

EISNERAMPER

FRENCH HERITAGE SOCIETY, INC.

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

DECEMBER 31, 2019 and 2018



FRENCH HERITAGE SOCIETY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
French Heritage Society, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of French Heritage Society, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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 French Heritage Society, Inc. as of December 31, 2019 and 2018, 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
October 1, 2020



FRENCH HERITAGE SOCIETY, INC.

Consolidated Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (Notes A[4] and K)	\$ 3,002,948	\$ 1,011,552
Short-term investments (Note A[5])	205,123	150,000
Pledges and contributions receivable, net (Notes A[8] and B)	357,678	328,751
Prepaid expenses and other assets	44,875	62,468
Property and equipment, net (Notes A[6] and C)	<u>41,317</u>	<u>50,661</u>
	<u>\$ 3,651,941</u>	<u>\$ 1,603,432</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 80,645	\$ 68,487
Deferred revenue (Notes A[8] and D)	64,215	47,576
Restoration-project grants and awards payable (Note E)	<u>151,310</u>	<u>450,310</u>
Total liabilities	<u>296,170</u>	<u>566,373</u>
Commitments and contingencies (Notes E and J)		
Net assets:		
Without donor restrictions: (Note A[7])		
Operating	132,101	268,109
Board-designated operating reserve fund	<u>205,123</u>	<u>200,000</u>
	337,224	468,109
With donor restrictions (Notes A[7] and F)	<u>3,018,547</u>	<u>568,950</u>
Total net assets	<u>3,355,771</u>	<u>1,037,059</u>
	<u>\$ 3,651,941</u>	<u>\$ 1,603,432</u>

FRENCH HERITAGE SOCIETY, INC.

Consolidated Statement of Activities Year Ended December 31, 2019

(with summarized financial information for 2018)

	Without Donor Restrictions				Total	
	Operating	Board- Designated	Total Without Donor Restrictions	With Donor Restrictions	2019	2018
Public support and revenue:						
Contributions (including in-kind contributions of \$287,331 in 2019 and \$286,336 in 2018) (Note G)	\$ 739,978	\$ -	\$ 739,978	\$ 2,667,528	\$ 3,407,506	\$ 1,460,484
Special and other fund-raising events (net of costs of direct benefit to donors of \$463,901 and \$469,435 in 2019 and 2018, respectively)	408,227	-	408,227	86,212	494,439	513,324
Program revenue	187,450	-	187,450	-	187,450	197,040
Membership dues	91,109	-	91,109	-	91,109	95,791
Publication income	9,000	-	9,000	-	9,000	3,862
Grants administrative fees income	8,662	-	8,662	-	8,662	133,125
Interest income	11,322	5,123	16,445	-	16,445	950
Total public support and revenue before assets released from restrictions	1,455,748	5,123	1,460,871	2,753,740	4,214,611	2,404,576
Assets released from restrictions (Note F)	304,143	-	304,143	(304,143)	-	-
Total public support and revenue	1,759,891	5,123	1,765,014	2,449,597	4,214,611	2,404,576
Expenses:						
Program services:						
Restoration projects (Note E) (including grants and awards of \$312,210 and \$1,061,162 in 2019 and 2018, respectively)	406,045	-	406,045	-	406,045	1,141,461
Cultural exchange and educational programs (including grants and awards of \$66,602 in 2019 and \$102,326 in 2018)	633,807	-	633,807	-	633,807	626,360
Membership services	265,832	-	265,832	-	265,832	214,188
Total program services	1,305,684	-	1,305,684	-	1,305,684	1,982,009
Supporting services:						
Management and general	335,749	-	335,749	-	335,749	356,454
Fund-raising	247,322	-	247,322	-	247,322	248,799
Total supporting services	583,071	-	583,071	-	583,071	605,253
Total expenses	1,888,755	-	1,888,755	-	1,888,755	2,587,262
Change in net assets before losses on foreign-currency translation	(128,864)	5,123	(123,741)	2,449,597	2,325,856	(182,686)
Foreign-currency translation losses (Note A[9])	(7,144)	-	(7,144)	-	(7,144)	(4,043)
Change in net assets	(136,008)	5,123	(130,885)	2,449,597	2,318,712	(186,729)
Net assets, beginning of year	268,109	200,000	468,109	568,950	1,037,059	1,223,788
Net assets, end of year	\$ 132,101	\$ 205,123	\$ 337,224	\$ 3,018,547	\$ 3,355,771	\$ 1,037,059

See notes to the consolidated financial statements.

FRENCH HERITAGE SOCIETY, INC.

Consolidated Statement of Activities Year Ended December 31, 2018

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board-Designated	Total Net Assets Without Donor Restrictions		
Public support and revenue:					
Contributions (including in-kind contributions of \$286,336) (Note G)	\$ 471,617	\$ -	\$ 471,617	\$ 988,867	\$ 1,460,484
Special and other fund-raising events (net of costs of direct benefit to donors of \$469,435)	513,324	-	513,324	-	513,324
Program revenue	197,040	-	197,040	-	197,040
Membership dues	95,791	-	95,791	-	95,791
Publication income	3,862	-	3,862	-	3,862
Grant administrative fees income	133,125	-	133,125	-	133,125
Interest and dividend income	950	-	950	-	950
	<u>1,415,709</u>	<u>-</u>	<u>1,415,709</u>	<u>988,867</u>	<u>2,404,576</u>
Total public support and revenue before net assets released from restrictions	1,415,709	-	1,415,709	988,867	2,404,576
Net assets released from restrictions (Note F)	<u>1,199,832</u>	<u>-</u>	<u>1,199,832</u>	<u>(1,199,832)</u>	<u>-</u>
Total public support and revenue	<u>2,615,541</u>	<u>-</u>	<u>2,615,541</u>	<u>(210,965)</u>	<u>2,404,576</u>
Expenses:					
Program services:					
Restoration projects (Note E) (including grants and awards of \$1,061,162)	1,141,461	-	1,141,461	-	1,141,461
Cultural exchange and educational programs (including grants and awards of \$102,326)	626,360	-	626,360	-	626,360
Membership services	214,188	-	214,188	-	214,188
	<u>1,982,009</u>	<u>-</u>	<u>1,982,009</u>	<u>-</u>	<u>1,982,009</u>
Total program services	1,982,009	-	1,982,009	-	1,982,009
Supporting services:					
Management and general	356,454	-	356,454	-	356,454
Fund-raising	248,799	-	248,799	-	248,799
	<u>605,253</u>	<u>-</u>	<u>605,253</u>	<u>-</u>	<u>605,253</u>
Total supporting services	605,253	-	605,253	-	605,253
Total expenses	<u>2,587,262</u>	<u>-</u>	<u>2,587,262</u>	<u>-</u>	<u>2,587,262</u>
Change in net assets before losses on foreign-currency translation and transfers to board-designated funds	28,279	-	28,279	(210,965)	(182,686)
Foreign-currency translation losses (Note A[9])	(4,043)	-	(4,043)	-	(4,043)
Transfer to board-designated operating reserve fund	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(25,764)	50,000	24,236	(210,965)	(186,729)
Net assets, beginning of year	<u>293,873</u>	<u>150,000</u>	<u>443,873</u>	<u>779,915</u>	<u>1,223,788</u>
Net assets, end of year	<u>\$ 268,109</u>	<u>\$ 200,000</u>	<u>\$ 468,109</u>	<u>\$ 568,950</u>	<u>\$ 1,037,059</u>

See notes to the consolidated financial statements.

FRENCH HERITAGE SOCIETY, INC.

Consolidated Statement of Functional Expenses Year Ended December 31, 2019 (with summarized financial information for 2018)

	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	2019	2018
Salaries	\$ 47,055	\$ 188,319	\$ 103,498	\$ 338,872	\$ 158,182	\$ 108,621	\$ 266,803	\$ 605,675	\$ 543,478
Payroll taxes and employee benefits	<u>20,448</u>	<u>65,285</u>	<u>36,471</u>	<u>122,204</u>	<u>32,200</u>	<u>32,879</u>	<u>65,079</u>	<u>187,283</u>	<u>183,124</u>
Total salaries and related costs	67,503	253,604	139,969	461,076	190,382	141,500	331,882	792,958	726,602
Catering, facility and other costs	-	-	-	-	18,969	463,901	482,870	482,870	495,879
Grants and awards	312,210	66,602	-	378,812	-	-	-	378,812	1,163,488
Program materials and hospitality	-	237,040	14,346	251,386	-	-	-	251,386	234,806
Accounting and legal	-	-	-	-	61,576	-	61,576	61,576	57,972
Communications and website	1,365	4,565	2,640	8,570	3,031	2,541	5,572	14,142	11,582
Postage	1,622	2,543	8,269	12,434	1,684	13,044	14,728	27,162	21,548
Occupancy	10,055	32,462	18,291	60,808	17,367	16,770	34,137	94,945	92,676
Publications	-	-	32,201	32,201	-	-	-	32,201	38,469
Office expenses	1,393	4,786	2,822	9,001	3,644	2,808	6,452	15,453	16,497
Data processing	6,427	5,089	4,491	16,007	3,680	13,355	17,035	33,042	21,065
Promotion	900	10,804	1,748	13,452	-	21,376	21,376	34,828	33,731
Staff hotels and travel	451	226	407	1,084	16,296	6,678	22,974	24,058	29,075
Depreciation and amortization	1,248	4,799	3,038	9,086	5,453	3,374	8,827	17,913	15,909
Miscellaneous	<u>2,871</u>	<u>11,287</u>	<u>37,609</u>	<u>51,767</u>	<u>13,667</u>	<u>25,876</u>	<u>39,543</u>	<u>91,310</u>	<u>97,398</u>
Total expenses	406,045	633,807	265,832	1,305,684	335,749	711,223	1,046,972	2,352,656	3,056,697
Less costs of direct benefit to donors	-	-	-	-	-	(463,901)	(463,901)	(463,901)	(469,435)
Total expenses per Statements of Activities	<u>\$ 406,045</u>	<u>\$ 633,807</u>	<u>\$ 265,832</u>	<u>\$ 1,305,684</u>	<u>\$ 335,749</u>	<u>\$ 247,322</u>	<u>\$ 583,071</u>	<u>\$ 1,888,755</u>	<u>\$ 2,587,262</u>

See notes to the consolidated financial statements.

FRENCH HERITAGE SOCIETY, INC.

Consolidated Statement of Functional Expenses Year Ended December 31, 2018

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

See notes to the consolidated financial statements.

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

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities (including grants and awards):		
Change in net assets	\$ 2,318,712	\$ (186,729)
Adjustments to reconcile change in net assets to net cash used in operating activities (including grants and awards):		
Depreciation and amortization	17,913	15,909
Donated securities	(7,384)	(5,387)
Proceeds from sale of donated securities	7,384	5,387
Changes in:		
Pledges and contributions receivable	(28,927)	(6,567)
Prepaid expenses and other assets	17,593	16,052
Accounts payable and accrued expenses	12,158	6,249
Deferred revenue	16,639	(5,767)
Restoration-project grants and awards payable	<u>(299,000)</u>	<u>151,744</u>
Net cash provided by (used in) operating activities (including grants & awards)	<u>2,055,088</u>	<u>(9,109)</u>
Cash flows from investing activities:		
Purchases of short-term investments	(55,123)	(150,000)
Purchases of property and equipment	<u>(8,569)</u>	<u>(9,882)</u>
Net cash used in investing activities	<u>(63,692)</u>	<u>(159,882)</u>
Change in cash and cash equivalents	1,991,396	(168,991)
Cash and cash equivalents, beginning of year	<u>1,011,552</u>	<u>1,180,543</u>
Cash and cash equivalents, end of year	<u>\$ 3,002,948</u>	<u>\$ 1,011,552</u>
Supplemental disclosure of cash flow information:		
Donated goods and services	\$ 287,331	\$ 286,336

See notes to the consolidated financial statements.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

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 manager. 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, 2019 and 2018, the American Friends of the Saint Omer Foundation, LLC had assets of approximately \$27,200 and \$41,300, and income of \$20,500 and \$13,900, and the American Friends of the L'Abbaye de Lagrasse, LLC had assets of approximately \$3,500 and \$0, and income of \$5,000 and \$0, 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.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

[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] Short-term investments:

The investment in certificates of deposit are reported in the consolidated statements of financial position at their amortized cost which approximates fair value. 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 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, 2019 and 2018, 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 of Directors authorized a transfer, effective December 31, 2018 of \$50,000, from the Organization's operating net assets without donor restriction to the board-designated operating reserve. At December 31, 2019 and 2018, the Board-designated operating reserve net assets were \$205,123 and \$200,000, 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.

On May 13, 2019, the Board increased the targeted board-designated operating reserve under the Operating Reserve Policy from \$200,000 to \$500,000 with the understanding that the full funding of such new targeted amount would take place over an additional six years. Following a review of the results of operations for 2019, the Board determined that it would be unable to authorize a transfer as of December 31, 2019 to the board-designated operating reserve.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

[7] Net assets: (continued)

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions are those resources 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 consolidated statements of activities as "assets released from restriction."

[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 represent 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 consolidated 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 that are provided by individuals possessing those skills, and would typically need to be purchased if not donated (see Note G).

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

[8] Revenue recognition: (continued)

(v) *Volunteers:*

A substantial number of members of the Board 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.

[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 consolidated statements of activities. Foreign-currency translation adjustments amounted to losses of \$7,144 and \$4,043 in 2019 and 2018, 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 consolidated 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 accounting principles:

In June 2018, the FASB issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. The effective date for the standard was staggered as follows: (i) the standard is effective for resource recipients for years beginning after December 15, 2018; accordingly, the Organization is required to adopt this portion of the ASU for its year ending December 31, 2019; (ii) the standard is effective for resource providers for years beginning after December 15, 2019. The Organization is currently assessing what impact, if any, the resource provider section of the standard will have on its 2020 financial statements.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

[13] Upcoming accounting principles:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-09 is not expected to have a material effect on the Organization's financial statements but will require enhanced disclosures. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, the Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

(ii) *Leases:*

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not for profit organizations for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

(iii) *Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization is in the process of assessing the impact of this ASU on the financial statements.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

[14] Reclassifications:

Certain information in the prior year's consolidated financial statements has been reclassified to conform with current year's presentation.

[15] Subsequent events:

The Organization evaluated subsequent events through October 1, 2020, the date the consolidated financial statements were available to be issued.

NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLE

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Amounts expected to be collected in:		
Less than one year	\$ 357,678	\$ 336,501
Less estimated uncollectible amounts	<u> -</u>	<u> (7,750)</u>
	<u>\$ 357,678</u>	<u>\$ 328,751</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE C - PROPERTY AND EQUIPMENT

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 58,892	\$ 52,271
Leasehold Improvement	66,572	66,572
Furniture and equipment	<u>6,445</u>	<u>4,497</u>
	131,909	123,340
Less accumulated depreciation and amortization	<u>(90,592)</u>	<u>(72,679)</u>
	<u>\$ 41,317</u>	<u>\$ 50,661</u>

NOTE D - DEFERRED REVENUE

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Special events	\$ 43,700	\$ 39,223
Programs	7,705	500
Membership	<u>12,810</u>	<u>7,853</u>
	<u>\$ 64,215</u>	<u>\$ 47,576</u>

The following table provides information about significant changes in deferred revenue consisted of the following:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Deferred revenue, beginning of year	\$ 47,576	\$ 53,343
Recognition of unearned revenue	(47,576)	(53,343)
Deferral of revenue	<u>64,215</u>	<u>47,576</u>
Deferred revenue, end of year	<u>\$ 64,215</u>	<u>\$ 47,576</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE E - RESTORATION-PROJECT GRANTS AND AWARDS

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Amounts expected to be paid in:		
Less than one year	\$ 100,810	\$ 320,750
One to four years	<u>50,500</u>	<u>129,560</u>
	<u>\$ 151,310</u>	<u>\$ 450,310</u>

In addition to restoration-project grants and awards payable, 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 \$3,071,000 and \$643,000 as of December 31, 2019 and 2018, 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 available a total of approximately \$2,836,000 and \$569,000 as of December 31, 2019 and 2018, respectively, as contributions designated for such future projects, and such amounts are reported as net assets with donor restrictions.

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>2019</u>	<u>2018</u>
Historic preservation internship program	\$ 172,256	\$ 256,947
Chateau de Chavaniac	-	7,815
Chateau de la Tourette	5,100	5,100
Chateau de Commarque	30,000	60,000
Hotel de la Monnaie – Paris	10,000	10,000
Flood Damaged Chambord	-	13,964
Abbaye de Longues	-	4,190
Closter of the Chartreux Toulouse	-	10,500
Petite Plaisance	671	1,181
Notre Dame Fire Fund	2,542,918	-
Orangerie de Bagatelle	61,510	61,510
Stanton Hall Louisiana Chapter	-	10,000
Chateau de la Ferte St. Aubin	6,477	6,477
Chapters Commitments (10 projects)	114,982	-
Chateau de Verteuil	-	3,000
Abbaye de Lagrasse	53,633	107,266
Student oriented program	10,000	-
Future projects	<u>11,000</u>	<u>11,000</u>
	<u>\$ 3,018,547</u>	<u>\$ 568,950</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended December 31, 2019 and 2018, respectively, assets released from restrictions were as follows:

	Year Ended December 31,	
	2019	2018
Historic preservation internship program	\$ 84,691	\$ 102,326
Chateau de Chavaniac	7,815	-
Chateau de Commarque	30,000	-
Met Exhibit	-	50,000
Flood Damaged Chambord	13,964	-
Abbaye de Longues	8,309	-
Closter of the Chartreux Toulouse	10,500	-
Stanton Hall Louisiana Chapter	10,000	-
Petite Plaisance	1,181	902
Orangerie de Bagatelle	33,550	-
Chateau de Verteuil	3,000	-
Abbaye de Lagrasse	53,633	-
The Historic New Orleans Collection	47,500	-
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
Transatlantiques	-	40,933
Venetian Room	-	25,000
Mont St Michel Cloister	-	168,000
	<u>\$ 304,143</u>	<u>\$ 1,199,832</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE G - DONATED GOODS AND SERVICES

During the years ended December 31, 2019 and 2018, respectively, the Organization received the following donated goods and services:

	Year Ended December 31,	
	2019	2018
Donated goods:		
Event goods and catering	\$ 33,409	\$ 48,698
Auction items	<u>168,156</u>	<u>108,997</u>
	<u>201,565</u>	<u>157,695</u>
Donated services:		
Use of Facility	70,766	113,641
Legal	<u>15,000</u>	<u>15,000</u>
	<u>85,766</u>	<u>128,641</u>
Total	<u>\$ 287,331</u>	<u>\$ 286,336</u>

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 \$4,018 and \$8,038 to the Plan for the years ended December 31, 2019 and 2018, respectively.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

At each year end, the Organization's financial assets available within one year of the statement position date for general expenditure (including obligations with respect to grants and awards payables) are as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash, and cash equivalents available to be spent	\$ 3,002,948	\$ 1,011,552
Short-term investments	205,123	150,000
Pledges receivable, net	<u>357,678</u>	<u>328,751</u>
Total financial assets available within one year	<u>3,565,749</u>	<u>1,490,303</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets restricted by donors with:		
Purpose restrictions	<u>(3,018,547)</u>	<u>(568,950)</u>
Amounts unavailable to management without Board's approval		
Board-designated operating reserve	<u>(205,123)</u>	<u>(200,000)</u>
Total financial assets available to meet cash needs for expenditures within one year	<u>\$ 342,079*</u>	<u>\$ 721,353</u>

* As described in Note E, the Organization has obligations with respect to grants and awards payables of \$100,810 scheduled for payment in 2020. In addition, \$50,500 of the Organization's financial assets have been "ear-marked" to cover obligations with respect to grants and awards payables during the period 2021 through 2024.

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 (including 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.

NOTE J - COMMITMENTS AND CONTINGENCIES

[1] Leases:

At both December 31, 2019 and 2018, 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 by September 2023, respectively. In addition, the Organization leases certain equipment under agreements expiring through December 2022.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE J - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[1] Leases: (continued)

The approximate future annual minimum lease payments as of December 31, 2019 were as follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 101,000
2021	101,000
2022	101,000
2023	<u>51,000</u>
Total	<u>\$ 354,000</u>

Lease amounts reported in the table above, reflect an expiration of one more of the various leases for years subsequent to 2022; 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 its business, the Organization enters into various contracts and agreements for professional and other services, which are typically renewable on a year-to-year basis.

[3] Other uncertainties:

The extent of the impact of the Coronavirus ("COVID-19") outbreak on the operational and financial performance of the Organization will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the ability of the Organization to conduct fundraising events and on the overall availability of contributions towards the Organization's programs, all of which are highly uncertain and cannot be predicted. If contributions towards the Organization's programs are impacted for an extended period, results of operations will be materially adversely affected.

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, exceeded 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 \$300,000 to \$2,420,000 during 2019, and from \$418,000 to \$1,121,000 during 2018, respectively. Additionally, the Organization had amounts that ranged from \$7,000 to \$113,000 during 2019, and from \$8,000 to \$119,000 during 2018, respectively, in foreign bank accounts which were not insured.

FRENCH HERITAGE SOCIETY, INC.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

NOTE L - SUBSEQUENT EVENT

Subsequent to December 31, 2019, the Organization applied for and received a loan under the Paycheck Protection Program (the "PPP") of Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") in the amount of approximately \$79,800. The Organization used the proceeds from the loan for qualifying expenses as described under the CARES Act and, accordingly, expects that the principal and accrued interest on the loan will be eligible under the terms of the PPP to be forgiven.