

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2016

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, 2016	19-20

OWEN J. FLANAGAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
60 EAST 42ND 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 consolidated statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Quinn J. Flanagan & Co.

October 14, 2016
New York, NY

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 310,252	\$ 339,958
Contributions and other receivables	6,584	302,464
Prepaid expenses and other assets	77,345	313,073
Investments	29,247,240	31,219,094
Property, plant, and equipment, net of accumulated depreciation	2,675,301	2,575,145
Art collections	2,235,462	2,233,762
Beneficial interest in perpetual trusts	<u>1,511,055</u>	<u>1,586,749</u>
Total Assets	<u>\$36,063,239</u>	<u>\$38,570,245</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 90,813	\$ 120,902
Scholarships and grants payable	1,640	3,693
Funds on deposit	13,219	81,296
Deferred revenue	<u>16,095</u>	<u>-</u>
Total Liabilities	<u>121,767</u>	<u>205,891</u>
Net Assets:		
Unrestricted	6,509,173	6,556,310
Temporarily restricted	10,805,429	12,941,494
Permanently restricted	<u>18,626,870</u>	<u>18,866,550</u>
Total Net Assets	<u>35,941,472</u>	<u>38,364,354</u>
Total Liabilities and Net Assets	<u>\$36,063,239</u>	<u>\$38,570,245</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, support, and gains (losses):				
Contributions	\$ 277,171	\$ 124,425	\$ 22,390	\$ 423,986
Reduction in estimated estate value	-	-	(186,376)	(186,376)
Donated art	1,700	-	-	1,700
Summer program	18,940	-	-	18,940
Other programs and functions	247,503	-	-	247,503
Dictionary/books	2,518	-	-	2,518
Membership dues	280,259	-	-	280,259
Rental income	194,655	-	-	194,655
Dividends and interest	68,595	259,207	-	327,802
Other income	101,465	15,963	-	117,428
Change in interest in Charitable Remainder Annuity Trust	-	(46,000)	-	(46,000)
Net unrealized and realized gains (losses) on investments	(56,043)	(1,176,724)	-	(1,232,767)
Net unrealized and realized gains (losses) on beneficial interest in perpetual trusts	-	-	(75,694)	(75,694)
Net assets released from restrictions	<u>1,312,936</u>	<u>(1,312,936)</u>	<u>-</u>	<u>-</u>
 Total revenue, support and gains (losses)	 <u>2,449,699</u>	 <u>(2,136,065)</u>	 <u>(239,680)</u>	 <u>73,954</u>
 Expenses:				
Program services:				
Scholarships and grants	1,119,332	-	-	1,119,332
Cultural and educational programs	503,245	-	-	503,245
Warsaw office	41,472	-	-	41,472
Washington Center	141,286	-	-	141,286
Total program services	<u>1,805,335</u>	<u>-</u>	<u>-</u>	<u>1,805,335</u>
Supporting services:				
Administrative and general	385,032	-	-	385,032
Development	306,469	-	-	306,469
Total supporting services	<u>691,501</u>	<u>-</u>	<u>-</u>	<u>691,501</u>
 Total expenses	 <u>2,496,836</u>	 <u>-</u>	 <u>-</u>	 <u>2,496,836</u>
 <u>Change in Net Assets for Year</u>	 <u>(47,137)</u>	 <u>(2,136,065)</u>	 <u>(239,680)</u>	 <u>(2,422,882)</u>
 Net Assets, beginning of year	 <u>6,556,310</u>	 <u>12,941,494</u>	 <u>18,866,550</u>	 <u>38,364,354</u>
 <u>Net Assets, End of Year</u>	 <u>\$6,509,173</u>	 <u>\$10,805,429</u>	 <u>\$18,626,870</u>	 <u>\$35,941,472</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, support, and gains (losses):				
Contributions	\$ 525,333	\$ 56,561	\$ 196,717	\$ 778,611
Summer program	26,514	-	-	26,514
Other programs and functions	274,307	-	-	274,307
Dictionary/books	20,040	-	-	20,040
Membership dues	254,209	-	-	254,209
Rental income	187,014	-	-	187,014
Dividends and interest	65,483	247,547	-	313,030
Other income	121,670	15,910	-	137,580
Change in interest in Charitable Remainder Annuity Trust	-	16,000	-	16,000
Net unrealized and realized gains (losses) on investments	(32,239)	(567,553)	-	(599,792)
Net unrealized and realized gains (losses) on beneficial interest in perpetual trusts	-	-	(54,396)	(54,396)
Net assets released from restrictions	<u>1,675,463</u>	<u>(1,675,463)</u>	<u>-</u>	<u>-</u>
 Total revenue, support and gains (losses)	 <u>3,117,794</u>	 <u>(1,906,998)</u>	 <u>142,321</u>	 <u>1,353,117</u>
 Expenses:				
Program services:				
Scholarships and grants	1,469,541	-	-	1,469,541
Cultural and educational programs	612,791	-	-	612,791
Warsaw office	39,141	-	-	39,141
Washington office	131,165	-	-	131,165
Fundacja Kosciuszkowska Polska	<u>60,356</u>	<u>-</u>	<u>-</u>	<u>60,356</u>
Total program services	<u>2,312,994</u>	<u>-</u>	<u>-</u>	<u>2,312,994</u>
Supporting services:				
Administrative and general	452,272	-	-	452,272
Development	<u>252,896</u>	<u>-</u>	<u>-</u>	<u>252,896</u>
Total supporting services	<u>705,168</u>	<u>-</u>	<u>-</u>	<u>705,168</u>
 Total expenses	 <u>3,018,162</u>	 <u>-</u>	 <u>-</u>	 <u>3,018,162</u>
 Change in Net Assets for Year	 <u>99,632</u>	 <u>(1,906,998)</u>	 <u>142,321</u>	 <u>(1,665,045)</u>
 Net Assets, beginning of year	 <u>6,456,678</u>	 <u>14,848,492</u>	 <u>18,724,229</u>	 <u>40,029,399</u>
 Net Assets, End of Year	 <u>\$6,556,310</u>	 <u>\$12,941,494</u>	 <u>\$18,866,550</u>	 <u>\$38,364,354</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$(2,422,882)	\$(1,665,045)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized losses on investments and perpetual trusts	1,308,461	654,188
Depreciation	93,775	86,862
Permanently restricted contributions	(22,390)	(196,717)
Donation of art	(1,700)	-
Other changes in assets and liabilities:		
Contributions and other receivables	295,880	(200,183)
Prepaid expenses and other assets	235,728	50,725
Accounts payable, accrued expenses, and deferred revenue	(13,994)	25,793
Scholarships and grants payable	(2,053)	634
Funds on deposit	<u>(68,077)</u>	<u>(42,989)</u>
Net cash used in operating activities	<u>(597,252)</u>	<u>(1,286,732)</u>
Cash flows from investing activities:		
Purchases of investments	(1,550,045)	(2,787,913)
Proceeds from sales of securities	2,289,132	3,718,481
Purchases of property and building improvements	<u>(193,931)</u>	<u>(103,472)</u>
Net cash provided by investing activities	<u>545,156</u>	<u>827,096</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>22,390</u>	<u>196,717</u>
Net cash provided by financing activities	<u>22,390</u>	<u>196,717</u>
Net decrease in cash and cash equivalents	(29,706)	(262,919)
Cash and cash equivalents at beginning of year	<u>339,958</u>	<u>602,877</u>
Cash and cash equivalents at end of year	<u>\$ 310,252</u>	<u>\$ 339,958</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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's 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, 2016 and 2015

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 reported to the U.S. organization and 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, 2016 and 2015

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, 2016 and 2015

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 June 2015, the art collection in New York was appraised and the fair value approximated \$6.1 million. The art collection at the Washington Center received during fiscal 2010, is recorded at approximately \$400,000. During 2016, the Foundation received \$1,700 of donated art.

Note 3 - Investments

The cost and fair value of the Foundation's investments at June 30, 2016 and 2015 are as follows:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 3 - Investments (Continued)

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Multi-Asset Fund	\$31,316,301	\$28,754,133	\$30,487,450	\$30,122,208
Short-Term Fund	482,984	482,038	1,087,667	1,084,852
Equities	679	919	769	769
Short-term cash investments	868	868	22	22
Alternative investments	<u>10,432</u>	<u>9,282</u>	<u>11,526</u>	<u>11,243</u>
	<u>\$31,811,264</u>	<u>\$29,247,240</u>	<u>\$31,587,434</u>	<u>\$31,219,094</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 Zimber 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 \$1,384 in 2015.

The following provides a rollforward of investment activities:

	<u>Pool A</u>	<u>Pool B</u>	<u>Pool C</u>	<u>Total</u>
Investments, at July 1, 2014	<u>\$32,396,294</u>	<u>\$213,358</u>	<u>\$139,803</u>	<u>\$32,749,455</u>
Receipts available for investment	<u>710,140</u>	<u>-</u>	<u>-</u>	<u>710,140</u>
Dividends and interest	313,030	-	-	313,030
Realized and unrealized gains (losses)	<u>(598,720)</u>	<u>(648)</u>	<u>(424)</u>	<u>(599,792)</u>
Total return on investment	<u>(285,690)</u>	<u>(648)</u>	<u>(424)</u>	<u>(286,762)</u>
Appropriated for current operations	<u>(1,938,139)</u>	<u>(10,000)</u>	<u>(5,600)</u>	<u>(1,953,739)</u>
Investments, June 30, 2015	<u>30,882,605</u>	<u>202,710</u>	<u>133,779</u>	<u>31,219,094</u>
Receipts available for investment	<u>183,102</u>	<u>-</u>	<u>-</u>	<u>183,102</u>
Dividends and interest	327,802	-	-	327,802
Realized and unrealized gains (losses)	<u>(1,233,093)</u>	<u>195</u>	<u>131</u>	<u>(1,232,767)</u>
Total return on investment	<u>(905,291)</u>	<u>195</u>	<u>131</u>	<u>(904,965)</u>
Appropriated for current operations	<u>(1,235,366)</u>	<u>(10,500)</u>	<u>(4,125)</u>	<u>(1,249,991)</u>
Investments, June 30, 2016	<u>\$28,925,050</u>	<u>\$192,405</u>	<u>\$129,785</u>	<u>\$29,247,240</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 3 - Investments (Continued)

The participation in the pools and net asset classes of the investments at June 30, 2016 and 2015 is shown in the table below:

	2016			Total
	Pool A	Pool B	Pool C	
Permanently restricted	\$16,747,516	\$180,000	\$ 93,657	\$17,021,173
Temporarily restricted	10,756,896	12,405	36,128	10,805,429
Unrestricted	<u>1,420,638</u>	<u>-</u>	<u>-</u>	<u>1,420,638</u>
	<u>\$28,925,050</u>	<u>\$192,405</u>	<u>\$129,785</u>	<u>\$29,247,240</u>
	2015			Total
	Pool A	Pool B	Pool C	
Permanently restricted	\$16,717,036	\$180,000	\$ 93,657	\$16,990,693
Temporarily restricted	12,824,136	22,710	40,122	12,886,968
Unrestricted	<u>1,341,433</u>	<u>-</u>	<u>-</u>	<u>1,341,433</u>
	<u>\$30,882,605</u>	<u>\$202,710</u>	<u>\$133,779</u>	<u>\$31,219,094</u>

Note 4 - Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2016 and 2015:

	2016	2015
Land	\$ 974,711	\$ 974,711
Buildings and improvements	3,318,435	3,135,893
Furniture and fixtures	385,274	374,594
Equipment	<u>280,968</u>	<u>280,259</u>
	4,959,388	4,765,457
Less: accumulated depreciation	<u>2,284,087</u>	<u>2,190,312</u>
	<u>\$2,675,301</u>	<u>\$2,575,145</u>

Note 5 - Commitments

The Foundation has an operating lease for an apartment used by grantees while residing in the United States of America and a lease for office space in Warsaw. Rent expense for the years ended June 30, 2016 and 2015 was \$20,896 and \$23,223, respectively. The future minimum rental commitment under these annual leases is approximately \$24,000 and is renewable annually.

At June 30, 2016, the Foundation was committed, subject to the satisfaction of acceptance conditions, to award scholarships, fellowships, and grants of approximately \$822,885 for the 2016-2017 academic year (September 2016 - May 2017).

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
For scholarships and grants	\$10,805,429	\$12,895,494
For future periods	<u>-</u>	<u>46,000</u>
Total	<u>\$10,805,429</u>	<u>\$12,941,494</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>2016</u>	<u>2015</u>
For scholarships and grants	\$ 919,329	\$1,268,151
For fees and other expenses	<u>393,607</u>	<u>407,312</u>
Total	<u>\$1,312,936</u>	<u>\$1,675,463</u>

Note 7 - Permanently Restricted Net Assets

At June 30, 2016 and 2015, permanently restricted net assets are classified as follows based on the purposes for which income is restricted:

	<u>2016</u>	<u>2015</u>
Scholarships	\$16,842,158	\$17,006,144
Beneficial interest in perpetual trusts:		
Scholarships	489,557	491,591
Cultural	1,021,498	1,095,158
Pool B and C funds for scholarships:		
PAC	93,657	93,657
Zimmer	<u>180,000</u>	<u>180,000</u>
	<u>\$18,626,870</u>	<u>\$18,866,550</u>

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

	<u>2016</u>	<u>2015</u>
Other assets	\$ 45,374	\$ 279,439
Cash	49,268	1,580
Investments	17,021,173	16,998,782
Beneficial interests in perpetual trusts	<u>1,511,055</u>	<u>1,586,749</u>
	<u>\$18,626,870</u>	<u>\$18,866,550</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds - 2016	\$10,805,429	\$18,532,228	\$29,337,657
Donor-restricted endowment funds - 2015	\$12,895,494	\$18,585,531	\$31,139,779

The following represents a description of the changes in net endowment assets for the years ended June 30, 2016 and 2015:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 8 - Endowment (Continued)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, July 1, 2014	\$14,759,282	\$18,380,497	\$33,139,779
Investment return:			
Investment income, net	247,547	-	247,547
Net appreciation (depreciation)	<u>(567,553)</u>	<u>(54,396)</u>	<u>(621,949)</u>
Total investment return	(320,006)	(54,396)	(374,402)
New gifts	56,561	196,717	253,278
Appropriation for expenditure	(1,675,463)	-	(1,675,463)
Other changes, including transfers	<u>75,120</u>	<u>62,713</u>	<u>137,833</u>
Net endowment assets, June 30, 2015	<u>12,895,494</u>	<u>18,585,531</u>	<u>31,481,025</u>
Investment return:			
Investment income, net	259,207	-	259,207
Net appreciation (depreciation)	<u>(1,176,724)</u>	<u>(75,694)</u>	<u>(1,252,418)</u>
Total investment return	(917,517)	(75,694)	(993,211)
New gifts	124,425	22,390	146,815
Appropriation for expenditure	(1,312,936)	-	(1,312,936)
Other changes, including transfers	<u>15,963</u>	<u>1</u>	<u>15,964</u>
Net endowment assets, June 30, 2016	<u>\$10,805,429</u>	<u>\$18,532,228</u>	<u>\$29,337,657</u>

Spending Policy

The Foundation has a policy of appropriating a certain percentage of its portfolio for scholarship distribution annually. Scholarship distribution for fiscal 2016 was based on 4.5% of its entire portfolio value. In fiscal year 2017 the scholarship distribution is set at 4.0%.

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, 2016 and 2015

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, 2015 and 2014:

	<u>2016</u>		<u>2015</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	\$ 489,557	\$20,517	\$ 491,591	\$19,888
Mary R. Koons	<u>1,021,498</u>	<u>45,000</u>	<u>1,095,158</u>	<u>40,000</u>
	<u>\$1,511,055</u>	<u>\$65,517</u>	<u>\$1,586,749</u>	<u>\$59,888</u>

Note 10 - Fair Value Measurements

The Foundation follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

During fiscal 2016, the Foundation adopted new US GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

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, 2016 and 2015:

	<u>2016</u>		
	<u>Level 1</u>	Investments Valued <u>Using NAV</u>	<u>Total</u>
Investments:			
Multi-Asset Fund	\$28,754,133	\$ -	\$28,754,133
Short-term Fund	482,038	-	482,038
Equites	919	-	919
Short-term cash investments	868	-	868
Alternative investments	-	<u>9,282</u>	<u>9,282</u>
	<u>\$29,237,958</u>	<u>\$ 9,282</u>	<u>\$29,247,240</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 10 - Fair Value Measurements (Continued)

	2016		
	Level 1	Investments Valued	
		Using NAV	Total
Beneficial Interest in Perpetual Trusts:			
Cash	\$ 43,931	\$ -	\$ 43,931
Equities	825,945	-	825,945
Fixed income	473,401	-	473,401
Other	167,778	-	167,778
	<u>\$ 1,511,055</u>	<u>\$ -</u>	<u>\$ 1,511,055</u>
	2015		
	Level 1	Investments Valued	
		Using NAV	Total
Investments:			
Multi-Asset Fund	\$30,122,208	\$ -	\$30,122,208
Short-term Fund	1,084,852	-	1,084,852
Equities	769	-	769
Short-term cash investments	22	-	22
Alternative investments	-	11,243	11,243
	<u>\$31,207,851</u>	<u>\$11,243</u>	<u>\$31,219,094</u>
Beneficial Interest in Perpetual Trusts:			
Cash	\$ 22,650	\$ -	\$ 22,650
Equities	932,983	-	932,983
Fixed income	445,403	-	445,403
Other	185,713	-	185,713
	<u>\$ 1,586,749</u>	<u>\$ -</u>	<u>\$ 1,586,749</u>

At June 30, 2016 and 2015, 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.

Note 11 - Retirement Plan

The Foundation reinstated its defined contribution pension plan effective July 1, 2014. The plan covers substantially all employees who have completed one year of service. The Foundation will contribute 5% of each employee's salary and make an additional matching contribution up to 5% of salary. Total expense for the years ended June 30, 2016 and 2015 was \$44,728 and \$41,772, respectively.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 12 - 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, 2016 through October 14, 2016, which was the date the financial statements were available to be issued.

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2016 (with comparative totals for 2015)

	Scholarships and Grants	Cultural and Educational Programs	Warsaw Office	Washington Center	Fundacja Kosciuszkowska Polska	Total Program Services
Salaries	\$ 99,089	\$104,802	\$ -	\$ 47,452	\$ -	\$ 251,343
Employee benefits	<u>16,602</u>	<u>23,016</u>	<u>-</u>	<u>11,325</u>	<u>-</u>	<u>50,943</u>
Total personnel costs	115,691	127,818	-	58,777	-	302,286
Scholarships and grants	919,329	-	-	-	-	919,329
Program honoraria	-	-	-	1,738	-	1,738
Program cost	-	211,654	1,246	28,420	-	241,320
KF Dictionary app	-	30,000	-	-	-	30,000
Office supplies	235	374	29	882	-	1,520
Postage	3,504	1,246	-	1,148	-	5,898
Professional fees	-	-	-	-	-	-
Telephone	3,198	2,399	941	273	-	6,811
Insurance	-	-	207	8,628	-	8,835
Supplies	-	-	150	3,079	-	3,229
Cleaning service	-	-	517	340	-	857
Service fees	1,047	109	5,832	5,696	-	12,684
Property tax	-	-	-	8,311	-	8,311
Travel and entertainment	1,223	1,977	344	716	-	4,260
Promotional expenses	5,399	7,714	-	675	-	13,788
Printing	613	26,116	1,288	6,532	-	34,549
Equipment rental and repair	-	-	-	270	-	270
Electricity and heat	-	-	-	4,414	-	4,414
Repair and maintenance	-	-	-	1,784	-	1,784
Outside services	-	-	15,731	-	-	15,731
Endowment required expenses	-	-	6,057	-	-	6,057
Membership fee	-	-	-	-	-	-
K.F. chapter expenses	-	21,290	-	-	-	21,290
Warsaw office rental	<u>-</u>	<u>-</u>	<u>9,130</u>	<u>-</u>	<u>-</u>	<u>9,130</u>
	1,050,239	430,697	41,472	131,683	-	1,654,091
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,603</u>	<u>-</u>	<u>9,603</u>
Total expenses before allocation	<u>1,050,239</u>	<u>430,697</u>	<u>41,472</u>	<u>141,286</u>	<u>-</u>	<u>1,663,694</u>
Allocation of K.F. house	<u>69,093</u>	<u>72,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,641</u>
Total expenses - 2016	<u>\$1,119,332</u>	<u>\$503,245</u>	<u>\$41,472</u>	<u>\$141,286</u>	<u>\$ -</u>	<u>\$1,805,335</u>
Total expenses - 2015	\$1,469,541	\$612,791	\$39,141	\$131,165	\$ 60,356	\$2,312,994

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2016 (with comparative totals for 2015)

	Total Program Services	Administrative and General	Development	Operation of K.F. House	Total Supporting Services	Total 2016	Total 2015
Salaries	\$ 251,343	\$156,568	\$138,214	\$ 67,489	\$362,271	\$ 613,614	\$ 593,767
Employee benefits	<u>50,943</u>	<u>29,838</u>	<u>29,886</u>	<u>8,171</u>	<u>67,895</u>	<u>118,838</u>	<u>142,052</u>
Total personnel costs	302,286	186,406	168,100	75,660	430,166	732,452	735,819
Scholarships and grants	919,329	-	-	-	-	919,329	1,268,151
Program honoraria	1,738	-	-	-	-	1,738	3,872
Program cost	241,320	-	-	-	-	241,320	272,477
KF Dictionary app	30,000	-	-	-	-	30,000	-
Office supplies	1,520	5,259	1,888	1,574	8,721	10,241	10,312
Postage	5,898	3,336	5,679	-	9,015	14,913	14,421
Professional fees	-	43,291	-	-	43,291	43,291	51,150
Telephone	6,811	5,850	4,544	-	10,394	17,205	20,781
Insurance	8,835	13,242	-	39,438	52,680	61,515	63,938
Supplies	3,229	416	390	7,663	8,469	11,698	15,798
Cleaning service	857	-	-	1,196	1,196	2,053	1,083
Service fees	12,684	16,659	15,568	997	33,224	45,908	38,546
Property tax	8,311	-	-	-	-	8,311	8,251
Travel and entertainment	4,260	200	478	-	678	4,938	9,220
Promotional expenses	13,788	1,547	6,567	-	8,114	21,902	14,062
Printing	34,549	1,686	6,320	-	8,006	42,555	32,303
Equipment rental and repair	270	-	-	43,574	43,574	43,844	48,326
Electricity and heat	4,414	-	-	55,192	55,192	59,606	68,948
Repair and maintenance	1,784	-	-	-	-	1,784	95,757
Outside services	15,731	-	-	36,000	36,000	51,731	101,322
Endowment required expenses	6,057	-	-	-	-	6,057	-
Membership fee	-	45	205	-	250	250	660
K.F. chapter expenses	21,290	-	-	-	-	21,290	44,795
Warsaw office rental	<u>9,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,130</u>	<u>11,308</u>
	1,654,091	277,937	209,739	261,294	748,970	2,403,061	2,931,300
Depreciation	<u>9,603</u>	<u>-</u>	<u>-</u>	<u>84,172</u>	<u>84,172</u>	<u>93,775</u>	<u>86,862</u>
Total expenses before allocation	<u>1,663,694</u>	<u>277,937</u>	<u>209,739</u>	<u>345,466</u>	<u>833,142</u>	<u>2,496,836</u>	<u>\$3,018,162</u>
Allocation of K.F. house	<u>141,641</u>	<u>107,095</u>	<u>96,730</u>	<u>(345,466)</u>	<u>(141,641)</u>	<u>-</u>	<u>-</u>
Total expenses - 2016	<u>\$1,805,335</u>	<u>\$ 385,032</u>	<u>\$306,469</u>	<u>\$ -</u>	<u>\$691,501</u>	<u>\$ 2,496,836</u>	<u>-</u>
Total expenses - 2015	\$2,312,994	\$ 452,272	\$252,896	\$ -	\$705,168	\$ 3,018,162	-