expenses	(30,933)	67,310
Fellowship stipends and travel payable	(821)	80,400
Deferred revenue	0	(32,700)
Deferred rent	2,213	16,091
Total adjustments	<u>(139,396)</u>	<u>(1,988,194)</u>
Net cash used for operating activities	<u>(430,084)</u>	<u>(479,372)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(178,341)	(45,753)
Purchases of investments (including reinvestment of investment income)	(301,156)	(290,913)
Sale of investments	875,000	960,000
Net cash provided by investing activities	<u>395,503</u>	<u>623,334</u>
(Decrease)/increase in cash and cash equivalents	(34,581)	143,962
Cash and cash equivalents - beginning of year	<u>336,619</u>	<u>192,657</u>
Cash and cash equivalents - end of year	<u><u>\$302,038</u></u>	<u><u>\$336,619</u></u>
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

\* Reclassified for comparative purposes

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 1 - Organization and Nature of Activities**

The American Council on Germany, Inc. ("ACG") is a not-for-profit organization that was formed in February 1952 for the purpose of improving understanding between the United States and the Federal Republic of Germany. ACG's primary sources of revenue are corporate, foundation and individual contributions.

ACG is a not-for-profit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in section 509(a).

**Note 2 - Significant Accounting Policies**

a. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting which is the process of recording public support, revenue and expenses when earned and incurred rather than when received or paid.

ACG's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to program nature or by passage of time. See Note 5.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. There were no such contributions of this type received during the year ended December 31, 2014 and 2013.

b. Revenue Recognition

ACG receives its support from corporate, foundation and individual contributions, and fundraising events. Contributions received with donor stipulations as to time or purpose are recorded as temporarily restricted support. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions whose restrictions are met in the period received and all other contributions are recorded as unrestricted.

c. Cash and Cash Equivalents

ACG considers cash and liquid investments with an initial maturity of three months or less to be cash and cash equivalents except for cash held with an investment custodian for long term purposes.

d. Concentration of Credit Risk

Financial instruments which potentially subject ACG to concentration of credit risk consist of cash accounts and investment securities, which are placed with financial institutions that management deems to be credit worthy. The market value of investments is subject to fluctuation; however management believes that the investment policy is prudent for the long term welfare of ACG. At times, balances may exceed federally insured limits. ACG has not experienced any losses due to failure of a financial institution.

e. Contributions Receivable

Contributions are recognized as revenue at net realizable value if expected to be collected within one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All contributions receivable at December 31, 2014 are expected to be received within 12 months. Management deems these receivables to be fully collectable and has not established any reserves.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

g. Fixed Assets

Equipment, furniture and fixtures that have a useful life of more than one year and exceed predetermined amounts are capitalized at cost or at fair value if donated. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

h. Deferred Rent

ACG records rent expense on the straight-line method and recognized deferred rent for the cumulative amount that expenses exceeded actual payments. In the latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.

i. Contributed Services

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members and other volunteers have donated a significant amount of time, but these services have not been recorded because they do not meet the criteria outlined above.

- j. Functional Allocation of Expenses  
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Certain costs have been allocated among the programs and supporting services benefited.
- k. 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.
- l. Accounting for Uncertainty of Income Taxes  
ACG does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2011 and later are subject to examination by applicable taxing authorities.
- m. Prior-Year Comparative Financial Information  
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 ACG's financial statements for the year ended December 31, 2013, from which the summarized information was derived.
- n. Subsequent Events  
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through September 2, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

### **Note 3 - Investments**

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that ACG has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	<u>December 31, 2014</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$3,286,109	\$0	\$3,286,109
Mutual Funds - Equities	2,757,515	0	2,757,515
US Government bonds	0	444,001	444,001
Municipal bonds	0	304,401	304,401
Corporate bonds	0	648,245	648,245
Equities	<u>4,306,185</u>	<u>0</u>	<u>4,306,185</u>
	<u>\$10,349,809</u>	<u>\$1,396,647</u>	<u>\$11,746,456</u>

	<u>December 31, 2013</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$1,317,550	\$0	\$1,317,550
Mutual Funds - Equities	2,928,373	0	2,928,373
US Government bonds	0	476,860	476,860
Municipal bonds	0	293,607	293,607
Corporate bonds	0	778,343	778,343
Equities	6,354,262	0	6,354,262
Real Estate Investment Trust	<u>18,359</u>	<u>0</u>	<u>18,359</u>
	<u>\$10,618,544</u>	<u>\$1,548,810</u>	<u>\$12,167,354</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. These methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The following summarizes interest and dividend income:

	<u>12/31/14</u>	<u>12/31/13</u>
Interest and dividend income	<u>\$278,855</u>	<u>\$271,434</u>

The following summarizes net gains on investments:

	<u>12/31/14</u>	<u>12/31/13</u>
Realized gain on sale of investments	\$497,851	\$1,324,397
Unrealized (loss)/gain on investments	(249,911)	872,279
Investment fees	<u>(94,994)</u>	<u>(104,412)</u>
	<u>\$152,946</u>	<u>\$2,092,264</u>

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a loss on currency exchange of \$24,565 during the year ended December 31, 2014 and a gain on currency exchange of \$4,456 in 2013.

**Note 4 - Fixed Assets**

Fixed assets consisted of the following:

	<u>12/31/14</u>	<u>12/31/13</u>
Computers and equipment (5-7 years)	\$102,760	\$65,144
Leasehold improvements (life of lease)	<u>140,725</u>	<u>0</u>
Total cost	243,485	65,144
Less: accumulated depreciation	<u>(61,195)</u>	<u>(17,111)</u>
Total fixed assets - net	<u>\$182,290</u>	<u>\$48,033</u>

**Note 5 - Temporarily Restricted Net Assets**

The following summarizes the activity of temporarily restricted net assets:

	<u>December 31, 2014</u>			
	Balance <u>1/1/14</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/14</u>
Transatlantic Speakers Program	\$0	\$134,556	(\$113,097)	\$21,459
Time restrictions	<u>34,087</u>	<u>45,925</u>	<u>(34,087)</u>	<u>45,925</u>
Total	<u>\$34,087</u>	<u>\$180,481</u>	<u>(\$147,184)</u>	<u>\$67,384</u>

**Note 6 - Special Events**

A summary of the McCloy Awards Dinner is as follows:

	<u>12/31/14</u>	<u>12/31/13</u>
Event income	\$616,598	\$482,817
Less: direct event expenses	<u>(98,106)</u>	<u>(92,570)</u>
Net proceeds	518,492	390,247
Less: indirect event expenses	<u>(21,474)</u>	<u>(28,727)</u>
Total	<u>\$497,018</u>	<u>\$361,520</u>

**Note 7 - Commitments**

ACG has a non-cancellable operating lease for office space which expires in June 2018. Minimum lease commitments are summarized as follows:

For the year ended:	December 31, 2015	\$137,984
	December 31, 2016	140,800
	December 31, 2017	143,616
	December 31, 2018	<u>71,808</u>
Total		<u>\$494,208</u>

**Note 8 - In-Kind Contributions**

ACG receives donations of catering and space for board meetings, the Young Leader Conference, and other policy and program meetings held. ACG received the following in-kind contributions:

	<u>December 31, 2014</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>
Discussion programs and meetings	\$49,961	\$49,961	\$0
Public policy program	22,742	22,742	0
Miscellaneous	<u>1,620</u>	<u>0</u>	<u>1,620</u>
Total	<u>\$74,323</u>	<u>\$72,703</u>	<u>\$1,620</u>

	<u>December 31, 2013</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>
Discussion programs and meetings	\$25,725	\$25,725	\$0
Public policy program	20,375	20,375	0
Travel, events and accommodations	4,500	0	4,500
Miscellaneous	<u>2,080</u>	<u>0</u>	<u>2,080</u>
Total	<u>\$52,680</u>	<u>\$46,100</u>	<u>\$6,580</u>

**Note 9 - Retirement Plan**

ACG offers all employees the option of participating in a 401(k) retirement plan after 2 months of service and who are at least 21 years old. All eligible employees may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. ACG can make a discretionary safe harbor contribution to the plan which gets allocated based on the employee's position. In order to be eligible to receive the employer contribution, the employee must work at least 1,000 hours in the calendar year. During the fiscal year ended December 31, 2014 and 2013, ACG contributed \$46,500 and \$69,500, respectively, to the 401(k) plan.

The following vesting periods apply:

<u>Completed Years of Service</u>	<u>Vesting Percentage</u>
1 year	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years or more	100%

**Note 10 - Prior Period Adjustment**

In 2013, a prior period adjustment was made to establish cash and investment accounts that had not been previously reflected on the December 31, 2012 financial statements. At December 31, 2012, the cash account had a balance of \$56,078 and the investment account had a balance of \$24,017.