

THE KOSCIUSZKO FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2015

THE KOSCIUSZKO FOUNDATION, INC.

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Functional Expenses for the Year Ended June 30, 2015	19-20

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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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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 16, 2015
New York, NY

THE KOSCIUSZKO FOUNDATION, INC.
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 339,958	\$ 602,877
Contributions and other receivables	302,464	102,281
Prepaid expenses and other assets	313,073	363,798
Investments	31,219,094	32,749,455
Property, plant, and equipment, net of accumulated depreciation	2,575,145	2,558,535
Art collections	2,233,762	2,233,762
Beneficial interest in perpetual trusts	1,586,749	1,641,144
<u>Total Assets</u>	<u>\$38,570,245</u>	<u>\$40,251,852</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 120,902	\$ 91,888
Scholarships and grants payable	3,693	3,059
Funds on deposit	81,296	124,285
Deferred revenue	-	3,221
Total Liabilities	205,891	222,453
Net Assets:		
Unrestricted	6,556,310	6,456,678
Temporarily restricted	12,941,494	14,848,492
Permanently restricted	18,866,550	18,724,229
Total Net Assets	38,364,354	40,029,399
<u>Total Liabilities and Net Assets</u>	<u>\$38,570,245</u>	<u>\$40,251,852</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:				
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
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 revenues, support and gains	 <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	60,356	-	-	60,356
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	252,896	-	-	252,896
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>
 <u>Change in Net Assets for Year</u>	 <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>
 <u>Net Assets, End of Year</u>	 <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 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 Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$(1,665,045)	\$3,081,974
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized losses (gains) on investments	654,188	(3,384,294)
Depreciation	86,862	88,360
Permanently restricted contributions	(196,717)	(478,702)
Donation of art	-	(15,000)
Other changes in assets and liabilities:		
Contributions and other receivables	(200,183)	467,691
Prepaid expenses and other assets	50,725	(33,103)
Accounts payable, accrued expenses, and deferred revenue	25,793	(19,609)
Scholarships and grants payable	634	(4,239)
Funds on deposit	<u>(42,989)</u>	<u>(34,269)</u>
Net cash used in operating activities	<u>(1,286,732)</u>	<u>(331,191)</u>
Cash flows from investing activities:		
Purchases of investments	(2,787,913)	(4,574,166)
Proceeds from sales of securities	3,718,481	4,308,136
Purchases of property and building improvements	<u>(103,472)</u>	<u>(61,287)</u>
Net cash provided by (used in) investing activities	<u>827,096</u>	<u>(327,317)</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>196,717</u>	<u>478,702</u>
Net cash provided by financing activities	<u>196,717</u>	<u>478,702</u>
Net decrease in cash and cash equivalents	(262,919)	(179,806)
Cash and cash equivalents at beginning of year	<u>602,877</u>	<u>782,683</u>
Cash and cash equivalents at end of year	<u>\$ 339,958</u>	<u>\$ 602,877</u>

See accompanying notes to consolidated financial statements.

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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 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, 2015 and 2014 are as follows:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 3 - Investments (Continued)

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Multi-Asset Fund	\$30,487,450	\$30,122,208	\$29,232,968	\$31,205,450
Short-Term Fund	1,087,667	1,084,852	1,523,187	1,521,910
Equities	769	769	650	650
Short-term cash investments	22	22	5,682	5,682
Alternative investments	11,526	11,243	15,991	15,763
	<u>\$31,587,434</u>	<u>\$31,219,094</u>	<u>\$30,778,478</u>	<u>\$32,749,455</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 and \$2,390 in 2014.

The following provides a rollforward of investment activities:

	Pool A	Pool B	Pool C	Total
Investments, at July 1, 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>
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	<u>(599,792)</u>	<u>-</u>	<u>-</u>	<u>(599,792)</u>
Total return on investment	<u>(286,762)</u>	<u>-</u>	<u>-</u>	<u>(286,762)</u>
Appropriated for current operations	<u>(1,937,067)</u>	<u>(10,648)</u>	<u>(6,024)</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>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 3 - Investments (Continued)

The participation in the pools and net asset classes of the investments at June 30, 2015 and 2014 is shown in the table below:

	2015			
	<u>Pool A</u>	<u>Pool B</u>	<u>Pool C</u>	<u>Total</u>
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>
	2014			
	<u>Pool A</u>	<u>Pool B</u>	<u>Pool C</u>	<u>Total</u>
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>-</u>	<u>-</u>	<u>1,259,508</u>
	<u>\$32,396,294</u>	<u>\$213,358</u>	<u>\$139,803</u>	<u>\$32,749,455</u>

Note 4 - Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 974,711	\$ 974,711
Buildings and improvements	3,135,893	3,034,460
Furniture and fixtures	374,594	373,402
Equipment	<u>280,259</u>	<u>279,412</u>
	4,765,457	4,661,985
Less: accumulated depreciation	<u>2,190,312</u>	<u>2,103,450</u>
	<u>\$2,575,145</u>	<u>\$2,558,535</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, 2015 and 2014 was \$23,223 and \$22,397, respectively. The future minimum rental commitment under these annual leases is approximately \$24,000 and is renewable annually.

At June 30, 2015, the Foundation was committed, subject to the satisfaction of acceptance conditions, to award scholarships, fellowships, and grants of approximately \$823,775 for the 2015-2016 academic year (September 2015 - May 2016).

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
For scholarships and grants	\$12,895,494	\$14,818,492
For future periods	<u>46,000</u>	<u>30,000</u>
Total	<u>\$12,941,494</u>	<u>\$14,848,492</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>2015</u>	<u>2014</u>
For scholarships and grants	\$1,268,151	\$ 818,321
For fees and other expenses	<u>407,312</u>	<u>325,728</u>
Total	<u>\$1,675,463</u>	<u>\$1,144,049</u>

Note 7 - Permanently Restricted Net Assets

At June 30, 2015 and 2014, permanently restricted net assets are classified as follows based on the purposes for which income is restricted:

	<u>2015</u>	<u>2014</u>
Scholarships	\$17,006,144	\$16,809,428
Beneficial interest in perpetual trusts:		
Scholarships	491,591	505,669
Cultural	1,095,158	1,135,475
Pool B and C funds for scholarships:		
PAC	93,657	93,657
Zimmer	<u>180,000</u>	<u>180,000</u>
	<u>\$18,866,550</u>	<u>\$18,724,229</u>

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

	<u>2015</u>	<u>2014</u>
Other assets	\$ 279,439	\$ 342,152
Cash	1,580	1,580
Investments	16,998,782	16,739,353
Beneficial interests in perpetual trusts	<u>1,586,749</u>	<u>1,641,144</u>
	<u>\$18,866,550</u>	<u>\$18,724,229</u>

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds - 2015	\$12,895,494	\$18,585,531	\$31,481,025
Donor-restricted endowment funds - 2014	\$14,759,282	\$18,380,497	\$33,139,779

The following represents a description of the changes in net endowment assets for the years ended June 30, 2015 and 2014:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 8 - Endowment (Continued)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, July 1, 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>
Investment return:			
Investment income, net	247,547		247,547
Net appreciation	<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>

Spending Policy

The Foundation has a policy of appropriating a certain percentage of its portfolio for scholarship distribution annually. Scholarship distribution for fiscal 2015 was based on 5% of its entire portfolio value. In fiscal year 2016 the scholarship distribution is set at 4.5%.

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, 2015 and 2014

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>2015</u>		<u>2014</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	\$ 491,591	\$19,888	\$ 505,669	\$34,436
Mary R. Koons	<u>1,095,158</u>	<u>40,000</u>	<u>1,135,475</u>	<u>40,611</u>
	<u>\$1,586,749</u>	<u>\$59,888</u>	<u>\$1,641,144</u>	<u>\$75,047</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, 2015 and 2014:

THE KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 10 - Fair Value Measurements (Continued)

	2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Multi-Asset Fund	\$30,487,450	\$ -	\$ -	\$30,487,450
Short-term Fund	1,087,667	-	-	1,087,667
Equities	791	-	-	791
Short-term cash investments	22	-	-	22
Alternative investments	-	-	11,526	11,526
	<u>\$31,575,930</u>	<u>\$ -</u>	<u>\$11,526</u>	<u>\$31,587,456</u>

Beneficial Interest in Perpetual Trusts:

Cash	\$ 22,650	\$ -	\$ -	\$ 22,650
Equities	932,983	-	-	932,983
Fixed income	445,403	-	-	445,403
Other	185,712	-	-	185,712
	<u>\$ 1,586,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,586,747</u>

2014

	Level 1	Level 2	Level 3	Total
Investments:				
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>

Beneficial Interest in Perpetual Trusts:

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>

At June 30, 2015 and 2014, 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 KOSCIUSZKO FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 10 - Fair Value Measurements (Continued)

The change in level three assets was as follows:

	<u>2015</u>	<u>2014</u>
Balance, July 1	\$15,763	\$26,356
Amounts redeemed	(4,557)	(12,413)
Realized gains (losses)	92	(731)
Change in unrealized appreciation	<u>(55)</u>	<u>2,551</u>
Balance, June 30	<u>\$11,243</u>	<u>\$15,763</u>

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 year ended June 30, 2015 was \$41,772.

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, 2015 through October 16, 2015, which was the date the financial statements were available to be issued.

Note 13 - 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, 2012.

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2015 (with comparative totals for 2014)

	Scholarships and Grants	Cultural and Educational Programs	Warsaw Office	Washington Center	Fundacja Kosciuszkowska Polska	Total Program Services
Salaries	\$ 108,266	\$131,210	\$ -	\$ 43,003	\$ -	\$ 282,479
Employee benefits	<u>33,473</u>	<u>30,915</u>	<u>-</u>	<u>11,112</u>	<u>-</u>	<u>75,500</u>
Total personnel costs	141,739	162,125	-	54,115	-	357,979
Scholarships and grants	1,207,795	-	-	-	60,356	1,268,151
Program honoraria	-	-	-	3,872	-	3,872
Program cost	-	254,038	119	18,320	-	272,477
Office supplies	-	100	283	457	-	840
Postage	3,444	3,535	11	561	-	7,551
Professional fees	-	-	-	-	-	-
Telephone	3,549	2,839	1,232	1,805	-	9,425
Insurance	-	-	235	8,510	-	8,745
Supplies	-	-	497	2,980	-	3,477
Cleaning service	-	-	743	340	-	1,083
Service fees	-	-	4,296	2,418	-	6,714
Investment management fees	-	-	-	-	-	-
Property tax	-	-	-	8,251	-	8,251
Travel and entertainment	2,202	3,199	1,382	1,238	-	8,021
Promotional expenses	3,896	5,941	-	1,728	-	11,565
Printing	150	12,722	113	8,883	-	21,868
Equipment rental and repair	-	-	-	774	-	774
Electricity and heat	-	-	-	5,610	-	5,610
Repair and maintenance	-	-	-	1,700	-	1,700
Outside services	135	1,530	18,922	-	-	20,587
Membership fee	-	-	-	-	-	-
K.F. chapter expenses	-	44,795	-	-	-	44,795
Subscriptions	-	-	-	-	-	-
Warsaw office rental	<u>-</u>	<u>-</u>	<u>11,308</u>	<u>-</u>	<u>-</u>	<u>11,308</u>
	1,362,910	490,824	39,141	121,562	60,356	2,074,793
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,603</u>	<u>-</u>	<u>9,603</u>
Total expenses before allocation	<u>1,362,910</u>	<u>490,824</u>	<u>39,141</u>	<u>131,165</u>	<u>60,356</u>	<u>2,084,396</u>
Allocation of K.F. house	<u>106,631</u>	<u>121,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,598</u>
Total expenses - 2015	<u>\$1,469,541</u>	<u>\$612,791</u>	<u>\$39,141</u>	<u>\$131,165</u>	<u>\$ 60,356</u>	<u>\$2,312,994</u>
Total expenses - 2014	\$1,012,341	\$538,832	\$37,750	\$99,820	\$ 18,693	\$1,707,436

THE KOSCIUSZKO FOUNDATION, INC.
Supplemental Schedule of Functional Expenses
Year Ended June 30, 2015 (with comparative totals for 2014)

	Total Program Services	Administrative and General	Development	Operation of K.F. House	Total Supporting Services	Total 2015	Total 2014
Salaries	\$ 282,479	\$171,310	\$ 96,397	\$ 43,581	\$311,288	\$ 593,767	\$ 582,968
Employee benefits	<u>75,500</u>	<u>33,297</u>	<u>22,745</u>	<u>10,510</u>	<u>66,552</u>	<u>142,052</u>	<u>66,353</u>
Total personnel costs	357,979	204,607	119,142	54,091	377,840	735,819	649,321
Scholarships and grants	1,268,151	-	-	-	-	1,268,151	818,321
Program honoraria	3,872	-	-	-	-	3,872	1,851
Program cost	272,477	-	-	-	-	272,477	257,264
Office supplies	840	5,404	4,068	-	9,472	10,312	12,449
Postage	7,551	2,774	4,096	-	6,870	14,421	20,730
Professional fees	-	51,150	-	-	51,150	51,150	45,528
Telephone	9,425	5,323	6,033	-	11,356	20,781	20,480
Insurance	8,745	11,206	-	43,987	55,193	63,938	59,044
Supplies	3,477	-	-	12,321	12,321	15,798	11,259
Cleaning service	1,083	-	-	-	-	1,083	989
Service fees	6,714	15,015	16,817	-	31,832	38,546	35,357
Investment management fees	-	-	-	-	-	-	1,750
Property tax	8,251	-	-	-	-	8,251	8,490
Travel and entertainment	8,021	508	691	-	1,199	9,220	11,271
Promotional expenses	11,565	1,384	1,113	-	2,497	14,062	14,163
Printing	21,868	525	9,910	-	10,435	32,303	33,646
Equipment rental and repair	774	-	-	47,552	47,552	48,326	40,848
Electricity and heat	5,610	-	-	63,338	63,338	68,948	55,666
Repair and maintenance	1,700	-	-	94,057	94,057	95,757	7,874
Outside services	20,587	-	1,185	79,550	80,735	101,322	41,272
Membership fee	-	450	210	-	660	660	815
K.F. chapter expenses	44,795	-	-	-	-	44,795	48,472
Subscriptions	-	-	-	-	-	-	35
Warsaw office rental	<u>11,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,308</u>	<u>11,457</u>
	2,074,793	298,346	163,265	394,896	856,507	2,931,300	2,208,352
Depreciation	<u>9,603</u>	<u>-</u>	<u>-</u>	<u>77,259</u>	<u>77,259</u>	<u>86,862</u>	<u>88,360</u>
Total expenses before allocation	<u>2,084,396</u>	<u>298,346</u>	<u>163,265</u>	<u>472,155</u>	<u>933,766</u>	<u>3,018,162</u>	<u>\$2,296,712</u>
Allocation of K.F. house	<u>228,598</u>	<u>153,926</u>	<u>89,631</u>	<u>(472,155)</u>	<u>(228,598)</u>	<u>-</u>	<u>-</u>
Total expenses - 2015	<u>\$2,312,994</u>	<u>\$ 452,272</u>	<u>\$252,896</u>	<u>\$ -</u>	<u>\$705,168</u>	<u>\$ 3,018,162</u>	<u>-</u>
Total expenses - 2014	\$1,707,436	\$374,156	\$215,120	\$ -	\$589,276	\$ 2,296,712	-