

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2018

THE KOSCIUSZKO FOUNDATION, INC.

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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, 2018 and 2017, 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2018 and 2017, 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, 2018 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 consolidated 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.

Oliver J. Flanagan & Co.

November 16, 2018
New York, NY

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 437,087	\$ 279,002
Contributions and other receivables	152,862	270,873
Prepaid expenses and other assets	69,071	87,812
Interest and dividends receivable	52,094	-
Investments	33,876,982	31,502,652
Property, plant and equipment, net of accumulated depreciation	2,600,103	2,713,217
Art collections	2,247,212	2,239,462
Beneficial interest in perpetual trusts	1,600,979	1,566,855
	Total Assets	Total Assets
	\$ 41,036,390	\$ 38,659,873
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 133,244	\$ 95,938
Scholarships and grants payable	-	3,615
Funds on deposit	62,437	47,599
Deferred revenue	1,686	5,000
	Total Liabilities	Total Liabilities
	197,367	152,152
Net Assets:		
Unrestricted	7,496,156	6,851,552
Temporarily restricted	13,518,710	12,877,806
Permanently restricted	19,824,157	18,778,363
	Total Net Assets	Total Net Assets
	40,839,023	38,507,721
	Total Liabilities and Net Assets	Total Liabilities and Net Assets
	\$ 41,036,390	\$ 38,659,873

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, support, and gains:				
Contributions	\$ 1,047,600	\$ 163,110	\$ 1,021,670	\$ 2,232,380
Reduction in estimated estate value	-	-	(10,000)	(10,000)
Donated art	1,000	-	-	1,000
Summer program	5,785	-	-	5,785
Other programs and functions	489,449	-	-	489,449
Dictionary/books	6,237	-	-	6,237
Membership dues	293,582	-	-	293,582
Rental income	101,394	-	-	101,394
Dividends and interest	134,429	507,374	-	641,803
Other income	153,257	15,505	-	168,762
Net unrealized and realized gains on investments	71,229	1,259,641	-	1,330,870
Net change in beneficial interest in perpetual trusts	-	-	34,124	34,124
Net assets released from restrictions	1,304,726	(1,304,726)	-	-
Total revenue, support and gains	<u>3,608,688</u>	<u>640,904</u>	<u>1,045,794</u>	<u>5,295,386</u>
Expenses:				
Program services:				
Scholarships and grants	1,178,862			1,178,862
Cultural and educational programs	720,779			720,779
Warsaw office	32,384			32,384
Washington Center	171,977			171,977
Fundacja Kosciuszkowska Polska	24,410			24,410
Total program services	<u>2,128,412</u>			<u>2,128,412</u>
Supporting services:				
Administrative and general	410,130			410,130
Development	425,542			425,542
Total supporting services	<u>835,672</u>			<u>835,672</u>
Total expenses	<u>2,964,084</u>	<u>-</u>	<u>-</u>	<u>2,964,084</u>
Change in Net Assets for Year	644,604	640,904	1,045,794	2,331,302
Net Assets, beginning of year	<u>6,851,552</u>	<u>12,877,806</u>	<u>18,778,363</u>	<u>38,507,721</u>
<u>Net Assets, End of Year</u>	<u>\$ 7,496,156</u>	<u>\$ 13,518,710</u>	<u>\$ 19,824,157</u>	<u>\$ 40,839,023</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, support, and gains:				
Contributions	\$ 543,855	\$ 111,545	\$ 95,693	\$ 751,093
Donated art	4,000	-	-	4,000
Summer program	5,515	-	-	5,515
Other programs and functions	421,479	-	-	421,479
Dictionary/books	2,115	-	-	2,115
Membership dues	281,860	-	-	281,860
Rental income	86,940	-	-	86,940
Dividends and interest	22,070	83,477	-	105,547
Other income	158,747	15,760	-	174,507
Net unrealized and realized gains on investments	161,238	3,109,338	-	3,270,576
Net change in beneficial interest in perpetual trusts	-	-	55,800	55,800
Net assets released from restrictions	1,247,743	(1,247,743)	-	-
Total revenue, support and gains	<u>2,935,562</u>	<u>2,072,377</u>	<u>151,493</u>	<u>5,159,432</u>
Expenses:				
Program services:				
Scholarships and grants	1,111,615			1,111,615
Cultural and educational programs	543,295			543,295
Warsaw office	34,141			34,141
Washington Center	143,153			143,153
Fundacja Kosciuszkowska Polska	503			503
Total program services	<u>1,832,707</u>			<u>1,832,707</u>
Supporting services:				
Administrative and general	370,756			370,756
Development	295,323			295,323
Total supporting services	<u>666,079</u>			<u>666,079</u>
Total expenses	<u>2,498,786</u>	<u>-</u>	<u>-</u>	<u>2,498,786</u>
Change in Net Assets before Special Item	436,776	2,072,377	151,493	2,660,646
Loss on disposal of building HVAC	(94,397)			(94,397)
Change in Net Assets for Year	<u>342,379</u>	<u>2,072,377</u>	<u>151,493</u>	<u>2,566,249</u>
Net Assets, beginning of year	6,509,173	10,805,429	18,626,870	35,941,472
Net Assets, End of Year	<u>\$ 6,851,552</u>	<u>\$ 12,877,806</u>	<u>\$ 18,778,363</u>	<u>\$ 38,507,721</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 2,331,302	\$ 2,566,249
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized gains on investments and change in perpetual trusts	(1,364,994)	(3,326,376)
Depreciation	120,076	106,383
Loss on disposal	-	94,397
Permanently restricted contributions	(1,011,670)	(95,693)
Stock gifts	(483,320)	(58,688)
Donation of art	(1,000)	(4,000)
Other changes in assets and liabilities:		
Contributions and other receivables	118,011	(264,289)
Prepaid expenses and other assets	18,741	(10,467)
Dividends and interest receivable	(52,094)	-
Accounts payable, accrued expenses, and deferred revenue	33,992	(5,970)
Scholarships and grants payable	(3,615)	1,975
Funds on deposit	14,838	34,380
	<u>(279,733)</u>	<u>(962,099)</u>
Cash flows from investing activities:		
Purchases of investments	(33,607,520)	(1,642,430)
Proceeds from sales of securities	38,479,835	2,716,281
Change in short-term investment cash	(5,432,455)	-
Purchases of property, plant and equipment	(6,962)	(238,696)
Purchases of art	(6,750)	-
	<u>(573,852)</u>	<u>835,155</u>
Cash flows from financing activities:		
Permanently restricted contributions	1,011,670	95,694
	<u>1,011,670</u>	<u>95,694</u>
Net cash provided by financing activities	1,011,670	95,694
Net increase (decrease) in cash and cash equivalents	158,085	(31,250)
Cash and cash equivalents at beginning of year	279,002	310,252
Cash and cash equivalents at end of year	<u>\$ 437,087</u>	<u>\$ 279,002</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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 investment return.

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 Center 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, 2018 and 2017

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. In March 2018, the Foundation and the Polish Foundation signed a cooperation agreement in order to facilitate and improve their continuing non-profit activities and cooperation.

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

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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 equities, iShares and exchange traded mutual funds are valued using quoted market prices. Investments in the Multi-Asset Fund and the Short-Term Fund are valued at the net asset value calculated by the custodian. Alternative investments without quoted market prices are recorded at the value reported by the investment's manager. These values are reviewed and evaluated by management. Realized gains are calculated by comparing proceeds to cost under the average cost method.

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. Individual items costing under \$2,000 are not capitalized. 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:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosure and/or recognition.

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 for insurance purposes and the fair value approximated \$5 million. The art collection at the Washington Center received during fiscal 2010 is recorded at approximately \$400,000. During 2018 and 2017, the Foundation received \$1,000 and \$4,000 of donated art.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Investments

The cost and fair value of the Foundation's investments at June 30, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 5,453,603	\$ 5,453,603	\$ 21,148	\$ 21,148
Short-Term Fund	-	-	408,436	407,191
Fixed Income	8,247,883	8,009,277	-	-
Equities	16,286,278	16,886,476	42,453	43,381
Multi-Asset Fund	-	-	30,750,779	31,024,825
Asset Allocation Fund	25,500	25,641	-	-
Alternative	3,474,017	3,501,985	10,182	6,107
	<u>\$ 33,487,281</u>	<u>\$ 33,876,982</u>	<u>\$ 31,232,998</u>	<u>\$ 31,502,652</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)).

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Investments (Continued)

The following provides a rollforward of investment activities:

	<u>Pool A</u>	<u>Pool B</u>	<u>Pool C</u>	<u>Total</u>
Investments, July 1, 2016	<u>\$ 28,925,050</u>	<u>\$ 192,405</u>	<u>\$ 129,785</u>	<u>\$ 29,247,240</u>
Receipts available for investment	<u>270,359</u>	<u>-</u>	<u>-</u>	<u>270,359</u>
Dividends and interest	104,545	603	399	105,547
Realized and unrealized gains (losses)	<u>3,270,897</u>	<u>(194)</u>	<u>(127)</u>	<u>3,270,576</u>
Total return on investment	<u>3,375,442</u>	<u>409</u>	<u>272</u>	<u>3,376,123</u>
Amount appropriated for current operations	<u>(1,386,410)</u>	<u>-</u>	<u>(4,660)</u>	<u>(1,391,070)</u>
Investments, June 30, 2017	<u>31,184,441</u>	<u>192,814</u>	<u>125,397</u>	<u>31,502,652</u>
Receipts available for investment	<u>1,285,704</u>	<u>-</u>	<u>-</u>	<u>1,285,704</u>
Dividends and interest	639,005	1,685	1,113	641,803
Realized and unrealized gains (losses)	<u>1,314,272</u>	<u>6,403</u>	<u>10,195</u>	<u>1,330,870</u>
Total return on investment	<u>1,953,277</u>	<u>8,088</u>	<u>11,308</u>	<u>1,972,673</u>
Amount appropriated for current operations	<u>(858,466)</u>	<u>(10,953)</u>	<u>(14,628)</u>	<u>(884,047)</u>
Investments, June 30, 2018	<u>\$ 33,564,956</u>	<u>\$ 189,949</u>	<u>\$ 122,077</u>	<u>\$ 33,876,982</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Investments (Continued)

The participation in the pools and net asset classes of the investments at June 30, 2018 and 2017 is shown in the table below:

	2018			
	Pool A	Pool B	Pool C	Total
Permanently restricted	\$ 17,923,908	\$ 180,000	\$ 93,657	\$ 18,197,565
Temporarily restricted	13,431,208	9,949	28,420	13,469,577
Unrestricted	2,209,840	-	-	2,209,840
	\$33,564,956	\$ 189,949	\$ 122,077	\$ 33,876,982
	2017			
	Pool A	Pool B	Pool C	Total
Permanently restricted	\$ 16,841,954	\$ 180,000	\$ 93,657	\$ 17,115,611
Temporarily restricted	12,829,743	12,814	31,740	12,874,297
Unrestricted	1,512,744	-	-	1,512,744
	\$31,184,441	\$ 192,814	\$ 125,397	\$ 31,502,652

Note 4 - Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Land	\$ 974,711	\$ 974,711
Buildings and improvements	3,401,722	3,394,760
Furniture and fixtures	385,274	385,274
Equipment	2,332	284,462
	4,764,039	5,039,207
Less: accumulated depreciation	2,163,936	2,325,990
	\$ 2,600,103	\$ 2,713,217

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017 was \$21,889 and \$19,990, respectively. The future minimum rental commitment under these leases is approximately \$22,000 and is renewable annually.

At June 30, 2018, the Foundation was committed, subject to the satisfaction of acceptance conditions, to award scholarships, fellowships, and grants of approximately \$758,300 for the 2018-2019 academic year (September 2018 - May 2019).

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
For scholarships and grants	<u>\$13,518,710</u>	<u>\$12,877,806</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>2018</u>	<u>2017</u>
For scholarships and grants	\$ 895,124	\$ 894,522
For fees and other expenses	<u>409,602</u>	<u>353,221</u>
	<u>\$ 1,304,726</u>	<u>\$ 1,247,743</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 7 - Permanently Restricted Net Assets

At June 30, 2018 and 2017, permanently restricted net assets are classified as follows based on the purposes for which income is restricted:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 17,949,521	\$ 16,937,851
Beneficial interest in perpetual trusts:		
Scholarships	512,570	504,424
Cultural	1,088,409	1,062,431
Pool B and C funds for scholarships:		
PAC	93,657	93,657
Zimber	<u>180,000</u>	<u>180,000</u>
	<u>\$ 19,824,157</u>	<u>\$ 18,778,363</u>

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ -	\$ 49,267
Prepaid expenses and other assets	25,613	46,630
Investments	18,197,565	17,115,611
Beneficial interest in perpetual trusts	<u>1,600,979</u>	<u>1,566,855</u>
	<u>\$ 19,824,157</u>	<u>\$ 18,778,363</u>

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.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 8 - Endowment (Continued)

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, 2018 and 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds - 2018	<u>\$ 13,518,710</u>	<u>\$ 19,798,544</u>	<u>\$ 33,317,254</u>
Donor-restricted endowment funds - 2017	<u>\$ 12,877,806</u>	<u>\$ 18,682,466</u>	<u>\$ 31,560,272</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 8 - Endowment (Continued)

The following represents a description of the changes in net endowment assets for the years ended June 30, 2018 and 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, July 1, 2016	<u>\$ 10,805,429</u>	<u>\$ 18,532,228</u>	<u>\$ 29,337,657</u>
Investment return:			
Investment income, net	83,477		83,477
Net appreciation	<u>3,109,338</u>	<u>55,800</u>	<u>3,165,138</u>
Total investment return	<u>3,192,815</u>	<u>55,800</u>	<u>3,248,615</u>
New gifts	111,545	94,438	205,983
Appropriation for expenditure	<u>(1,247,743)</u>		<u>(1,247,743)</u>
Other changes, including transfers	<u>15,760</u>		<u>15,760</u>
Net endowment assets, June 30, 2017	<u>12,877,806</u>	<u>18,682,466</u>	<u>31,560,272</u>
Investment return:			
Investment income, net	507,374		507,374
Net appreciation	<u>1,259,641</u>	<u>34,124</u>	<u>1,293,765</u>
Total investment return	<u>1,767,015</u>	<u>34,124</u>	<u>1,801,139</u>
New gifts	163,110	1,021,670	1,184,780
Appropriation for expenditure	<u>(1,304,726)</u>		<u>(1,304,726)</u>
Other changes, including transfers	<u>15,505</u>	<u>60,284</u>	<u>75,789</u>
Net endowment assets, June 30, 2018	<u>\$ 13,518,710</u>	<u>\$ 19,798,544</u>	<u>\$ 33,317,254</u>

Spending Policy

The Foundation has a policy of appropriating a certain percentage of its portfolio for scholarship distribution annually. Scholarship distribution for fiscal 2018 was based on 4.5% of its entire portfolio value. In fiscal year 2019 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, 2018 and 2017

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, 2018 and 2017:

Trust	2018		2017	
	Fair value of securities held by third parties	Investment income received during the year	Fair value of securities held by third parties	Investment income received during the year
Stanley W. Wasil	\$ 512,570	\$ 19,438	\$ 504,424	\$ 19,624
Mary R. Koons	1,088,409	38,548	1,062,431	77,592
	<u>\$ 1,600,979</u>	<u>\$ 57,986</u>	<u>\$ 1,566,855</u>	<u>\$ 97,216</u>

Note 10 - Fair Value Measurements

The Foundation follows accounting principles generally accepted in the United States of America ("US GAAP") 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.

The Foundation follows 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.

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, 2018 and 2017:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 10 - Fair Value Measurements (Continued)

	2018	
	Total	Level 1
Investments		
Fixed Income		
Taxable Pooled Vehicles	\$ 6,323,356	\$ 6,323,356
High Yield Pooled Vehicles	1,685,921	1,685,921
Equity		
Large Cap iShares	7,837,257	7,837,257
Mid Cap iShares and Mutual funds	2,420,846	2,420,846
Small Cap Mutual Funds	1,544,460	1,544,460
Developed International iShares & Mutual fund	3,146,998	3,146,998
Emerging Markets Mutual Funds	1,502,374	1,502,374
Equity REIT	434,541	434,541
Balanced Asset Allocation Fund	25,641	25,641
Alternative		
Absolute Return	1,090,472	1,090,472
Managed Futures	1,909,832	1,909,832
Commodities	501,681	501,681
	28,423,379	\$ 28,423,379
Cash	5,453,603	
	\$ 33,876,982	
Beneficial Interest in Perpetual Trusts		
Domestic Fixed Income	\$ 359,312	\$ 359,312
Foreign Fixed Income	61,763	61,763
Domestic Equities	674,530	674,530
Foreign Equities	147,849	147,849
Alternative	208,726	208,726
Real Assets	102,911	102,911
	1,555,091	\$ 1,555,091
Cash	45,888	
	\$ 1,600,979	

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 10 - Fair Value Measurements (Continued)

	2017		
	Total	Level 1	NAV*
Investments			
Short-Term Fund	\$ 407,191	\$ 407,191	
Equities - technology	43,381	43,381	
Multi-Asset Fund	31,024,825	31,024,825	
Alternative	6,107	-	\$ 6,107
	<u>31,481,504</u>	<u>\$ 31,475,397</u>	<u>\$ 6,107</u>
Cash	21,148		
	<u>\$ 31,502,652</u>		
Beneficial Interest in Perpetual Trusts			
Fixed Income	\$ 461,083	\$ 461,083	
Equities	826,827	826,827	
Other	240,281	240,281	
	1,528,191	<u>\$ 1,528,191</u>	
Cash	38,664		
	<u>\$ 1,566,855</u>		

***Investments Valued Using NAV**

The 2018 investments, even in the alternative class, are funds with daily liquidity and are actively traded.

At June 30, 2017, investments valued at NAV consisted of one remaining hedge fund. It was fully redeemed in 2018.

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, 2018 and 2017 was \$38,862 and \$36,912, respectively.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 12 – Concentration of Risk

During 2018 and 2017, the Foundation had U.S. cash in banks exceeding federally insured limits. The Foundation manages this risk by using large, established financial institutions.

Note 13 - Subsequent Events

In connection with the preparation of these consolidated financial statements, the Foundation evaluated subsequent events after the statement of consolidated financial position date at June 30, 2018 through November 16, 2018, which was the date the consolidated financial statements were available to be issued.

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2018 (with comparative totals for 2017)

	Scholarships and Grants	Cultural and Educational Programs	Warsaw office	Washington Center	Fundacja Kosciuszkowska Polska	Total Program Services
Salaries	\$ 102,309	\$ 171,616	\$ -	\$ 55,685	\$ -	\$ 329,610
Employee benefits	30,778	42,110	-	15,011	-	87,899
Total personnel costs	133,087	213,726	-	70,696	-	417,509
Scholarships and grants	887,976	-	-	-	7,148	895,124
Program cost	-	317,976	2,183	48,086	546	368,791
Office supplies	282	391	90	147	158	1,068
Postage	695	3,893	298	587	92	5,565
Professional fees	-	-	-	-	-	-
Telephone	1,707	1,709	735	470	184	4,805
Insurance	-	-	208	6,917	52	7,177
Supplies	143	-	453	1,899	113	2,608
Cleaning service	-	-	501	585	125	1,211
Service fees	479	1,277	3,074	8,209	2,054	15,093
Investment management fees	99,142	-	-	-	-	99,142
Property tax	-	-	-	8,638	-	8,638
Travel and entertainment	2,423	5,404	338	408	108	8,681
Promotional expenses	949	5,057	-	271	-	6,277
Printing	-	22,215	-	8,349	-	30,564
Equipment rental and repair	-	-	-	78	-	78
Electricity and heat	-	-	-	3,906	-	3,906
Repair and maintenance	-	-	-	1,328	-	1,328
Outside services	-	-	16,406	1,800	11,806	30,012
Endowment required expenses	-	-	-	-	-	-
Membership fee	-	-	-	-	-	-
Subscriptions	200	-	-	-	-	200
K.F. chapter expenses	-	61,754	-	-	-	61,754
Warsaw office rental	-	-	8,098	-	2,024	10,122
	<u>1,127,083</u>	<u>633,402</u>	<u>32,384</u>	<u>162,374</u>	<u>24,410</u>	<u>1,979,653</u>
Depreciation	-	-	-	9,603	-	9,603
Total expenses before allocation	1,127,083	633,402	32,384	171,977	24,410	1,989,256
Allocation of K.F. house	51,779	87,377	-	-	-	139,156
Total expenses - 2018	<u>\$ 1,178,862</u>	<u>\$ 720,779</u>	<u>\$ 32,384</u>	<u>\$ 171,977</u>	<u>\$ 24,410</u>	<u>\$ 2,128,412</u>
Total expenses - 2017	<u>\$ 1,111,615</u>	<u>\$ 543,295</u>	<u>\$ 34,141</u>	<u>\$ 143,153</u>	<u>\$ 503</u>	<u>\$ 1,832,707</u>

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2018 (with comparative totals for 2017)

	Total Program Services	Administrative and General	Development	Operation of K.F. House	Total Supporting Services	Total 2018	Total 2017
Salaries	\$ 329,610	\$ 176,116	\$ 188,308	\$ 79,835	\$ 444,259	\$ 773,869	\$ 684,484
Employee benefits	87,899	50,384	24,031	12,648	87,063	174,962	141,634
Total personnel costs	417,509	226,500	212,339	92,483	531,322	948,831	826,118
Scholarships and grants	895,124	-	-	-	-	895,124	894,033
Program cost	368,791	-	-	-	-	368,791	256,268
Office supplies	1,068	5,847	5,272	181	11,300	12,368	8,041
Postage	5,565	1,645	18,231	-	19,876	25,441	10,180
Professional fees	-	48,000	-	-	48,000	48,000	45,607
Telephone	4,805	3,382	4,552	-	7,934	12,739	20,219
Insurance	7,177	8,056	-	45,191	53,247	60,424	60,273
Supplies	2,608	159	-	10,343	10,502	13,110	12,376
Cleaning service	1,211	-	-	1,050	1,050	2,261	836
Service fees	15,093	19,557	17,844	12,575	49,976	65,069	56,047
Investment management fees	99,142	-	-	-	-	99,142	-
Property tax	8,638	-	-	-	-	8,638	8,646
Travel and entertainment	8,681	6,049	16,225	58	22,332	31,013	10,621
Promotional expenses	6,277	202	7,791	-	7,993	14,270	14,896
Printing	30,564	120	42,265	-	42,385	72,949	18,110
Equipment rental and repair	78	-	-	14,691	14,691	14,769	34,192
Electricity and heat	3,906	-	-	31,443	31,443	35,349	27,629
Repair and maintenance	1,328	-	-	5,129	5,129	6,457	14,886
Outside services	30,012	-	6,975	-	6,975	36,987	16,424
Endowment required expenses	-	-	-	-	-	-	489
Membership fee	-	-	-	-	-	-	470
Subscriptions	200	-	200	-	200	400	667
K.F. chapter expenses	61,754	-	-	-	-	61,754	47,151
Warsaw office rental	10,122	-	-	-	-	10,122	8,224
	<u>1,979,653</u>	<u>319,517</u>	<u>331,694</u>	<u>213,144</u>	<u>864,355</u>	<u>2,844,008</u>	<u>2,392,403</u>
Depreciation	<u>9,603</u>	<u>-</u>	<u>-</u>	<u>110,473</u>	<u>110,473</u>	<u>120,076</u>	<u>106,383</u>
Total expenses before allocation	1,989,256	319,517	331,694	323,617	974,828	2,964,084	<u>\$ 2,498,786</u>
Allocation of K.F. house	<u>139,156</u>	<u>90,613</u>	<u>93,848</u>	<u>(323,617)</u>	<u>(139,156)</u>	<u>-</u>	
Total expenses - 2018	<u>\$ 2,128,412</u>	<u>\$ 410,130</u>	<u>\$ 425,542</u>	<u>\$ -</u>	<u>\$ 835,672</u>	<u>\$ 2,964,084</u>	
Total expenses - 2017	<u>\$ 1,832,707</u>	<u>\$ 370,756</u>	<u>\$ 295,323</u>	<u>\$ -</u>	<u>\$ 666,079</u>	<u>\$ 2,498,786</u>	