

**THE KOSCIUSZKO FOUNDATION, INC.**

**Consolidated Financial Statements**

**June 30, 2014**

# THE KOSCIUSZKO FOUNDATION, INC.

## Table of Contents

Independent Auditor's Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 18
Supplemental Schedule:	
Functional Expenses for the Year Ended June 30, 2014	19-20

OWEN J. FLANAGAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
60 EAST 42<sup>ND</sup> STREET, SUITE 1536  
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA  
(1925-1996)

KEVIN C. SUNKEL, CPA  
JOHN L. CORCORAN, CPA  
MEREDITH A.F. KORN, CPA

(212) 682-2783  
FACSIMILE (212) 697-5843  
WWW.OJFLANAGAN.COM

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

DONALD F. SCHERER

## Independent Auditor's Report

To the Board of Trustees of  
The Kosciuszko Foundation, Inc.

We have audited the accompanying consolidated financial statements of The Kosciuszko Foundation, Inc. (a nonprofit organization), which comprise the statements of consolidated financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 of 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kosciuszko Foundation, Inc. as of June 30, 2014 and 2013, and the consolidated changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule of functional expenses for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 17, 2014  
New York, NY

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Consolidated Statements of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 602,877	\$ 782,683
Contributions and other receivables	102,281	569,972
Prepaid expenses and other assets	363,798	330,695
Investments	32,749,455	29,084,876
Property, plant, and equipment, net of accumulated depreciation	2,558,535	2,585,608
Art collections	2,233,762	2,218,762
Investment in pooled income fund	-	146,134
Beneficial interest in perpetual trusts	<u>1,641,144</u>	<u>1,509,265</u>
<b>Total Assets</b>	<b><u>\$40,251,852</u></b>	<b><u>\$37,227,995</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 91,888	\$ 112,949
Scholarships and grants payable	3,059	7,298
Funds on deposit	124,285	158,554
Deferred revenue	<u>3,221</u>	<u>1,769</u>
<b>Total Liabilities</b>	<b><u>222,453</u></b>	<b><u>280,570</u></b>
Net Assets:		
Unrestricted	6,456,678	6,155,175
Temporarily restricted	14,848,492	12,546,723
Permanently restricted	<u>18,724,229</u>	<u>18,245,527</u>
<b>Total Net Assets</b>	<b><u>40,029,399</u></b>	<b><u>36,947,425</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$40,251,852</u></b>	<b><u>\$37,227,995</u></b>

See accompanying notes to consolidated financial statements.

**THE KOSCIUSZKO FOUNDATION, INC.**

**Consolidated Statement of Activities**

**Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, support, and gains:				
Contributions	\$ 429,405	\$ 139,538	\$ 243,457	\$ 812,400
Donated art	15,000	-	-	15,000
Summer program	39,589	-	-	39,589
Other programs and functions	260,294	-	-	260,294
Dictionary/books	1,700	-	-	1,700
Membership dues	252,637	-	-	252,637
Rental income	190,681	-	-	190,681
Dividends and interest	76,747	308,651	-	385,398
Other income	78,007	27,686	-	105,693
Charitable Remainder Annuity Trust	-	(69,000)	-	(69,000)
Net unrealized and realized gains on investments	66,374	3,185,077	-	3,251,451
Net unrealized and realized gains on pooled income fund and beneficial interest in perpetual trusts	-	964	131,879	132,843
Transfer - Pooled Income Fund	43,732	(147,098)	103,366	-
Net assets released from restrictions	<u>1,144,049</u>	<u>(1,144,049)</u>	<u>-</u>	<u>-</u>
 Total revenues, support and gains	 <u>2,598,215</u>	 <u>2,301,769</u>	 <u>478,702</u>	 <u>5,378,686</u>
Expenses:				
Program services:				
Scholarships and grants	1,012,341	-	-	1,012,341
Cultural and educational programs	538,832	-	-	538,832
Warsaw office	37,750	-	-	37,750
Washington office	99,820	-	-	99,820
Fundacja Kosciuszkowska Polska	18,693	-	-	18,693
Total program services	<u>1,707,436</u>	<u>-</u>	<u>-</u>	<u>1,707,436</u>
Supporting services:				
Administrative and general	374,156	-	-	374,156
Development	215,120	-	-	215,120
Total supporting services	<u>589,276</u>	<u>-</u>	<u>-</u>	<u>589,276</u>
 Total expenses	 <u>2,296,712</u>	 <u>-</u>	 <u>-</u>	 <u>2,296,712</u>
 <u>Change in Net Assets for Year</u>	 <u>301,503</u>	 <u>2,301,769</u>	 <u>478,702</u>	 <u>3,081,974</u>
Net Assets, beginning of year	<u>6,155,175</u>	<u>12,546,723</u>	<u>18,245,527</u>	<u>36,947,425</u>
Net Assets, End of Year	<u>\$6,456,678</u>	<u>\$14,848,492</u>	<u>\$18,724,229</u>	<u>\$40,029,399</u>

See accompanying notes to consolidated financial statements.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, support, and gains:				
Contributions	\$ 414,024	\$ 111,743	\$ 957,411	\$ 1,483,178
Summer program	52,316	-	-	52,316
Other programs and functions	282,898	-	-	282,898
Dictionary/books	16,946	-	-	16,946
Membership dues	241,714	-	-	241,714
Rental income	133,756	-	-	133,756
Dividends and interest	76,885	307,559	-	384,444
Other income	146,062	2,206	-	148,268
Charitable Remainder Annuity Trust	-	(2,000)	-	(2,000)
Net unrealized and realized gains on investments	39,968	2,594,849	-	2,634,817
Net unrealized and realized gains on pooled income fund and beneficial interest in perpetual trusts	-	10,967	88,368	99,335
Net assets released from restrictions	<u>959,063</u>	<u>(959,063)</u>	<u>-</u>	<u>-</u>
 Total revenues, support and gains	 <u>2,363,632</u>	 <u>2,066,261</u>	 <u>1,045,779</u>	 <u>5,475,672</u>
 Expenses:				
Program services:				
Scholarships and grants	808,587	-	-	808,587
Cultural and educational programs	521,779	-	-	521,779
Shipping service	26,038	-	-	26,038
Warsaw office	46,337	-	-	46,337
Washington office	96,770	-	-	96,770
Fundacja Kosciuszkowska Polska	<u>63,536</u>	<u>-</u>	<u>-</u>	<u>63,536</u>
Total program services	<u>1,563,047</u>	<u>-</u>	<u>-</u>	<u>1,563,047</u>
 Supporting services:				
Administrative and general	331,948	-	-	331,948
Development	<u>211,964</u>	<u>-</u>	<u>-</u>	<u>211,964</u>
Total supporting services	<u>543,912</u>	<u>-</u>	<u>-</u>	<u>543,912</u>
 Total expenses	 <u>2,106,959</u>	 <u>-</u>	 <u>-</u>	 <u>2,106,959</u>
 <u>Change in Net Assets for Year</u>	 <u>256,673</u>	 <u>2,066,261</u>	 <u>1,045,779</u>	 <u>3,368,713</u>
 Net Assets, beginning of year	 <u>5,898,502</u>	 <u>10,480,462</u>	 <u>17,199,748</u>	 <u>33,578,712</u>
 <u>Net Assets, End of Year</u>	 <u>\$6,155,175</u>	 <u>\$12,546,723</u>	 <u>\$18,245,527</u>	 <u>\$36,947,425</u>

See accompanying notes to consolidated financial statements.

**THE KOSCIUSZKO FOUNDATION, INC.**

**Consolidated Statements of Cash Flows**

**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$3,081,974	\$3,368,713
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized gains on investments	(3,384,294)	(2,745,119)
Depreciation	88,360	86,424
Permanently restricted contributions	(478,702)	(957,411)
Donation of art	(15,000)	-
Other changes in assets and liabilities:		
Contributions and other receivables	467,691	(182,780)
Prepaid expenses and other assets	(33,103)	13,996
Accounts payable, accrued expenses, and deferred revenue	(19,609)	(4,808)
Scholarships and grants payable	(4,239)	6,179
Funds on deposit	<u>(34,269)</u>	<u>56,497</u>
Net cash used in operating activities	<u>(331,191)</u>	<u>(358,309)</u>
Cash flows from investing activities:		
Purchases of investments	(4,574,166)	(2,091,617)
Proceeds from sales of securities	4,308,136	1,562,332
Purchases of property and building improvements	<u>(61,287)</u>	<u>(2,655)</u>
Net cash provided by (used in) investing activities	<u>(327,317)</u>	<u>(531,940)</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>478,702</u>	<u>957,411</u>
Net cash provided by financing activities	<u>478,702</u>	<u>957,411</u>
Net increase in cash and cash equivalents	(179,806)	67,162
Cash and cash equivalents at beginning of year	<u>782,683</u>	<u>715,521</u>
Cash and cash equivalents at end of year	<u>\$ 602,877</u>	<u>\$ 782,683</u>

See accompanying notes to financial statements.



**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 1 - Organization**

The Kosciuszko Foundation, Inc. (the Foundation) was incorporated on December 23, 1925 as a charitable corporation under provisions of the not-for-profit corporation law of the State of New York. The Foundation has been established for educational, scholarship, and cultural purposes. Its objectives are to:

- a. Foster among the American people knowledge and appreciation of Polish culture, history, and traditions;
- b. Strengthen understanding, goodwill, and friendship between the people of the United States of America and the people of Poland by promoting closer educational and cultural relations;
- c. Enhance knowledge of the Polish contribution to world civilization in general and to America in particular;
- d. Encourage and promote the study of Polish culture, history, language, and traditions of the United States of America; and
- e. Foster among Americans of Polish ancestry a deeper understanding and appreciation of their cultural heritage, thereby enriching the pluralistic culture and traditions of the United States of America.

The Foundation conducts and/or sponsors programs, projects, and activities designed to support its purposes and objectives. Its primary sources of revenue are contributions and investments.

**Warsaw Office**

The Foundation maintains an office in Warsaw as a representative office providing information about the Foundation exchange program with the U.S. and provides assistance to Americans studying in Poland under the auspices of a Foundation sponsored program or activity.

**Washington Center**

The Foundation's office in Washington D.C. promotes Polish culture in America and encourages cooperation between the United States and Poland. The office houses a museum of Polish art that is open to the public daily, and provides a venue for local Polish-American events through a wide range of activities, including films, concerts, exhibitions, educational programs, publications, and seminars.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 1 - Organization (continued)**

**Polish Foundation**

During the fiscal year ended June 30, 2011, the Foundation filed in Poland Articles of Association under the Polish Foundation Act of April 4, 1984 to establish "The Kosciuszko Foundation Poland - Fundacja Kosciuszkowska Polska." This organization is controlled by the United States Kosciuszko Foundation and has similar purposes. All activities of this organization are included in these consolidated financial statements.

**Chapters**

There are nine Chapters of the Foundation: Philadelphia, Pittsburgh, Washington, DC, Western New York (Buffalo), Chicago, Rocky Mountain (Denver), New England (Springfield), Texas (Houston), and Northeast Ohio (Cleveland).

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The Foundation's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation, fulfillment of donors' stipulations, or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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.

**Scholarships and Grants**

Scholarships and grants are reported as a liability and expense when the recipients have satisfied all conditions of acceptance.

**Investments**

Investments in the Multi-Asset Fund and the Short-Term Fund are valued at the net asset value calculated by the custodian. Alternative investments, primarily hedge and absolute return funds awaiting final liquidation, are recorded at the value reported by the investment's manager. These values are reviewed and evaluated by management.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in the Foundation's checking accounts both in the United States and Poland.

**Inventory**

Inventory, which consists primarily of dictionaries and text books, and is included in prepaid expenses and other assets in the accompanying statements of financial position, is stated at lower of cost or net realizable value with cost determined on a first-in, first-out basis.

**Property, Plant, and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The number of years used in determining depreciation is as follows:

Furniture, fixtures, and equipment	3 - 7 years
Building and improvements	20 - 40 years

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is further classified as a publicly supported organization.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Contributions Receivable**

Unconditional promises to give (pledges) are reported as revenues in the period pledged. In the case of estates, the contribution is recorded when the will has been admitted to probate and the amount is reasonably determinable. Contributions expected to be received after one year are discounted to their present value. Amortization of the discount is recorded as an additional contribution in accordance with the donor-imposed restrictions, if any, on the contribution.

**Art Collections**

The Foundation has an extensive collection of artwork and other artifacts, which are the results of numerous donations over the years. Donated artwork or other artifacts are capitalized at their appraised or fair value on the accession date. If collection items are sold, the proceeds from the sale are used to acquire other collection items. Gains or losses on the deaccession of collection items are classified on the statements of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, at the time of accession.

In November 2004, the art collection in New York was appraised and the fair value approximated \$2.8 million. The art collection at the Washington Center received during fiscal 2010, is recorded at approximately \$400,000. During 2014, the Foundation received \$15,000 of art.

**Pooled Income Fund**

The Foundation managed a pooled income fund that assigns units to each donor's contribution. Such donor receives the income earned on the assigned units until the donor's death, at which time the value of the units is payable to the Foundation for its unrestricted use. During 2014, the donors of the pooled income fund released the assets from the fund.

**Note 3 - Investments**

The cost and fair value of the Foundation's investments at June 30, 2014 and 2013 are as follows:

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 3 - Investments (Continued)**

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Multi-Asset Fund	\$29,232,968	\$31,205,450	\$26,073,801	\$27,480,253
Short-Term Fund	1,523,187	1,521,910	1,534,284	1,534,310
Equities	650	650	-	-
Short-term cash investments	5,682	5,682	24,560	24,560
Pending stock gift trade	-	-	19,397	19,397
Alternative investments	15,991	15,763	29,136	26,356
	<u>\$30,778,478</u>	<u>\$32,749,455</u>	<u>\$27,681,178</u>	<u>\$29,084,876</u>

All investments are held in three investment pools. Pool A includes the permanent endowment fund, the unappropriated net appreciation of those endowments, unrestricted contributions, and the appreciation on unrestricted gifts. Pool B includes short term investments for permanently restricted purposes (The Michalina and Herman Zimmer Fund), and Pool C includes short-term investments for permanently restricted purposes (Polish American Club of North Jersey (PAC)).

Entrance fees for the Multi-Asset Fund are recorded as part of the cost of the investment. These fees were \$2,390 in 2014 and \$8,031 in 2013.

The following provides a rollforward of investment activities:

	Pool A	Pool B	Pool C	Total
Investments, at July 1, 2012	<u>\$25,518,065</u>	<u>\$233,751</u>	<u>\$157,992</u>	<u>\$25,909,808</u>
Receipts available for investment	<u>1,146,723</u>	<u>-</u>	<u>-</u>	<u>1,146,723</u>
Dividends and interest	384,444	-	-	384,444
Realized and unrealized gains	<u>2,634,817</u>	<u>-</u>	<u>-</u>	<u>2,634,817</u>
Total return on investment	<u>3,019,261</u>	<u>-</u>	<u>-</u>	<u>3,019,261</u>
Appropriated for current operations	<u>(969,157)</u>	<u>(9,667)</u>	<u>(12,092)</u>	<u>(990,916)</u>
Investments, June 30, 2013	<u>28,714,892</u>	<u>224,084</u>	<u>145,900</u>	<u>29,084,876</u>
Receipts available for investment	<u>1,112,458</u>	<u>-</u>	<u>-</u>	<u>1,112,458</u>
Dividends and interest	385,398	-	-	385,398
Realized and unrealized gains	<u>3,251,451</u>	<u>-</u>	<u>-</u>	<u>3,251,451</u>
Total return on investment	<u>3,636,849</u>	<u>-</u>	<u>-</u>	<u>3,636,849</u>
Appropriated for current operations	<u>(1,067,905)</u>	<u>(10,726)</u>	<u>(6,097)</u>	<u>(1,084,728)</u>
Investments, June 30, 2014	<u>\$32,396,294</u>	<u>\$213,358</u>	<u>\$139,803</u>	<u>\$32,749,455</u>

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 3 - Investments (Continued)**

The participation in the pools and net asset classes of the investments at June 30, 2014 and 2013 is shown in the table below:

	2014			Total
	Pool A	Pool B	Pool C	
Permanently restricted	\$16,465,696	\$180,000	\$ 93,657	\$16,739,353
Temporarily restricted	14,671,090	33,358	46,146	14,750,594
Unrestricted	<u>1,259,508</u>	-	-	<u>1,259,508</u>
	<u>\$32,396,294</u>	<u>\$213,358</u>	<u>\$139,803</u>	<u>\$32,749,455</u>
	2013			
	Pool A	Pool B	Pool C	Total
Permanently restricted	\$15,927,029	\$180,000	\$ 93,657	\$16,200,686
Temporarily restricted	12,191,293	44,084	52,243	12,287,620
Unrestricted	<u>596,570</u>	-	-	<u>596,570</u>
	<u>\$28,714,892</u>	<u>\$224,084</u>	<u>\$145,900</u>	<u>\$29,084,876</u>

**Note 4 - Property, Plant, and Equipment**

Property, plant, and equipment consist of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 974,711	\$ 974,711
Buildings and improvements	3,034,460	2,977,742
Furniture and fixtures	373,402	373,282
Equipment	<u>279,412</u>	<u>274,962</u>
	4,661,985	4,600,697
Less: accumulated depreciation	<u>2,103,450</u>	<u>2,015,089</u>
	<u>\$2,558,535</u>	<u>\$2,585,608</u>

**Note 5 - Commitments**

The Foundation has one operating lease for an apartment used by grantees while residing in the United States of America and a lease on an office in Warsaw. Rent expense for the years ended June 30, 2014 and 2013 was \$22,397 and \$21,725, respectively. The future minimum rental commitment under these annual leases is approximately \$23,000 and is renewable annually.

At June 30, 2014, the Foundation was committed, subject to the satisfaction of acceptance conditions, to award scholarships, fellowships, and grants of approximately \$1,043,790 for the 2014-2015 academic year (September 2014 - May 2015).

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
For scholarships and grants	\$14,818,492	\$12,447,723
For future periods	<u>30,000</u>	<u>99,000</u>
<u>Total</u>	<u>\$14,848,492</u>	<u>\$12,546,723</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors:

	<u>2014</u>	<u>2013</u>
For scholarships and grants	\$ 818,321	\$693,678
For fees and other expenses	<u>325,728</u>	<u>265,385</u>
<u>Total</u>	<u>\$1,144,049</u>	<u>\$959,063</u>

**Note 7 - Permanently Restricted Net Assets**

At June 30, 2014 and 2013, permanently restricted net assets are classified as follows based on the purposes for which income is restricted:

	<u>2014</u>	<u>2013</u>
Scholarships	\$16,809,428	\$16,462,605
Beneficial interest in perpetual trusts:		
Scholarships	505,669	491,911
Cultural	1,135,475	1,017,354
Pool B and C funds for scholarships:		
PAC	93,657	93,657
Zimber	<u>180,000</u>	<u>180,000</u>
	<u>\$18,724,229</u>	<u>\$18,245,527</u>

Permanently restricted net assets are reported in the following asset categories on the accompanying statements of financial position:

	<u>2014</u>	<u>2013</u>
Other assets	\$ 342,152	\$ 535,576
Cash	1,580	-
Investments	16,739,353	16,200,686
Beneficial interests in perpetual trusts	<u>1,641,144</u>	<u>1,509,265</u>
	<u>\$18,724,229</u>	<u>\$18,245,527</u>

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 8 - Endowment**

The Foundation's endowment consists of over one hundred individual funds established for a number of purposes. The endowment includes donor-restricted funds, temporarily restricted charitable trusts and annuity funds, and original gifts held long-term for scholarships and grants.

**Interpretation of Relevant Law**

Prior to September 17, 2010, the Board of Trustees of the Foundation had interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). Unlike UMIFA, the new law allows not-for-profits to spend permanently restricted endowment funds below their "historic dollar value" if the governing body (Board of Trustees) determines that the spending is prudent in accordance with various factors. Also, in accordance with the act, the Foundation, where possible, has contacted donors of endowment funds with gifts made prior to September 17, 2010, and gave them the choice of following UMIFA or NYPMIFA rules.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriate for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

The following represents a description of the endowment net asset composition, excluding pledges and estates as of June 30, 2014 and 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds - 2014	\$14,759,282	\$18,380,497	\$33,139,779
Donor-restricted endowment funds - 2013	\$12,447,723	\$17,709,951	\$30,157,674

The following represents a description of the changes in net endowment assets for the years ended June 30, 2014 and 2013:



**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 8 - Endowment (Continued)**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, July 1, 2012	<u>\$10,379,469</u>	<u>\$16,688,199</u>	<u>\$27,067,668</u>
Investment return:			
Investment income, net	307,559	-	307,559
Net appreciation	<u>2,605,816</u>	<u>88,368</u>	<u>2,694,184</u>
Total investment return	2,913,375	88,368	3,001,743
New gifts	111,743	957,411	1,069,154
Appropriation for expenditure	(959,063)	-	(959,063)
Other changes, including transfers	<u>2,199</u>	<u>(24,027)</u>	<u>(21,828)</u>
Net endowment assets, June 30, 2013	<u>12,447,723</u>	<u>17,709,951</u>	<u>30,157,674</u>
Investment return:			
Investment income, net	308,651		308,651
Net appreciation	<u>3,186,041</u>	<u>131,879</u>	<u>3,317,920</u>
Total investment return	3,494,692	131,879	3,626,571
New gifts	139,539	243,457	382,996
Appropriation for expenditure	(1,144,049)	-	(1,144,049)
Other changes, including transfers	<u>(178,623)</u>	<u>295,210</u>	<u>116,587</u>
Net endowment assets, June 30, 2014	<u>\$14,759,282</u>	<u>\$18,380,497</u>	<u>\$33,139,779</u>

**Spending Policy**

The Foundation has a policy of appropriating a certain percentage of its portfolio for scholarship distribution annually. Scholarship distribution for fiscal 2014 was based on 4.5% of its entire portfolio value. In fiscal year 2015 the scholarship distribution is set at 5%.

In addition, the Foundation has a policy of appropriating from .5% to 2% of its entire portfolio value for its administrative fee. The percentage is based on a rolling 3 year (fiscal year) average of portfolio value and is set based on the financial needs of the Foundation in a given year.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 9 - Beneficial Interest in Perpetual Trusts**

The fair value of funds that are held in perpetuity by third parties where the Foundation is the income beneficiary is included on the statements of financial position. The following is a summary of such trusts at June 30, 2014 and 2013:

	<u>2014</u>		<u>2013</u>	
	Fair value of securities held by <u>third parties</u>	Investment income received during <u>the year</u>	Fair value of securities held by <u>third parties</u>	Investment income received during <u>the year</u>
Stanley W. Wasil	\$ 505,669	\$34,436	\$ 491,911	\$ 3,332
Mary R. Koons	<u>1,135,475</u>	<u>40,611</u>	<u>1,017,354</u>	<u>45,500</u>
	<u>\$1,641,144</u>	<u>\$75,047</u>	<u>\$1,509,265</u>	<u>\$48,832</u>

**Note 10 - Fair Value Measurements**

The Foundation follows ASC 840 regarding *Fair Value Measurements*. Accounting guidance defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP), and expands disclosures about fair value measurements. This guidance also provides a consistent definition of fair value, which focuses on exit price, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three-level valuation hierarchy for disclosure of fair value measurements is defined as follows:

- Level 1     Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;
- Level 2     Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3     Inputs that are unobservable.

Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

The following table presents the Foundation's fair value hierarchy for investments and funds held by trustees measured at fair value as of June 30, 2014.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 10 - Fair Value Measurements (Continued)**

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments:</b>				
Multi-Asset Fund	\$31,205,450	\$ -	\$ -	\$31,205,450
Short-term Fund	1,521,910	-	-	1,521,910
Equities	650	-	-	650
Short-term cash investments	5,682	-	-	5,682
Alternative investments	-	-	15,763	15,763
	<u>\$32,733,692</u>	<u>\$ -</u>	<u>\$15,763</u>	<u>\$32,749,455</u>
<b>Beneficial Interest in Perpetual Trusts:</b>				
Cash	\$ 21,717	\$ -	\$ -	\$ 21,717
Equities	954,544	-	-	954,544
Fixed income	474,213	-	-	474,213
Other	190,670	-	-	190,670
	<u>\$ 1,641,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,641,144</u>
	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments:</b>				
Multi-Asset Fund	\$27,480,253	\$ -	\$ -	\$27,480,253
Short-term Fund	1,534,310	-	-	1,534,310
Short-term cash investments	24,560	-	-	24,560
Pending stock gift trade	19,397	-	-	19,397
Alternative investments	-	-	26,356	26,356
	<u>\$29,058,520</u>	<u>\$ -</u>	<u>\$26,356</u>	<u>\$29,084,876</u>
<b>Pooled Income Fund:</b>				
Cash	\$ 3,031	\$ -	\$ -	\$ 3,031
Equities	85,880	-	-	85,880
Fixed income	57,223	-	-	57,223
	<u>\$ 146,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,134</u>
<b>Beneficial Interest in Perpetual Trusts:</b>				
Cash	\$ 3,467	\$ -	\$ -	\$ 3,467
Equities	972,550	-	-	972,550
Fixed income	372,657	-	-	372,657
Other	160,591	-	-	160,591
	<u>\$ 1,509,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,509,265</u>

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**Note 10 - Fair Value Measurements (Continued)**

At June 30, 2014 and 2013, the level 3 assets consists of one remaining hedge fund that has limited liquidity and will be paid out as the fund can redeem underlying investments.

The change in level three assets was as follows:

	<u>2014</u>	<u>2013</u>
Balance, July 1	\$26,356	\$42,684
Amounts redeemed	(12,413)	(21,082)
Realized gains (losses)	(731)	(7,621)
Change in unrealized appreciation	<u>2,551</u>	<u>12,375</u>
Balance, June 30	<u>\$15,763</u>	<u>\$26,356</u>

**Note 11 - Subsequent Events**

In connection with the preparation of these consolidated financial statements, the Foundation evaluated subsequent events after the statement of financial position date at June 30, 2014 through October 17, 2014, which was the date the financial statements were available to be issued. The following events were noted:

The Foundation has been named as a beneficiary in three estates: the estate of Marya J. Markowski (amount subject to sale of property), the estate of Janina Hannum, \$50,000, and the estate of William F. Sikorski with a estimated payment of \$40,000.

**Note 12 - Uncertain Tax Positions**

The Foundation has not entered into any uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to June 30, 2011.

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Supplemental Schedule of Functional Expenses**  
**Year Ended June 30, 2014 (with comparative totals for 2013)**

	Scholarships and Grants	Cultural and Educational Programs	Shipping Service	Warsaw Office	Washington Center	Fundacja Kosciuszkowska Polska	Total Program Services
Salaries	\$ 113,501	\$127,893	\$ -	\$ -	\$37,630	\$ -	\$ 279,024
Employee benefits	<u>19,785</u>	<u>14,456</u>	<u>-</u>	<u>-</u>	<u>5,435</u>	<u>-</u>	<u>39,676</u>
Total personnel costs	133,286	142,349	-	-	43,065	-	318,700
Scholarships and grants	801,814	-	-	-	-	16,507	818,321
Program honoraria	-	588	-	-	1,263	-	1,851
Program cost	-	240,553	-	331	16,380	-	257,264
Office supplies	494	1,250	-	70	412	-	2,226
Postage	2,548	4,019	-	238	329	-	7,134
Professional fees	-	-	-	-	1,528	-	1,528
Telephone	3,877	2,908	-	1,744	-	-	8,529
Insurance	-	-	-	256	8,226	-	8,482
Supplies	250	226	-	634	928	-	2,038
Cleaning service	-	-	-	989	-	-	989
Service fees	527	63	-	4,254	838	2,186	7,868
Investment management fees	-	-	-	-	-	-	-
Property tax	-	-	-	-	8,490	-	8,490
Travel and entertainment	2,148	5,528	-	1,475	1,209	-	10,360
Promotional expenses	4,758	6,648	-	-	-	-	11,406
Printing	325	16,789	-	-	8,572	-	25,686
Equipment rental and repair	-	-	-	-	-	-	-
Electricity and heat	-	-	-	-	1,341	-	1,341
Repair and maintenance	-	-	-	-	7,239	-	7,239
Outside services	1,875	4,891	-	16,302	-	-	23,068
Membership fee	-	-	-	-	-	-	-
K.F. chapter expenses	-	48,472	-	-	-	-	48,472
Subscriptions	-	-	-	-	-	-	-
Warsaw office rental	-	-	-	11,457	-	-	11,457
Storage	-	-	-	-	-	-	-
	<u>951,902</u>	<u>474,284</u>	<u>-</u>	<u>37,750</u>	<u>99,820</u>	<u>18,693</u>	<u>1,582,449</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses before allocation	<u>951,902</u>	<u>474,284</u>	<u>-</u>	<u>37,750</u>	<u>99,820</u>	<u>18,693</u>	<u>1,582,449</u>
Allocation of K.F. house	<u>60,439</u>	<u>64,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,987</u>
Total expenses - 2014	<u>\$1,012,341</u>	<u>\$538,832</u>	<u>\$ -</u>	<u>\$37,750</u>	<u>\$99,820</u>	<u>\$ 18,693</u>	<u>\$1,707,436</u>
Total expenses - 2013	\$ 808,587	\$521,779	\$26,038	\$46,337	\$96,770	\$ 63,536	\$1,563,047

**THE KOSCIUSZKO FOUNDATION, INC.**  
**Supplemental Schedule of Functional Expenses**  
**Year Ended June 30, 2014 (with comparative totals for 2013)**

	Total Program Services	Administrative and General	Development	Operation of K.F. House	Total Supporting Services	Total 2014	Total 2013
Salaries	\$ 279,024	\$182,173	\$ 95,907	\$ 25,864	\$303,944	\$ 582,968	\$ 544,668
Employee benefits	<u>39,676</u>	<u>11,850</u>	<u>11,711</u>	<u>3,116</u>	<u>26,677</u>	<u>66,353</u>	<u>77,693</u>
Total personnel costs	318,700	194,023	107,618	28,980	330,621	649,321	622,361
Scholarships and grants	818,321	-	-	-	-	818,321	692,756
Program honoraria	1,851	-	-	-	-	1,851	5,109
Program cost	257,264	-	-	-	-	257,264	252,220
Office supplies	2,226	4,722	5,501	-	10,223	12,449	13,832
Postage	7,134	8,674	4,900	22	13,596	20,730	16,539
Professional fees	1,528	44,000	-	-	44,000	45,528	49,612
Telephone	8,529	5,166	6,785	-	11,951	20,480	18,970
Insurance	8,482	11,206	-	39,356	50,562	59,044	47,550
Supplies	2,038	1,406	-	7,815	9,221	11,259	10,264
Cleaning service	989	-	-	-	-	989	2,835
Service fees	7,868	11,682	14,982	825	27,489	35,357	27,784
Investment management fees	-	1,750	-	-	1,750	1,750	7,303
Property tax	8,490	-	-	-	-	8,490	9,584
Travel and entertainment	10,360	126	251	534	911	11,271	8,707
Promotional expenses	11,406	-	2,757	-	2,757	14,163	9,778
Printing	25,686	843	7,064	53	7,960	33,646	24,271
Equipment rental and repair	-	-	-	40,848	40,848	40,848	42,584
Electricity and heat	1,341	-	-	54,325	54,325	55,666	59,736
Repair and maintenance	7,239	-	-	635	635	7,874	1,050
Outside services	23,068	1,873	16,331	-	18,204	41,272	29,000
Membership fee	-	675	140	-	815	815	830
K.F. chapter expenses	48,472	-	-	-	-	48,472	50,164
Subscriptions	-	35	-	-	35	35	118
Warsaw office rental	11,457	-	-	-	-	11,457	10,805
Storage	-	-	-	-	-	-	6,773
	<u>1,582,449</u>	<u>286,181</u>	<u>166,329</u>	<u>173,393</u>	<u>625,903</u>	<u>2,208,352</u>	<u>2,020,535</u>
Depreciation	-	-	-	88,360	88,360	88,360	86,424
Total expenses before allocation	<u>1,582,449</u>	<u>286,181</u>	<u>166,329</u>	<u>261,753</u>	<u>714,263</u>	<u>2,296,712</u>	<u>\$2,106,959</u>
Allocation of K.F. house	<u>124,987</u>	<u>87,975</u>	<u>48,791</u>	<u>(261,753)</u>	<u>(124,987)</u>	-	-
Total expenses - 2014	<u>\$1,707,436</u>	<u>\$ 374,156</u>	<u>\$215,120</u>	<u>\$ -</u>	<u>\$589,276</u>	<u>\$ 2,296,712</u>	-
Total expenses - 2013	\$1,563,047	\$331,948	\$211,964	\$ -	\$543,912	\$ 2,106,959	-