

**EISNERAMPER**

**FRENCH HERITAGE SOCIETY, INC.**

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

**DECEMBER 31, 2018 and 2017**

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LLP



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
French Heritage Society, Inc.  
New York, New York

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the French Heritage Society, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the French Heritage Society, Inc. as of December 31, 2018 and 2017, 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 11, 2019



# FRENCH HERITAGE SOCIETY, INC.

## Consolidated Statements of Financial Position

	December 31,	
	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents (Notes A[4] and K)	\$ 1,011,552	\$ 1,180,543
Short-term Investments (Note A[5])	150,000	
Pledges and contributions receivable, net (Notes A[8] and B)	328,751	322,184
Prepaid expenses and other assets	62,468	78,520
Property and equipment, net (Notes A[6] and C)	<u>50,661</u>	<u>56,688</u>
	<u>\$ 1,603,432</u>	<u>\$ 1,637,935</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 68,487	\$ 62,238
Deferred revenue (Notes A[8] and D)	47,576	53,343
Restoration-project grants and awards payable (Note E)	<u>450,310</u>	<u>298,566</u>
Total liabilities	<u>566,373</u>	<u>414,147</u>
Commitments (Note J)		
Net assets:		
Without donor restrictions: (Note A[7])		
Operating	268,109	293,873
Board-designated operating reserve fund	<u>200,000</u>	<u>150,000</u>
	468,109	443,873
With donor restrictions (Notes A[7], E and F)	<u>568,950</u>	<u>779,915</u>
Total net assets	<u>1,037,059</u>	<u>1,223,788</u>
	<u>\$ 1,603,432</u>	<u>\$ 1,637,935</u>

See notes to the consolidated financial statements.

# FRENCH HERITAGE SOCIETY, INC.

## Consolidated Statement of Activities

Year Ended December 31, 2018

(with summarized financial information for 2017)

	Without Donor Restrictions			Total		
	Operating	Board-Designated	Without Donor Restrictions	With Donor Restrictions	Total	
					2018	2017
<b>Public support and revenue:</b>						
Contributions (including in-kind contributions of \$286,336 in 2018 and \$250,048 in 2017) (Note G)	\$ 471,617		\$ 471,617	\$ 988,867	\$ 1,460,484	\$ 1,476,327
Special and other fund-raising events (net of costs of direct benefit to donors of \$469,435 and \$557,216 in 2018 and 2017, respectively)	513,324		513,324		513,324	463,852
Program revenue	197,040		197,040		197,040	143,227
Membership dues	95,791		95,791		95,791	131,244
Publication income	3,862		3,862		3,862	7,500
Grants administrative fees income	133,125		133,125		133,125	99,936
Interest and dividend income	950		950		950	578
Total public support and revenue before assets released from restrictions	1,415,709		1,415,709	988,867	2,404,576	2,322,664
Assets released from restrictions (Note F)	1,199,832		1,199,832	(1,199,832)	0	0
Total public support and revenue	2,615,541		2,615,541	(210,965)	2,404,576	2,322,664
<b>Expenses:</b>						
Program services:						
Restoration projects (Note E) (including grants and awards of \$1,061,162 and \$532,953 in 2018 and 2017, respectively)	1,141,461		1,141,461		1,141,461	614,752
Cultural exchange and educational programs (including grants and awards of \$102,326 in 2018 and \$91,119 in 2017)	626,360		626,360		626,360	651,706
Membership services	214,188		214,188		214,188	207,622
Total program services	1,982,009		1,982,009		1,982,009	1,474,080
Supporting services:						
Management and general	356,454		356,454		356,454	369,512
Fund-raising	248,799		248,799		248,799	236,315
Total supporting services	605,253		605,253		605,253	605,827
Total expenses	2,587,262		2,587,262		2,587,262	2,079,907
<b>Change in net assets before losses on foreign-currency translation and transfer to board-designated fund</b>	28,279		28,279	(210,965)	(182,686)	242,757
Foreign-currency translation losses (Note A[9])	(4,043)		(4,043)		(4,043)	(177,586)
Transfer to board-designated operating reserve fund	(50,000)	\$ 50,000			0	0
<b>Change in net assets</b>	(25,764)	50,000	24,236	(210,965)	(186,729)	65,171
Net assets, beginning of year	293,873	150,000	443,873	779,915	1,223,788	1,158,617
<b>Net assets, end of year</b>	\$ 268,109	\$ 200,000	\$ 468,109	\$ 568,950	\$ 1,037,059	\$ 1,223,788

See notes to the consolidated financial statements.

# FRENCH HERITAGE SOCIETY, INC.

## Consolidated Statement of Activities Year Ended December 31, 2017

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board-Designated	Total Net assets Without Donor Restrictions		
<b>Public support and revenue:</b>					
Contributions (including in-kind contributions of \$250,048) (Note G)	\$ 897,729		\$ 897,729	\$ 578,598	\$ 1,476,327
Special and other fund-raising events (net of costs of direct benefit to donors of \$557,216)	463,852		463,852		463,852
Program revenue	143,227		143,227		143,227
Membership dues	131,244		131,244		131,244
Publication income	7,500		7,500		7,500
Grant administrative fees income	99,936		99,936		99,936
Interest and dividend income	578		578		578
	<u>1,744,066</u>		<u>1,744,066</u>	<u>578,598</u>	<u>2,322,664</u>
Total public support and revenue before net assets released from restrictions	1,744,066		1,744,066	578,598	2,322,664
Net assets released from restrictions (Note F)	<u>309,400</u>		<u>309,400</u>	<u>(309,400)</u>	<u>0</u>
Total public support and revenue	<u>2,053,466</u>		<u>2,053,466</u>	<u>269,198</u>	<u>2,322,664</u>
<b>Expenses:</b>					
Program services:					
Restoration projects (Note E) (including grants and awards of \$532,953)	614,752		614,752		614,752
Cultural exchange and educational programs (including grants and awards of \$91,119)	651,706		651,706		651,706
Membership services	<u>207,622</u>		<u>207,622</u>		<u>207,622</u>
Total program services	<u>1,474,080</u>		<u>1,474,080</u>		<u>1,474,080</u>
Supporting services:					
Management and general	369,512		369,512		369,512
Fund-raising	<u>236,315</u>		<u>236,315</u>		<u>236,315</u>
Total supporting services	<u>605,827</u>		<u>605,827</u>		<u>605,827</u>
Total expenses	<u>2,079,907</u>		<u>2,079,907</u>		<u>2,079,907</u>
<b>Change in net assets before losses on foreign-currency translation and transfers to board-designated funds</b>	(26,441)		(26,441)	269,198	242,757
Foreign-currency translation losses (Note A[9])	(177,586)		(177,586)		(177,586)
Transfer to board-designated operating reserve fund	(50,000)	\$ 50,000	0		0
Transfer to board-designated scholarship reserve fund	<u>15,300</u>	<u>(15,300)</u>	<u>0</u>		<u>0</u>
<b>Change in net assets</b>	<u>(238,727)</u>	<u>34,700</u>	<u>(204,027)</u>	<u>269,198</u>	<u>65,171</u>
Net assets, beginning of year	<u>532,600</u>	<u>115,300</u>	<u>647,900</u>	<u>510,717</u>	<u>1,158,617</u>
<b>Net assets, end of year</b>	<u>\$ 293,873</u>	<u>\$ 150,000</u>	<u>\$ 443,873</u>	<u>\$ 779,915</u>	<u>\$ 1,223,788</u>

See notes to the consolidated financial statements.

## FRENCH HERITAGE SOCIETY, INC.

### Consolidated Statement of Functional Expenses Year Ended December 31, 2018 (with summarized financial information from 2017)

	Program Services				Supporting Services			Total Expenses	
	Restoration Projects	Cultural Exchange and Educational Programs	Membership Services	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	2018	2017
Salaries	\$ 42,816	\$ 161,301	\$ 83,322	\$ 287,439	\$ 149,130	\$ 106,909	\$ 256,039	\$ 543,478	\$ 473,983
Payroll taxes and employee benefits	19,834	63,062	25,099	107,995	36,413	38,716	75,129	183,124	149,244
Total salaries and related costs	62,650	224,363	108,421	395,434	185,543	145,625	331,168	726,602	623,227
Catering, facility and other costs					26,444	469,435	495,879	495,879	557,216
Grants and awards	1,061,162	102,326		1,163,488				1,163,488	665,785
Program materials and hospitality		231,566	3,240	234,806				234,806	187,374
Accounting and legal					57,972		57,972	57,972	52,000
Communications and website	1,251	3,983	1,589	6,823	2,311	2,448	4,759	11,582	14,729
Postage	70	4,026	4,408	8,504	2,821	10,223	13,044	21,548	24,767
Occupancy	10,150	32,154	12,651	54,955	18,162	19,559	37,721	92,676	92,411
Publications			38,469	38,469				38,469	32,943
Office expenses	1,646	5,405	2,350	9,401	3,669	3,427	7,096	16,497	16,792
Data processing	1,265	5,570	3,910	10,745	4,572	5,748	10,320	21,065	33,673
Promotion		4,362	1,382	5,744	320	27,667	27,987	33,731	65,767
Staff hotels and travel	66		670	736	22,585	5,754	28,339	29,075	39,800
Consultants									31,250
Bad-debts provision									14,272
Depreciation and amortization	1,024	4,145	2,686	7,855	4,942	3,112	8,054	15,909	15,009
Miscellaneous	2,177	8,460	34,412	45,049	27,113	25,236	52,349	97,398	170,108
Total expenses	1,141,461	626,360	214,188	1,982,009	356,454	718,234	1,074,688	3,056,697	2,637,123
Less costs of direct benefit to donors						(469,435)	(469,435)	(469,435)	(557,216)
<b>Total expenses per Statements of Activities</b>	<b>\$ 1,141,461</b>	<b>\$ 626,360</b>	<b>\$ 214,188</b>	<b>\$ 1,982,009</b>	<b>\$ 356,454</b>	<b>\$ 248,799</b>	<b>\$ 605,253</b>	<b>\$ 2,587,262</b>	<b>\$ 2,079,907</b>

See notes to the consolidated financial statements.

## FRENCH HERITAGE SOCIETY, INC.

### Consolidated Statement of Functional Expenses Year Ended December 31, 2017

	Program Services				Supporting Services			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
Payroll taxes and employee benefits	13,874	53,642	20,124	87,640	42,855	18,749	61,604	149,244
Total salaries and related costs	55,943	217,914	88,145	362,002	170,695	90,530	261,225	623,227
Catering, facility and other costs					41,713	557,216	598,929	598,929
Grants and awards	532,953	91,119		624,072				624,072
Program materials and hospitality		177,844	9,530	187,374				187,374
Accounting and legal					52,000		52,000	52,000
Communications and website	1,397	4,697	2,071	8,165	3,543	3,021	6,564	14,729
Postage	3,890	7,106	4,583	15,579	889	8,299	9,188	24,767
Occupancy	9,289	30,533	12,728	52,550	20,746	19,115	39,861	92,411
Publications			32,943	32,943				32,943
Office expenses	1,603	5,378	2,356	9,337	4,007	3,448	7,455	16,792
Data processing	2,169	8,667	5,257	16,093	10,978	6,602	17,580	33,673
Promotion		34,038		34,038		31,729	31,729	65,767
Staff hotels and travel	107	16,741	91	16,939	18,332	4,529	22,861	39,800
Consultants	3,906	10,156	2,500	16,562	8,438	6,250	14,688	31,250
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
Miscellaneous	2,531	43,656	45,073	91,260	18,998	59,850	78,848	170,108
Total expenses	614,752	651,706	207,622	1,474,080	369,512	793,531	1,163,043	2,637,123
Less costs of direct benefit to donors						(557,216)	(557,216)	(557,216)
<b>Total expenses per Statements of Activities</b>	<u>\$ 614,752</u>	<u>\$ 651,706</u>	<u>\$ 207,622</u>	<u>\$ 1,474,080</u>	<u>\$ 369,512</u>	<u>\$ 236,315</u>	<u>\$ 605,827</u>	<u>\$ 2,079,907</u>

See notes to the consolidated financial statements.

**FRENCH HERITAGE SOCIETY, INC.****Consolidated Statements of Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (186,729)	\$ 65,171
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	15,909	15,009
Bad-debts provision		14,272
Changes in:		
Pledges and contributions receivable	(6,567)	(213,641)
Prepaid expenses and other assets	16,052	(6,677)
Accounts payable and accrued expenses	6,249	3,504
Deferred revenue	(5,767)	29,117
Restoration-project grants and awards payable	<u>151,744</u>	<u>(167,325)</u>
Net cash used in operating activities	<u>(9,109)</u>	<u>(260,570)</u>
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments	(150,000)	
Purchases of property and equipment	<u>(9,882)</u>	<u>(40,917)</u>
Net cash used in investing activities	<u>(159,882)</u>	<u>(40,917)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(168,991)</b>	<b>(301,487)</b>
Cash and cash equivalents, beginning of year	<u>1,180,543</u>	<u>1,482,030</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 1,011,552</u></b>	<b><u>\$ 1,180,543</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Donated goods and services	<u>\$ 286,336</u>	<u>\$ 250,048</u>

See notes to the consolidated financial statements.



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

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **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 United States (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 U.S., 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 U.S. 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.

American Friends of L'Abbaye De Lagrasse, LLC created in October 2018 and American Friends of the Saint Omer Foundation, LLC created in April 2018 were formed as single-member, member-managed, limited liability companies in which the Organization is the single member and manger. Each LLC is a "disregarded entity" of the Organization for tax and accounting purposes and has been created pursuant to a fiscal sponsorship agreement under which the Organization facilitates the ability of a French non-profit to offer a deduction under United States tax laws to donors contributing funds for the benefit of the French non-profit. At December 31, 2018, the American Friends of the Saint Omer Foundation, LLC had assets of approximately \$41,320 and income of \$13,920, which are included in the consolidated statements of financial position and statements of activities, respectively. All inter-entity transactions and balances have been eliminated in the consolidation process.

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 consolidated 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 the consolidated 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.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

##### [5] Short-term investment:

The investment in a certificate deposit has a readily determinable fair value and is reported at its fair value in the statement of financial position. Investment transactions are recorded on a trade-date basis and interest earnings are recorded when earned.

##### [6] 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, net of accumulated depreciation and amortization. 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.

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, 2018 and 2017, 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.

##### [7] Net assets:

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

###### (i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions represent those resources that are used to account for the general activities of the Organization.

Additionally, the Board authorized transfers, effective December 31, 2018 and 2017 of \$50,000, respectively, from the Organization's operating net assets without donor restriction to the board-designated operating reserve. At December 31, 2018 and 2017, the Board-designated operating reserve net assets were \$200,000 and \$150,000, respectively, and remain without restriction, subject to use at the discretion of the Board and subject to the terms and conditions of the Organization's Operating Reserve Policy.

###### (ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions are those resources net assets that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. Assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor or the passage of time, and are reclassified as net assets without donor restrictions and reported in the statement of activities as "assets released from restriction."

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

##### [8] Revenue recognition:

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

Contributions to the Organization other than the contribution portion of payments for special events, are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors.

Special event revenue received for a future year's event is deferred and recognized when the event takes place. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Organization's management or necessary events have taken place. The Organization records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

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 when received. Revenue for membership benefits received in advance of the year in which the benefits are delivered, are reported as deferred revenue.

###### (iii) Program revenue:

Revenue from admissions to programs are recorded as revenue in the applicable period that the program occurs. Revenue for programs received in advance of the year in which the program is scheduled to occur, are reported as deferred revenue.

###### (iv) 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: (i) create or enhance nonfinancial assets; or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated (see Note G).

###### (v) 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 consolidated financial statements, as it does not meet the criteria for recognition under U.S. GAAP.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

##### [9] 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 statements of activities. Foreign-currency translation adjustments amounted to losses of \$4,043 and \$177,586 in 2018 and 2017, respectively.

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

The expenses of providing the various programs and supporting services have been summarized on a functional basis in the 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 or are identified with more than one function, are allocated among program and supporting services in reasonable ratios determined by management based on information in timesheets submitted by employees.

##### [11] 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 consolidated financial statements.

##### [12] Adoption of change in accounting principle:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Consolidated Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, and (iv) liquidity and the availability of resources. ASU 2016-14 was effective for annual reporting periods issued for years beginning after December 15, 2017. Accordingly, the Organization was required to adopt ASU 2016-14 during its year-ended December 31, 2018, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the consolidated financial statements of certain areas whereas certain other areas were adopted on a prospective basis. Although the Organization's adoption of ASU 2016-14 had no effect on the Organization's total net assets or its changes in net assets for 2018 and 2017, certain reclassifications were required. Accordingly, the Organization changed its presentation of its net asset classes and expanded certain footnote disclosures.

##### [13] Reclassification:

Certain amounts included in the prior year's consolidated 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.

##### [14] Subsequent events:

The Organization evaluated subsequent events through November 11, 2019, the date the consolidated financial statements were available to be issued.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLE

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
Less than one year	\$ 336,501	\$ 336,456
Less estimated uncollectible amounts	<u>(7,750)</u>	<u>(14,272)</u>
	<u>\$ 328,751</u>	<u>\$ 322,184</u>

#### NOTE C - PROPERTY AND EQUIPMENT

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 52,271	\$ 42,389
Leasehold Improvement	66,572	66,572
Furniture and equipment	<u>4,497</u>	<u>4,497</u>
	123,340	113,458
Less accumulated depreciation and amortization	<u>(72,679)</u>	<u>(56,770)</u>
	<u>\$ 50,661</u>	<u>\$ 56,688</u>

#### NOTE D - DEFERRED REVENUE

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Special events	\$ 39,223	\$ 40,900
Programs	500	935
Membership	<u>7,853</u>	<u>11,508</u>
	<u>\$ 47,576</u>	<u>\$ 53,343</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Amounts expected to be paid in:		
Less than one year	<b>\$ 320,750</b>	\$ 212,006
One to four years	<b>129,560</b>	86,560
	<b><u>\$ 450,310</u></b>	<u>\$ 298,566</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 \$643,000 and \$877,000 as of December 31, 2018 and 2017, 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 \$569,000 and \$650,000 as of December 31, 2018 and 2017, respectively, as contributions designated for future projects, and such amounts are reported as net assets with donor restrictions.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of funds restricted for the following purposes:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Historic preservation internship program	\$ 256,947	\$ 21,203
Venetian Room		25,000
Chateau de Chavaniac	7,815	7,815
Chateau de la Tourette	5,100	5,100
Chateau de Commarque	60,000	60,000
Hotel de la Monnaie – Paris	10,000	10,000
Flood Damaged Chambord	13,964	13,964
Chapelle Saint Marie-Les-Anglais		37,756
Abbaye de Longues	4,190	2,190
Closter of the Chartreux Toulouse	10,500	10,500
Petite Plaisance	1,181	904
Versailles Met Exhibit		50,000
St. Omer Foundation		35,128
Prieure Mont St Michel		10,000
Mont St Michel Cloister		168,000
Orangerie de Bagatelle	61,510	25,776
Stanton Hall Louisiana Chapter	10,000	10,000
Rochambeau Monument		57,600
Chateau de la Ferte St. Aubin	6,477	6,479
Palais de Compiegne		110,000
Chateau de l'Oustal		94,500
Chateau de Verteuil	3,000	3,000
Abbaye de Lagrasse	107,266	
Future projects	11,000	15,000
	<u>\$ 568,950</u>	<u>\$ 779,915</u>

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended December 31, 2018 and 2017, respectively, assets released from restrictions were as follows:

	Year Ended December 31,	
	2018	2017
Historic preservation internship program	\$ 102,326	\$ 91,120
Monticello		23,581
Fontainebleau		10,342
Met Exhibit	50,000	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	902	1,107
Chapelle Hotel Dieu		119,700
Chapelle Saint Marie-Les-Anglais	37,756	
Future projects	11,815	
Prieure Mont St Michel	10,000	
Rochambeau Monument	206,600	
Chateau de l'Oustal	94,500	
BNF Salon Louis XV	80,000	
BNF Salon Mazarine	354,000	
Chateau de Montreal	13,000	
Elaine Sciolino Book Project	5,000	
St Omer Organization	40,933	
Venetian Room	25,000	
Mont St Michel Cloister	168,000	
	<u>\$ 1,199,832</u>	<u>\$ 309,400</u>

#### NOTE G - DONATED GOODS AND SERVICES

During the years ended December 31, 2018 and 2017, respectively, the Organization received the following donated goods and services:

	Year Ended December 31,	
	2018	2017
Donated goods:		
Event goods and catering	\$ 48,698	\$ 55,744
Auction items	108,997	86,130
	<u>157,695</u>	<u>141,874</u>
Donated services:		
Use of Facility	113,641	93,174
Legal	15,000	15,000
	<u>128,641</u>	<u>108,174</u>
Total	<u>\$ 286,336</u>	<u>\$ 250,048</u>



## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### NOTE H - EMPLOYEE-BENEFIT PLANS

The Organization maintains a 401(k) Pension Plan (the "Plan"), under which the Organization matches up to 3% of each eligible participant's compensation. The Organization contributed \$8,038 and \$2,305 to the Plan for the years ended December 31, 2018 and 2017, respectively.

#### NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2018 due to donor-imposed restrictions or internal designations.

The Organization's financial assets available for general use within one year of December 31, 2018 are as follows:

Cash, and cash equivalents available to be spent	<b>\$ 1,011,552</b>
Short term investments	<b>150,000</b>
Pledges receivable, net	<b><u>328,751</u></b>
Total financial assets available within one year	<b><u>1,490,303</u></b>
Less: amounts unavailable for general expenditures within one year, due to:	
Net assets restricted by donors with:	
Purpose restrictions	<b><u>(568,950)</u></b>
Amounts unavailable to management without board's approval Board-designated operating reserve	<b><u>(200,000)</u></b>
Total financial assets available to meet cash needs for expenditures within one year	<b><u>\$ 721,353*</u></b>

\* As described in Note E, the Organization has grants and awards of \$320,750 scheduled for payment in 2019.

#### Liquidity policy:

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, grants, liabilities, and other obligations come due. Amounts not available include amounts set aside by the Board of Directors for an operating reserve that could be drawn upon if the Board of Directors approves the action under the terms of the Organization's Operating Reserve Policy.

## FRENCH HERITAGE SOCIETY, INC.

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### NOTE J - COMMITMENTS

##### [1] Leases:

At both December 31, 2018 and 2017, the Organization was obligated under various non-cancellable lease agreements. The leases for office spaces in New York and Paris expire in April 2023 and September 2020, respectively. In addition, the Organization leases certain equipment under agreements expiring through June 30, 2020.

The approximate future annual minimum lease payments as of December 31, 2018 were as follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 95,000
2020	79,000
2021	47,000
2022	47,000
2023	44,000
Thereafter	<u>15,000</u>
Total	<u>\$ 327,000</u>

Lease amounts reported in the table above, reflect an expiration of one more of the various leases for years subsequent to 2019; it is expected, however, 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 K - 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 amounts that ranged from \$418,000 to \$1,121,000 during 2018, and from \$709,000 to \$1,406,000 during 2017, respectively. Additionally, the Organization had amounts that ranged from \$8,000 to \$119,000 during 2018, and from \$12,000 to \$273,000 during 2017, respectively, in foreign bank accounts which were not insured.