

**EISNERAMPER**

**FRENCH HERITAGE SOCIETY, INC.**

**FINANCIAL STATEMENTS**  
**(as of and for the years ended)**

**DECEMBER 31, 2017 and 2016**



## 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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Correction of an Error*

As discussed in Note A[13] to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the French Heritage Society, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP  
New York, New York  
November 1, 2018



**FRENCH HERITAGE SOCIETY, INC.****Statements of Financial Position**

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u> <u>(as restated)</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes A[4] and J)	\$ 1,180,543	\$ 1,482,030
Pledges and contributions receivable, net (Notes A[7] and B)	322,184	122,815
Prepaid expenses and other assets	78,520	71,843
Property and equipment, net (Notes A[5] and C)	<u>56,688</u>	<u>30,780</u>
	<u>\$ 1,637,935</u>	<u>\$ 1,707,468</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 62,238	\$ 58,734
Deferred revenue (Notes A[7] and D)	53,343	24,226
Restoration-project grants and awards payable (Note E)	<u>298,566</u>	<u>465,891</u>
Total liabilities	<u>414,147</u>	<u>548,851</u>
Commitment (Note I)		
Net assets:		
Unrestricted: (Note A[6])		
Operations	293,873	532,600
Board-designated fund - operating reserve	150,000	100,000
Board-designated fund - scholarships	<u>0</u>	<u>15,300</u>
	443,873	647,900
Temporarily restricted (Notes A[6] and F)	<u>779,915</u>	<u>510,717</u>
Total net assets	<u>1,223,788</u>	<u>1,158,617</u>
	<u>\$ 1,637,935</u>	<u>\$ 1,707,468</u>

# FRENCH HERITAGE SOCIETY, INC.

## Statement of Activities

Year Ended December 31, 2017

(with summarized financial information for 2016)

	Unrestricted		Temporarily Restricted	Total	
	Operating	Board-Designated		Unrestricted Total	2017
<b>Public support and revenue:</b>					
Contributions (including in-kind contributions of \$250,048 in 2017 and \$195,766 in 2016) (Note G)	\$ 897,729		\$ 578,598	\$ 1,476,327	\$ 958,698
Special and other fund-raising events (net of costs of direct benefit to donors of \$557,216 and \$394,882 in 2017 and 2016, respectively)	463,852			463,852	360,858
Program revenue	143,227			143,227	126,206
Membership dues	131,244			131,244	100,499
Interest and dividend income	578			578	427
Other income	107,436			107,436	16,225
Total public support and revenue before net assets released from restrictions	1,744,066		578,598	2,322,664	1,562,913
Net assets released from restrictions (Note F)	309,400		(309,400)	0	0
Total public support and revenue	2,053,466		269,198	2,322,664	1,562,913
<b>Expenses:</b>					
Program services:					
Restoration projects (Note E) (including grants and awards of \$532,953 and \$126,211 in 2017 and 2016, respectively)	614,752			614,752	295,398
Cultural exchange and educational programs (including grants and awards of \$91,119 in 2017 and \$34,284 in 2016)	651,706			651,706	349,497
Membership services	207,622			207,622	284,152
Total program services	1,474,080			1,474,080	929,047
Supporting services:					
Management and general	369,512			369,512	254,806
Fund-raising	236,315			236,315	169,187
Total supporting services	605,827			605,827	423,993
Total expenses	2,079,907			2,079,907	1,353,040
<b>Change in net assets before losses on foreign-currency translation and transfer to board-designated fund</b>	(26,441)		269,198	242,757	209,873
Foreign-currency translation losses (Note A[8])	(177,586)			(177,586)	(17,144)
Transfer to board-designated operating reserve fund	(50,000)	\$ 50,000			
Transfer from board-designated scholarship reserve fund	15,300	(15,300)			
Expiration of donated tickets					(27,999)
<b>Change in net assets</b>	(238,727)	34,700	269,198	65,171	164,730
Net assets, beginning of year, as restated (Note [A13])	532,600	115,300	510,717	1,158,617	993,887
<b>Net assets, end of year</b>	\$ 293,873	\$ 150,000	\$ 779,915	\$ 1,223,788	\$ 1,158,617

See notes to financial statements.

# FRENCH HERITAGE SOCIETY, INC.

## Statement of Activities

Year Ended December 31, 2016 (as restated)

	Unrestricted			Temporarily Restricted	Total
	Operating	Board-Designated	Unrestricted Total		
<b>Public support and revenue:</b>					
Contributions (including in-kind contributions of \$195,766) (Note G)	\$ 734,778		\$ 734,778	\$ 223,920	\$ 958,698
Special and other fund-raising events (net of costs of direct benefit to donors of \$394,882)	360,858		360,858		360,858
Program revenue	126,206		126,206		126,206
Membership dues	100,499		100,499		100,499
Interest and dividend income	427		427		427
Other income	16,225		16,225		16,225
	<u>1,338,993</u>		<u>1,338,993</u>	223,920	1,562,913
Total public support and revenue before net assets released from restrictions				223,920	1,562,913
Net assets released from restrictions (Note F)	<u>157,794</u>		<u>157,794</u>	<u>(157,794)</u>	<u>0</u>
Total public support and revenue	<u>1,496,787</u>		<u>1,496,787</u>	<u>66,126</u>	<u>1,562,913</u>
<b>Expenses:</b>					
Program services:					
Restoration projects (Note E) (including grants and awards of \$126,211)	295,398		295,398		295,398
Cultural exchange and educational programs (including grants and awards of \$34,284)	349,497		349,497		349,497
Membership services	<u>284,152</u>		<u>284,152</u>		<u>284,152</u>
Total program services	<u>929,047</u>		<u>929,047</u>		<u>929,047</u>
Supporting services:					
Management and general	254,806		254,806		254,806
Fund-raising	<u>169,187</u>		<u>169,187</u>		<u>169,187</u>
Total supporting services	<u>423,993</u>		<u>423,993</u>		<u>423,993</u>
Total expenses	<u>1,353,040</u>		<u>1,353,040</u>		<u>1,353,040</u>
<b>Increase in net assets before losses on foreign-currency translation and transfer to board-designated fund</b>	143,747		143,747	66,126	209,873
Foreign-currency translation losses (Note A[8])	(17,144)		(17,144)		(17,144)
Transfer to board-designated operating reserve fund	(50,000)	\$ 50,000			
Expiration of donated tickets	<u>(27,999)</u>		<u>(27,999)</u>		<u>(27,999)</u>
<b>Change in net assets</b>	<u>48,604</u>	<u>50,000</u>	<u>98,604</u>	<u>66,126</u>	<u>164,730</u>
Net assets, beginning of year, as originally reported	267,962	65,300	333,262	444,591	777,853
Restatement adjustment (Note A[13])	<u>216,034</u>		<u>216,034</u>		<u>216,034</u>
Net assets, beginning of year, as restated	<u>483,996</u>	<u>65,300</u>	<u>549,296</u>	<u>444,591</u>	<u>993,887</u>
<b>Net assets, end of year</b>	<u>\$ 532,600</u>	<u>\$ 115,300</u>	<u>\$ 647,900</u>	<u>\$ 510,717</u>	<u>\$ 1,158,617</u>

See notes to financial statements.

# FRENCH HERITAGE SOCIETY, INC.

## Statement of Functional Expenses

Year Ended December 31, 2017

(with summarized financial information from 2016)

	December 31, 2017									
	Program Services				Supporting Services			Costs of Direct Benefit to Donors	Total Expenses	2016 Total Expenses
	Restoration Projects	Cultural Exchange and Educational Programs	Membership Services	Total Program Services	Management and General	Fund-Raising	Total Supporting Services			
Salaries	\$ 42,069	\$ 164,272	\$ 68,021	\$ 274,362	\$ 127,840	\$ 71,781	\$ 199,621		\$ 473,983	\$ 365,872
Payroll taxes and employee benefits	13,874	53,642	20,124	87,640	42,855	18,749	61,604		149,244	168,344
Total salaries and related costs	55,943	217,914	88,145	362,002	170,695	90,530	261,225		623,227	534,216
Costs of direct benefit to donors								\$ 557,216	557,216	394,882
Grants and awards	532,953	91,119		624,072					624,072	160,495
Program materials and hospitality		177,844	9,530	187,374					187,374	108,184
Accounting and legal					52,000		52,000		52,000	92,403
Communications and website	1,397	4,697	2,071	8,165	3,543	3,021	6,564		14,729	16,905
Postage	3,890	7,106	4,583	15,579	889	8,299	9,188		24,767	18,199
Occupancy	9,289	30,533	12,728	52,550	20,746	19,115	39,861		92,411	86,159
Publications			32,943	32,943					32,943	43,287
Board meetings					41,713		41,713		41,713	21,975
Office expenses	1,603	5,378	2,356	9,337	4,007	3,448	7,455		16,792	22,975
Data processing	2,169	8,667	5,257	16,093	10,978	6,602	17,580		33,673	25,466
Promotion		34,038		34,038		31,729	31,729		65,767	75,684
Staff hotels and travel	107	16,741	91	16,939	18,332	4,529	22,861		39,800	31,546
Consultants	3,906	10,156	2,500	16,562	8,438	6,250	14,688		31,250	68,750
Bad-debts provision					14,272		14,272		14,272	
Depreciation and amortization	964	3,857	2,345	7,166	4,901	2,942	7,843		15,009	2,204
Miscellaneous	2,531	43,656	45,073	91,260	18,998	59,850	78,848		170,108	44,592
Total expenses	614,752	651,706	207,622	1,474,080	369,512	236,315	605,827	557,216	2,637,123	1,747,922
Less costs of direct benefit to donors								(557,216)	(557,216)	(394,882)
<b>Grand total</b>	<b>\$ 614,752</b>	<b>\$ 651,706</b>	<b>\$ 207,622</b>	<b>\$ 1,474,080</b>	<b>\$ 369,512</b>	<b>\$ 236,315</b>	<b>\$ 605,827</b>	<b>\$ 0</b>	<b>\$ 2,079,907</b>	<b>\$ 1,353,040</b>

See notes to financial statements.

# FRENCH HERITAGE SOCIETY, INC.

## Statement of Functional Expenses Year Ended December 31, 2016

	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	\$ 73,174	\$ 73,174	\$ 87,810	\$ 234,158	\$ 58,540	\$ 73,174	\$ 131,714		\$ 365,872
Payroll taxes and employee benefits	<u>33,669</u>	<u>33,669</u>	<u>40,402</u>	<u>107,740</u>	<u>26,935</u>	<u>33,669</u>	<u>60,604</u>		<u>168,344</u>
Total salaries and related costs	106,843	106,843	128,212	341,898	85,475	106,843	192,318		534,216
Costs of direct benefit to donors								\$ 394,882	394,882
Grants and awards	126,211	34,284		160,495					160,495
Program materials and hospitality		108,184		108,184					108,184
Accounting and legal					92,403		92,403		92,403
Communications and website	3,381	3,381	4,057	10,819	2,705	3,381	6,086		16,905
Postage	3,640	3,640	4,367	11,647	2,912	3,640	6,552		18,199
Occupancy	17,232	17,232	20,678	55,142	13,785	17,232	31,017		86,159
Publications			43,287	43,287					43,287
Board meetings					21,975		21,975		21,975
Office expenses	4,595	4,595	5,514	14,704	3,676	4,595	8,271		22,975
Data processing	5,093	5,093	6,112	16,298	4,075	5,093	9,168		25,466
Promotion		37,842	37,842	75,684					75,684
Staff hotels and travel	6,309	6,309	7,571	20,189	5,048	6,309	11,357		31,546
Consultants	13,750	13,750	16,500	44,000	11,000	13,750	24,750		68,750
Depreciation and amortization	441	441	529	1,411	352	441	793		2,204
Miscellaneous	<u>7,903</u>	<u>7,903</u>	<u>9,483</u>	<u>25,289</u>	<u>11,400</u>	<u>7,903</u>	<u>19,303</u>		<u>44,592</u>
Total expenses	295,398	349,497	284,152	929,047	254,806	169,187	423,993	394,882	1,747,922
Less costs of direct benefit to donors								(394,882)	(394,882)
<b>Grand total</b>	<u>\$ 295,398</u>	<u>\$ 349,497</u>	<u>\$ 284,152</u>	<u>\$ 929,047</u>	<u>\$ 254,806</u>	<u>\$ 169,187</u>	<u>\$ 423,993</u>	<u>\$ 0</u>	<u>\$ 1,353,040</u>

See notes to financial statements.

**FRENCH HERITAGE SOCIETY, INC.**

**Statements of Cash Flows**

	Year Ended December 31,	
	2017	2016 (as restated)
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 65,171	\$ 164,730
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	15,009	2,204
Bad-debts provision	14,272	
Changes in:		
Pledges and contributions receivable	(213,641)	114,598
Prepaid expenses and other assets	(6,677)	(13,698)
Accounts payable and accrued expenses	3,504	(18,157)
Deferred revenue	29,117	23,722
Restoration-project grants and awards payable	<u>(167,325)</u>	<u>(181,277)</u>
Net cash (used in) provided by operating activities	<u>(260,570)</u>	<u>92,122</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(40,917)</u>	<u>(30,000)</u>
<b>Change in cash and cash equivalents</b>	<b>(301,487)</b>	62,122
Cash and cash equivalents, beginning of year	<u>1,482,030</u>	<u>1,419,908</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 1,180,543</u></b>	<b><u>\$ 1,482,030</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Donated goods and services	<u>\$ 250,048</u>	<u>\$ 195,766</u>



## **FRENCH HERITAGE SOCIETY, INC.**

### **Notes to Financial Statements December 31, 2017 and 2016**

#### **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 incorporated as a not-for-profit corporation in the State of 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 U.S. 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 Chapters in the United States and one in France. The Chapters, which are managed through an extensive volunteer network, organize a variety of cultural, social and fundraising events for its members. Proceeds from Chapter fundraising events are 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.

##### **[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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

##### **[3] Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP 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] 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.

##### **[5] Property and equipment:**

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Organization capitalizes items of property and equipment that have a cost of \$1,000 or more and a useful life greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of furniture, equipment, and software and computer equipment is provided using the straight-line method over three to five years, the estimated useful lives of the related assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

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

##### [5] Property and equipment: (continued)

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### [6] 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 assets to fund scholarships to students participating in educational programs. During 2017, the Organization authorized transfers of \$15,300 from board-designated scholarship reserve fund to unrestricted net assets to fund educational programs. Additionally, the Board authorized transfers, effective December 31, 2017 and 2016 of \$50,000, respectively, from the Organization's accumulated earnings surplus to the board-designated operating reserve. At December 31, 2017 and 2016, Board-designated net assets were \$150,000 and \$115,300, respectively.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Fund Act ("NYPMIFA") and those resources for which the use has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished or funds are appropriated through an action of the Board of Directors, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as "net assets released from restrictions."

##### [7] 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 donor restricts 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. 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.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

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

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

(ii) *Program revenue:*

Revenue from admissions to programs conducted by the Organization is recognized in the year the program is held.

(iii) *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.

(iv) *Programs and special events:*

Programs and special events are recorded as revenue in the applicable period that the program and or the event occurs. Programs and special events received in advance, which occur in the following year, are reported as deferred revenue.

(v) *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 G).

(vi) *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 organizing and participating 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.

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

Foreign-currency translation gains or losses are the inherent result of the process of translating, into U.S. dollars, the functional currency of the Paris office, which is 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 losses of \$177,586 and \$17,144 in 2017 and 2016, respectively.

##### [9] 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. Indirect costs have been allocated based upon various methodologies including salaries.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

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

##### [10] 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.

##### [11] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing 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 classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and the availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization will adopt the accounting pronouncement in 2018.

##### [12] Subsequent events:

The Organization evaluated subsequent events through November 1, 2018, the date the financial statements were available to be issued.

##### [13] Restatement:

During fiscal-year 2017, management of the Organization determined, with respect to membership dues paid in advance of the period during which the related benefits would be received, that rather than deferring the entire amount of such dues to the period when the benefits would be received, to change its policy so that only that portion of the membership dues in advance of the applicable membership period would be deferred to the period during which benefits provided from the Organization would be received by the member. The contribution portion of such dues would henceforth be recognized in the period when received. The disclosures in the accompanying financial statements have been appropriately restated to present the Organization's changes in net assets at December 31, 2016 and 2015 as if such change in policy had been in effect during such years, and as such, net assets for 2016 and 2015 have been decreased and increased by approximately \$38,000 and \$216,000, respectively.

**FRENCH HERITAGE SOCIETY, INC.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

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

**[13] Restatement: (continued)**

The following table summarizes the effects of the restatement on the Organization's changes in net assets for the year ended December 31, 2016 and net assets as of December 31, 2016:

	<b>Change in Unrestricted Net Assets for Year Ended December 31, 2016</b>	<b>Change in Board Designated Net Assets for Year Ended December 31, 2016</b>	<b>Change in Temporarily Restricted Net Assets for Year Ended December 31, 2016</b>	<b>Change in Total Net Assets for Year Ended at December 31, 2016</b>
As previously stated	\$ 87,052	\$ 50,000	\$ 66,126	\$ 203,178
Effect of restatement	<u>(38,448)</u>	<u>                    </u>	<u>                    </u>	<u>(38,448)</u>
As restated	<u>\$ 48,604</u>	<u>\$ 50,000</u>	<u>\$ 66,126</u>	<u>\$ 164,730</u>
	<b>Unrestricted Net Assets for Year Ended December 31, 2016</b>	<b>Board Designated Net Assets for Year Ended December 31, 2016</b>	<b>Temporarily Restricted Net Assets for Year Ended December 31, 2016</b>	<b>Total Net Assets for Year Ended at December 31, 2016</b>
As previously stated	\$ 355,014	\$ 115,300	\$ 510,717	\$ 981,031
Effect of restatement:				
December 31, 2016	(38,448)	<u>                    </u>	<u>                    </u>	(38,448)
December 31, 2015	<u>216,034</u>	<u>                    </u>	<u>                    </u>	<u>216,034</u>
As restated	<u>\$ 532,600</u>	<u>\$ 115,300</u>	<u>\$ 510,717</u>	<u>\$ 1,158,617</u>

**[14] Reclassification:**

Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation. This reclassification had no effect on the previously reported change in net assets.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLE

At each year-end, pledges receivable are estimated to be received as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Amounts expected to be collected in:		
Less than one year	\$ 336,456	\$ 117,561
One to five years	<u>0</u>	<u>6,000</u>
	336,456	123,561
Reduction of pledges and contributions due in excess of one year, at a discount rate of 4%	<u>0</u>	<u>(746)</u>
	336,456	122,815
Less estimated uncollectible amounts	<u>(14,272)</u>	<u>          </u>
	<u>\$ 322,184</u>	<u>\$ 122,815</u>

#### NOTE C - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 42,389	\$ 38,044
Leasehold Improvement	66,572	30,000
Furniture and equipment	<u>4,497</u>	<u>4,497</u>
	113,458	72,541
Less accumulated depreciation and amortization	<u>(56,770)</u>	<u>(41,761)</u>
	<u>\$ 56,688</u>	<u>\$ 30,780</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE D - DEFERRED REVENUE

At each year-end, deferred revenue consisted of the following:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Membership	\$ 11,508	\$ 16,474
From programs	935	485
From special events	<u>40,900</u>	<u>7,267</u>
	<u>\$ 53,343</u>	<u>\$ 24,226</u>

#### NOTE E - RESTORATION-PROJECT GRANTS AND 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 and awards are payable over the restoration period, generally ranging from one to four years, although certain project grants remain payable for longer periods, to accommodate either continued fund-raising efforts or the completion of the project.

At each year-end, grants and awards payable are estimated to be paid as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Amounts expected to be paid in:		
Less than one year	\$ 212,006	\$ 290,731
One to four years	<u>86,560</u>	<u>175,160</u>
	<u>\$ 298,566</u>	<u>\$ 465,891</u>

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. The Organization's conditional commitments for these future projects totaled approximately \$877,000 and \$345,000 as of December 31, 2017 and 2016, respectively. Following approval of these future projects, and in anticipation of such projects' meeting the conditions for funding, the Organization commenced fund-raising for these projects. As a result of such fund-raising efforts, the Organization had on hand a total of approximately \$650,000 and \$244,000 as of December 31, 2017 and 2016, respectively, as contributions designated for future projects, and such amounts are reported in temporarily restricted net assets.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets consisted of the following:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Restricted for the following purposes:		
Historic preservation internship program	\$ 21,203	\$ 44,353
Venetian Room	25,000	25,000
Chateau de Chavaniac	7,815	5,265
Chapelle Saint Marie-Les-Anglais	37,756	37,756
Chateau de la Tourette	5,100	5,100
Versailles Met Exhibit	50,000	100,000
Chateau de Commarque	60,000	60,000
Hotel de la Monnaie – Paris	10,000	10,000
Flood Damaged Chambord	13,964	13,963
Abbaye de Longues	2,190	500
Closter of the Chartreux Toulouse	10,500	10,500
Petite Plaisance	904	1,107
Prieure Mont St Michel	10,000	
Mont St Michel Cloister	168,000	
Orangerie de Bagatelle	25,776	
Stanton Hall Louisiana Chapter	10,000	
Rochambeau Monument	57,600	
Chateau de la Ferte St. Aubin	6,479	
St Omer Foundation	35,128	
Palais de Compiegne	110,000	
Chateau de l'Oustal	94,500	
Chateau de Verteuil	3,000	
Chateau de Lacour d'Arcenay		300
Chapelle Hotel Dieu		119,700
Fontainebleau		10,342
Monticello		23,581
Apotheosis of Saint-Louis		10,000
Temple de Chateau-Thierry		2,000
Vaux-Le-Vicomte		1,250
Future projects	15,000	30,000
	<b><u>\$ 779,915</u></b>	<b><u>\$ 510,717</u></b>



## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

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

During the years ended December 31, 2017 and 2016, respectively, net assets released from restrictions were as follows:

	Year Ended December 31,	
	2017	2016
Historic preservation internship program	\$ 91,120	\$ 46,440
Monticello	23,581	
Fontainebleau	10,342	
Met Exhibit	50,000	
Chateau de Lacour d'Arcenay	300	
Apotheosis of St Louis	10,000	
Temple de Chateau-Thierry	2,000	
Vaux le Vicomte	1,250	
Petite Plaisance	1,107	
Chapelle Hotel Dieu	119,700	
Chapelle Saint Marie-Les-Anglais		48,355
Future projects		25,000
Château de Grisy		10,000
Travel - donated airline tickets		27,999
	<u>\$ 309,400</u>	<u>\$ 157,794</u>

#### NOTE G - DONATED GOODS AND SERVICES

During the years ended December 31, 2017 and 2016, respectively, the Organization received the following donated goods and services as follows:

	Year Ended December 31,	
	2017	2016
Donated goods:		
Goods	\$ 55,744	
Auction	<u>86,130</u>	<u>\$ 180,766</u>
	141,874	180,766
Donated services:		
Use of Facility	93,174	
Legal	<u>15,000</u>	<u>15,000</u>
Total	<u>\$ 250,048</u>	<u>\$ 195,766</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE H - EMPLOYEE-BENEFIT PLANS

The Organization established a 401(k) Pension Plan (the "401(k) Plan") in 2015, under which the Organization matches 3% of each eligible participant's compensation. The Organization contributed \$2,305 and \$7,415 to the 401(k) plan for the years ended December 31, 2017 and 2016, respectively.

#### NOTE I - COMMITMENTS

##### [1] Leases:

At both December 31, 2017 and 2016, the Organization was obligated under various non-cancellable lease agreements. The leases for office spaces in New York and Paris expire in April 2018 and September 2020, respectively. In addition, the Organization leases certain equipment under agreements expiring through June 30, 2020. The Organization entered into a five year extension for its offices in New York, which expired in December 2017. The new expiration date for the offices in New York, will be in April 2023.

The approximate future annual minimum lease payments as of December 31, 2017 were as follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 90,000
2019	90,000
2020	79,000
2021	44,000
2022	44,000
Thereafter	<u>15,000</u>
Total	<u>\$ 362,000</u>

Amounts reported in the table above, subsequent to 2019, reflect an expiration of one more of the various leases the Organization has entered into; however, it is expected that the Organization will enter into replacement leases at market rates at, or prior to, the actual expiration of those ending leases.

##### [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 J - CONCENTRATIONS OF RISK

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.

The Organization had deposits in insured cash accounts that exceeded the Federal Deposit Insurance Corporation "FDIC" insurance limit by approximately \$491,000 and \$1,400,000 as of December 31, 2017 and 2016, respectively. Additionally, the Organization had approximately \$93,000 and \$56,000 as of December 31, 2017 and 2016, respectively, in foreign bank accounts which were not insured.