

**AMERICAN FRIENDS OF THE  
ALEXANDER VON HUMBOLDT FOUNDATION**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Years Ended December 31, 2022 and 2021**

**AMERICAN FRIENDS OF THE  
ALEXANDER VON HUMBOLDT FOUNDATION**

**Financial Statements Together with  
Report of Independent Public Accountants**

**DECEMBER 31, 2022 AND 2021**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Directors  
American Friends of the Alexander von Humboldt Foundation

### ***Opinion***

We have audited the accompanying financial statements of American Friends of the Alexander von Humboldt Foundation (American Friends of AvH), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities and changes in net assets, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of AvH as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of American Friends of AvH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The financial statements of the American Friends of AvH as of and for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements dated November 14, 2022.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Friends of AvH's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 American Friends of AvH's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Friends of AvH's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Washington, D.C.  
September 25, 2023

*SB & Company, LLC*

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Statements of Financial Position As of December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 334,852	\$ 515,278
Investments	1,395,799	1,480,052
Receivables	132,973	-
Prepaid expenses	45,055	18,374
<b>Total current assets</b>	<b>1,908,679</b>	<b>2,013,704</b>
<b>FIXED ASSETS</b>		
Furniture	21,613	21,613
Computer equipment	14,458	14,458
Less: Accumulated depreciation	36,071	36,071
<b>Net fixed assets</b>	<b>(31,177)</b>	<b>(28,580)</b>
	<b>4,894</b>	<b>7,491</b>
<b>NONCURRENT ASSETS</b>		
Right-of-use asset - operating	110,019	-
Deposits	7,275	7,275
<b>Total assets</b>	<b>\$ 2,030,867</b>	<b>\$ 2,028,470</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 51,066	\$ 65,807
Lease liability, current	94,922	-
Deferred rent	-	12,533
<b>Total current liabilities</b>	<b>145,988</b>	<b>78,340</b>
<b>NONCURRENT LIABILITIES</b>		
Lease liability, noncurrent	32,069	-
Deferred rent, net current	-	14,638
<b>Total liabilities</b>	<b>178,057</b>	<b>92,978</b>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	467,703	356,309
Board designated	367,568	390,805
<b>Total without donor restrictions</b>	<b>835,271</b>	<b>747,114</b>
With donor restrictions	1,017,539	1,188,378
<b>Total net assets</b>	<b>1,852,810</b>	<b>1,935,492</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,030,867</b>	<b>\$ 2,028,470</b>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION**

**Statements of Activities and Changes in Net Assets**

**For the Year Ended December 31, 2022, with Comparative Totals for 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 81,761	\$ 701,229	\$ 782,990	\$ 988,554
Investment (loss)/income, net	(23,237)	(61,016)	(84,253)	148,341
Net assets released from donor restrictions	<u>811,052</u>	<u>(811,052)</u>	-	-
Total support and revenue	<u>869,576</u>	<u>(170,839)</u>	<u>698,737</u>	<u>1,136,895</u>
<b>EXPENSES</b>				
Program Services:				
American Friends	54,095	-	54,095	74,078
AHP-KI	29,412	-	29,412	15,018
BUKA	86,084	-	86,084	145,858
HFST and Awards	262,448	-	262,448	317,986
Strategic Planning-Outreach	197,882	-	197,882	212,655
Total program services	<u>629,921</u>	<u>-</u>	<u>629,921</u>	<u>765,595</u>
Supporting Services:				
Fundraising	27,022	-	27,022	15,263
Management and general	124,476	-	124,476	121,594
Total supporting services	<u>151,498</u>	<u>-</u>	<u>151,498</u>	<u>136,857</u>
Total expenses	<u>781,419</u>	<u>-</u>	<u>781,419</u>	<u>902,452</u>
Changes in net assets	88,157	(170,839)	(82,682)	234,443
Net assets at beginning of year	<u>747,114</u>	<u>1,188,378</u>	<u>1,935,492</u>	<u>1,701,049</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 835,271</u>	<u>\$ 1,017,539</u>	<u>\$ 1,852,810</u>	<u>\$ 1,935,492</u>

The accompanying notes are an integral part of this financial statement.

**AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION**

**Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 236,446	\$ 752,108	\$ 988,554
Investment income, net	77,790	70,551	148,341
Net assets released from donor restrictions	766,078	(766,078)	-
Total support and revenue	<u>1,080,314</u>	<u>56,581</u>	<u>1,136,895</u>
<b>EXPENSES</b>			
Program Services:			
American Friends	74,078	-	74,078
AHP-KI	15,018	-	15,018
BUKA	145,858	-	145,858
HFST and Awards	317,986	-	317,986
Strategic Planning-Outreach	212,655	-	212,655
Total program services	<u>765,595</u>	<u>-</u>	<u>765,595</u>
Supporting Services:			
Fundraising	15,263	-	15,263
Management and general	121,594	-	121,594
Total supporting services	<u>136,857</u>	<u>-</u>	<u>136,857</u>
Total expenses	<u>902,452</u>	<u>-</u>	<u>902,452</u>
Changes in net assets	177,862	56,581	234,443
Net assets at beginning of year	569,252	1,131,797	1,701,049
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 747,114</u>	<u>\$ 1,188,378</u>	<u>\$ 1,935,492</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2022, with Comparative Totals for 2021

	2022						2021				
	Program Services					Total Program Services	Supporting Services		Total Expenses	Total Expenses	
American Friends	AHP-KI	BUKA	HFST and Awards	Strategic Planning Outreach	Fundraising		Management and General	Total Supporting Services			
Payroll and benefits	\$ 4,137	\$ 15,753	\$ 46,652	\$ 153,343	\$ 88,542	\$ 308,427	\$ 1,499	\$ 111,647	\$ 113,146	\$ 421,573	\$ 546,964
Professional fees	2,582	359	12,728	36,722	26,002	78,393	10,522	400	10,922	89,315	101,704
Rent expense	1,278	-	14,060	37,492	32,380	85,210	-	-	-	85,210	82,950
Travel	305	282	3,428	16,258	39,042	59,315	668	-	668	59,983	44,601
Exhibit/conference	-	1,775	-	-	-	1,775	-	-	-	1,775	1,750
Computer and website	2,674	-	4,123	9,214	6,130	22,141	1,730	-	1,730	23,871	35,916
Grants	32,936	-	-	-	-	32,936	-	-	-	32,936	34,525
Miscellaneous	1,555	-	223	604	526	2,908	-	-	-	2,908	2,723
Printing and production	2,371	-	5	15	13	2,404	4,735	-	4,735	7,139	5,585
Advertising	-	11,205	990	59	-	12,254	-	-	-	12,254	8,820
Insurance	53	-	581	1,548	1,337	3,519	-	1,299	1,299	4,818	3,930
Supplies	112	-	447	1,235	1,066	2,860	-	-	-	2,860	2,843
Dues and subscriptions	7	-	81	215	186	489	-	-	-	489	628
Licenses/business tax	-	-	-	-	-	-	3,968	611	4,579	4,579	4,049
Communications	1,858	38	2,392	4,609	1,799	10,696	-	-	-	10,696	9,576
Equipment	32	-	351	935	807	2,125	-	-	-	2,125	1,886
Postage and shipping	1,598	-	23	199	52	1,872	3,900	-	3,900	5,772	3,127
Depreciation	2,597	-	-	-	-	2,597	-	-	-	2,597	2,960
Board of director expenses	-	-	-	-	-	-	-	10,519	10,519	10,519	7,915
<b>Total</b>	<b>\$ 54,095</b>	<b>\$ 29,412</b>	<b>\$ 86,084</b>	<b>\$ 262,448</b>	<b>\$ 197,882</b>	<b>\$ 629,921</b>	<b>\$ 27,022</b>	<b>\$ 124,476</b>	<b>\$ 151,498</b>	<b>\$ 781,419</b>	<b>\$ 902,452</b>

The accompanying notes are an integral part of this financial statement.

**AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended December 31, 2021**

	Program Services					Supporting Services				Total Expenses
	American Friends	AHP-KI	BUKA	HFST and Awards	Strategic Planning Outreach	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Payroll and benefits	\$ 22,004	\$ 5,675	\$ 63,036	\$ 201,008	\$ 141,846	\$ 433,569	\$ 1,748	\$ 111,647	\$ 113,395	\$ 546,964
Professional fees	4,553	335	16,362	47,026	30,060	98,336	2,968	400	3,368	101,704
Rent	1,244	-	13,687	36,498	31,521	82,950	-	-	-	82,950
Travel	25	-	41,046	2,894	636	44,601	-	-	-	44,601
Exhibit/conference	-	1,500	-	250	-	1,750	-	-	-	1,750
Computer and website	3,328	-	7,957	19,791	3,323	34,399	1,517	-	1,517	35,916
Grants	34,525	-	-	-	-	34,525	-	-	-	34,525
Miscellaneous	2,134	-	99	263	227	2,723	-	-	-	2,723
Printing and production	1,745	-	-	-	-	1,745	3,840	-	3,840	5,585
Advertising	-	7,475	-	1,345	-	8,820	-	-	-	8,820
Insurance	106	-	541	1,153	1,012	2,812	-	1,118	1,118	3,930
Supplies	43	-	469	1,251	1,080	2,843	-	-	-	2,843
Dues and subscriptions	9	-	104	276	239	628	-	-	-	628
Licenses/business tax	-	-	-	-	-	-	3,535	514	4,049	4,049
Communications	76	33	2,217	5,323	1,927	9,576	-	-	-	9,576
Equipment	28	-	331	830	717	1,886	-	-	-	1,886
Postage and shipping	1,298	-	29	78	67	1,472	1,655	-	1,655	3,127
Depreciation	2,960	-	-	-	-	2,960	-	-	-	2,960
Board of director expenses	-	-	-	-	-	-	-	7,915	7,915	7,915
<b>Total</b>	<b>\$ 74,078</b>	<b>\$ 15,018</b>	<b>\$ 145,878</b>	<b>\$ 317,986</b>	<b>\$ 212,655</b>	<b>\$ 765,615</b>	<b>\$ 15,263</b>	<b>\$ 121,594</b>	<b>\$ 136,857</b>	<b>\$ 902,452</b>

The accompanying notes are an integral part of this financial statement.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (82,682)	\$ 234,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,597	2,960
Noncash amortization of right-of-use assets	(10,199)	-
Unrealized loss/(gain) on investments	234,296	(62,357)
Realized gain on investments	(51,589)	(53,226)
Reinvested interest and dividends	(27,977)	(32,758)
Effect of changes in non-cash operating assets and liabilities:		
Receivables	(132,973)	-
Prepaid expenses	(26,681)	11,585
Accounts payable and accrued liabilities	(14,741)	50,484
Deferred rent	-	(7,269)
Net cash from operating activities	(109,949)	143,862
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(70,477)	-
Proceeds from sale of investments	-	56,250
Net cash provided by investing activities	(70,477)	56,250
Net (decrease)/increase in cash and cash equivalents	(180,426)	200,112
Cash and cash equivalents at beginning of year	515,278	315,166
<b>Cash and Cash equivalents at Year End</b>	<b>\$ 334,852</b>	<b>\$ 515,278</b>

The accompanying notes are an integral part of these financial statements.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

American Friends of the Alexander von Humboldt Foundation (American Friends of AvH) is the professional partner of the Alexander von Humboldt Foundation (AvH) in the United States, and is a US 501(c)(3) charitable organization. The Alexander von Humboldt Foundation promotes academic cooperation between excellent researchers and other professionals from abroad and from Germany.

#### Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (GAAP) for Not-For-Profit entities.

#### Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

American Friends of AvH considers all highly liquid investments with initial maturities of three months or less to be a cash equivalent. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000 per institution. At times during the year, American Friends of AvH maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal. As of December 31, 2022 and 2021, cash equivalents were zero.

#### Investments

Investments are recorded at their readily determinable fair value. Interest and dividends, realized and unrealized gains and losses are included in investment income, net of investments fees in the accompanying Statement of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. American Friends of AvH's policy is to liquidate all gifts of investments as soon as possible after the gift.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

American Friends of AvH invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fixed Assets**

Fixed assets in excess of \$1,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years for furniture and computer equipment.

#### **Net Assets**

American Friends of AvH reports two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

##### *Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

##### *Net Assets With Donor Restrictions*

Donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. As of December 31, 2022 and 2021, American Friends of AvH had \$329,520 of net assets to be held in perpetuity.

#### **Right-of-Use Asset and Lease Liability**

American Friends of AvH records a right-of-use asset related to the office facilities where American Friends of AvH conducts its operations. The right-of-use asset is being amortized over the term of the lease. During the year ended December 31, 2022, the lease expense was \$83,043 and consisted of amortization expense related to the right-of-use asset of \$81,662 and interest expense of \$1,381. As of December 31, 2022, the net present value of the right-of-use asset was \$110,019.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Right-of-Use Asset and Lease Liability (continued)**

The lease liability represents the future commitments for American Friends of AvH's office lease. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that American Friends of AvH is reasonably certain to exercise. The lease liability is discounted using American Friends of AvH estimated borrowing rate. Other costs related to the lease are expensed as incurred. As of December 31, 2022, the net present value of the right-of-use lease liability was \$126,991.

#### **Revenue Recognition (Grant/Contributions)**

##### *Contributions and Grants*

American Friends of AvH receives contributions, including unconditional promises to give, from many sources as well as grants organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. American Friends of AvH performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional. There were no grants considered conditional received during the years ended December 31, 2022 and 2021.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Functional Allocation of Expenses (continued)

Expenses directly attributed to a specific functional area of American Friends of AvH are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

#### Accounting Pronouncements Implemented

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard required American Friends of AvH to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. American Friends of AvH adopted this ASU as of January 1, 2022, as it was considered a practical expedient, by recording a lease liability of \$218,852, which represented the net present value of the future lease payments and recording an offsetting right to use asset of \$191,681 which consisted of the net present value of the future lease payments as of that date less the deferred rent recorded as of that date of \$27,171. The adoption as of January 1, 2022 had no change to net assets.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires the presentation of contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. American Friends of AvH's adoption of this ASU in fiscal year 2022 did not have a material effect on the accompanying financial statements.

#### Income Taxes

American Friends of AvH is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. American Friends of AvH is not a private foundation.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. American Friends of AvH performed an evaluation of uncertain tax positions as of December 31, 2022 and 2021, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of December 31, 2022, the statute of limitations for fiscal years 2019 through 2022 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which American Friends of AvH files tax returns. It is American Friends of AvH's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent Events

American Friends of AvH evaluated the subsequent events and transactions through September 25, 2023, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure

### 2. INVESTMENTS

Investments consisted of the following as of December 31, 2022 and 2021:

	Fair Value	
	2022	2021
Short-term reserves - Money Market	\$ 650,630	\$ 571,064
Equity	466,550	570,896
Fixed income - Bonds	278,619	338,092
<b>Total Investments</b>	<b>\$ 1,395,799</b>	<b>\$ 1,480,052</b>
	2022	2021
Interest and dividends, net of fees	\$ 27,977	\$ 32,758
Unrealized (loss)/gain	(163,819)	62,357
Realized gain	51,589	53,226
<b>Total Investment Income, Net</b>	<b>\$ (84,253)</b>	<b>\$ 148,341</b>

In accordance with GAAP, American Friends of AvH has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 2. INVESTMENTS (continued)

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed Income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022 and 2021.

	2022			
	Level 1	Level 2	Level 3	Total
<b>Asset Class:</b>				
Short-term reserves -				
Money Market Funds	\$ 650,630	\$ -	\$ -	\$ 650,630
Equity	466,550	-	-	466,550
Fixed income - Bonds	-	278,619	-	278,619
<b>Total</b>	<b>\$ 1,117,180</b>	<b>\$ 278,619</b>	<b>\$ -</b>	<b>\$ 1,395,799</b>

  

	2021			
	Level 1	Level 2	Level 3	Total
<b>Asset Class:</b>				
Short-term reserves -				
Money Market Funds	\$ 571,064	\$ -	\$ -	\$ 571,064
Equity	570,896	-	-	570,896
Fixed income - Bonds	-	338,092	-	338,092
<b>Total</b>	<b>\$ 1,141,960</b>	<b>\$ 338,092</b>	<b>\$ -</b>	<b>\$ 1,480,052</b>

### 3. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2022 and 2021, the Board of Directors had designated certain net assets as follows:

	2022	2021
American Friends Funds and Hanle	<b>\$ 367,568</b>	<b>\$ 390,805</b>

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Calder	\$ 641,409	\$ 733,140
Hanle	32,529	37,183
Hanle Alumni	14,081	14,831
HFST	-	11,612
BUKA	-	27,038
Strategic Program	-	26,177
AHP-KI	-	8,877
Endowments to be invested in perpetuity:		
Calder	279,520	279,520
Hanle	50,000	50,000
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 1,017,539</u></b>	<b><u>\$ 1,188,378</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Calder	\$ 34,320	\$ 34,025
Hanle	750	500
Hanle Alumni	1,050	-
HFST	331,943	307,091
BUKA	138,433	176,748
Strategic Program	266,078	224,541
AHP-KI	38,478	23,173
<b>Net Assets Released From Donor Restrictions</b>	<b><u>\$ 811,052</u></b>	<b><u>\$ 766,078</u></b>

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 334,852	\$ 515,278
Investments	1,395,799	1,480,052
Receivables	<u>132,973</u>	<u>-</u>
Subtotal financial assets available within one year	<b>1,863,624</b>	1,995,330
Less: Donor restricted funds	<b>(1,017,539)</b>	(1,188,378)
Less: Board designated funds	<b><u>(367,568)</u></b>	<b><u>(390,805)</u></b>
<b>Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year</b>	<b><u>\$ 478,517</u></b>	<b><u>\$ 416,147</u></b>

American Friends of AvH has a policy to structure its financial assets to be available and liquid as obligations become due.

### 6. LEASE LIABILITY

American Friends of AvH entered into a lease for office space on November 5, 2018. The lease commenced on May 1, 2019 and is for 60 months. This lease included both rent abatement and annual increases. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes was recorded as a deferred rent liability on the Statement of Financial Position as of December 31, 2021. During the year ended December 31, 2022, American Friends of AvH adopted the new standard for accounting for leases (see note 1) by recording a right-of-use asset and lease liability. As of December 31, 2022, the right-of-use asset was \$110,019 and the lease payable was \$126,991. Total interest expense under the office lease for the year ended December 31, 2022 was \$1,381. Rent expense for the years ended December 31, 2022 and 2021 was \$85,210 and \$82,950, respectively.

As of December 31, 2022, the future minimum payments under the lease liability are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>
2023	\$ 94,922
2024	<u>32,069</u>
Total	\$ 126,991
Amounts representing interest	<u>705</u>
<b>Total</b>	<b><u>\$ 127,696</u></b>

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 7. RETIREMENT PLAN

American Friends of AvH provides retirement benefits to its employees through a defined contribution plan covering all full-time employees. Contributions to the Plan during the years ended December 31, 2022 and 2021 totaled \$15,847 and \$18,111, respectively.

### 8. CONCENTRATION OF REVENUE

A significant portion of American Friends of AvH's revenue for the years ended December 31, 2022 and 2021 were derived from a single funder. American Friends of AvH has no reason to believe that relationships with this funder will be discontinued in the foreseeable future. However, any interruption of this relationship would adversely affect American Friends of AvH's ability to finance ongoing operations.

### 9. ENDOWMENT

American Friends of AvH's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, American Friends of AvH considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. American Friends of AvH has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, American Friends of AvH considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

**AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION**

**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022 and 2021**

**9. ENDOWMENT (continued)**

Endowment net asset composition by type of fund as of December 31, 2022 and 2021:

	<u>2022</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	<u>\$ 390,805</u>	<u>\$ -</u>	<u>\$ 390,805</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	329,520	329,520
Accumulated investment earnings	(23,237)	673,937	650,700
Total Endowment Funds	<u>\$ 367,568</u>	<u>\$ 1,003,457</u>	<u>\$ 1,371,025</u>
	<u>2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	<u>\$ 360,633</u>	<u>\$ -</u>	<u>\$ 360,633</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	329,520	329,520
Accumulated investment earnings	30,172	770,324	800,496
Total Endowment Funds	<u>\$ 390,805</u>	<u>\$ 1,099,844</u>	<u>\$ 1,490,649</u>

Changes in endowment net assets for the year ended December 31, 2022 and 2021:

	<u>2022</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 390,805</u>	<u>\$ 1,099,844</u>	<u>\$ 1,490,649</u>
Investment return, net	(23,237)	(61,016)	(84,253)
Appropriation of endowment assets for expenditure	-	(35,371)	(35,371)
Endowment Net Assets, End of Year	<u>\$ 367,568</u>	<u>\$ 1,003,457</u>	<u>\$ 1,371,025</u>

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 9. ENDOWMENT (continued)

	<u>2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 360,633	\$ 1,028,895	\$ 1,389,528
Investment return, net	30,172	104,974	135,146
Appropriation of endowment assets for expenditure	-	(34,025)	(34,025)
Endowment Net Assets, End of Year	<u>\$ 390,805</u>	<u>\$ 1,099,844</u>	<u>\$ 1,490,649</u>

Description of amounts classified as net assets with donor restrictions (Endowment only):

	<u>2022</u>	<u>2021</u>
Net Assets with Donor Restrictions:		
Original donor-restricted endowment gift amounts and amounts required to be retained by donor	\$ 329,520	\$ 329,520
With purpose restrictions	<u>673,937</u>	<u>770,324</u>
<b>Total Endowment Funds Classified As Net Assets With Donor Restrictions</b>	<u>\$ 1,003,457</u>	<u>\$ 1,099,844</u>

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. Deficiencies could result from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

### Return Objectives and Risk Parameters

American Friends of AvH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. American Friends of AvH expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

# AMERICAN FRIENDS OF THE ALEXANDER VON HUMBOLDT FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2022 and 2021

### 9. ENDOWMENT (continued)

#### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, American Friends of AvH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). American Friends of AvH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

American Friends of AvH has a policy of appropriating for distribution each year 5.25% of its endowment fund's three year average of each fund. In establishing this policy, American Friends of AvH considered the long-term expected return on its endowment. Accordingly, over the long-term, American Friends of AvH expects the current spending policy to allow its endowment to grow at an average of 5.25% over a three-year average. This is consistent with American Friends of AvH's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.