



FRENCH HERITAGE SOCIETY, INC.

FINANCIAL STATEMENTS
(as of and for the years ended)

DECEMBER 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
French Heritage Society, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the French Heritage Society, Inc. (the "Organization"), which are comprised of the statements of financial position as of December 31, 2016 and 2015, 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.

Auditors' 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 auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the French Heritage Society, Inc. as of December 31, 2016 and 2015, 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.



New York, New York
November 13, 2017

FRENCH HERITAGE SOCIETY, INC.

Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (Notes A[4] and J)	\$ 1,482,030	\$ 1,419,908
Pledges and contributions receivable, net (Notes A[7] and B)	122,815	237,413
Prepaid expenses and other assets	71,843	58,145
Property and equipment, net (Notes A[5] and C)	<u>30,780</u>	<u>2,984</u>
	<u>\$ 1,707,468</u>	<u>\$ 1,718,450</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 58,734	\$ 76,891
Deferred revenue (Notes A[8] and D)	201,812	216,538
Restoration-project grants and awards payable (Note E)	<u>465,891</u>	<u>647,168</u>
Total liabilities	<u>726,437</u>	<u>940,597</u>
Commitments (Note I)		
Net assets:		
Unrestricted: (Note A[6])		
Operations	355,014	267,962
Board-designated fund - operating reserve	100,000	50,000
Board-designated fund - scholarships	<u>15,300</u>	<u>15,300</u>
	470,314	333,262
Temporarily restricted (Notes A[6] and F)	<u>510,717</u>	<u>444,591</u>
Total net assets	<u>981,031</u>	<u>777,853</u>
	<u>\$ 1,707,468</u>	<u>\$ 1,718,450</u>

FRENCH HERITAGE SOCIETY, INC.

Statement of Activities

Year Ended December 31, 2016

(with summarized financial information for 2015)

	Unrestricted			Temporarily Restricted	Total	
	Operating	Board- Designated	Unrestricted Total		2016	2015
Public support and revenue:						
Contributions (including in-kind contributions of \$195,766 in 2016 and \$85,000 in 2015) (Note G)	\$ 723,057		\$ 723,057	\$ 223,920	\$ 946,977	\$ 889,186
Special and other fund-raising events net of costs of direct benefit to donors of \$394,882 and \$231,618 in 2016 and 2015, respectively)	360,858		360,858		360,858	510,816
Program revenue	179,817		179,817		179,817	213,899
Membership dues	97,057		97,057		97,057	118,225
Interest and dividend income	427		427		427	587
Other income	16,225		16,225		16,225	32,260
Total public support and revenue before net assets released from restrictions	1,377,441		1,377,441	223,920	1,601,361	1,764,973
Net assets released from restrictions (Note F)	157,794		157,794	(157,794)	0	0
Total public support and revenue	1,535,235		1,535,235	66,126	1,601,361	1,764,973
Expenses:						
Program services:						
Restoration projects (Note E) (including grants and awards of \$126,211 and \$202,060 in 2016 and 2015, respectively)	345,460		345,460		345,460	434,399
Cultural exchange and educational programs (including grants and awards of \$34,284 in 2016 and \$54,888 in 2015)	369,322		369,322		369,322	389,777
Membership services	306,788		306,788		306,788	296,177
Total program services	1,021,570		1,021,570		1,021,570	1,120,353
Supporting services:						
Management and general	258,133		258,133		258,133	410,374
Fund-raising	189,521		189,521		189,521	202,993
Total supporting services	447,654		447,654		447,654	613,367
Total expenses	1,469,224		1,469,224		1,469,224	1,733,720
Increase in net assets before gains on foreign-currency translation and transfer to board-designated fund	66,011		66,011	66,126	132,137	31,253
Foreign-currency translation gains (Note A[8])	99,040		99,040		99,040	259,863
Transfer to board-designated operating reserve fund	(50,000)	\$ 50,000				
Expiration of donated tickets	(27,999)		(27,999)		(27,999)	
Increase in net assets	87,052	50,000	137,052	66,126	203,178	291,116
Net assets, beginning of year	267,962	65,300	333,262	444,591	777,853	486,737
Net assets, end of year	\$ 355,014	\$ 115,300	\$ 470,314	\$ 510,717	\$ 981,031	\$ 777,853

See notes to financial statements

FRENCH HERITAGE SOCIETY, INC.

Statement of Activities

Year Ended December 31, 2015

	Unrestricted		Temporarily Restricted	Total
	Operating	Board-Designated		
Public support and revenue:				
Contributions (including in-kind contributions of \$86,674) (Note H)	\$ 509,958		\$ 379,228	\$ 889,186
Special and other fund-raising events (net of costs of direct benefit to donors of \$231,618)	510,816			510,816
Program revenue	213,899			213,899
Membership dues	118,225			118,225
Interest and dividend income	587			587
Other income	<u>32,260</u>			<u>32,260</u>
Total public support and revenue before net assets released from restrictions	1,385,745		379,228	1,764,973
Net assets released from restrictions (Note F)	<u>166,263</u>		<u>(166,263)</u>	<u>0</u>
Total public support and revenue	<u>1,552,008</u>		<u>212,965</u>	<u>1,764,973</u>
Expenses:				
Program services:				
Restoration projects (Note E) (including grants and awards of \$202,060)	434,399			434,399
Cultural exchange and educational programs (including grants and awards of \$54,888)	389,777			389,777
Membership services	<u>296,177</u>			<u>296,177</u>
Total program services	<u>1,120,353</u>			<u>1,120,353</u>
Supporting services:				
Management and general	410,374			410,374
Fund-raising	<u>202,993</u>			<u>202,993</u>
Total supporting services	<u>613,367</u>			<u>613,367</u>
Total expenses	<u>1,733,720</u>			<u>1,733,720</u>
Change in net assets before gains on foreign-currency translation and transfer to board-designated fund	(181,712)		212,965	31,253
Foreign-currency translation gains (Note A[8])	259,863			259,863
Transfer to board-designated operating reserve fund	<u>(50,000)</u>	\$ 50,000	<u>0</u>	<u>0</u>
Increase in net assets	<u>28,151</u>	<u>50,000</u>	<u>212,965</u>	<u>291,116</u>
Net assets, beginning of year (as originally stated)	(5,609)		492,346	486,737
Adjustment (Note A[12])	<u>245,420</u>	<u>15,300</u>	<u>(260,720)</u>	<u>0</u>
Net assets, beginning of year, as restated	<u>239,811</u>	<u>15,300</u>	<u>231,626</u>	<u>486,737</u>
Net assets, end of year	<u>\$ 267,962</u>	<u>\$ 65,300</u>	<u>\$ 444,591</u>	<u>\$ 777,853</u>

See notes to financial statements

FRENCH HERITAGE SOCIETY, INC.

Statement of Functional Expenses

Year Ended December 31, 2016

(with summarized financial information from 2015)

	December 31, 2016									
	Program Services				Supporting Services			Costs of Direct Benefit to Donors	Total Expenses	2015 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	\$ 403,087
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>	<u>112,070</u>
Total salaries and related costs	106,843	106,843	128,212	341,898	85,475	106,843	192,318		534,216	515,157
Costs of direct benefit to donors								\$ 394,882	394,882	231,618
Grants and awards	126,211	34,284		160,495					160,495	256,948
Program materials and hospitality		108,184		108,184					108,184	100,355
Accounting and legal					92,403		92,403		92,403	144,366
Communications and website	3,381	3,381	4,057	10,819	2,705	3,381	6,086		16,905	35,294
Postage	3,640	3,640	4,367	11,647	2,912	3,640	6,552		18,199	14,131
Occupancy	17,232	17,232	20,678	55,142	13,785	17,232	31,017		86,159	84,531
Publications			43,287	43,287					43,287	39,249
Board meetings					21,975		21,975		21,975	38,255
Office expenses	4,595	4,595	5,514	14,704	3,676	4,595	8,271		22,975	26,824
Data processing	5,093	5,093	6,112	16,298	4,075	5,093	9,168		25,466	27,285
Promotion		37,842	37,842	75,684					75,684	51,842
Staff hotels and travel	6,309	6,309	7,571	20,189	5,048	6,309	11,357		31,546	46,234
Consultant	13,750	13,750	16,500	44,000	11,000	13,750	24,750		68,750	3,359
Repairs and maintenance										1,433
Bad-debts provision										11,738
Depreciation and amortization	441	441	529	1,411	352	441	793		2,204	907
Currency transaction fluctuation (Note A[8])	50,062	19,825	22,636	92,523	3,327	20,334	23,661		116,184	269,083
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>	<u>66,729</u>
Total expenses	345,460	369,322	306,788	1,021,570	258,133	189,521	447,654	394,882	1,864,106	1,965,338
Less costs of direct benefit to donors								(394,882)	(394,882)	(231,618)
Grand total	<u>\$ 345,460</u>	<u>\$ 369,322</u>	<u>\$ 306,788</u>	<u>\$ 1,021,570</u>	<u>\$ 258,133</u>	<u>\$ 189,521</u>	<u>\$ 447,654</u>	<u>\$ 0</u>	<u>\$ 1,469,224</u>	<u>\$ 1,733,720</u>

See notes to financial statements

FRENCH HERITAGE SOCIETY, INC.

Statement of Functional Expenses

Year Ended December 31, 2015

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

See notes to financial statements

FRENCH HERITAGE SOCIETY, INC.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 203,178	\$ 291,116
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,204	907
Bad-debts provision		11,738
Changes in:		
Pledges and contributions receivable	114,598	(25,039)
Prepaid expenses and other assets	(13,698)	(24,584)
Accounts payable and accrued expenses	(18,157)	11,640
Deferred revenue	(14,726)	56,345
Restoration-project grants and awards payable	<u>(181,277)</u>	<u>(31,190)</u>
Net cash provided by operating activities	<u>92,122</u>	<u>290,933</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(30,000)</u>	<u>(1,542)</u>
Net increase in cash and cash equivalents	62,122	289,391
Cash and cash equivalents, beginning of year	<u>1,419,908</u>	<u>1,130,517</u>
Cash and cash equivalents, end of year	<u>\$ 1,482,030</u>	<u>\$ 1,419,908</u>
Supplemental disclosure of cash flow information		
Donated goods and services	<u>\$ 195,766</u>	<u>\$ 86,674</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

The French Heritage Society, Inc. (the "Organization"), formerly known as Friends of VMF, Inc., was 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 11 Chapters "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, as applicable to not-for-profit organizations.

[3] Use of estimates:

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

[4] 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 Financial Statements December 31, 2016 and 2015

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

[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.

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, 2016 and 2015, 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. As of December 31, 2015, the Organization had designated \$15,300 for scholarships. During 2016, the Organization did not designate any monies for scholarships. Additionally, the Board authorized transfers, effective December 31, 2016 and 2015, of \$50,000 for each year, from the Organization's accumulated earnings surplus to the board-designated operating reserve. At December 31, 2016 and 2015, Board-designated net assets were \$115,300 and \$65,300, 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.

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

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

[7] Revenue recognition: (continued)

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

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) *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) *Donated goods and services:*

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

(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 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 gains of \$99,040 and \$259,863 in 2016 and 2015, respectively.

Gains and losses that arise from exchange-rate fluctuations on transactions, denominated in a currency other than the functional currency, are included in the accompanying statements of activities and of functional expenses. Foreign-currency transaction expenses were \$116,184 and \$269,083 in 2016 and 2015, respectively.

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

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

[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.

[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] New accounting pronouncement:

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 current 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 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 has chosen not to early-adopt this pronouncement.

[12] Restatement of opening net asset balances:

Net assets as of the beginning of 2015 have been adjusted to account for additional releases, not previously made, from certain temporarily restricted net asset categories. This adjustment has no effect on the Organization's total net assets, or its total changes in net assets as of and for the years ending 2016 and 2015.

[13] Subsequent events:

The Organization has considered all of the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occurred after December 31, 2016 through November 13, 2017, the date on which the financial statements were available to be issued. The Organization is not aware of any material subsequent events that would require recognition or disclosure in the accompanying financial statements.

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE B - PLEDGES AND CONTRIBUTIONS RECEIVABLE

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Amounts expected to be collected in:		
Less than one year	\$ 117,561	\$ 226,159
One to five years	<u>6,000</u>	<u>12,000</u>
	123,561	238,159
Reduction of pledges and contributions due in excess of one year, at a discount rate of 4%	<u>(746)</u>	<u>(746)</u>
	<u>\$ 122,815</u>	<u>\$ 237,413</u>

During 2015, the Organization removed pledges from receivables in the amount of \$11,738 because management considered them to be uncollectible. During 2016, the Organization did not have any similar pledge "write-offs." Based on the Organization's prior experience with donors, management expects all pledges and contributions to be fully collectible. Accordingly, no provision for doubtful accounts has been recorded.

NOTE C - PROPERTY AND EQUIPMENT

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 38,044	\$ 38,044
Leasehold Improvement	30,000	
Furniture and equipment	<u>4,497</u>	<u>4,497</u>
	72,541	42,541
Less accumulated depreciation	<u>(41,761)</u>	<u>(39,557)</u>
	<u>\$ 30,780</u>	<u>\$ 2,984</u>

NOTE D - DEFERRED REVENUE

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Membership	\$ 136,602	\$ 190,438
From programs	3,110	
From special events	<u>62,100</u>	<u>26,100</u>
	<u>\$ 201,812</u>	<u>\$ 216,538</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

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:

	December 31	
	2016	2015
Amounts expected to be paid in:		
Less than one year	\$ 290,731	\$ 461,708
One to four years	175,160	185,460
	<u>\$ 465,891</u>	<u>\$ 647,168</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 \$345,000 and \$329,000 as of December 31, 2016 and 2015, 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 \$244,000 and \$252,000 as of December 31, 2016 and 2015, respectively, as contributions designated for future projects, and such amounts are reported in temporarily restricted net assets.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	December 31,	
	2016	2015
Restricted for the following purposes:		
Chateau de Chavaniac	\$ 5,265	\$ 4,265
Chateau de Lacour d'Arcenay	300	300
Historic preservation internship program	44,353	2,443
Monticello	23,581	23,581
Fontainebleau	10,342	10,092
Chapelle Hotel Dieu	119,700	119,700
Chateau de la Tourette	5,100	5,100
Chapelle Saint Marie-Les-Anglais	37,756	86,111
Venetian Room	25,000	
Versailles Met Exhibit	100,000	
Apotheosis of St Louis	10,000	
Château de Commarque	60,000	
Hotel de la Monnaie - Paris	10,000	
Temple de Château-Thierry	2,000	
Flood Damaged Chambord	13,963	
Vaux-le-Vicomte	1,250	
Abbaye de Longues	500	
Closter of the Chartreux - Toulouse	10,500	
Petite Plaisance	1,107	
Future projects to be designated by donor	30,000	165,000
Travel - donated airline tickets		27,999
	<u>\$ 510,717</u>	<u>\$ 444,591</u>

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During the years ended December 31, 2016 and 2015, respectively, net assets released from restrictions were as follows:

	Year Ended December 31,	
	2016	2015
Chateau de Chavaniac		\$ 9,010
Historic preservation internship program	\$ 46,440	53,412
Gizeux		1,497
Fontainebleau		60,000
Synagogue Beit Yaacov		343
Chapelle Saint Marie-Les-Anglais	48,355	
Future projects	25,000	
Château de Grisy	10,000	
Travel - donated airline tickets	27,999	42,001
	<u>\$ 157,794</u>	<u>\$ 166,263</u>

NOTE G - DONATED GOODS AND SERVICES

During the years ended December 31, 2016 and 2015, respectively, the Organization received the following donated goods and services as follows:

	Year Ended December 31,	
	2016	2015
Donated goods:		
Airline tickets		\$ 70,000
Auction	\$ 180,766	1,674
	180,766	71,674
Donated services:		
Legal	15,000	15,000
Total	<u>\$ 195,766</u>	<u>\$ 86,674</u>

NOTE H - EMPLOYEE-BENEFIT PLANS

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

Effective January 1, 2015, the Organization established a 401(k) Pension Plan (the "401(k) Plan"), under which the Organization matches 3% of each eligible participant's compensation. The Organization contributed \$7,415 and \$3,683 to the 401(k) plan for the years ended December 31, 2016 and 2015, respectively.

FRENCH HERITAGE SOCIETY, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE I - COMMITMENTS

[1] Leases:

At both December 31, 2016 and 2015, the Organization was obligated under various non-cancellable lease agreements. The leases for office spaces in New York and Paris expire on April 30, 2018 and September 30, 2017, respectively. In addition, the Organization leases certain equipment under agreements expiring through June 30, 2017.

The future minimum lease payments to be made in 2017 amount to approximately \$75,000.

Subsequent to December 31, 2016, the Organization began the process of evaluating its office space options and conducting discussions with the current landlord in New York, as well as evaluating a possible relocation of the New York office based on market availability and conditions. The lease for the Paris office, assuming neither party gives prior notice of cancellation, will extend automatically on the expiration date at the existing rental rate for an additional three years, with further renewals available.

[2] Restoration project grants and awards:

In addition to its restoration-project grants and awards payable, the Organization is obligated to fund various grants and awards for restoration projects. See Note E.

[3] 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 \$1,400,000 and \$1,228,000 as of December 31, 2016 and 2015, respectively. Additionally, the Organization had approximately \$56,000 and \$18,000 as of December 31, 2016 and 2015, respectively, in foreign bank accounts which were not insured.