



# FRENCH HERITAGE SOCIETY, INC.

Financial Statements  
(Together with Independent Auditors' Report)

Year Ended December 31, 2011



**FRENCH HERITAGE SOCIETY, INC.  
FINANCIAL STATEMENTS**

**(Together with Independent Auditors' Report)**

**YEAR ENDED DECEMBER 31, 2011  
(With Comparative Totals for December 31, 2010)**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
French Heritage Society, Inc.

We have audited the accompanying statement of financial position of French Heritage Society, Inc. (the "Organization") as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the prior year ended December 31, 2010, were audited by another firm whose report dated July 8, 2011 expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of French Heritage Society, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth & Shron LLP*

New York, NY  
October 22, 2012



**FRENCH HERITAGE SOCIETY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**  
**(With Comparative Totals for December 31, 2010)**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2B, and 10)	\$ 866,433	\$ 971,915
Investments (Notes 2E, 3 and 13)	119,864	87,508
Grants receivable (Notes 2F and 2O)	36,166	43,181
Other receivables (Note 2O)	13,384	12,685
Prepaid expenses (Note 4)	98,546	11,733
Inventory (Note 2H)	21,098	22,059
Other assets	18,662	8,169
Property and equipment, net (Notes 2D and 5)	4,705	-
<b>TOTAL ASSETS</b>	<b>\$ 1,178,858</b>	<b>\$ 1,157,250</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 43,447	\$ 55,086
Deferred revenue (Note 6)	315,567	124,655
Restoration projects payable (Note 7)	511,573	721,193
<b>TOTAL LIABILITIES</b>	<b>870,587</b>	<b>900,934</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>NET ASSETS: (Note 2C, 11 and 12)</b>		
Unrestricted		
Designated for operating activities	239,771	247,316
Designated for scholarships	13,000	9,000
	252,771	256,316
Temporarily restricted (Note 12)	55,500	-
<b>TOTAL NET ASSETS</b>	<b>308,271</b>	<b>256,316</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,178,858</b>	<b>\$ 1,157,250</b>

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

**FRENCH HERITAGE SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(With Comparative Totals for December 31, 2010)**

	<b>Year Ended December 31, 2011</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>REVENUE AND SUPPORT (Note 2G):</b>				
Grants and contributions	\$ 510,438	\$ 55,500	\$ 565,938	\$ 553,430
Special events, less direct expense of \$79,154 and \$86,736	158,456	-	158,456	122,303
Program revenue	443,057	-	443,057	470,404
Membership fees	69,744	-	69,744	64,757
Sale of inventory (net of cost of \$961 and \$370)	436	-	436	474
Investment return (Notes 2E and 3)	16,617	-	16,617	(643)
Other income	17,209	-	17,209	48,040
In-kind contributions (Note 2J and 2K)	9,782	-	9,782	92,308
<b>Total Revenue and Support</b>	<u>1,225,739</u>	<u>55,500</u>	<u>1,281,239</u>	<u>1,351,073</u>
<b>EXPENSES (Note 2N):</b>				
Program services:				
Restoration (including grants and awards of \$20,000 and \$275,203)	146,299	-	146,299	462,105
Cultural exchange and educational programs	469,732	-	469,732	425,406
Membership services	230,313	-	230,313	106,132
	<u>846,344</u>	<u>-</u>	<u>846,344</u>	<u>993,643</u>
Supporting services				
Management and general	214,159	-	214,159	229,633
Fundraising	215,523	-	215,523	368,340
	<u>429,682</u>	<u>-</u>	<u>429,682</u>	<u>597,973</u>
<b>Total Expenses</b>	<u>1,276,026</u>	<u>-</u>	<u>1,276,026</u>	<u>1,591,616</u>
<b>Change in net assets before translation adjustment</b>	(50,287)	55,500	5,213	(240,543)
Foreign currency translation adjustment (Note 2M)	46,742	-	46,742	-
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>(3,545)</u>	<u>55,500</u>	<u>51,955</u>	<u>(240,543)</u>
<b>Net Assets - Beginning of Year</b>	<u>256,316</u>	<u>-</u>	<u>256,316</u>	<u>496,859</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 252,771</u>	<u>\$ 55,500</u>	<u>\$ 308,271</u>	<u>\$ 256,316</u>

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

**FRENCH HERITAGE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total 2011</u>
	<u>Restoration</u>	<u>Cultural exchange and educational programs</u>	<u>Membership services</u>	<u>Total program Services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting Services</u>	
Salaries	\$ 53,899	\$ 94,323	\$ 67,374	\$ 215,596	\$ 74,111	\$ 47,162	121,273	\$ 336,869
Payroll taxes and employee benefits (Note 9)	20,909	36,590	26,136	83,635	28,750	18,295	47,045	130,680
<b>Total Salaries and Related Costs</b>	<b>74,808</b>	<b>130,913</b>	<b>93,510</b>	<b>299,231</b>	<b>102,861</b>	<b>65,457</b>	<b>168,318</b>	<b>467,549</b>
Grants and awards	20,000	22,112	-	42,112	-	-	-	42,112
Accounting and audit	-	-	-	-	21,400	-	21,400	21,400
Communications and website	3,667	6,417	4,583	14,667	5,042	3,208	8,250	22,917
Postage	3,104	5,432	3,880	12,416	4,268	2,716	6,984	19,400
Occupancy	12,882	22,544	16,103	51,529	17,713	11,272	28,985	80,514
Publications	-	-	73,191	73,191	-	-	-	73,191
Board meetings	-	-	-	-	10,174	-	10,174	10,174
Office expenses	6,145	10,755	7,682	24,582	8,450	5,377	13,827	38,409
Promotion	690	1,207	862	2,759	948	604	1,552	4,311
Program materials and hospitality	3,008	230,832	3,008	236,848	3,008	107,645	110,653	347,501
Participants hotels and travel	-	1,028	-	1,028	-	-	-	1,028
Staff hotels and travel	6,510	11,392	8,137	26,039	8,951	5,696	14,647	40,686
Consultants	2,784	4,873	3,481	11,138	3,829	2,436	6,265	17,403
Bad debt	-	-	-	-	10,050	-	10,050	10,050
Depreciation	26	45	32	103	36	23	59	162
Currency transaction fluctuation (Note 2M)	7,932	13,881	9,915	31,728	10,907	6,941	17,848	49,576
Miscellaneous	4,743	8,301	5,929	18,973	6,522	4,148	10,670	29,643
<b>Total Expenses</b>	<b>\$ 146,299</b>	<b>\$ 469,732</b>	<b>\$ 230,313</b>	<b>\$ 846,344</b>	<b>\$ 214,159</b>	<b>\$ 215,523</b>	<b>\$ 429,682</b>	<b>\$ 1,276,026</b>

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

**FRENCH HERITAGE SOCIETY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total 2010</u>
	<u>Restoration</u>	<u>Cultural exchange and educational programs</u>	<u>Membership services</u>	<u>Total program Services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting Services</u>	
Salaries	\$ 102,758	\$ 104,093	\$ 34,852	\$ 241,703	\$ 79,360	\$ 74,757	154,117	\$ 395,820
Payroll taxes and employee benefits (Note 9)	33,785	34,224	11,458	79,467	26,092	24,579	50,671	130,138
<b>Total Salaries and Related Costs</b>	<b>136,543</b>	<b>138,317</b>	<b>46,310</b>	<b>321,170</b>	<b>105,452</b>	<b>99,336</b>	<b>204,788</b>	<b>525,958</b>
Grants and awards	275,203	15,682	-	290,885	-	-	-	290,885
Accounting and audit	-	-	-	-	18,400	-	18,400	18,400
Communications and website	3,326	3,326	1,152	7,804	2,559	2,431	4,990	12,794
Postage	3,515	3,515	1,217	8,247	2,704	3,884	6,588	14,835
Occupancy	16,829	16,829	5,825	39,483	12,945	12,297	25,242	64,725
Publications	-	-	33,963	33,963	-	4,045	4,045	38,008
Board meetings	-	-	-	-	18,887	-	18,887	18,887
Office expenses	12,892	8,359	37	21,288	13,706	11,150	24,856	46,144
Promotion	1,572	1,572	544	3,688	1,210	1,149	2,359	6,047
Program materials and hospitality	-	211,914	4,003	215,917	4,003	224,386	228,389	444,306
Participants hotels and travel	-	197	-	197	-	-	-	197
Staff hotels and travel	7,047	7,047	2,439	16,533	5,420	5,149	10,569	27,102
Consultants	-	-	4,195	4,195	1,398	-	1,398	5,593
Depletion on inventory	-	9,622	-	9,622	9,622	-	9,622	19,244
Bad debt expense	-	-	-	-	6,755	-	6,755	6,755
Currency transaction fluctuation (Note 2M)	-	-	-	-	19,480	-	19,480	19,480
Miscellaneous	5,178	9,026	6,447	20,651	7,092	4,513	11,605	32,256
<b>Total Expenses</b>	<b>\$ 462,105</b>	<b>\$ 425,406</b>	<b>\$ 106,132</b>	<b>\$ 993,643</b>	<b>\$ 229,633</b>	<b>\$ 368,340</b>	<b>\$ 597,973</b>	<b>\$ 1,591,616</b>

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

**FRENCH HERITAGE SOCIETY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(With Comparative Totals for December 31, 2010)**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 51,955	\$ (240,543)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	162	-
Unrealized (gain)/loss on investments	(11,751)	3,436
Subtotal	40,366	(237,107)
Changes in operating assets and liabilities:		
Grants receivable	7,015	106,109
Other receivables	(699)	725
Inventory	961	19,243
Prepaid expenses	(86,813)	(9,649)
Other assets	(10,493)	-
Accounts payable and accrued expenses	(11,639)	(11,100)
Deferred revenue	190,912	20,670
Restoration projects payable	(209,620)	123,203
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(80,010)</b>	<b>12,094</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(20,605)	(33,892)
Purchases of property and equipment	(4,867)	-
<b>Net Cash Used in Investing Activities</b>	<b>(25,472)</b>	<b>(33,892)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(105,482)</b>	<b>(21,798)</b>
Cash and cash equivalents, beginning of year	971,915	993,713
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 866,433</b>	<b>\$ 971,915</b>

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



**FRENCH HERITAGE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

French Heritage Society, Inc. (the "Organization"), formerly known as Friends of VMF, Inc., was established in 1981. The Organization is dedicated to preserving the French architectural, cultural and historical heritage and environment, and to fostering educational and cultural exchange between France and the United States.

The Organization has been determined by the Internal Revenue Service to be exempt from Federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America.
- B. The Organization considers all highly liquid instruments with maturities of 90 days or less, when acquired, to be cash and cash equivalents.
- C. The Organization maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of the Organization's operations over which the Board of Directors has discretionary control.
  - Temporarily Restricted – represents contributions and other inflows of assets that are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.
  - Permanently Restricted – represents those resources subject to donor imposed stipulations that they be maintained intact in perpetuity. The donor permits the use of all the income on related investments and the net capital appreciation thereon, for restricted purpose. There were no permanently restricted net assets as at December 31, 2011 and 2010.
- D. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes property and equipment with a cost of \$1,000 or more and a useful life greater than one year.
- E. Investments are stated at fair values. Unrealized and realized gains and losses and investment income are reported in the statement of activities in investment return, as increases or decreases in unrestricted net assets.
- F. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts were computed using risk-free interest rates applicable to the years in which the promises were received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**FRENCH HERITAGE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. In accordance with accounting principles generally accepted in the United States of America, contributions received are classified depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- H. Inventory consists of cultural and educational books and is valued at cost.
- I. Deferred revenue represents funds received in advance, but relating to future periods.
- J. Donated goods are recorded as support at their estimated fair value at the date of the donation. Each donation is reported as unrestricted support unless the donor has restricted it for a specific purpose. The value of these contributions is reflected in the accompanying financial statements as in-kind contributions in the accompanying statement of activities, since they are subject to objective measurement or valuation. The in-kind contributions for the years ended December 31, 2011 and 2010 amounted to \$9,782 and \$92,308, respectively.
- K. Donated services are recognized as contributions in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. There were no donated services for the years ended December 31, 2011 and 2010.
- L. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as described in Note 13.
- M. The functional currency of the New York office of the Organization is the U.S dollar. The functional currency of the Paris office is the Euro. Revenues and expenditures of the Paris office have been translated into U.S. dollars at the average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchanges on the statement of financial position date and net assets are translated at historical rates. The resulting translation gain and loss adjustments are recorded directly as a component of net assets. Foreign currency translation adjustments amounted to a gain of \$46,742 as at December 31, 2011.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statement of activities. The Organization has recorded realized transaction losses of \$49,576 and \$19,480 for the years ended December 31, 2011 and 2010, respectively.

- N. Functional expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated between program and supporting service classifications using estimates determined by management to be reasonable.

**FRENCH HERITAGE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- O. The Organization uses a combination of factors, such as management’s assessment of the credit worthiness of its sponsors, aged basis of the receivable, current economic conditions and historical experience to determine allowances for grants and other receivables. As of December 31, 2011 and 2010, the Organization determined that no allowance was necessary for grants and other receivables.
- P. The Organization has no uncertain tax positions as of December 31, 2011 and 2010 in accordance with Accounting Standards Codification (“ASC”) 740, which provides standards for establishing and classifying any tax provision for uncertain tax positions. The Organization is no longer subject to federal, state or local income tax examinations by the authorities for the years before 2008.
- Q. 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 certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- R. Certain items in the December 31, 2010 financial statements have been reclassified to conform with the December 31, 2011 presentation. These reclassifications had no impact on the change in net assets for the year ended December 31, 2010.
- S. Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 22, 2012, the date the financial statements were available to be issued. No events requiring recognitions or disclosures have occurred subsequent to the date of the statement of financial position.

**NOTE 3 – INVESTMENTS**

Investments consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
U.S. Common stock:		
Basic materials	\$ 48,351	\$ 27,012
Consumer goods	35,133	29,826
Healthcare	16,913	16,203
Technology	<u>19,467</u>	<u>14,467</u>
	<u>\$ 119,864</u>	<u>\$ 87,508</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment return consists of the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 4,866	\$ 2,793
Unrealized gain/(loss) on investments	<u>11,751</u>	<u>(3,436)</u>
	<u>\$ 16,617</u>	<u>\$ (643)</u>

**FRENCH HERITAGE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 4 – PREPAID EXPENSES**

Prepaid expenses consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Insurance	\$ 3,245	\$ 712
30 <sup>th</sup> anniversary event	76,120	464
Program expenses	-	10,335
Rent	11,261	-
Other	7,920	222
	<u>\$ 98,546</u>	<u>\$ 11,733</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Software and computer equipment	\$ 36,026	\$ 33,788	5 years
Furniture and equipment	3,924	1,295	5 years
	39,950	35,083	
Less: accumulated depreciation	<u>(35,245)</u>	<u>(35,083)</u>	
Net book value	<u>\$ 4,705</u>	<u>\$ -</u>	

Depreciation and amortization expense amounted to \$162 and \$ - 0- for the years ended December 31, 2011 and 2010, respectively.

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue consists of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Membership	\$ 116,169	\$ 102,655
Programs	41,224	22,000
30 <sup>th</sup> anniversary event	158,174	-
	<u>\$ 315,567</u>	<u>\$ 124,655</u>

**NOTE 7 – RESTORATION PROJECTS PAYABLE**

The Organization's obligation to pay grants and awards for restoration projects is incurred and recorded as a liability when all conditions of the grants and awards are met. The principal conditions to be met are the availability of matching funds, substantial completion of the projects, and submission of all supporting documentation. Of the total \$511,573 restoration projects payable, \$226,573 is payable in 2012, and the remaining balance of \$285,000 is payable in 2013.

In addition, the Organization is committed to other restoration projects, which are in the early stages and where all conditions have not been met. This commitment totaled \$55,000 and \$-0- at December 31, 2011 and 2010, respectively.

**FRENCH HERITAGE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 8 – COMMITMENTS**

The Organization has two lease agreements for its office spaces in New York, New York and Paris, France expiring on April 30, 2013 and September 30, 2017, respectively.

In addition, the Organization leases certain equipment under agreements expiring through June 30, 2012.

The approximate future minimum lease payments as of December 31, 2011 are as follows:

	<u>Equipment</u>	<u>Real Property</u>
2012	\$ 1,500	\$ 86,000
2013	-	53,000
2014	-	37,000
2015	-	37,000
2016	-	37,000
Thereafter	-	28,000
	<u>\$ 1,500</u>	<u>\$ 278,000</u>

Rent expense amounted to the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Equipment	<u>\$ 7,306</u>	<u>\$ 7,616</u>
Real property	<u>\$ 80,514</u>	<u>\$ 64,725</u>

**NOTE 9 – SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES**

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE IRA) for its eligible employees. The plan will provide individual retirement accounts in accordance with the Internal Revenue Code. The plan stipulates that the employer will make discretionary contributions in each of its taxable years (up to 3% of compensation) to the individual retirement accounts of all eligible employees. The Organization contributed \$3,000 and \$7,683 to the plan in for the years ended December 31, 2011 and 2010, respectively.

**NOTE 10 – CONCENTRATIONS**

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. In 2010 the basic limit on FDIC insurance was permanently increased to \$250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing accounts will be fully insured regardless of the amount in the account, at all FDIC-insured institutions. As of December 31, 2011 and 2010, the Organization had cash accounts with various financial institutions that exceeded the FDIC insurance limits by approximately \$264,000 and \$465,000, respectively.

**NOTE 11 – BOARD DESIGNATED NET ASSETS**

The Board of Directors of the Organization has established that all donations received for scholarships (\$13,000 and \$9,000 as of December 31, 2011 and 2010 respectively) would be separately accounted for as unrestricted net assets, designated for scholarships.

**FRENCH HERITAGE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

**NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
For restoration projects:		
Chateau de Chavaniac	\$ 20,500	\$ -
Chateau de Lacour d'Arcenay	10,000	-
Historic preservation internship program	<u>25,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 55,500</u>	<u>\$ -</u>

**NOTE 13 – FAIR VALUE MEASUREMENTS**

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted price in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in equities and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc).

Financial assets carried at fair value at December 31, 2011 and 2010 are classified in the fair value hierarchy in Level 1 as follows:

	<u>2011</u>	<u>2010</u>
	<u>Level 1</u>	<u>Level 1</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>		
U.S. Common stock:		
Basic materials	\$ 48,351	\$ 27,012
Consumer goods	35,133	29,826
Healthcare	16,913	16,203
Technology	<u>19,467</u>	<u>14,467</u>
	<u>\$ 119,864</u>	<u>\$ 87,508</u>