SCHALL & ASHENFARB Certified Public Accountants, LLC

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AUDIT PRESENTATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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The American Council on Germany, Inc.
Executive Summary
For Internal Use Only
December 31, 2018

I - Role of auditors

- The role of the auditors is to give an opinion on the financial statements.
- We have issued a clean, unmodified opinion
- We did not make any significant adjustments to get the financial statements to be free of material error.
- While we like to be able to see, touch and feel as much as we can, we do not review all transactions. We focus on the areas that contain the most risk for material error. Some areas require management judgment. We deemed all estimates to be reasonable.

II - Role of Management

- Management must maintain the books and records in sufficient detail to permit the preparation of financial statements in accordance with GAAP.
- Management must design a system of internal control to minimize the risk that an error to the financial statements would occur that would not be prevented or detected by management or an employee in the normal course of their job functions.

III - Financial Results

- Operations showed a deficit before investment gains of $107K. Net loss on investments of $1.19M brings the total decrease in net assets without donor restrictions to $1.3M.
- The program spending ratio was 83%. This means that for every dollar spent, 83 cents went towards program services.
- The liquidity disclosure reflects financial assets available to meet cash needs for general expenditures within one year of $1.22M.

IV - Internal Controls

Our review of internal controls was made to understand risk to help us determine the nature, timing and extent of our audit procedures to be performed. We did not note any internal control weaknesses that are considered a material weakness.

V - Industry updates

- FASB Issues Final Standard on Grants and Contracts
- FASB New Accounting Standard on Presentation of Financial Statements of NFP Entities
- FASB New Standard on Leases
- FASB New Standard on Revenue Recognition
- IRS Updates
- Government Auditing Updates

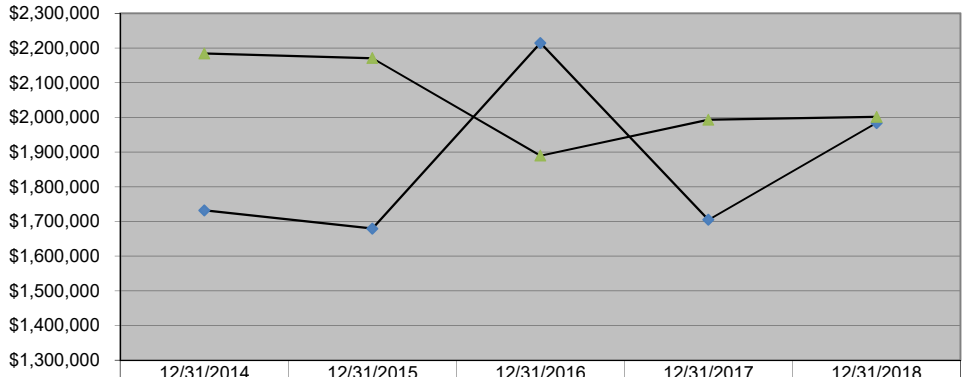
VI –Trend Analysis (See attached)

The American Council on Germany, Inc.
5 YEAR TREND ANALYSIS
AS OF 12/31/18

Year-end Date	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Operating revenue:	**$ 1,731,851**	**$ 1,679,486**	**$ 2,214,554**	**$ 1,704,782**	**$ 1,983,850**
Operating expenses:	**$ 2,184,217**	**$ 2,170,826**	**$ 1,889,448**	**$ 1,993,131**	**$ 2,001,238**
Change in net assets from operations **:	**$ (452,366)**	**$ (491,340)**	**$ 325,106**	**$ (288,349)**	**$ (17,388)**
Employee Salary	772,659	731,099	827,897	837,792	848,875
Employee Salary as % of total operating expense	35%	34%	44%	42%	42%
Employee benefits and taxes	216,224	180,095	181,879	196,574	187,823
Fringe benefit ratio to combined salary	28%	25%	22%	23%	22%
Program Expenses	1,839,461	1,595,723	1,642,835	1,561,866	1,658,680
Program Expenses as a % of Total Expenses	84%	74%	87%	78%	83%
Cash & Investments	12,048,494	10,940,360	11,459,919	12,606,724	11,233,249
Less: A/P, Accrued Expenses & Temporarily Restricted Net Assets	(211,362)	(163,067)	(112,137)	(174,542)	(193,238)
Total Unencumbered Liquid Cash	11,837,132	10,777,293	11,347,782	12,432,182	11,040,011
Years of Reserves	5.42	4.96	6.01	6.24	5.52

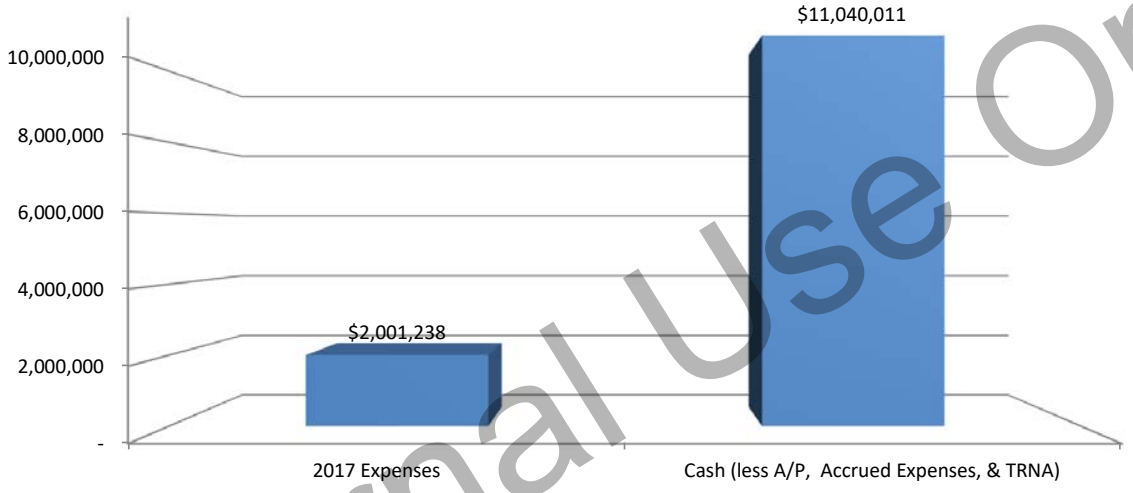
**Excludes temporarily restricted contributions and net gains on investments

Operating Revenue & Expenses

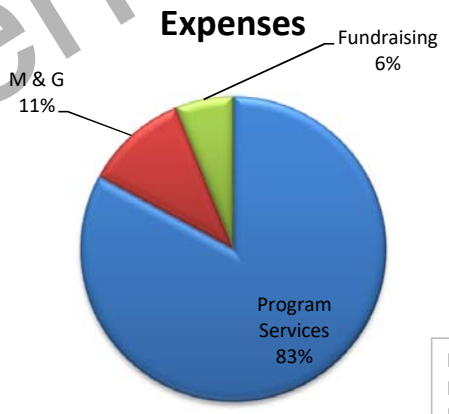


	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Operating revenue:	$1,731,851	$1,679,486	$2,214,554	$1,704,782	$1,983,850
Operating expenses:	$2,184,217	$2,170,826	$1,889,448	$1,993,131	$2,001,238

Operating Liquidity



Expenses



Program	$ 1,658,680
M & G	219,704
Fundraising	122,854

Communication with Those Charged with Governance

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

We have audited the financial statements of The American Council on Germany, Inc. ("ACG") for the year ended December 31, 2018 and have issued our report thereon dated June 4, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards
As stated in our engagement letter dated February 4, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope of Audit
We performed our audit according to the plan previously communicated to you in our engagement letter.

Significant Accounting Policies
Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. For 2018, the organization adopted ***ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities***. The effects of this are summarized in Note 2, to the financial statements, along with other significant policies. Other than this, no new accounting policies were adopted during the year under audit and the application of existing policies was not changed during the year.

We noted no transactions entered into by ACG during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates used in preparing the financial statements were as follows:

- allocation of expenses into program, management and fundraising categories
- useful lives and methods for the depreciation of fixed assets
- fair value of investments
- fair value of in-kind contributions

We evaluated the key factors and assumptions used to develop the above estimate in determining that it was reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent and clear.

Significant Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. None of the adjustments made were considered significant.

There are no known adjustments posed to management that have not been recorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the auditors. There were no specific matters of this nature discussed prior to our retention.

Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered in performing the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Independence Issues

Schall & Ashenfarb, CPA's, LLC is not aware of any relationships that our firm, or any employees thereof, has with ACG or any of its board members that, in our professional judgment may impair our independence.

This information is intended solely for the use of the Board of Directors and management of ACG and is not intended to be and should not be used by anyone other than these specified parties.

Schall & Ashenfarb
Certified Public Accountants, LLC

June 4, 2019

AMERICAN COUNCIL ON GERMANY

Audited Financial Statements

December 31, 2018

INDEPENDENT AUDITOR'S 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, 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.

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 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 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 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, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited ACG's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb
Certified Public Accountants, LLC

June 4, 2019

THE AMERICAN COUNCIL ON GERMANY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018
(With comparative totals at December 31, 2017)

	12/31/18	12/31/17
Assets		
Cash and cash equivalents	$521,818	$303,838
Investments (Note 3)	10,711,431	12,302,886
Contributions receivable	245,172	120,199
Prepaid expenses and other assets	31,337	35,145
Fixed assets, net (Note 4)	31,546	57,643
Security deposit	35,974	35,974
Total assets	$11,577,278	$12,855,685
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$113,123	$147,828
Fellowship stipends and travel payable	60,000	53,000
Deferred revenue	4,625	5,985
Deferred rent	0	3,822
Total liabilities	177,748	210,635
Net assets:		
Without donor restrictions	11,319,415	12,618,336
With donor restrictions (Note 5)	80,115	26,714
Total net assets	11,399,530	12,645,050
Total liabilities and net assets	$11,577,278	$12,855,685

The attached notes and auditor's report are an integral part of these financial statements.

THE AMERICAN COUNCIL ON GERMANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/18	Total 12/31/17
Revenue and support:				
Contributions	$587,201	$85,912	$673,113	$532,544
Special Events (net of expenses with a direct benefit to donors)(Note 6)	570,194		570,194	520,125
Membership dues	145,110		145,110	173,461
Discussion programs, luncheons, & meetings	198,212		198,212	141,578
Interest and dividend income	295,952		295,952	295,095
In-kind contributions (Note 10)	64,670		64,670	103,460
Net assets released from restrictions	32,511	(32,511)	0	0
Total revenue and support	1,893,850	53,401	1,947,251	1,766,263
Expenses:				
Program services	1,658,680		1,658,680	1,561,866
Management and general:				
Administrative	219,704		219,704	269,513
Non-recurring (Note 9)			0	88,678
Fundraising	122,854		122,854	120,940
Total expenses	2,001,238	0	2,001,238	2,040,997
Change in net assets from operating activities	(107,388)	53,401	(53,987)	(274,734)
Non-operating activities (Note 3):				
Net (loss)/gain on investments	(1,182,408)		(1,182,408)	1,372,349
(Loss)/gain on currency exchange	(9,125)		(9,125)	19,407
Total non-operating activities	(1,191,533)	0	(1,191,533)	1,391,756
Change in net assets	(1,298,921)	53,401	(1,245,520)	1,117,022
Net assets - beginning of year	12,618,336	26,714	12,645,050	11,528,028
Net assets - ending of year	$11,319,415	$80,115	$11,399,530	$12,645,050

The attached notes and auditor's 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, 2018
(With comparative totals for the year ended December 31, 2017)

	Program Services	Management and General	Fundraising	Total 12/31/18	Total 12/31/17
Salaries	$712,260	$75,916	$60,699	$848,875	$837,792
Payroll taxes and employee benefits	157,595	16,798	13,430	187,823	196,574
Fellowship awards	112,000			112,000	80,785
Discussion programs and meetings	150,825			150,825	85,479
Professional fees	6,595	61,363		67,958	107,206
Public policy program (including in-kind)(Note 10)	162,230	21,338		183,568	143,652
Communications and information technology	25,468	11,812	1,986	39,266	34,571
Occupancy	140,574	14,983	11,980	167,537	155,833
Travel, events and accommodations	121,618	6,016	655	128,289	179,438
Office supplies and equipment	25,327	2,502	1,348	29,177	22,832
Postage and shipping	1,381	70	1,004	2,455	3,370
Insurance	5,734	611	489	6,834	6,523
Dues and subscriptions	4,823	438	5,131	10,392	15,668
Other event expenses			127,542	127,542	107,042
Miscellaneous	6,021	5,061		11,082	10,388
Depreciation	26,229	2,796	2,235	31,260	45,674
Total expenses before non-recurring expense and direct event expenses netted with revenue	1,658,680	219,704	226,499	2,104,883	2,032,827
Severance arrangement (Note 9)				0	88,678
Total expenses before direct event expenses netted with revenue	1,658,680	219,704	226,499	2,104,883	2,121,505
Less: direct special event expenses netted with revenue (Note 6)			(103,645)	(103,645)	(80,508)
Total expenses for statement of activites	$1,658,680	$219,704	$122,854	$2,001,238	$2,040,997

The attached notes and auditor's 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, 2018
(With comparative totals for the year ended December 31, 2017)

	12/31/18	12/31/17
Cash flows from operating activities:		
Change in net assets	($1,245,520)	$1,117,022
Adjustment to reconcile change in net assets to net cash used for operations:		
Depreciation	31,260	45,674
Realized and unrealized gain on investments	1,156,487	(1,397,591)
Changes in assets and liabilities:		
Contributions receivable	(124,973)	(34,610)
Prepaid expenses and other assets	3,808	(15,891)
Security deposit	0	(70)
Accounts payable and accrued expenses	(34,705)	48,790
Fellowship stipends and travel payable	7,000	(5,665)
Deferred revenue	(1,360)	3,578
Deferred rent	(3,822)	(7,643)
Total adjustments	1,033,695	(1,363,428)
Net cash used for operating activities	(211,825)	(246,406)
Cash flows from investing activities:		
Purchases of fixed assets	(5,163)	(4,380)
Purchases of investments (including reinvestment of investment income)	(4,521,521)	(1,175,137)
Sale of investments	4,956,489	1,481,778
Net cash provided by investing activities	429,805	302,261
Increase in cash and cash equivalents	217,980	55,855
Cash and cash equivalents - beginning of year	303,838	247,983
Cash and cash equivalents - end of year	$521,818	$303,838
Supplement Information:		
Interest and taxes paid	$0	$0

The attached notes and auditor's report are an integral part of these financial statements.

THE AMERICAN COUNCIL ON GERMANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 has been notified by the Internal Revenue Service that it 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.

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.

Effective January 1, 2018, ACG adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 7).

Implementation of ASU 2016-14 did not require any reclassification or restatement of any opening balances related to the periods presented.

ACG reports information regarding their financial position and activities according to the following classes of net assets

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.

- *Net Assets with Donor Restrictions* –represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. See Note 5.

b. Revenue Recognition
ACG receives its support from corporate, foundation and individual contributions, and fundraising events. Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions

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. All contributions receivable at December 31, 2018 are expected to be received within 12 months. Management deems these receivables to be fully collectable and has not established any reserves.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. ACG received one conditional pledge during the year of approximately $135,000.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ACG.

The following costs are allocated:

- Salaries
- Payroll taxes and employee benefits
- Communications and information technology
- Occupancy
- Insurance
- Depreciation

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, 2017, 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, 2015 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 June 4, 2019, 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 June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, 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 is in the process of evaluating 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:

	12/31/18	12/31/17
Level 1 securities:		
Cash and cash equivalents	$384,147	$1,657,292
Mutual Funds – global dividend portfolio	1,983,286	2,776,280
Mutual funds – fixed income	3,969,751	2,298,932
Exchange Traded Funds	2,468	9,820
U.S. Equities – various	552,834	1,205,940
	6,892,486	7,948,264
Investments measured at net asset value:		
Global equity – multi markets fund	3,818,945	4,354,622
Total	$10,711,431	$12,302,886

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 on investments:

	12/31/18	12/31/17
Realized gain on sale of investments	$13,250	$42,937
Unrealized (loss)/gain on investments	(1,169,737)	1,354,654
Investment fees	(25,921)	(25,242)
Total	($1,182,408)	$1,372,349

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a loss on currency exchange of $9,125 and a gain of $19,407 during the years ended December 31, 2018 and 2017, respectively.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	12/31/18	12/31/17
Computers and equipment *(3–7 years)*	$119,458	$114,295
Leasehold improvements *(life of lease)*	140,725	140,725
	260,183	255,020
Less: accumulated depreciation	(228,637)	(197,377)
Total fixed assets – net	$31,546	$57,643

Note 5 - Net Assets with Donor Restrictions

The following summarizes the activity of net assets with donor restrictions:

	December 31, 2018			
	Balance 1/1/18	Restricted Contributions	Released from Restrictions	Balance 12/31/18
Program restrictions:				
Kellen fellowships	$26,714	$25,000	($20,000)	$31,714
Other fellowships	0	45,000	(12,472)	32,528
Cities of Tomorrow	0	15,912	(39)	15,873
Total	$26,714	$85,912	($32,511)	$80,115

Net assets with donor restrictions at December 31, 2017 are related to the Kellen Fellowships.

Note 6 - Special Events

A summary of the McCloy Awards Dinner is as follows:

	12/31/18	12/31/17
Event income	$673,839	$600,633
Less: expenses with a direct benefit to donors	(103,645)	(80,508)
	570,194	520,125
Less: other event expenses	(23,897)	(26,534)
Total	$546,297	$493,591

Note 7 - Available Funds and Liquidity

Financial assets at year-end:		
Cash and cash equivalents	$521,818	
Investments	10,711,431	
Contributions receivable	245,172	
Total financial assets		11,478,421
Less amounts not currently available for general expenditures:		
Funds not currently authorized by board to support operations	(10,175,859)	
Donor restricted support	(80,115)	
Total amounts not currently available for general expenditures		(10,255,974)
Financial assets available to meet cash needs for general expenditures within one year		$1,222,447

ACG's investment funds are held for long term purposes to sustain the organization's operations. As part of its approval of the annual budget, the board approves an amount that may be withdrawn from the investment account to cover projected operating deficits. The 2019 budget contemplates a withdrawal for this purpose of $178,500; however, the board permits the President to withdraw up to 5% of the total investment account to cover actual operating deficits. Board approval is required for the President to withdraw amounts in excess of 5%.

Note 8 - Commitments

ACG has a non-cancellable operating lease for office space that expires in June 2023. Minimum lease commitments are summarized as follows:

Year ending:	December 31, 2018	$151,712
	December 31, 2019	161,216
	December 31, 2020	164,032
	December 31, 2021	166,848
	December 31, 2022	169,664
	December 31, 2023	85,536
Total		$899,008

Note 9 - Non-Recurring Expense

ACG announced the resignation of the long-time vice president and director of programs that was effective September 15, 2017. Based on the severance arrangement, the amount of expense incurred during 2017 was $88,678. There is no outstanding balance as of December 31, 2018.

Note 10 - 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:

	December 31, 2018		
	Total	Program	Management and General
Public policy program	$64,670	$64,250	$420

	December 31, 2017		
	Total	Program	Management and General
Professional fees	$47,866	$0	$47,866
Public policy program	53,564	52,844	720
Travel	2,030	0	2,030
Total	$103,460	$52,844	$50,616

Note 11 - 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 $27,200 and $33,200 to the 401(k) plan during the fiscal years ended December 31, 2018 and 2017, respectively.

The following vesting periods apply:

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

Industry Updates

We would like to update you on several newly issued standards and provide an overview of other matters that impact the nonprofit sector. To summarize:

Accounting Updates

As you probably know by now, the FASB new accounting standard, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* is now effective

The new ASU impacts substantially all not-for-profits as well as donors, grantor, creditors, and others that use their financial statements. That includes charities, foundations, private colleges and universities, nongovernmental health care providers, cultural institutions, religious organizations, and trade associations, among others. The major changes to financial reporting of not-for-profit organizations can be summarized as follows:

- Net assets are streamlined into two categories: net assets that contain donor restrictions and net assets that do not contain donor restrictions. This will have a major impact on organizations with endowments as the financial statements will no longer have a permanently restricted class of net assets. There will also be a change to how underwater endowments will be reported, including enhanced disclosures.

- The new regulations retain current requirements to provide information about the nature and amounts of different types of donor-imposed restrictions, highlighting how those restrictions affect the use of resources, including liquidity.

- The "placed in service" option for releasing donor restrictions is removed on capital projects.

- Enhanced disclosures are required about how an organization defines their measure of operations if used on their statement of activities. (See below for additional matters on this topic that will be in the second work stream.)

- The new standards include some specific requirements directed at improving a financial statement user's ability to assess a not-for-profit's available financial resources and its management of liquidity and liquidity risk. Specifically, qualitative information that communicates how a not-for-profit manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date will be required. In addition, quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date will be required. Factors to be considered will include external limits imposed by donors, grantors, laws and contracts with others as well as internal limits imposed by governing board decisions.

- All not-for-profits are now required to provide expenses by nature and function. This could be on the face of the statement of activities, as a separate statement or in the notes.

- Allowing the direct method of reporting on the statement of cash flows but not making it a mandatory requirement. The reconciliation of change in net assets to change in cash flows for the period will be eliminated if the direct method of reporting is elected to encourage entities to consider changing to the direct method.

We will be working with your staff to help implement this important new standard.

FASB New Accounting Standard – Accounting Standards Update No. 2018-08

On June 21, 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance on whether a receipt from a third-party resource provider falls under the contributions standard or whether it is an exchange transaction.

When a resource provider does not receive commensurate value, they are required to follow the contribution guidance. This standard, for the first time, provides information about how to make this evaluation. The ASU also provides a framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because it impacts when revenue will be recognized.

Specifically, the ASU explains how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction. Basically, the not-for-profit should evaluate whether the resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. The indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.

- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

This evaluation will have the biggest impact on government grants for those entities that have such transactions. Under this new guidance, most government grants will likely be evaluated as a contribution rather than an exchange transaction. However, the revenue recognition may not change in many cases as the contribution is likely to be considered conditional, which has the same recognition principles as does an exchange transaction.

The factors to determine whether a contribution is conditional is based on whether the agreement includes a barrier that must be overcome **and** either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. A probability assessment about whether the recipient is likely to meet a stipulation is not a factor when determining whether the agreement contains a barrier. In addition, a contribution containing stipulations that are not clearly unconditional shall be presumed to be conditional.

The ASU modifies the simultaneous release option, currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This option may now be elected for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

A not-for-profit entity that has not issued, or is not a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard to annual reporting periods beginning after December 15, 2018 (a calendar year organization will apply for their December 31, 2019 financial statements and a fiscal year entity will apply during their fiscal year that ends in 2020).

Early adoption is permitted.

The ASU should be applied on a modified prospective basis where there is no cumulative effect adjustment to opening net assets and no restatement of prior period results.

Retrospective application is also permitted.

FASB New Accounting Standard – Accounting Standards Update No. 2016-02
On February 25, 2016, the FASB issued an ASU No. 2016-02, *Leases*. Under this standard, all leases, including operating leases, with terms of more than twelve months will be required to be reflected as assets and liabilities on the statement of financial position. The asset will be for the rights to use the property, equipment or space and the liability will be for the total obligations created by that lease.

For most not-for-profit entities, this ASU will be effective for periods beginning after December 15, 2019, which for practical purposes will be years ending December 31, 2020 and fiscal year entities that end in 2021. During the time before implementation is required, it is important for you to determine how this change will impact your organization. Important financial ratios and measures will change, and that is especially relevant to organizations that have loans with debt covenants.

FASB New Accounting Standard – Accounting Standards Update No. 2014-09
In May 2014, FASB issued an ASU No. 2014-09*, Revenue from Contracts with Customers.* This eliminates the majority of industry specific regulations and focuses more on a principles-based model. This standard applies to exchange transactions that many nonprofits currently have such as tuition, membership dues, licenses and royalties. This standard clearly excludes contributions.

The five-step revenue model highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. For nonprofit organizations that do not have public debt, this standard is applicable for calendar 2019 entities or those with a fiscal year that ends during 2020.

IRS Updates

Tax Cuts and Jobs Act – Tax Reform Bill
On December 22, 2017, President Trump signed into law H.R. 1, known as the Tax Cuts and Jobs Act, commonly referred to as the Tax Reform Bill. The bill has many aspects which impact non-profit organizations:

- Fringe benefit expenses: non-profit organizations are now potentially subject to a new unrelated business income tax of 21% if they offer certain qualified transportation fringe benefits such as parking and public transit benefits, effective January 1, 2018. This currently may apply to both employers who pay for these benefits or are withholding the cost of these benefits from the employee's salary (with the employee receiving the benefits on a pre-tax basis). Thus, qualified transportation fringe benefits, such as TransitCheck (which is required by NYC Law to be offered by employers with 20 or more full-time, non-union employees), could subject non-profit organizations to the new tax. Such organizations would then be required to file a 990-T, *Exempt Organization Business Income Tax Return*.

  The New York State Assembly and Senate passed a bill that decouples the state tax code from the federal tax code in regard to this area. Governor Cuomo signed the bill into law in late December 2018, thus, organizations that are required to pay the federal tax would not be subject to the state's 9% tax.

Additionally, in June 2018, a bill was introduced in the U.S. House of Representatives which would completely repeal the unrelated business income tax on these fringe benefits.

- Excise taxes on executive compensation: the bill puts in to place a 21% excise tax on executive compensation paid by a non-profit organization in excess of $1,000,000.

- Unrelated business income tax: the bill requires organizations that have more than one unrelated trade or business to compute their unrelated business taxable income for each individual trade or business. Thus, losses from one business may no longer be used to offset income from another line of business.

Furthermore, the bill made two changes to individual taxpayer filings that stand to have an impact on charitable giving. First, the bill increases the adjusted gross income limitation on cash contributions from 50% to 60%. Second, the bill doubles the standard deduction, beginning in 2018 through 2025, which will have the impact of reducing the number of taxpayers who itemize their deductions and thus reducing the number of taxpayers for whom the charitable deduction will be utilized.

Lastly, of note there are some items that were included in previous versions of the bill that ultimately did not get included in the final bill:

- The "Johnson Amendment": the bill ultimately did not modify or repeal the prohibition of 501(c)3 organizations from participating in political campaigns.

- Royalties income: the final bill did not include a provision to impose unrelated business income taxes on royalties received from licensing an organization's name or logo.

- Private foundations: ultimately, the bill did not revise the current excise tax structure on net investment income.

<u>IRS Online Tools</u>
The IRS introduced a new online tool designed to provide faster, easier access to publicly available information about exempt organizations. The new Tax Exempt Organizations Search ("TEOS") provides an update to EO Select Check. Among the enhancements, the new TEOS tool includes images of newly-filed Form 990's and is mobile-device friendly.

<u>IRS Issues Revenue Procedure 2018-32</u>
The IRS issued Revenue Procedure 2018-32 in order to provide more easily accessible guidance to grantors and contributors to tax-exempt organizations on deductibility and reliance issues. The procedure sets forth the extent to which grantors and contributors may rely on the listing of an organization in the IRS's databases of organizations eligible to receive tax-deductible contributions.

Government Auditing Updates

<u>OMB issues memorandum M-18-18</u>
On June 20, 2018, OMB issued memorandum M-18-18 titled, *Implementing Statutory Changes to the Micro-Purchase and Simplified Acquisition Thresholds for Financial Assistance*. The memorandum states that increases to the micro-purchase threshold will be $10,000 and the simplified acquisition threshold will be $250,000 effective upon issuance of this memo.

New Yellow Book Issued

In July 2018, the Government Accountability Office released the 2018 revision of *Government Auditing Standards* (often referred to as The Yellow Book or GAGAS). The areas with significant changes from the previous (2011) edition of The Yellow Book include:

- A new format and organization,
- Independence,
- CPE requirements,
- Peer review,
- Internal control,
- Waste and abuse, and
- Reviews of financial statements.

The most significant changes in this edition of the Yellow Book have to do with non audit services in relation to independence requirements.

The 2018 revision supersedes the 2011 Yellow Book, the 2005 *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education* and the 2014 *Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings.*

The 2018 Yellow Book is effective for financial audits, attestation engagements and reviews of financial statements for periods ending on or after June 30, 2020. It is effective for performance audits beginning on or after July 1, 2019. Early implementation is not permitted.

Proposed Changes to Data Collection Form

The Federal Audit Clearinghouse (FAC) has issued proposed revisions to the data collection form (DCF) in a recent Federal Register notice. This proposal will not impact 2018 singe audits but if the revisions are enacted, would impact singe audits for 2019, 2020 and 2021. The following is a summary of those changes:

- The audit finding information currently required to be included in the form would be expanded to include the actual text of the audit finding.
- Auditors would be asked to indicate whether there was communication to the auditee in a written document relating to any issues that were not an audit finding but warranted the attention with those charged with governance.
- Auditees would be required to include the text of their corrective action plans.
- Auditees would also be required to include the text of the notes to the schedule of expenditures of federal award.

In addition, there will be a mechanism for entities to voluntarily self-report that they did not meet the threshold to require a single audit and this information would be posted on the FAC web site.

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

February 4, 2019

Mr. Steven E. Sokol
President
The American Council on Germany, Inc.
And Those Charged with Governance
14 East 60th Street
New York, NY 10022

Dear Mr. Sokol:

We are pleased to confirm our understanding of the services we are to provide for The American Council on Germany, Inc. ("Organization") for the year ended December 31, 2018.

We will audit the financial statements of The American Council on Germany, Inc., which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of The American Council on Germany, Inc.'s financial statements. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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If you use a financial consultant to review your books, prepare journal entries or prepare financial statements we will request certain representation from them as well. **Because of the importance of management's representations to an effective audit, failure of management or their financial consultants to provide representations to us in the form of a representation letter will cause our auditors' opinion to be a "disclaimer" for a scope limitation.**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

The audit documentation for this engagement is the property of Schall & Ashenfarb, CPAs, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to a regulator pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Schall & Ashenfarb, CPAs, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the regulator. The regulator may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting your Organization. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your board of directors' meetings.

We will prepare the Organization's federal and state information returns for the year ended December 31, 2018 based on information provided by you. We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters. We will also assist in preparing the financial statements of the Organization in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will not perform management functions or make management decisions on behalf of your Organization. However, we will provide advice and recommendations to assist management of the Organization in performing its functions and fulfilling its responsibilities.

Management Responsibilities

Management is responsible for designing, implementing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Management responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management is responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former

employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations. and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements that we may report.

Management agrees to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. A partner will present the results of our audit to those charged with governance (in person or by teleconference).

Engagement Administration

We understand that your employees and/or consultants will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. Certain financial institutions may charge us for this and the cost will be passed on to you. We will send a template in Word format for use with confirmation requests.

E-mail Communication

In connection with this engagement, we may communicate with you or others via e-mail. As e-mails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot ensure that e-mails from us will be properly delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage arising from the use of e-mail, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of Schall & Ashenfarb, CPAs, LLC, constitute confidential information, and will be retained by us in accordance with our firm's policies and procedures.

Reproduction of Audit Report

If the Organization plans any reproduction or publication of our audit, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your Web site and the signed version of the financial statements and audit reports provided to management by us. You also agree to indemnify us from any and all claims that may arise from any differences between the electronic and signed copies.

Taxes

As part of our engagement, we will also prepare the federal and state information returns (Form 990 and NYS CHAR 500). In order to prepare complete and accurate returns, we will require you to provide certain information about board governance policies, which may also include, but not be limited to, providing salary amounts for employees greater than $100,000, contractors for professional services in excess of the same amount, names, addresses and dollar amounts of large contributors in excess of certain calculated amounts and other matters that are not generally covered during the audit. If the information is not provided to us timely, you will not hold us responsible for any penalties incurred for incomplete information.

We will send you an authorization form so that we can file your federal taxes electronically. If we do not receive the form back, or you prefer not to file electronically, we will send you hard copies to file. At this time, New York State has a cumbersome process for electronic filings; therefore, we will send you an electronic copy for you to print out to file with New York State. We will also send you electronic copies only for your records unless we receive a specific request for hard copies.

As a result of the Tax Cut and Jobs Act passed in December 2017, exempt organizations may now be subject to unrelated business income taxes in connection with providing certain fringe benefits to its employees after January 1, 2018. While the Internal Revenue Service has not yet released details, it is anticipated that this tax will be reported on an updated Form 990-T. If it is determined that such a filing will be necessary for your organization, a fee of $500 will be billed for the preparation of the return.

Fee

Our fee will remain $17,500. As you know, as of December 31, 2018 year, new accounting rules become effective. We anticipate this will incur additional time assisting you in applying these new rules. We agree that we will monitor the time we spend performing our services and if the time we spend exceeds the time spent in the prior year by $2,500 or more, then we will bill you a discounted rate of an additional $1,000, making the cap on our fee at $18,500. At the completion of the audit, we will provide electronic versions of the audited financial statements, management letter (if applicable) and communications with those charged with governance and 10 copies of the final report without charge, if requested. Any additional copies will cost $5 per report. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. If applicable, we will charge you other out of pocket costs such as postage for confirmations, fees incurred for certain electronic bank confirmations and setting up conference calls through our phone center, etc. Invoices that are unpaid 30 days past the invoice date are

deemed delinquent and we reserve the right to charge interest at 1% per month (not to exceed the maximum amount permitted by law.) In the event any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation attorney's fees.

A payment is required upon the signing of this letter in the amount of $5,000. If we terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

David Ashenfarb is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign it. Please contact us to discuss a date that we can begin the audit and outline a plan for delivery of draft and final documents to you. Our audit engagement ends on delivery of financial reports; however, we are still available for routine conversations without charge until either party has officially terminated the relationship. Any follow-up services that might be required will be considered a new engagement.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to your Organization in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

For us to remain independent, professional standards require us to maintain certain respective roles and relationships with you with respect to the nonattest services described above. Prior to performing such services in conjunction with our audit, management must acknowledge its acceptance of certain responsibilities.

We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The Organization must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge your acceptance of these responsibilities.

We have attached a brief questionnaire that will help us plan the timing of the engagement to ensure you receive documents in your desired time frame. Please take a moment to fill that out.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us along with the questionnaire referred to above.

Very truly yours,

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

RESPONSE:

This letter correctly sets forth the understanding of The American Council on Germany, Inc. for the year ended December 31, 2018.

Authorized signature

PRESIDENT

Title

FEB 8 2019

Date

June 4, 2019

Schall & Ashenfarb, CPA's, LLC
307 Fifth Avenue, 15th Floor
New York, NY 10016

This representation letter is provided in connection with your audit of the financial statements of The American Council on Germany Inc., which comprise the statements 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 4, 2019, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 4, 2019, including our responsibility for the preparation and fair presentation of the financial statements, in accordance with US GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. This specifically includes the methodology for the statement of functional expenses.

6. There have been no related party relationships or transactions that are required to be accounted for or disclosed in accordance with the requirements of U.S. GAAP.

7. There are no events subsequent to the date of the financial statements which requires adjustment to or disclosure in the financial statements to be in accordance with the requirements of U.S. GAAP.

8. There were no uncorrected misstatements that are material, both individually and in the aggregate, to the financial statements as a whole.

9. There were no known actual or possible litigation, claims, and assessments required to be accounted for and disclosed in accordance with U.S. GAAP.

10. There were no material concentrations required to be disclosed in accordance with U.S. GAAP.

11. There were no guarantees, either written or oral, under which the organization is contingently liable, that are required to be recorded or disclosed in accordance with U.S. GAAP.

Non-Attest Services

In regard to the non-attest services provided by you, we have:

1. Assumed all management responsibilities.

2. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

3. Evaluated the adequacy and results of the services performed.

4. Accepted responsibility for the results of the services.

As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Information Provided

1. We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatening litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP.

8. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

9. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

11. The American Council on Germany Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you and appropriately reported. All required filings with tax authorities are up-to-date.

Dr. Steven E. Sokol
President

Ginnine Cocuzza
Accounting Consultant