

**THE AMERICAN LIBRARY
IN PARIS, INC**

INDEPENDENT AUDITOR'S REPORT

Financial statements for the years ended
December 31, 2016 and 2015

THE AMERICAN LIBRARY IN PARIS, INC

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,

Report on the Financial Statements

We have audited the accompanying financial statements of The American Library in Paris, Inc ("the library"), which comprise the statement of financial position as at December 31, 2016 and 2015, the statement of comprehensive income and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

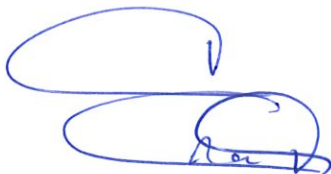
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 financial statements present fairly, in all material respects, the financial position of The American Library in Paris, Inc as at December 31, 2016 and 2015, and its financial performance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Associés



Jean-Claude MARTY

May 16, 2017

THE AMERICAN LIBRARY IN PARIS, Inc

*Financial Statements for the Year
ended December 31, 2016*

ASSETS	NOTE	2016	2015
CURRENT ASSETS:			
Cash and other investments		600 862	1 429 874
Account receivable		56 453	39 598
Prepaid expenses and deferred charges		15 975	7 245
Total current assets		673 290	1 476 718
PROPERTY:			
Property - Building		4 205 592	2 486 782
Furniture and equipment		1 885 541	1 791 483
Less accumulated depreciation		-3 682 275	-3 673 651
Total property	3.4	2 408 859	604 614
OTHER ASSETS:			
Investments at fair value		0	0
Pledge receivable		0	0
Total other assets		0	0
TOTAL ASSETS		3 082 149	2 081 332
LIABILITIES AND NET ASSETS			
PROVISION FOR RISKS AND CHARGES	3.5	202 463	217 620
CURRENT LIABILITIES:			
Accounts payable		206 470	61 641
Deposits from members		3 858	10 049
Accrued liabilities:			
Payroll and contributions		107 725	100 699
Taxes		61 436	68 019
Deferred revenue	3.7	181 915	192 074
Other liabilities		0	0
Total current liabilities		561 403	432 482
		0	0
		0	0
NET ASSETS:			
Association funds		5 595	5 595
Retained earnings, endowment, accumulated income or other funds		1 425 635	326 848
Change in net assets	6	887 053	1 098 787
Total net assets		2 318 283	1 431 230
TOTAL LIABILITIES AND NET ASSETS		3 082 149	2 081 332

Notes 1 to 6 are an integral part of these financial statements.

STATEMENT OF INCOME AND EXPENSES	NOTE	2016	2015
Revenues:			
Membership fees		265 927	277 594
Operating income		132 856	92 622
Rent		320 032	321 224
USA Foundation donations received		157 198	155 345
Donations and bequests received		1 876 532	1 655 195
Financial income		1 024	4 018
Miscellaneous income	3.9	27 375	18 034
Total unrestricted revenues		2 780 943	2 524 031
Expenses:			
Supplies		70 848	96 171
Wages		521 324	475 152
Social Security charges and payroll taxes		293 458	268 328
Building		361 367	79 745
Depreciation & Amortization	3.4	150 376	97 763
Marketing		6 869	7 711
Bank charges		10 532	4 747
Professional services		82 437	51 200
Insurance		19 199	18 040
Gala		48 436	58 312
Development		69 839	75 159
Equipment rental and maintenance		37 420	39 759
Other maintenance		16 322	14 293
Telephone		9 629	8 151
Property tax	3.6	61 694	66 343
Other		40 104	8 276
Total unrestricted expenses		1 801 708	1 369 150
REVENUES IN EXCESS OF EXPENSES		979 235	1 154 881
UNREALIZED GAINS ON INVESTMENTS—Net		0	0
CHANGE IN NET ASSETS		979 235	1 154 881
NET ASSETS:			
Beginning of year		1 431 230	332 443
Foreign exchange rate translation adjustment for the year.		-92 182	-56 094
Change in net assets		979 235	1 154 881
End of year		2 318 284	1 431 230

See notes to financial statements.

(a) see note 6 : income statement

Notes 1 to 6 are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016, AND DECEMBER 31, 2015**

INCORPORATION AND ACTIVITIES

The American Library in Paris, Inc. ("the Library") is incorporated in the State of Delaware and recognized as a not-for-profit corporation under section 501(c) (3) of the United States Internal Revenue Code. The Library is recognized as a foreign association in France, where it conducts its activities as an English-language lending library. It provides services similar to a typical American public library to English-speaking persons in France, including book lending, programs for children, families and retired persons, and support for undergraduate programs in the liberal arts for U.S. students studying abroad and French students studying for the *CAPES* and "*Agrégation*" programs. The officers and trustees of the American Library in Paris are neither compensated for their services, which include regular meetings and volunteer help as needed, nor reimbursed for their expenses.

1. FUNDS

The Library's operating income comes from membership fees, other operating income and rental income. Additional revenues come from gifts and bequests. These gifts are received directly from donors or via the ALP USA Foundation.

2. SIGNIFICANT EVENT IN THIS YEAR

- a) A former employee filed a claim in July 2016 before the council of Prud'hommes of Paris. The employee seeks damages for improper termination of her contract and for the absence of subscription to an insurance contract. The Library has recorded a corresponding provision in its 2016 financial statements.
- b) Extensive renovation works were performed in 2016 in the Library for an amount of approximately \$2 million.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Library prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The Library's expenses are denominated in Euros and U.S. dollars. Its financial statements are maintained in Euros and are translated into U.S. dollars as follows:

- Balance sheet items at a year-end rate of exchange, except for association fund for which original value is registered.
- Revenues and expenditures at the average rate of exchange for the year.

The f/x conversion rates for the year are:

- Year-end- rate: 1.0541 USD for 1 Euro (2015 : 1.0887 USD for 1 Euro)
- Average rate: 1.1069 USD for 1 Euro (2015 : 1.1096 USD for 1 Euro)

The resulting currency translation adjustment is shown as a separate component of retained earnings.

3.1 Fund Accounting—The prescribed statement of financial position and prescribed statement of activities present assets, liabilities, revenue, expenses, and other changes only on a total basis. U.S. generally accepted accounting principles set forth in the AICPA Statement of Position (SOP) #78-10, “Accounting Principles and Reporting Practices for Certain Non-Profit Organizations,” require that the details of major fund groups should also be provided and that adequate information be provided concerning interfund borrowings and important restrictions on the use of resources.

3.2 Capital Additions—The prescribed statement of income and expenses and changes in fund balances reports non-expendable resources restricted by donors for endowment or other purposes on a fund-by-fund basis, according to US generally accepted accounting principles as set forth in SOP #78-10. Resources are accounted for as support to the extent expended for the purpose specified by the donor during the period.

3.3 Cash and other investments mainly include interest-bearing deposits and short-term investments with original maturities of three months or less.

3.4 Property is stated at cost. The Library’s property includes its owned facilities in the 7th arrondissement, totaling approximately 1,600 m2.

Assets purchased in Euros are stated at year-end exchange rates and are depreciated on a straight-line basis over the following useful lives:

- Software	3 years
- Building	50 years
- Building improvements	10 to 15 years
- Building renovation	7 to 20 years
- Furniture	5 to 10 years
- Books	5 years

A summary of the movements is detailed below:

	2016	2015
Net amount beginning	604 614	670 843
Capital expenditures	1 997 868	78 996
Depreciation	-131 655	-77 394
Exchange rate impact	-61 969	-67 830
Net amount end of year	2 408 859	604 614

Fixed assets	2016	2015
Software	48 540	50 133
Building	4 058 181	2 486 782
Furniture	798 064	516 060
Books	1 069 366	1 104 467
Other media (microfilms, tape, etc.)	116 983	120 822
Total	6 091 134	4 278 265
Less accumulated depreciation	3 682 275	3 673 651
Net	2 408 859	604 614

The depreciation charge for the year is detailed as follows:

Depreciation and provision	2016	2015
Software	5 115	6 842
Building	101 781	65 590
Furniture	24 759	4 962
Books	0	0
Other media (microfilms, tapes, etc.)	0	0
<i>Depreciation (sub-total)</i>	<i>131 655</i>	<i>77 394</i>
Retirement benefit	18 722	20 369
<i>Provision (sub-total)</i>	<i>18 722</i>	<i>20 369</i>
Total	150 376	97 763

3.5 *Provision for risk and charges* comprise the Library personnel retirement benefits and other provisions for risks. Provision for the retirement benefit represents the retirement provision based on seniority of employees as well as the provision reflected in note 2(a).

PROVISION FOR RETIREMENT BENEFIT	2016	2015
Opening balance	217 620	236 624
Provision for the year	18 722	20 369
Writeback of provision	-27 364	-14 817
Exchange rate impact	-6 516	-24 557
Net amount as of 31 December	202 462	217 620

3.6 *Taxes* represent tax on rental income, property and wages tax, as per note 4

3.7 *Deferred revenues* from membership fees are recorded as revenue on an accrual basis, pro-rated over the relevant membership period. The total revenues related to 2017 are USD 182 K\$, consisting of:

- Membership fees : USD 110 K\$
- Rental revenue invoiced in advance : USD 72 K\$

3.8 *Revenues:*

- Membership fees – Annual, six-month, and four-month membership fees are recorded as revenue when received, pro rata over the relevant membership period. Such fees are considered non-refundable by the Library.
- Other operating income – Miscellaneous, user fees, and designated gifts
- Rental Income – The Library rents part of its property to the American University in Paris, and the related income is recorded as it is earned.
- Interest and Dividend Income – Recorded when earned.
- Gifts, Bequests, and Grants. Gifts, income from bequests, and grants are recorded as revenue when received.

4. TAX STATUS

For U.S. Federal tax purposes, the Library is a not-for-profit, tax-exempt organization and is not a private foundation.

For French tax purposes, the Library is subject only to taxes on rental income and property and wage tax.

5. NET ASSETS

Change in net assets is detailed as follows:

Increase in fund balances:

Increase in fund balances :	2016	2015
Fund balances beginning of year	1 431 230	332 443
Fund balances end of year	2 318 283	1 431 230
Net change during year	887 053	1 098 787
Explained by :	2016	2015
Profit and loss for the year	979 235	1 154 881
Foreign exchange conversion adjustment :		
Profit and loss for the year	-46 696	-21 757
Total net assets	-45 486	-34 337
Net change during year	887 053	1 098 787

6. CONTINGENT LIABILITIES

The Library has none.