



**AMERICAN  
COUNCIL ON  
GERMANY**

**Audited Financial Statements**

**December 31, 2017**



IRA L. SCHALL, CPA  
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## **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, 2017, 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.

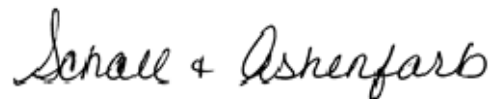
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

June 7, 2018

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2017**  
(With comparative totals at December 31, 2016)

	12/31/17	12/31/16
<b>Assets</b>		
Cash and cash equivalents	\$303,838	\$247,983
Investments (Note 3)	12,302,886	11,211,936
Contributions receivable	120,199	85,589
Prepaid expenses and other assets	35,145	19,254
Fixed assets, net (Note 4)	57,643	98,937
Security deposit	35,974	35,904
Total assets	\$12,855,685	\$11,699,603
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$147,828	\$99,038
Fellowship stipends and travel payable	53,000	58,665
Deferred revenue	5,985	2,407
Deferred rent	3,822	11,465
Total liabilities	210,635	171,575
Net assets:		
Unrestricted	12,618,336	11,514,929
Temporarily restricted (Note 5)	26,714	13,099
Total net assets	12,645,050	11,528,028
Total liabilities and net assets	\$12,855,685	\$11,699,603

*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, 2017**  
(With comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Total 12/31/17	Total 12/31/16
Revenue and support:				
Contributions	\$507,544	\$25,000	\$532,544	\$1,076,371
Special Events (net of expenses with a direct benefit to donors)(Note 6)	520,125		520,125	643,238
Membership dues	173,461		173,461	140,561
Discussion programs, luncheons, & meetings	141,578		141,578	132,335
Interest and dividend income	295,095		295,095	134,786
In-kind contributions (Note 9)	103,460		103,460	97,303
Net assets released from restrictions	11,385	(11,385)	0	0
Total revenue and support	<u>1,752,648</u>	<u>13,615</u>	<u>1,766,263</u>	<u>2,224,594</u>
Expenses:				
Program services	1,561,866		1,561,866	1,642,835
Management and general:				
Administrative	269,513		269,513	150,004
Non-recurring (Note 8)	88,678		88,678	0
Fundraising	120,940		120,940	96,609
Total expenses	<u>2,040,997</u>	<u>0</u>	<u>2,040,997</u>	<u>1,889,448</u>
Change in net assets from operating activities	<u>(288,349)</u>	<u>13,615</u>	<u>(274,734)</u>	<u>335,146</u>
Non-operating activities (Note 3):				
Net gain on investments	1,372,349		1,372,349	256,738
Gain/(loss) on currency exchange	19,407		19,407	(9,748)
Total non-operating activities	<u>1,391,756</u>	<u>0</u>	<u>1,391,756</u>	<u>246,990</u>
Change in net assets	1,103,407	13,615	1,117,022	582,136
Net assets - beginning of year	<u>11,514,929</u>	<u>13,099</u>	<u>11,528,028</u>	<u>10,945,892</u>
Net assets - ending of year	<u><u>\$12,618,336</u></u>	<u><u>\$26,714</u></u>	<u><u>\$12,645,050</u></u>	<u><u>\$11,528,028</u></u>

*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, 2017**  
(With comparative totals for the year ended December 31, 2016)

	Program Services	Management and General	Fundraising	Total 12/31/17	Total 12/31/16
Salaries	\$699,010	\$81,792	\$56,990	\$837,792	\$827,897
Payroll taxes and employee benefits	164,010	19,190	13,374	196,574	181,879
Fellowship awards	80,785			80,785	61,742
Discussion programs and meetings	85,479			85,479	96,778
Professional fees (including in-kind)(Note 9)	1,629	105,577		107,206	81,535
Public policy program (including in-kind)(Note 9)	128,643	15,009		143,652	192,837
Communications and information technology	25,072	7,576	1,923	34,571	41,101
Occupancy	130,019	15,214	10,600	155,833	141,582
Travel, events and accommodations (including in-kind)(Note 9)	170,740	7,302	1,396	179,438	150,419
Office supplies and equipment	18,339	3,170	1,323	22,832	28,148
Postage and shipping	3,015	95	260	3,370	3,893
Insurance	5,442	637	444	6,523	7,816
Dues and subscriptions	10,099	438	5,131	15,668	6,536
Other event expenses			26,534	26,534	17,220
Miscellaneous	1,131	9,257		10,388	4,488
Depreciation	38,453	4,256	2,965	45,674	45,577
<b>Total expenses before non-recurring expense</b>	<b>1,561,866</b>	<b>269,513</b>	<b>120,940</b>	<b>1,952,319</b>	<b>1,889,448</b>
Severance arrangement (Note 8)		88,678		88,678	0
<b>Total expenses</b>	<b>\$1,561,866</b>	<b>\$358,191</b>	<b>\$120,940</b>	<b>\$2,040,997</b>	<b>\$1,889,448</b>

*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, 2017**  
(With comparative totals for the year ended December 31, 2016)

	<u>12/31/17</u>	<u>12/31/16</u>
Cash flows from operating activities:		
Change in net assets	\$1,117,022	\$582,136
Adjustment to reconcile change in net assets to net cash (used for)/provided by operations:		
Depreciation	45,674	45,577
Realized and unrealized gain on investments	(1,372,349)	(256,738)
Changes in assets and liabilities:		
Contributions receivable	(34,610)	4,070
Prepaid expenses and other assets	(15,891)	(5,458)
Security deposit	(70)	0
Accounts payable and accrued expenses	48,790	(60,970)
Fellowship stipends and travel payable	(5,665)	(40,025)
Deferred revenue	3,578	2,407
Deferred rent	(7,643)	(4,828)
Total adjustments	<u>(1,338,186)</u>	<u>(315,965)</u>
Net cash (used for)/provided by operating activities	<u>(221,164)</u>	<u>266,171</u>
Cash flows from investing activities:		
Purchases of fixed assets	(4,380)	(3,350)
Purchases of investments (including reinvestment of investment income)	(1,175,137)	(670,933)
Sale of investments	<u>1,456,536</u>	<u>300,000</u>
Net cash provided by/(used for) investing activities	<u>277,019</u>	<u>(374,283)</u>
Increase/(decrease) in cash and cash equivalents	55,855	(108,112)
Cash and cash equivalents - beginning of year	<u>247,983</u>	<u>356,095</u>
Cash and cash equivalents - end of year	<u><u>\$303,838</u></u>	<u><u>\$247,983</u></u>
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*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, 2017**

**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.

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

- *Unrestricted* – relates to 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, 2017 and 2016.

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, 2017 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, 2016, 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, 2014 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 7, 2018, 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.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 fiscal 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.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2020 fiscal 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:

	<u>12/31/17</u>	<u>12/31/16</u>
Level 1 securities:		
Cash and cash equivalents	\$1,657,292	\$2,292,255
Mutual Funds – global dividend portfolio	2,776,280	2,322,466
Mutual funds – fixed income	2,298,932	2,155,688
Exchange Traded Funds	9,820	16,821
U.S. Equities – various	<u>1,205,940</u>	<u>996,062</u>
	<u>\$7,948,264</u>	<u>\$7,783,292</u>
Investments measured at net asset value:		
Global equity – multi markets fund	<u>4,354,622</u>	<u>3,428,644</u>
Total	<u>\$12,302,886</u>	<u>\$11,211,936</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 on investments:

	<u>12/31/17</u>	<u>12/31/16</u>
Realized gain on sale of investments	\$42,937	\$1,339,816
Unrealized gain/(loss) on investments	1,354,654	(1,050,647)
Investment fees	<u>(25,242)</u>	<u>(32,431)</u>
Total	<u>\$1,372,349</u>	<u>\$256,738</u>

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a gain on currency exchange of \$19,407 and a loss of \$9,748 during the years ended December 31, 2017 and 2016, respectively.

**Note 4 - Fixed Assets**

Fixed assets consisted of the following:

	<u>12/31/17</u>	<u>12/31/16</u>
Computers and equipment (3-7 years)	\$114,295	\$109,915
Leasehold improvements (life of lease)	<u>140,725</u>	<u>140,725</u>
	255,020	250,640
Less: accumulated depreciation	<u>(197,377)</u>	<u>(151,703)</u>
Total fixed assets – net	<u>\$57,643</u>	<u>\$98,937</u>

**Note 5 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2017 and December 31, 2016 are related to the Kellen Fellowships.

**Note 6 - Special Events**

A summary of the McCloy Awards Dinner is as follows:

	<u>12/31/17</u>	<u>12/31/16</u>
Event income	\$600,633	\$730,432
Less: expenses with a direct benefit to donors	<u>(80,508)</u>	<u>(87,194)</u>
	520,125	643,238
Less: other event expenses	<u>(26,534)</u>	<u>(17,220)</u>
Total	<u>\$493,591</u>	<u>\$626,018</u>

**Note 7 - 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
	Thereafter	<u>85,536</u>
Total		<u>\$899,008</u>

**Note 8 - 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 an outstanding balance due to the former vice president as of December 31, 2017 of \$44,339.

**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, 2017</u>		
			Management and General
	<u>Total</u>	<u>Program</u>	<u>General</u>
Professional fees	\$47,866	\$0	\$47,866
Public policy program	53,564	52,844	720
Travel	<u>2,030</u>	<u>0</u>	<u>2,030</u>
Total	<u>\$103,460</u>	<u>\$52,844</u>	<u>\$50,616</u>

	<u>December 31, 2016</u>		
			Management and General
	<u>Total</u>	<u>Program</u>	<u>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>

**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 \$33,200 and \$33,100 to the 401(k) plan during the fiscal years ended December 31, 2017 and 2016, 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%