



**FRENCH HERITAGE SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
French Heritage Society, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the French Heritage Society, Inc. (the "Organization"), which are comprised of the statement of financial position as of December 31, 2015, the related statement of activities, of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Organization's 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; 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, 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 auditors consider internal control relevant to the Organization'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 Organization'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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, 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.

### **Adjustment to Prior-Period Net Asset Balances**

We have also audited the adjustments to the December 31, 2014 net asset balances in the accompanying statement of activities of the Organization, as indicated in Noted A[14]. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2014 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2014 financial statements taken as a whole.



New York, New York  
November 14, 2016

# FRENCH HERITAGE SOCIETY, INC.

## Statement of Financial Position December 31, 2015

### ASSETS

Cash and cash equivalents (Notes A[5] and K)	\$ 1,419,908
Pledges and contributions receivable, net (Notes A[9] and B)	237,413
Prepaid expenses and other assets	58,145
Property and equipment, net (Notes A[6] and C)	<u>2,984</u>
Total assets	<u>\$ 1,718,450</u>

### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable and accrued expenses	\$ 76,891
Deferred revenue (Notes A[9] and D)	216,538
Restoration-project awards payable (Note E)	<u>647,168</u>
Total liabilities	<u>940,597</u>

Commitments (Note J)

#### Net assets:

Unrestricted: (Note A[8])	
Operations	267,962
Board-designated fund - operating reserve	50,000
Board-designated fund - scholarships	<u>15,300</u>
	333,262
Temporarily restricted (Notes A[8] and F)	<u>444,591</u>

Total net assets 777,853

Total liabilities and net assets \$ 1,718,450

## FRENCH HERITAGE SOCIETY, INC.

### Statement of Activities For the Year Ended December 31, 2015

	Unrestricted			Temporarily Restricted	Total
	Operating	Board-Designated	Total		
<b>Public support and revenue:</b>					
Contributions (including in-kind contributions of \$86,674) (Note H)	\$ 509,958		\$ 509,958	\$ 379,228	\$ 889,186
Special and other fund-raising events (net of costs of direct benefit to donors of \$231,618)	510,816		510,816		510,816
Program revenue	213,899		213,899		213,899
Membership dues	118,225		118,225		118,225
Interest and dividend income	587		587		587
Other income	<u>32,260</u>		<u>32,260</u>		<u>32,260</u>
Total revenue and public support before net assets released from restrictions	1,385,745		1,385,745	379,228	1,764,973
Net assets released from restrictions (Note F)	<u>166,263</u>		<u>166,263</u>	<u>(166,263)</u>	<u>0</u>
Total public support and revenue	<u>1,552,008</u>		<u>1,552,008</u>	<u>212,965</u>	<u>1,764,973</u>
<b>Expenses:</b>					
Program services:					
Restoration projects (Note E) (including grants and awards of \$202,060)	434,399		434,399		434,399
Cultural exchange and educational programs (including grants and awards of \$54,888)	389,777		389,777		389,777
Membership services	<u>296,177</u>		<u>296,177</u>		<u>296,177</u>
Total program services	<u>1,120,353</u>		<u>1,120,353</u>		<u>1,120,353</u>
Supporting services:					
Management and general	410,374		410,374		410,374
Fund-raising	<u>202,993</u>		<u>202,993</u>		<u>202,993</u>
Total supporting services	<u>613,367</u>		<u>613,367</u>		<u>613,367</u>
Total expenses	<u>1,733,720</u>		<u>1,733,720</u>		<u>1,733,720</u>
<b>Change in net assets before gains on foreign-currency translation and transfer to board-designated fund</b>	(181,712)		(181,712)	212,965	31,253
Foreign-currency translation gains (Note A [10])	259,863		259,863		259,863
Transfer to board-designated operating reserve fund	<u>(50,000)</u>	\$ 50,000	<u>0</u>		<u>0</u>
<b>Increase in net assets</b>	<u>28,151</u>	<u>50,000</u>	<u>78,151</u>	<u>212,965</u>	<u>291,116</u>
Net assets - December 31, 2014 (as originally stated)	(5,609)	0	(5,609)	492,346	486,737
Adjustment (Note A[14])	<u>245,420</u>	<u>15,300</u>	<u>260,720</u>	<u>(260,720)</u>	<u>0</u>
Net assets - December 31, 2014, as restated	<u>239,811</u>	<u>15,300</u>	<u>255,111</u>	<u>231,626</u>	<u>486,737</u>
<b>Net assets - December 31, 2015</b>	<u>\$ 267,962</u>	<u>\$ 65,300</u>	<u>\$ 333,262</u>	<u>\$ 444,591</u>	<u>\$ 777,853</u>

See notes to financial statements

**FRENCH HERITAGE SOCIETY, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2015**

	Program Services				Supporting Services			Costs of Direct Benefit to Donors	Total Expenses
	Restoration Projects	Cultural Exchange and Educational Programs	Membership Services	Total Program Services	Management and General	Fund-Raising	Total Supporting Services		
Salaries	\$ 73,970	\$ 73,346	\$ 82,449	\$ 229,765	\$ 91,182	\$ 82,140	\$ 173,322		\$ 403,087
Payroll taxes and employee benefits	<u>20,566</u>	<u>20,392</u>	<u>22,923</u>	<u>63,881</u>	<u>25,351</u>	<u>22,838</u>	<u>48,189</u>		<u>112,070</u>
Total salaries and related costs	94,536	93,738	105,372	293,646	116,533	104,978	221,511		515,157
Direct benefit to donors				0			0	\$ 231,618	231,618
Grants and awards	202,060	54,888		256,948			0		256,948
Program materials and hospitality		100,355		100,355			0		100,355
Accounting and legal				0	144,366		144,366		144,366
Communications and website	6,477	6,422	7,219	20,118	7,984	7,192	15,176		35,294
Postage	2,593	2,571	2,890	8,054	3,197	2,880	6,077		14,131
Occupancy	21,978	14,370	10,144	46,492	18,597	19,442	38,039		84,531
Publications			39,249	39,249			0		39,249
Board meetings	7,651	7,651	7,651	22,953	7,651	7,651	15,302		38,255
Office expenses	4,447	4,409	4,956	13,812	5,481	7,531	13,012		26,824
Data processing	5,007	4,965	5,581	15,553	6,172	5,560	11,732		27,285
Promotion	13,136	13,025	14,641	40,802	4,014	7,026	11,040		51,842
Staff hotels and travel	6,693	16,397	7,460	30,550	8,251	7,433	15,684		46,234
Consultants			2,519	2,519	840		840		3,359
Repairs and maintenance	263	261	293	817	324	292	616		1,433
Bad-debts provision			11,738	11,738			0		11,738
Depreciation and amortization	236	234	264	734	101	72	173		907
Currency transaction fluctuation (Note A [10])	58,687	58,272	64,347	181,306	60,869	26,908	87,777		269,083
Miscellaneous	<u>10,635</u>	<u>12,219</u>	<u>11,853</u>	<u>34,707</u>	<u>25,994</u>	<u>6,028</u>	<u>32,022</u>		<u>66,729</u>
<b>Total expenses</b>	434,399	389,777	296,177	1,120,353	410,374	202,993	613,367	231,618	1,965,338
Less costs of direct benefit to donors								(231,618)	(231,618)
<b>Grand total</b>	<u>\$ 434,399</u>	<u>\$ 389,777</u>	<u>\$ 296,177</u>	<u>\$ 1,120,353</u>	<u>\$ 410,374</u>	<u>\$ 202,993</u>	<u>\$ 613,367</u>	<u>\$ 0</u>	<u>\$ 1,733,720</u>

## FRENCH HERITAGE SOCIETY, INC.

### Statement of Cash Flows Year Ended December 31, 2015

#### Cash flows from operating activities:

Increase in net assets	\$ 291,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	907
Bad-debts provision	11,738
Changes in:	
Pledges and contributions receivable	(25,039)
Prepaid expenses and other assets	(24,584)
Accounts payable and accrued expenses	11,640
Deferred revenue	56,345
Restoration-project awards payable	<u>(31,190)</u>
Net cash provided by operating activities	<u>290,933</u>

#### Cash flows from investing activities:

Purchases of property and equipment	<u>(1,542)</u>
Net cash used in investing activities	<u>(1,542)</u>

#### Net increase in cash and cash equivalents

Cash and cash equivalents - beginning of year	<u>1,130,517</u>
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Cash and cash equivalents - end of year	<u>\$ 1,419,908</u>
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# FRENCH HERITAGE SOCIETY, INC.

## Notes to Financial Statements December 31, 2015

### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

#### [1] The Organization:

The French Heritage Society, Inc. (the "Organization"), formerly known as Friends of VMF, Inc., was established in New York in 1981. The mission of the Organization is to ensure that the treasures of our shared French architectural and cultural heritage survive to inspire future generations to build, dream and create by:

- preserving the rich French architectural and cultural heritage throughout France and in the US by raising funds for restoration, preservation and cultural grants;
- transmitting and safeguarding the skills, knowledge and love of the heritage through transatlantic educational programs for students, architects, artisans, art connoisseurs and collectors; and
- fostering Franco-American friendship and cross-cultural exchange through select tours in France and the US, lectures, conferences, galas and other events on both sides of the Atlantic.

The Organization's activities are supported through a network of 11 Chapters in the United States and one in France. The Chapters, which are managed through an extensive volunteer network, are organized for a variety of cultural, social and fundraising events for its members. Proceeds from Chapter fundraising events have been designated for specific grants which the Organization's Board of Directors has voted to fund.

The Organization has been determined by the Internal Revenue Service to be a charitable organization as defined by Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and, accordingly, is exempt from federal income taxes under Section 501(a) of the Code and from state and local income taxes under comparable laws.

#### [2] Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities. The financial statements include the net assets and activities of both the Organization's New York and Paris offices.

#### [3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Fair-value measurements:

The Organization reports a fair-value measurement of all applicable financial assets and liabilities.

#### [5] Cash and cash equivalents:

The Organization considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents for financial-statement reporting purposes.

#### [6] Property and equipment:

Property and equipment are reported at their original costs less accumulated depreciation or amortization. Depreciation is provided on a straight-line basis over 3-5 years. The Organization capitalizes property and equipment with a cost of \$1,000 or more and a useful life greater than one year.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2015

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [7] Deferred revenue:

Special event revenue from advance ticket sales prior to December 31, but which are applicable to the following year, are deferred and recognized in the year that the event is held.

##### [8] Net assets:

The net assets of the Organization and the changes therein are classified and reported as follows:

###### (i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions.

The Organization's Board of Directors has designated a portion of unrestricted net asset to fund scholarships to students participating in educational programs. As of December 31, 2015, the Organization had designated \$15,300 for scholarships. Additionally, the Board authorized a transfer, effective December 31, 2015, of \$50,000 from the Organization's accumulated earnings surplus to establish a board-designated operating reserve. At year-end, board-designated net assets were \$65,300.

###### (ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to donor imposed restrictions that will be met either by specific actions and/or by the passage of time. When a donor's time or purpose-restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as "net assets released from restrictions."

##### [9] Revenue recognition:

###### (i) *Contributions and pledges:*

Contributions to the Organization are recognized as revenue upon the receipt of cash or other assets or of unconditional pledges. Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. Contributions to be received after one year are discounted at an appropriate interest rate commensurate with the risk involved. Revenue from conditional contributions received is recorded as revenue by the Organization, once conditions have been met. Bequests are recorded as revenue when a legally binding obligation exists and a fair value can reasonably be determined.

Donated securities are recorded at their estimated fair values at the date of donation. The Organization's policy is to sell donated securities immediately, and, accordingly, for purposes of the accompanying statements of cash flows, donated securities received and the proceeds generated from their sale in the same year are included in operating activities.

###### (ii) *Membership dues:*

Membership dues are recorded as revenue in the applicable membership period. Dues received in advance, for benefits to be received in the following year, are reported as deferred revenue.



## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2015

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Revenue recognition: (continued)

(iii) *Donated goods and services:*

Contributed goods are recognized at their fair values on the dates of donation. Contributions of services are recorded as both revenue and expense in the year in which they are received, provided that the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated (see Note H).

(iv) *Volunteers:*

A substantial number of members of the Board of Directors and other volunteers have donated significant amounts of their time and support through fund-raising and participation in events in furtherance of the Organization's mission. The value of this donated volunteer time is not reported in the accompanying financial statements, as it does not meet the criteria for recognition under generally accepted accounting principles.

##### [10] Foreign-currency translations and transactions:

Foreign-currency translation gains or losses are the inherent result off the process of translating, into U.S. dollars, the functional currency of the Paris office, the Euro. For assets and liabilities, such annual translation adjustments are not included in determining the net increase in assets from operations, but they are instead disclosed as a separate component in the accompanying statements of activities. Foreign-currency translation adjustments amounted to gains of \$259,863 in 2015.

Income and expenses that arise from exchange-rate fluctuations on transactions, denominated in a currency other than the functional currency, are included in the accompanying statements of activities and of functional expenses. In 2015, foreign-currency transaction expenses were \$269,083.

##### [11] Functional allocation of expenses:

The expenses of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses that can be directly identified with a program or supporting service are reported within the respective functions accordingly. Expenses which are not readily identified with a particular function are allocated among program and supporting services in reasonable ratios determined by management.

##### [12] Income tax uncertainties:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Due to its general tax-exempt status, management believes that ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements.

##### [13] Recent accounting pronouncement:

In August 2016, the FASB issued Accounting Standards update ("ASU") No. 2016-14, "Not-for-Profit Entities" (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources), to donors, grantors, creditors and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classes, (ii) investment returns, (iii) expenses, (iv) liquidity and availability of resources, and (v) presentation of operating cash flows. The new standard is effective for annual periods issued for fiscal-years beginning after December 31, 2017.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2015

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [14] Restatement of opening net asset balances:

Net assets as of December 31, 2014 have been adjusted to account for additional releases, not previously made, from certain temporarily restricted net asset categories.

##### [15] Subsequent events:

The Organization evaluated its December 31, 2015 financial statements for subsequent events through November 14, 2016, the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

#### NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLE

At December 31, 2015, pledges and contributions were estimated to be received as follows:

Amounts expected to be collected in:	
Less than one year	\$ 226,159
One to five years	<u>12,000</u>
	238,159
Reduction of pledges and contributions due in excess of one year, at a discount rate of 4%	<u>(746)</u>
	<u>\$ 237,413</u>

Based on the Organization's prior experience with donors, management expects all pledges and contributions to be fully collectible. Accordingly, no provision for doubtful accounts has been recorded.

#### NOTE C - PROPERTY AND EQUIPMENT

At December 31, 2015, the Organization's property and equipment consisted of the following:

Software and computer equipment	\$ 38,044
Furniture and equipment	<u>4,497</u>
	42,541
Less accumulated depreciation	<u>(39,557)</u>
	<u>\$ 2,984</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2015

#### NOTE D - DEFERRED REVENUE

At December 31, 2015, deferred revenue consisted of the following:

Membership	\$ 190,438
From special events	<u>26,100</u>
	<u>\$ 216,538</u>

#### NOTE E - RESTORATION-PROJECT AWARDS

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 condition of which is the availability of matching funds. Grants are payable over the restoration period, generally ranging from one to four years, although certain project grants remain payable for longer periods to accommodate continued fund-raising efforts.

Additionally, the Organization has selected future restoration projects ("future projects") as potential grantees, the conditions for funding of which have not yet been met by the project sponsors. As of December 31, 2015, the Organization's conditional commitment for these future projects was approximately \$329,000. Following approval of these future projects, and in anticipation of such projects' meeting the conditions for funding, the Organization commenced fundraising for these projects. As of December 31, 2015, the Organization had received approximately \$252,000 in contributions designated for these projects and such amount is reflected in temporarily restricted net assets.

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015, temporarily restricted net assets consisted of the following:

Restricted for the following purposes:	
Chateau de Chavaniac	\$ 4,265
Chateau de Lacour d'Arcenay	300
Historic preservation internship program	2,443
Monticello	23,581
Fontainebleau	10,092
Chappelle Hotel Dieu	119,700
Chateau de la Tourette	5,100
Chapel Saint Marie-Les-Anglais	86,111
Future projects to be designated by donor	165,000
Travel - donated airline tickets	<u>27,999</u>
	<u>\$ 444,591</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2015

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During 2015, net assets released from restrictions, as the result of satisfying donor restrictions, were as follows:

Chateau de Chavaniac	\$	9,010
Historic preservation internship program		53,412
Gizeux		1,497
Fontainebleau		60,000
Synagogue Beit Yaacov		343
Travel - donated airline tickets		<u>42,001</u>
	\$	<u>166,263</u>

#### NOTE G - MAJOR DONORS

In 2015, the Organization received approximately 13% of total support and revenue from two donors.

#### NOTE H - DONATED GOODS AND SERVICES

During 2015, the Organization received donated goods and services as follows:

Donated goods:		
Airline tickets	\$	70,000
For special events		<u>1,674</u>
		<u>71,674</u>
Donated services:		
Legal		<u>15,000</u>
		<u>15,000</u>
Total donated goods and services	\$	<u>86,674</u>

**FRENCH HERITAGE SOCIETY, INC.**

**Notes to Financial Statements  
December 31, 2015**

**NOTE I - EMPLOYEE-BENEFIT PLANS**

Prior to 2015, the Organization had a Savings Incentive Match Plan for Employees for its eligible employees. The plan, which provided individual retirement accounts ("IRAs") in accordance with the U.S. Internal Revenue Code, stipulated that the employer could make discretionary contributions in each of its taxable years (up to 3% of compensation) to the IRAs of all eligible employees. In 2015, the Organization terminated the plan.

Thereafter, effective January 1, 2015, the Organization established a new 401(k) and Profit Sharing Plan (the "401(k) Plan"), under which the Organization matches 3% of each eligible participant's compensation. In 2015, the Organization contributed \$3,683 to the 401(k) Plan.

**NOTE J - COMMITMENTS**

**[1] Leases:**

At each year-end, the Organization was obligated under various non-cancellable lease agreements. The leases for office spaces in New York and Paris expire on April 30, 2018 and September 30, 2017, respectively. In addition, the Organization leases certain equipment under agreements expiring through June 30, 2017.

The approximate future minimum lease payments as of December 31, 2015 were as follows:

<u>Year</u>	<u>Total</u>
2016	\$ 84,000
2017	75,000
2018	<u>15,000</u>
	<u>\$ 174,000</u>

**[2] Other contracts:**

In the normal course of business, the Organization enters into various contracts and agreements for professional and other services, which are typically renewable on a year-to-year basis.

**NOTE K - CONCENTRATION**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, may exceed federal insurance limits. Additionally, the Organization maintains a foreign bank account which is not insured. The uninsured portions of deposits are backed solely by assets of the deposit institution. As such, the failure of a deposit institution could result in financial loss to the Organization.

At December 31, 2015, the Organization had deposits in insured cash accounts that exceeded the Federal Deposit Insurance Corporation "FDIC" insurance limit by approximately \$1,228,000. Additionally, as of December 31, 2015 the Organization had approximately \$18,000 in foreign bank accounts which are not insured by the FDIC.