

THE AMERICAN LIBRARY IN PARIS, Inc.

*Financial Statements for the Years
ended December 31, 2010 and 2009
and Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The American Library in Paris, Inc.

We have audited the accompanying statements of financial position of The American Library in Paris, Inc. ("the Library") as of December 31, 2010 and 2009 and for the years then ended expressed in U.S. dollars. These financial statements are the responsibility of the Board of Trustees. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The American Library in Paris, Inc. as of December 31, 2010 and 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Associés



Giancarlo RANDAZZO

May 4, 2011

THE AMERICAN LIBRARY IN PARIS, Inc

*Financial Statements for the Year
ended December 31, 2010*

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

IN US \$

ASSETS	NOTE	2010	2009
CURRENT ASSETS:			
Cash and other investments		174 153	466 644
Accounts receivable		9 385	13 888
Prepaid expenses and deferred charges		19 909	41 355
Total current assets		203 447	521 888
PROPERTY:			
Property - building		2 178 497	2 227 995
Furniture and equipment		2 214 196	2 420 100
Less accumulated depreciation		-4 135 054	-4 458 043
Total property	3.4	257 640	190 052
OTHER ASSETS:			
Investments—at fair value		0	0
Pledge receivable		0	0
Total other assets		0	0
TOTAL ASSETS		461 086	711 940
LIABILITIES AND NET ASSETS			
PROVISION FOR RETIREMENT BENEFIT	3.5	258 750	273 723
CURRENT LIABILITIES:			
Accounts payable		0	
Deposits from members		26 007	25 053
Accrued liabilities:		0	
Payroll and contributions		128 315	262 918
Taxes		87 899	94 833
Deferred revenue		212 468	234 314
Other liabilities		0	0
Total current liabilities		454 689	617 118
NET ASSETS:			
Capital stock		5 595	5 595
Retained earnings, endowment, accumulated income or other funds		-184 496	-434 506
Change in net assets (loss)		-73 452	250 010
Total net assets		-252 353	-178 901
TOTAL LIABILITIES AND NET ASSETS		461 086	711 940

Notes 1 to 8 are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

STATEMENT OF INCOME AND EXPENSES	NOTE	2010	2009
Revenues:			
Membership fees		297 965	273 653
Operating income		79 761	72 570
Rents		355 392	372 145
USA Foundation donations received		210 513	279 433
Donations and bequests received		208 649	629 173
Financial income		3 573	1 685
Miscellaneous income	3.9	94 430	35 418
Total unrestricted revenues		1 250 283	1 664 077
Expenses:			
Supplies		90 445	90 307
Wages		450 940	466 015
Payroll taxes		268 310	270 905
Building		101 357	98 326
Depreciation	3.4	73 519	106 932
Advertising		21 783	16 247
Bank charges		2 396	2 513
Accounting, tax and legal fees		62 634	90 861
Insurance		19 746	18 738
Fundraising		13 281	16 565
Programs		35 965	44 727
Shipping and postage		24 961	17 455
Equipment rental and maintenance		41 779	26 221
Other maintenance		16 217	27 337
Telephone		7 261	7 126
Property tax	3.6	84 593	87 626
Other		23 914	16 640
Total unrestricted expenses		1 339 101	1 404 540
REVENUES IN EXCESS OF EXPENSES		-88 817	259 537
UNREALIZED GAINS ON INVESTMENTS—Net		0	0
CHANGE IN NET ASSETS		-88 817	259 537
NET ASSETS:			
Beginning of year		-178 901	-428 911
Foreign exchange rate translation adjustment for the year		15 366	-9 527
Change in net assets (loss)		-88 817	259 537
End of year		-252 353	-178 901

Notes 1 to 8 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010, AND DECEMBER 31, 2009

1. INCORPORATION AND ACTIVITIES

The American Library in Paris, Inc. ("the Library") is incorporated in the State of Delaware and established as a not-for-profit corporation (501 (c) 3) under the United States Internal Revenue Service Code. The Library is recognized as a foreign association in France, where it conducts its activities as an English-language lending library. It provides services similar to a typical American public library to English-speaking persons in France, including book lending, programs for children, families, retired persons, and support for undergraduate programs in the liberal arts for U.S. students studying abroad and French students studying for the *CAPES* and "*Agrégation*" programs.

2. FUNDS

The Library's operating income is primarily from membership and rental income. Additional revenues come from gifts and bequests. These gifts are received directly from donors or via the ALP USA Foundation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Library's expenses are denominated in Euros and U.S. dollars. Its financial statements are maintained in Euros and are translated into U.S. dollars as follows:

- Balance sheet items at a year-end rate of exchange, except for capital stock for which original value is registered.
- Revenues and expenditures at the average rate of exchange for the year.

The f/x conversion rates for the year are:

- Year-end- rate: 1.3362 USD for 1 Euro (2009 : 1.4614 USD for 1 Euro)
- Average rate: 1.3268 USD for 1 Euro (2009 : 1.3933 USD for 1 Euro)

The resulting currency translation adjustment is shown as a separate component of retained earnings.

3.1 Fund Accounting—The prescribed statement of financial position and prescribed statement of activities present assets, liabilities, revenue, expenses, and other changes only on a total basis. Generally accepted accounting principles set forth in the AICPA Statement of Position (SOP) #78-10, "Accounting Principles and Reporting Practices for Certain Non-Profit Organizations," require that the details of major fund groups should also be provided and that adequate information be provided concerning interfund borrowings and important restrictions on the use of resources.

3.2 Capital Additions—The prescribed statement of revenue and expenses and changes in fund balances reports non-expendable resources restricted by donors for endowment or other purposes on a fund-by-fund basis, according to generally accepted accounting principles as set forth in SOP #78-10. Resources are accounted for as support to the extent expended for the purpose specified by the donor during the period.

Notes 1 to 8 are an integral part of these financial statements.

3.3 Cash and other investments include interest-bearing deposits and short-term investments with original maturities of three months or less.

3.4 Property is stated at cost. The Library's property includes its owned facilities in the 7th arrondissement, totaling approximately 1,600 m2.

Assets purchased in Euros are stated at year-end exchange rates and are depreciated on a straight-line basis over the following useful lives:

- Software	3 years
- Building	50 years
- Building improvements	10 years
- Furniture	5 to 10 years
- Books	5 years

A summary of the movements is detailed below:

Net amount 2009	190 052
Capital expenditures	142 807
Depreciation	-58 524
Exchange rate impact	-16 695
Net amount 2010	257 640

Fixed assets 2010	Amount
Software	36 817
Building	2 178 497
Furniture	612 019
Books	1 417 070
Other media (microfilms, tape, etc)	148 290
Total	4 392 694
Less accumulated depreciation	4 135 054
Net	257 640

The depreciation charge for the year is detailed as follows:

Depreciation 2010	Amount
Software	0
Bulding	36 593
Furniture	15 295
Books	6 635
Other media (microfilms, tapes,ect)	0
Retirement benefit	14 995
Total	73 519

Notes 1 to 8 are an integral part of these financial statements.

3.5 Provision for retirement benefit represents the retirement provision based on seniority of employees. This provision includes the indemnity due to an employee who is on leave due to incapacity, and commitment due to the donor of the legacy described at note 5.

Opening balance	273 723
Provision for the year	15 102
Writeback of provision	-6 625
Exchange rate impact	-23 450
Net amount as at 31th December 2010	258 750

3.6 Taxes represent tax on rental income, property and television, as per note 4

3.7 Deferred revenues from membership fees are recorded as revenue on an accrual basis, pro-rated over the relevant membership period. The total revenues related to 2011 are USD 212 468, consisting of:

- Membership fees: USD 128 663
- Rental revenue invoiced in advance: USD 83 805

3.8 Revenues:

- Membership fees – Annual, six-month, and four-month membership fees are recorded as revenue when received, pro rata over the relevant membership period. Such fees are considered non-refundable by the Library.
- Rental Income – The Library rents part of its property to the American University in Paris, and the related income is recorded as it is earned.
- Interest and Dividend Income – Recorded when earned.
- Gifts, Bequests, and Grants. Gifts, income from bequests, and grants are recorded as revenue when received.

3.9 Miscellaneous Income:

Explained by :	
Personnel provision adjustment	62 012
Disabled employee adjustment	6 578
Miscellaneous income	25 839
	<u>94 430</u>

4 TAX STATUS

For U.S. Federal tax purposes, the Library is a not-for-profit, tax-exempt organization and is not a private foundation.

For French tax purposes, the Library is subject only to taxes on rental income, property and television.

Notes 1 to 8 are an integral part of these financial statements.

5 COMMITMENTS

The American Library in Paris is the beneficiary of a legacy under the terms of which the Library is obliged to make yearly payments of \$1,200 to the donor for her lifetime. Since 2009, the Library has suspended payments pending bank confirmation that the legatee is still alive.

6 NET ASSETS

Change in net assets is detailed as follows:

Increase in fund balances:

<u>Increase in fund balances :</u>	
Fund balances beginning of year	-178 901
Fund balances end of year	-252 353
	<u>-73 452</u>

Explained by :

<u>Explained by :</u>	
Profit and loss for the year	-88 817
Foreign exchange conversion adjustment	15 366
	<u>-73 452</u>

7 CONTINGENT LIABILITIES

Litigation was commenced against the Library before a labor court in Paris by the Library's former director. The Paris labor court ruled in favor of the Library, and the former director appealed. The dispute has been concluded.

As of the date hereof, there are no litigations involving the Library.

8 BOARD OF TRUSTEES, OFFICERS, 2010

William D. Torchiana, Chairman
 David Chaffetz, Vice-Chairman
 Etienne Gorse, Treasurer
 Luis Roth, Secretary
 Mary Lee Turner, Assistant Treasurer
 Nicolas ver Hulst, Executive Committee
 Shelley de Rouvray, Executive Committee
 Jonathan Schur, Executive Committee

The officers and trustees of the American Library in Paris are not compensated for their services, which include monthly meetings and volunteer help as needed, nor reimbursed for their expenses.

Notes 1 to 8 are an integral part of these financial statements.