



**AMERICAN  
COUNCIL ON  
GERMANY**

**Audited Financial Statements**

**December 31, 2020**

## **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, 2020, 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 entity'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 entity'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.

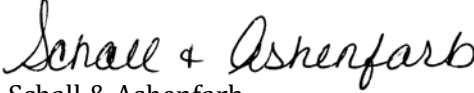
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

May 3, 2021

**THE AMERICAN COUNCIL ON GERMANY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2020**  
(With comparative totals at December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
<b>Assets</b>		
Cash and cash equivalents	\$715,816	\$773,669
Investments (Note 3)	12,378,859	11,809,526
Contributions and grants receivable	48,521	191,903
Prepaid expenses and other assets	14,970	19,935
Fixed assets, net (Note 4)	3,106	16,085
Security deposit	<u>35,974</u>	<u>35,974</u>
Total assets	<u><u>\$13,197,246</u></u>	<u><u>\$12,847,092</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$136,160	\$121,973
Fellowship stipends and travel payable	44,000	23,000
Deferred revenue	<u>18,122</u>	<u>103,384</u>
Total liabilities	<u><u>198,282</u></u>	<u><u>248,357</u></u>
Net assets:		
Without donor restrictions	12,883,365	12,553,136
With donor restrictions (Note 5)	<u>115,599</u>	<u>45,599</u>
Total net assets	<u><u>12,998,964</u></u>	<u><u>12,598,735</u></u>
Total liabilities and net assets	<u><u>\$13,197,246</u></u>	<u><u>\$12,847,092</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 ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With comparative totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/20	Total 12/31/19
<b>Revenue and support:</b>				
Contributions and grants	\$1,039,469	\$70,000	\$1,109,469	\$838,188
Special Events (net of expenses with a direct benefit to donors)(Note 6)			0	546,532
Membership dues	136,640		136,640	171,582
Discussion programs, luncheons, and meetings	14,042		14,042	124,328
Interest and dividend income	99,509		99,509	299,361
In-kind contributions (Note 9)	4,500		4,500	47,877
Net assets released from restrictions			0	0
<b>Total revenue and support</b>	<b>1,294,160</b>	<b>70,000</b>	<b>1,364,160</b>	<b>2,027,868</b>
<b>Expenses:</b>				
Program services	1,254,044		1,254,044	1,674,809
Management and general	207,770		207,770	286,265
Fundraising	99,099		99,099	114,223
<b>Total expenses</b>	<b>1,560,913</b>	<b>0</b>	<b>1,560,913</b>	<b>2,075,297</b>
<b>Change in net assets from operating activities</b>	<b>(266,753)</b>	<b>70,000</b>	<b>(196,753)</b>	<b>(47,429)</b>
<b>Non-operating activities (Note 3):</b>				
Net gain on investments	564,693		564,693	1,248,733
Gain/(loss) on currency exchange	32,289		32,289	(2,099)
<b>Total non-operating activities</b>	<b>596,982</b>	<b>0</b>	<b>596,982</b>	<b>1,246,634</b>
<b>Change in net assets</b>	<b>330,229</b>	<b>70,000</b>	<b>400,229</b>	<b>1,199,205</b>
<b>Net assets - beginning of year</b>	<b>12,553,136</b>	<b>45,599</b>	<b>12,598,735</b>	<b>11,399,530</b>
<b>Net assets - end of year</b>	<b>\$12,883,365</b>	<b>\$115,599</b>	<b>\$12,998,964</b>	<b>\$12,598,735</b>

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, 2020**  
(With comparative totals for the year ended December 31, 2019)

	Program Services	Management and General	Fundraising	Total 12/31/20	Total 12/31/19
Salaries	\$716,300	\$78,275	\$61,925	\$856,500	\$874,786
Payroll taxes and employee benefits	171,783	18,772	14,851	205,406	167,994
Fellowship awards	30,000			30,000	68,295
Discussion programs and meetings	48,130			48,130	168,470
Professional fees	28,931	82,480	2,500	113,911	98,031
Public policy program	12,349	700		13,049	173,615
Communications and information technology	30,138	3,291	2,608	36,037	34,608
Occupancy	150,739	16,472	13,032	180,243	190,231
Travel, events and accommodations	26,520	1,372	270	28,162	215,331
Office supplies and equipment	14,612	1,597	1,263	17,472	21,663
Postage and shipping	89	325		414	2,067
Insurance	4,406	481	381	5,268	8,609
Dues and subscriptions	564	1,876	585	3,025	1,708
Other event expenses				0	127,697
Miscellaneous	7,239	791	626	8,656	9,694
Depreciation	12,244	1,338	1,058	14,640	15,461
<b>Total expenses</b>	<b>1,254,044</b>	<b>207,770</b>	<b>99,099</b>	<b>1,560,913</b>	<b>2,178,260</b>
Less: direct special event expenses netted with revenue (Note 6)				0	(102,963)
<b>Total expenses for statement of activities</b>	<b>\$1,254,044</b>	<b>\$207,770</b>	<b>\$99,099</b>	<b>\$1,560,913</b>	<b>\$2,075,297</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, 2020**  
(With comparative totals for the year ended December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$400,229	\$1,199,205
Adjustment to reconcile change in net assets to net cash (used for)/provided by operations:		
Depreciation	14,640	15,461
Realized and unrealized gain on investments	(597,975)	(1,273,999)
Changes in assets and liabilities:		
Contributions and grants receivable	143,382	53,269
Prepaid expenses and other assets	4,965	11,402
Accounts payable and accrued expenses	14,187	8,850
Fellowship stipends and travel payable	21,000	(37,000)
Deferred revenue	(85,262)	98,759
Total adjustments	<u>(485,063)</u>	<u>(1,123,258)</u>
Net cash (used for)/provided by operating activities	<u>(84,834)</u>	<u>75,947</u>
Cash flows from investing activities:		
Purchases of fixed assets	(1,661)	0
Purchases of investments (including reinvestment of investment income)	(5,750,992)	(2,533,250)
Sale of investments	5,779,634	2,709,154
Net cash provided by investing activities	<u>26,981</u>	<u>175,904</u>
Net (decrease)/increase in cash and cash equivalents	(57,853)	251,851
Cash and cash equivalents - beginning of year	<u>773,669</u>	<u>521,818</u>
Cash and cash equivalents - end of year	<u><u>\$715,816</u></u>	<u><u>\$773,669</u></u>
Supplement Information:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</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, 2020**

**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 Accounting

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

b. Basis of Presentation

As a not-for-profit organization, ACG reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* – represents 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 (Note 5).

c. Revenue Recognition

ACG follows the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 (“Topic 606”) for recognizing revenue from contracts with customers. ACG has the following types of revenue that fall under Topic 606: membership dues, discussion programs, luncheons, and meetings that have been included in the statement of activities. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete, which is when the services are provided to the members or the event takes place.



ACG follows FASB ASU No. 2018-08 (“Topic 605”) for recording contributions. 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 a 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.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. ACG received one conditional pledge during the year ended December 31, 2018, which has a balance of \$82,000 remaining as conditional as of December 31, 2020. The original amount of the contribution was \$135,000. A second conditional grant was received in Euros which after conversion totaled \$604,724. The remaining balance of the grant is \$488,000 after conversion.

Contributions and grants are recognized as revenue at net realizable value if expected to be collected within one year. All contributions and grants receivable at December 31, 2020 are expected to be received within 12 months. Management assesses receivable balances for collectability. Based on a review of several factors, including the credit worthiness of the donor and historical experience, management deems these receivables to be fully collectable and has not established any reserves.

d. 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.

e. 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 the failure of a financial institution.

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. 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.

i. 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.

The following costs are allocated using time and effort as the basis for allocation:

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

All other expenses have been charged directly to the applicable program or supporting services.

j. 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.

k. 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, 2019, from which the summarized information was derived.

l. Accounting for Uncertainty of Income Taxes

ACG does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2017 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2022 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>12/31/20</u>	<u>12/31/19</u>
Level 1 securities:		
Cash and cash equivalents	\$301,839	\$72,781
Mutual funds – fixed income	4,776,110	3,887,795
U.S. Equities – various	<u>2,062,900</u>	<u>3,086,700</u>
	<u>7,140,849</u>	<u>7,047,276</u>
Investments measured at net asset value:		
Limited partnership – U.S. Equities	2,628,957	2,165,871
Limited partnership – Foreign Equities	2,604,339	2,574,949
Limited partnership – Cash and cash equivalents	<u>4,714</u>	<u>21,430</u>
	<u>5,238,010</u>	<u>4,762,250</u>
Total	<u>\$12,378,859</u>	<u>\$11,809,526</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. ACG’s investments carried at NAV included a partnership of funds that contains various 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>12/31/20</u>	<u>12/31/19</u>
Realized (loss)/gain on sale of investments	(\$251,403)	\$72,568
Unrealized gain on investments	849,378	1,201,431
Investment fees	<u>(33,282)</u>	<u>(25,266)</u>
Total	<u>\$564,693</u>	<u>\$1,248,733</u>

ACG has foreign bank accounts which are adjusted to market based on the exchange rate. ACG had a gain on currency exchange of \$32,289 and a loss of \$2,099 during the years ended December 31, 2020 and 2019, respectively.

**Note 4 - Fixed Assets**

Fixed assets consist of the following:

	<u>12/31/20</u>	<u>12/31/19</u>
Computers and equipment (3-7 years)	\$121,119	\$119,458
Leasehold improvements (life of lease)	<u>140,725</u>	<u>140,725</u>
	261,844	260,183
Less: accumulated depreciation	<u>(258,738)</u>	<u>(244,098)</u>
Total fixed assets, net	<u>\$3,106</u>	<u>\$16,085</u>

**Note 5 - Net Assets With Donor Restrictions**

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

	<u>December 31, 2020</u>			
	Balance <u>1/1/20</u>	Restricted Contributions	Released from Restrictions	Balance <u>12/31/20</u>
Program restrictions:				
Other fellowships	\$45,599	\$45,000	\$0	\$90,599
Time	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total	<u>\$45,599</u>	<u>\$70,000</u>	<u>\$0</u>	<u>\$115,599</u>
	<u>December 31, 2019</u>			
	Balance <u>1/1/19</u>	Restricted Contributions	Released from Restrictions	Balance <u>12/31/19</u>
Program restrictions:				
Kellen fellowships	\$31,714	\$25,000	(\$56,714)	\$0
Other fellowships	32,528	45,000	(31,929)	45,599
Cities of Tomorrow	<u>15,873</u>	<u>0</u>	<u>(15,873)</u>	<u>0</u>
Total	<u>\$80,115</u>	<u>\$70,000</u>	<u>(\$104,516)</u>	<u>\$45,599</u>

**Note 6 - Special Events**

ACG holds the annual McCloy Awards Dinner fundraising event. The event planned for 2020 was cancelled due to the COVID-19 pandemic. The funds raised in lieu of the event totaled \$124,253 and were included with contributions and grants on the statement of activities. The following summarizes the donations for the event held during the year ended December 31, 2019:

Event income	\$649,495
Less: expenses with a direct benefit to donors	<u>(102,963)</u>
	546,532
Less: other event expenses	<u>(24,734)</u>
Total	<u>\$521,798</u>

**Note 7 - Available Funds and Liquidity**

The following reflects ACG's financial assets at December 31, 2020 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$715,816	
Investments	12,378,859	
Contributions and grants receivable	<u>48,521</u>	
Total financial assets		\$13,143,196
Less amounts not currently available for general expenditures:		
Funds not currently authorized by board to support operations	(11,797,195)	
Donor restricted support	<u>(115,599)</u>	
Total amounts not currently available for general expenditures		<u>(11,912,794)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,230,402</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 2021 budget contemplates a withdrawal for this purpose of \$41,500; however, the board permits the President to withdraw up to 5% of the average of the total assets of the investment account as of December 31 for each of the prior three years 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, 2021	\$166,848
	December 31, 2022	169,664
	December 31, 2023	<u>85,536</u>
Total		<u>\$422,048</u>

**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, 2020</u>		
	<u>Total</u>	<u>Program</u>	<u>Fundraising</u>
Public policy program	<u>\$4,500</u>	<u>\$4,500</u>	<u>\$0</u>
	<u>December 31, 2019</u>		
	<u>Total</u>	<u>Program</u>	<u>Fundraising</u>
Discussion programs and meetings	\$50	\$50	\$0
Public policy program	45,665	45,665	0
Travel, events and accommodations	128	128	0
Other event expenses	<u>2,034</u>	<u>0</u>	<u>2,034</u>
Total	<u>\$47,877</u>	<u>\$45,843</u>	<u>\$2,034</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 \$32,200 and \$29,200 to the 401(k) plan during the fiscal years ended December 31, 2020 and 2019, 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%

**Note 11 - Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through May 3, 2021, the date the financial statements were available to be issued. All events that 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 have been made.

**Note 12 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area, in which ACG operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.