



**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***

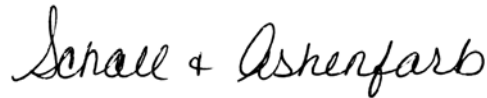
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Council on Germany, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles 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
<b>Assets</b>		
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
<b>Liabilities and Net Assets</b>		
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)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/18</u>	<u>Total 12/31/17</u>
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	<u>1,893,850</u>	<u>53,401</u>	<u>1,947,251</u>	<u>1,766,263</u>
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	<u>2,001,238</u>	<u>0</u>	<u>2,001,238</u>	<u>2,040,997</u>
Change in net assets from operating activities	<u>(107,388)</u>	<u>53,401</u>	<u>(53,987)</u>	<u>(274,734)</u>
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	<u>(1,191,533)</u>	<u>0</u>	<u>(1,191,533)</u>	<u>1,391,756</u>
Change in net assets	(1,298,921)	53,401	(1,245,520)	1,117,022
Net assets - beginning of year	<u>12,618,336</u>	<u>26,714</u>	<u>12,645,050</u>	<u>11,528,028</u>
Net assets - ending of year	<u>\$11,319,415</u>	<u>\$80,115</u>	<u>\$11,399,530</u>	<u>\$12,645,050</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, 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
<b>Total expenses before non-recurring expense and direct event expenses netted with revenue</b>	<b>1,658,680</b>	<b>219,704</b>	<b>226,499</b>	<b>2,104,883</b>	<b>2,032,827</b>
Severance arrangement (Note 9)				0	88,678
<b>Total expenses before direct event expenses netted with revenue</b>	<b>1,658,680</b>	<b>219,704</b>	<b>226,499</b>	<b>2,104,883</b>	<b>2,121,505</b>
Less: direct special event expenses netted with revenue (Note 6)			(103,645)	(103,645)	(80,508)
<b>Total expenses for statement of activities</b>	<b>\$1,658,680</b>	<b>\$219,704</b>	<b>\$122,854</b>	<b>\$2,001,238</b>	<b>\$2,040,997</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, 2018**  
(With comparative totals for the year ended December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
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	<u>1,033,695</u>	<u>(1,363,428)</u>
Net cash used for operating activities	<u>(211,825)</u>	<u>(246,406)</u>
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	<u>4,956,489</u>	<u>1,481,778</u>
Net cash provided by investing activities	<u>429,805</u>	<u>302,261</u>
Increase in cash and cash equivalents	217,980	55,855
Cash and cash equivalents - beginning of year	<u>303,838</u>	<u>247,983</u>
Cash and cash equivalents - end of year	<u><u>\$521,818</u></u>	<u><u>\$303,838</u></u>
Supplement Information:		
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, 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:

	<u>12/31/18</u>	<u>12/31/17</u>
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	<u>552,834</u>	<u>1,205,940</u>
	<u>6,892,486</u>	<u>7,948,264</u>
Investments measured at net asset value:		
Global equity – multi markets fund	<u>3,818,945</u>	<u>4,354,622</u>
Total	<u>\$10,711,431</u>	<u>\$12,302,886</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>12/31/18</u>	<u>12/31/17</u>
Realized gain on sale of investments	\$13,250	\$42,937
Unrealized (loss)/gain on investments	(1,169,737)	1,354,654
Investment fees	<u>(25,921)</u>	<u>(25,242)</u>
Total	<u>(\$1,182,408)</u>	<u>\$1,372,349</u>

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a loss on currency exchange of \$9,125 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:

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

#### Note 5 - Net Assets with Donor Restrictions

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

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

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:

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

**Note 7 - Available Funds and Liquidity**

Financial assets at year-end:		
Cash and cash equivalents	\$521,818	
Investments	10,711,431	
Contributions receivable	<u>245,172</u>	
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	<u>(80,115)</u>	
Total amounts not currently available for general expenditures		<u>(10,255,974)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,222,447</u>

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	<u>85,536</u>
Total		<u>\$899,008</u>

**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:

	<u>December 31, 2018</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>
Public policy program	<u>\$64,670</u>	<u>\$64,250</u>	<u>\$420</u>
	<u>December 31, 2017</u>		
	<u>Total</u>	<u>Program</u>	<u>Management and 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>

**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:

<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%