



**AMERICAN
COUNCIL ON
GERMANY**

Audited Financial Statements

December 31, 2016

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, 2016, 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.

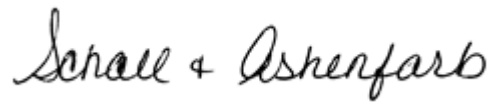
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

May 31, 2017

THE AMERICAN COUNCIL ON GERMANY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016
(With comparative totals at December 31, 2015)

	12/31/16	12/31/15
Assets		
Cash and cash equivalents	\$247,983	\$356,095
Investments (Note 3)	11,211,936	10,584,265
Contributions receivable	85,589	89,659
Prepaid expenses and other assets	19,254	13,796
Fixed assets, net (Note 4)	98,937	141,164
Security deposit	35,904	35,904
Total assets	\$11,699,603	\$11,220,883
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$99,038	\$160,008
Fellowship stipends and travel payable	58,665	98,690
Deferred revenue	2,407	0
Deferred rent	11,465	16,293
Total liabilities	171,575	274,991
Net assets:		
Unrestricted	11,514,929	10,942,833
Temporarily restricted (Note 5)	13,099	3,059
Total net assets	11,528,028	10,945,892
Total liabilities and net assets	\$11,699,603	\$11,220,883

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, 2016
(With comparative totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total 12/31/16	Total 12/31/15
Revenue and support:				
Contributions	\$1,051,371	\$25,000	\$1,076,371	\$697,494
Special Events (net of expenses with a direct benefit to donors)(Note 6)	643,238		643,238	542,897
Membership dues	140,561		140,561	0
Discussion programs, luncheons, & meetings	132,335		132,335	56,970
Interest and dividend income	134,786		134,786	200,330
In-kind contributions (Note 9)	97,303		97,303	117,470
Net assets released from restrictions	14,960	(14,960)	0	0
Total revenue and support	2,214,554	10,040	2,224,594	1,615,161
Expenses:				
Program services	1,642,835		1,642,835	1,595,723
Management and general:				
Administrative	150,004		150,004	222,411
Non-recurring (Note 8)			0	268,000
Fundraising	96,609		96,609	84,692
Total expenses	1,889,448	0	1,889,448	2,170,826
Change in net assets from operating activities	325,106	10,040	335,146	(555,665)
Non-operating activities (Note 3):				
Net gain/(loss) on investments	256,738		256,738	(588,065)
Loss on currency exchange	(9,748)		(9,748)	(12,930)
Total non-operating activities	246,990	0	246,990	(600,995)
Change in net assets	572,096	10,040	582,136	(1,156,660)
Net assets - beginning of year	10,942,833	3,059	10,945,892	12,102,552
Net assets - ending of year	<u>\$11,514,929</u>	<u>\$13,099</u>	<u>\$11,528,028</u>	<u>\$10,945,892</u>

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, 2016
(With comparative totals for the year ended December 31, 2015)

	Program Services	Management and General	Fundraising	Total 12/31/16	Total 12/31/15
Salaries	\$752,522	\$28,000	\$47,375	\$827,897	\$731,099
Payroll taxes and employee benefits	165,323	6,150	10,406	181,879	180,095
Fellowship awards	61,742			61,742	88,850
Discussion programs and meetings	96,778			96,778	212,634
Professional fees (including in-kind)(Note 9)	5,003	76,532		81,535	144,569
Public policy program (including in-kind)(Note 9)	192,837			192,837	33,886
Communications and information technology	30,640	8,297	2,164	41,101	39,564
Occupancy	128,692	4,788	8,102	141,582	140,297
Travel, events and accommodations (including in-kind)(Note 9)	131,484	17,659	1,276	150,419	208,738
Office supplies and equipment	23,654	2,859	1,635	28,148	33,965
Postage and shipping	3,560	88	245	3,893	7,536
Insurance	7,105	264	447	7,816	7,691
Dues and subscriptions	967	438	5,131	6,536	2,900
Indirect fundraising event expenses			17,220	17,220	22,469
Miscellaneous	1,100	3,388		4,488	3,602
Depreciation	41,428	1,541	2,608	45,577	44,931
Total expenses before non-recurring expense	1,642,835	150,004	96,609	1,889,448	1,902,826
Severance arrangement (Note 8)		0		0	268,000
Total expenses	\$1,642,835	\$150,004	\$96,609	\$1,889,448	\$2,170,826

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, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>12/31/16</u>	<u>12/31/15</u>
Cash flows from operating activities:		
Change in net assets	\$582,136	(\$1,156,660)
Adjustment to reconcile change in net assets to net cash provided by/(used for) operations:		
Depreciation	45,577	44,931
Realized and unrealized gain on investments	(256,738)	588,065
Changes in assets and liabilities:		
Contributions receivable	4,070	(29,310)
Prepaid expenses and other assets	(5,458)	8,830
Accounts payable and accrued expenses	(60,970)	16,030
Fellowship stipends and travel payable	(40,025)	13,861
Deferred revenue	2,407	0
Deferred rent	(4,828)	(2,011)
Total adjustments	<u>(315,965)</u>	<u>640,396</u>
Net cash provided by/(used for) operating activities	<u>266,171</u>	<u>(516,264)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(3,350)	(3,805)
Purchases of investments (including reinvestment of investment income)	(670,933)	(225,874)
Sale of investments	300,000	800,000
Net cash (used for)/provided by investing activities	<u>(374,283)</u>	<u>570,321</u>
(Decrease)/increase in cash and cash equivalents	(108,112)	54,057
Cash and cash equivalents - beginning of year	<u>356,095</u>	<u>302,038</u>
Cash and cash equivalents - end of year	<u>\$247,983</u>	<u>\$356,095</u>
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>

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, 2016

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 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 the 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 contributions of this type received during the years ended December 31, 2016 and 2015.

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 creditworthy. 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, 2016 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 using the straight-line method and recognizes 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 payment 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. 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, 2014, from which the summarized information was derived.

m. 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, 2013 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through May 31 2017, 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.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

ACG has not yet evaluated the impact these standards will have on future 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, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$2,292,255	\$0	\$2,292,255
Mutual Funds – global dividend portfolio	2,322,466	0	2,322,466
Mutual funds – fixed income	2,155,688	0	2,155,688
Exchange Traded Funds	16,821	0	16,821
U.S. Equities – various	<u>996,062</u>	<u>0</u>	<u>996,062</u>
	<u>\$7,783,292</u>	<u>\$0</u>	<u>7,783,292</u>

Investments measured at net asset value:

Global equity – multi markets fund	<u>3,428,644</u>
Total	<u>\$11,211,936</u>

	<u>December 31, 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$3,266,226	\$0	\$3,266,226
Mutual Funds – global dividend portfolio	2,235,150	0	2,235,150
U.S. Government bonds	0	359,761	359,761
U.S. Municipal bonds	0	303,194	303,194
U.S. Corporate bonds	583,427	0	583,427
U.S. Equities – various	<u>3,836,507</u>	<u>0</u>	<u>3,836,507</u>
	<u>\$9,921,310</u>	<u>\$662,955</u>	<u>\$10,584,265</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. Level 3 securities are valued using values provided by the investment custodian. ACG's investments carried at NAV included a partnership of funds that contains various hedge funds and common stocks.

Those 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 net gain/(loss) on investments:

	<u>12/31/16</u>	<u>12/31/15</u>
Realized gain on sale of investments	\$1,339,816	\$297,157
Unrealized loss on investments	(1,050,647)	(807,491)
Investment fees	<u>(32,431)</u>	<u>(77,731)</u>
Total	<u>\$256,738</u>	<u>(\$588,065)</u>

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a loss on currency exchange of \$9,748 and \$12,930 during the years ended December 31, 2016 and 2015, respectively.

Note 4 - Fixed Assets

Fixed assets consisted of the following:

	<u>12/31/16</u>	<u>12/31/15</u>
Computers and equipment (3-7 years)	\$109,915	\$106,565
Leasehold improvements (life of lease)	<u>140,725</u>	<u>140,725</u>
	250,640	247,290
Less: accumulated depreciation	<u>(151,703)</u>	<u>(106,126)</u>
Total fixed assets – net	<u>\$98,937</u>	<u>\$141,164</u>

Note 5 - Temporarily Restricted Net Assets

The following summarizes the activity of temporarily restricted net assets:

	<u>December 31, 2016</u>			
	Balance		Released	Balance
	<u>1/1/16</u>	<u>Contributions</u>	<u>from</u> <u>Restrictions</u>	<u>12/31/16</u>
Kellen Fellowships	<u>\$3,059</u>	<u>\$25,000</u>	<u>(\$14,960)</u>	<u>\$13,099</u>
Total	<u>\$3,059</u>	<u>\$25,000</u>	<u>(\$14,960)</u>	<u>\$13,099</u>
	<u>December 31, 2015</u>			
	Balance		Released	Balance
	<u>1/1/15</u>	<u>Contributions</u>	<u>from</u> <u>Restrictions</u>	<u>12/31/15</u>
Transatlantic Speakers Program	\$21,459	\$0	(\$21,459)	\$0
Kellen Fellowships	0	25,000	(21,941)	3,059
Time restrictions	<u>45,925</u>	<u>0</u>	<u>(45,925)</u>	<u>0</u>
Total	<u>\$67,384</u>	<u>\$25,000</u>	<u>(\$89,325)</u>	<u>\$3,059</u>

Note 6 - Special Events

A summary of the McCloy Awards Dinner is as follows:

	<u>12/31/16</u>	<u>12/31/15</u>
Event income	\$730,432	\$612,738
Less: expenses with a direct benefit to donors	<u>(87,194)</u>	<u>(69,841)</u>
	643,238	542,897
Less: other event expenses	<u>(17,220)</u>	<u>(22,469)</u>
Total	<u>\$626,018</u>	<u>\$520,428</u>

Note 7 - Commitments

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

Year ending:	December 31, 2017	\$143,616
	December 31, 2018	<u>71,808</u>
Total		<u>\$215,424</u>

Note 8 - Non-Recurring Expense

ACG announced a change in its President that was effective January 1, 2015. Based on a severance arrangement with the previous President, the amount of severance totaled \$268,000. The total amount was fully paid as of December 31, 2015. In the absence of the non-recurring severance arrangement, the total overall program spending ratio increased from 71% to 84% in 2015.

Note 9 - 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, 2016</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>
Professional fees	\$21,493	\$0	\$21,493
Public policy program	66,290	66,290	0
Travel	<u>9,520</u>	<u>0</u>	<u>9,520</u>
Total	<u>\$97,303</u>	<u>\$66,290</u>	<u>\$31,013</u>
	<u>December 31, 2015</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>
Discussion programs and meetings	\$34,120	\$34,120	\$0
Professional fees	60,000	0	60,000
Public policy program	<u>23,350</u>	<u>23,350</u>	<u>0</u>
Total	<u>\$117,470</u>	<u>\$57,470</u>	<u>\$60,000</u>

Note 10 - 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. ACG contributed \$33,100 and \$26,100 to the 401(k) plan during the fiscal years ended December 31, 2016 and 2015, respectively.

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%