

**SONS OF THE REVOLUTION IN THE
STATE OF NEW YORK, INC.**

**Financial Statements
for the year ended
September 30, 2016
and
September 30, 2015**

Independent Auditor's Report

To the Board of Managers
Sons of the Revolution in the
State of New York, Inc.

We have audited the accompanying financial statements of Sons of the Revolution in the State of New York, Inc. which comprise the statement of financial position as of September 30, 2016 and September 30, 2015 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sons of the Revolution in the State of New York, Inc. as of September 30, 2016 and September 30, 2015 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

April 18, 2017

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Financial Position

Assets

	September 30	
	2016	2015
Current assets		
Cash	\$ 250,830	\$ 34,479
Pledge receivable	-	1,000
Other receivables	92,021	86,521
Investments, at fair value	3,464,092	3,097,883
Inventory and prepaid expenses	46,000	39,281
Current portion of promissory note	-	126,211
Total current assets	<u>3,852,943</u>	<u>3,385,375</u>
Security deposit	<u>100,242</u>	<u>100,161</u>
Property and equipment, at cost		
Real estate and improvements	3,010,120	2,825,589
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	247,093	247,093
Improvements in progress	531,783	350,758
Sub-total	<u>5,199,010</u>	<u>4,833,454</u>
Less accumulated depreciation	<u>1,774,628</u>	<u>1,620,334</u>
Net property and equipment	<u>3,424,382</u>	<u>3,213,120</u>
Total assets	<u>\$7,377,567</u>	<u>\$6,698,656</u>

Current Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 47,018	\$ 44,871
Contracts payable	113,421	104,358
Deferred revenue	21,475	-
Security deposit payable	100,242	100,161
Total current liabilities	<u>282,156</u>	<u>249,390</u>
Net assets		
Unrestricted		
General operating fund	3,666,974	3,224,172
Board-designated funds	427,237	218,170
Total unrestricted	<u>4,094,211</u>	<u>3,442,342</u>
Temporarily restricted	-	5,824
Permanently restricted	3,001,200	3,001,100
Total net assets	<u>7,095,411</u>	<u>6,449,266</u>
Total current liabilities and net assets	<u>\$7,377,567</u>	<u>\$6,698,656</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Activities
For the Year Ended September 30, 2016
(with comparative totals for the year ended September 30, 2015)

	Unrestricted						Total	
	General Operating Fund	Board - Designated Funds	Museum Fund	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Public support and revenue								
Support								
Contributions, bequests, grants and pledges	\$ 432,337	\$ -	\$ 20,359	\$ 452,696	\$ 1,338	\$ 100	\$ 454,134	\$ 165,585
George Washington Ball, net of direct expenses of \$41,319 in 2016 and \$35,744 in 2015	5,486	-	-	5,486	-	-	5,486	6,001
Flag Day contributions	5,205	-	-	5,205	-	-	5,205	1,950
Total support	443,028	-	20,359	463,387	1,338	100	464,825	173,536
Revenue								
Program services	29,288	-	163,017	192,305	-	-	192,305	130,752
Real estate rentals	760,664	-	-	760,664	-	-	760,664	728,243
Interest and dividends	6,397	6,208	-	12,605	85,556	-	98,161	120,404
Realized gain on sale of investments	-	5,819	-	5,819	80,198	-	86,017	119,897
Other	2,315	-	-	2,315	-	-	2,315	1,740
Net assets released from restrictions	380,169	-	6,162	386,331	(386,331)	-	-	-
Total revenue	1,178,833	12,027	169,179	1,360,039	(220,577)	-	1,139,462	1,101,036
Total public support and revenue	1,621,861	12,027	189,538	1,823,426	(219,239)	100	1,604,287	1,274,572
Expenses								
Program services								
Commemorative and fellowship	23,240	-	215,355	238,595	-	-	238,595	234,082
Museum programs and activities	-	-	434,909	434,909	-	-	434,909	390,307
Total program services	23,240	-	650,264	673,504	-	-	673,504	624,389
Supporting services								
General and administrative	489,062	-	45,076	534,138	-	-	534,138	546,773
Fund raising	-	-	54,400	54,400	-	-	54,400	43,768
Total supporting services	489,062	-	99,476	588,538	-	-	588,538	590,541
Total expenses	512,302	-	749,740	1,262,042	-	-	1,262,042	1,214,930
Excess (deficiency) of support and revenue over expenses before other additions (deductions) and interfund transfers	1,109,559	12,027	(560,202)	561,384	(219,239)	100	342,245	59,642
Other additions (deductions) and interfund transfers								
Insurance proceeds	75,000	-	-	75,000	-	-	75,000	-
Appropriation of general operating funds	(560,202)	-	560,202	-	-	-	-	-
Unrealized gain (loss) on investments	-	15,485	-	15,485	213,415	-	228,900	(438,847)
Interfund transfers- net	(181,555)	181,555	-	-	-	-	-	-
Increase (decrease) in net assets	442,802	209,067	-	651,869	(5,824)	100	646,145	(379,205)
Net assets, beginning of year	3,224,172	218,170	-	3,442,342	5,824	3,001,100	6,449,266	6,828,471
Net assets, end of year	\$ 3,666,974	\$ 427,237	\$ -	\$ 4,094,211	\$ -	\$ 3,001,200	\$ 7,095,411	\$ 6,449,266

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Activities
For the Year Ended September 30, 2015

	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	General Operating Fund	Board - Designated Funds	Museum Fund				
Public support and revenue							
Support							
Contributions, bequests, grants and pledges	\$ 141,350	\$ -	\$ 19,547	\$ 160,897	\$ 3,838	\$ 850	\$ 165,585
George Washington Ball, net of direct expenses of \$35,744	6,001	-	-	6,001	-	-	6,001
Flag Day contributions	1,950	-	-	1,950	-	-	1,950
Total support	<u>149,301</u>	<u>-</u>	<u>19,547</u>	<u>168,848</u>	<u>3,838</u>	<u>850</u>	<u>173,536</u>
Revenue							
Program services	20,256	-	110,496	130,752	-	-	130,752
Real estate rentals	728,243	-	-	728,243	-	-	728,243
Interest and dividends	18,607	11,209	-	29,816	90,588	-	120,404
Realized gain on sale of investments	-	13,202	-	13,202	106,695	-	119,897
Other	1,740	-	-	1,740	-	-	1,740
Net assets released from restrictions	444,597	-	6,100	450,697	(450,697)	-	-
Total revenue	<u>1,213,443</u>	<u>24,411</u>	<u>116,596</u>	<u>1,354,450</u>	<u>(253,414)</u>	<u>-</u>	<u>1,101,036</u>
Total public support and revenue	<u>1,362,744</u>	<u>24,411</u>	<u>136,143</u>	<u>1,523,298</u>	<u>(249,576)</u>	<u>850</u>	<u>1,274,572</u>
Expenses							
Program services							
Commemorative and fellowship	29,239	-	204,843	234,082	-	-	234,082
Museum programs and activities	-	-	390,307	390,307	-	-	390,307
Total program services	<u>29,239</u>	<u>-</u>	<u>595,150</u>	<u>624,389</u>	<u>-</u>	<u>-</u>	<u>624,389</u>
Supporting services							
General and administrative	503,074	-	43,699	546,773	-	-	546,773
Fund raising	-	-	43,768	43,768	-	-	43,768
Total supporting services	<u>503,074</u>	<u>-</u>	<u>87,467</u>	<u>590,541</u>	<u>-</u>	<u>-</u>	<u>590,541</u>
Total expenses	<u>532,313</u>	<u>-</u>	<u>682,617</u>	<u>1,214,930</u>	<u>-</u>	<u>-</u>	<u>1,214,930</u>
Excess (deficiency) of support and revenue over expenses before other addition (deductions) and interfund transfers	830,431	24,411	(546,474)	308,368	(249,576)	850	59,642
Other addition (deductions) and interfund transfers							
Appropriation of general operating funds	(546,474)	-	546,474	-	-	-	-
Unrealized (loss) on investments	-	(48,321)	-	(48,321)	(390,526)	-	(438,847)
Interfund transfers	209,067	(209,067)	-	-	-	-	-
Increase (decrease) in net assets	<u>493,024</u>	<u>(232,977)</u>	<u>-</u>	<u>260,047</u>	<u>(640,102)</u>	<u>850</u>	<u>(379,205)</u>
Net assets, beginning of year	<u>2,731,148</u>	<u>451,147</u>	<u>-</u>	<u>3,182,295</u>	<u>645,926</u>	<u>3,000,250</u>	<u>6,828,471</u>
Net assets, end of year	<u>\$ 3,224,172</u>	<u>\$ 218,170</u>	<u>\$ -</u>	<u>\$ 3,442,342</u>	<u>\$ 5,824</u>	<u>\$ 3,001,100</u>	<u>\$ 6,449,266</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2016
(with summarized totals for the year ended September 30, 2015)

	Program Services			Supporting Services		Total 2016	Total 2015
	Commem- orative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising		
Expenses							
Salaries and wages	\$ 95,904	\$ 157,416	\$ 253,320	\$ 46,295	\$ 40,355	\$ 339,970	\$ 297,172
Fringe benefits	31,888	50,617	82,505	11,517	9,494	103,516	101,803
Outside services	-	5,669	5,669	55,645	-	61,314	59,124
Real estate taxes	-	-	-	101,083	-	101,083	94,745
Professional fees	7,300	21,918	29,218	24,225	-	53,443	84,250
Insurance	20,202	48,484	68,686	65,993	-	134,679	137,158
Maintenance and repairs	11,665	27,995	39,660	38,105	-	77,765	83,845
Advertising	-	5,346	5,346	-	-	5,346	3,182
Utilities	15,266	15,266	30,532	12,556	-	43,088	49,714
Board and Committee	22,514	-	22,514	-	-	22,514	23,961
Supplies	24	3,048	3,072	6,694	31	9,797	3,804
Publications and dues	-	1,295	1,295	13,540	-	14,835	13,796
Printing	2,217	11,948	14,165	812	-	14,977	15,087
Flag Day	726	-	726	-	-	726	5,278
Program related services	10,619	18,422	29,041	8,653	4,520	42,214	26,841
Telephone	-	6,975	6,975	9,600	-	16,575	12,478
Postage	48	2,372	2,420	4,219	-	6,639	9,535
Security	-	4,822	4,822	35,392	-	40,214	36,357
Travel, meals and hospitality	-	801	801	858	-	1,659	204
Awards and benevolence	99	470	569	279	-	848	12,332
Other	65	2,671	2,736	13,810	-	16,546	11,708
Depreciation	20,058	49,374	69,432	84,862	-	154,294	132,556
Total expenses – 2016	\$ 238,595	\$ 434,909	\$ 673,504	\$ 534,138	\$ 54,400	\$1,262,042	\$1,214,930
Total expenses – 2015	\$ 234,082	\$ 390,307	\$ 624,389	\$ 546,773	\$ 43,768		

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2015

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Commemorative and Fellowship</u>	<u>Museum Programs and Activities</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	
Expenses						
Salaries and wages	\$ 86,176	\$ 141,244	\$ 227,420	\$ 39,082	\$ 30,670	\$ 297,172
Fringe benefits	31,891	48,574	80,465	11,696	9,642	101,803
Outside services	24	3,573	3,597	55,527	-	59,124
Real estate taxes	-	-	-	94,745	-	94,745
Professional fees	6,825	16,000	22,825	61,425	-	84,250
Insurance	20,574	49,377	69,951	67,207	-	137,158
Maintenance and repairs	12,577	30,184	42,761	41,084	-	83,845
Advertising	1,952	1,230	3,182	-	-	3,182
Utilities	17,879	17,880	35,759	13,955	-	49,714
Board and Committee	23,961	-	23,961	-	-	23,961
Supplies	241	1,216	1,457	2,347	-	3,804
Publications and dues	-	975	975	12,094	727	13,796
Printing	-	7,238	7,238	7,849	-	15,087
Flag Day	5,278	-	5,278	-	-	5,278
Program related services	9,384	13,593	22,977	1,300	2,564	26,841
Telephone	-	6,239	6,239	6,239	-	12,478
Postage	38	3,275	3,313	6,190	32	9,535
Security	-	6,261	6,261	30,096	-	36,357
Travel, meals and hospitality	50	5	55	149	-	204
Awards and benevolence	-	-	-	12,332	-	12,332
Other	-	1,025	1,025	10,550	133	11,708
Depreciation	17,232	42,418	59,650	72,906	-	132,556
Total expenses – 2015	\$ 234,082	\$ 390,307	\$ 624,389	\$ 546,773	\$ 43,768	\$1,214,930

See notes to financial statements

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Statement of Cash Flows

	Year Ended	
	September 30	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 646,145	\$ (379,205)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	154,294	132,556
Donated securities	3,920	-
Proceeds from sale of donated securities	(3,920)	-
Realized (gain) on sale of investments	(86,017)	(119,897)
Unrealized (gain) loss on investments	(228,900)	438,847
Permanently restricted contributions	(100)	(850)
(Increase) decrease in assets		
Pledges receivable	1,000	5,100
Other receivables	(5,500)	(2,385)
Inventory and prepaid expenses	(6,719)	406
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	2,147	(10,515)
Deferred revenue	21,475	-
Deposit payable	81	125
Net cash provided by operating activities	<u>497,906</u>	<u>64,182</u>
Cash flows from investing activities		
Expenditures for property and equipment, net of change in contracts payable	(356,493)	(767,113)
Proceeds from sale of investments	319,287	486,943
Purchases of investments	(370,579)	-
(Increase) security deposit	(81)	(125)
Promissory note receivable, net	126,211	61,236
Net cash (used in) investing activities	<u>(281,655)</u>	<u>(219,059)</u>
Cash flows provided by financing activities		
Permanently restricted contributions	100	850
Net increase (decrease) in cash	216,351	(154,027)
Cash, beginning of year	<u>34,479</u>	<u>188,506</u>
Cash, end of year	<u>\$ 250,830</u>	<u>\$ 34,479</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Notes to Financial Statements September 30, 2016 and September 30, 2015

Note 1 – Nature of organization

The Sons of the Revolution in the State of New York, Inc. (the “Society”) was instituted in 1876 and incorporated in 1884. The Society was organized to perpetuate the memory of the men who, in military, naval or civil service, by their acts or counsel, achieved American independence; to promote and assist in various celebrations of the anniversaries relating to or connected with the war of the revolution and to inspire among the members and their descendants the patriotic spirit of their forefathers.

Fraunces Tavern® Museum (the “Museum”) was founded in 1907 and is owned and operated by the Society and its accounts are included in the Society’s financial statements. The Museum’s mission is to educate the public and create genuine appreciation for New York City History as it relates to Colonial America, the American Revolutionary War, and the Early Republic; this mission is fulfilled through the preservation of its collection and interpretation of the Society’s landmarked 1719 building along with varied exhibitions of art and artifacts as they relate to the historic site and the American Revolution. The Museum’s vision will strive to be an inspiring resource in providing a thorough understanding of various elements of early American life while promoting a particular appreciation for the American Revolutionary War and the rich history that exists in Lower Manhattan. With a culturally significant collection, the Museum will continue to be a vital institution to a growing audience that offers compelling programs and exhibits while expanding on public accessibility both on and off site.

Note 2 – Summary of significant accounting policies

Net assets

The Society maintains three classes of net assets as follows:

- 1) Unrestricted net assets, consist of the General Operating Fund, the Board Designated Funds and the Museum Fund which are defined as follows:
 - General Operating Fund – Funds available for current operations.
 - Board Designated Funds – Consists of amounts that are designated by the Board and its assets are pooled with Society’s investments. The Board designated funds consists of the following:
 - The Reserve Fund was established to set aside all initiation and life membership fees, and all donor, patron and fellow subscriptions which may be made to the Society.
 - The Flag Fund was established for the acquisition by the Society of reproductions of flags, colors and standards carried by the Continental Troops in the War of the Revolution.
 - The Permanent Fund was established from the contributions and from other monies as may be from time to time received by the Society and which are directed by the Board of Managers to be credited to such Fund, the same to remain forever to the use of the Society, the income only of which shall be expensed.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 2 – Summary of significant accounting policies (continued)****Net assets (continued)**

1) (continued)

- The Capital Campaign Fund was established to raise funds for the restoration and improvement of Fraunces Tavern and other buildings owned by the Society. The related support, revenue and expenses are recorded in this Fund. During the 2015 fiscal year, in connection with a major capital improvement project, the Society utilized and closed the Capital Campaign Fund.
 - The Museum Endowment Fund was segregated for the museum endowment aspect of the capital campaign, and the designated amounts are available for programs and activities conducted by the Fraunces Tavern® Museum.
 - The Deaccession Collections Fund consists of proceeds from the sale of the Society's collection and other works of art and may be used for direct care and/or preserving the Society's existing collection or to buy additional items for the collection and/or other works of art.
 - Museum Fund – Consists of revenue and expenses incurred by the Fraunces Tavern Museum.
- 2) Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods. When the stipulated purpose of the restriction is achieved, temporarily restricted net assets are reclassified as unrestricted and reported in the statements of activities as net assets released from restrictions.
- 3) Permanently restricted net assets, which consist of gifts to the Society, the principal of which is permanently restricted.
- Shelby C. Davis Fund – Established through a gift made by the Shelby C. Davis Foundation. The principal portion cannot be expended. The value of the Shelby C. Davis Fund as of September 30, 2016 and September 30, 2015 was \$3,000,000. Earnings are reflected as temporarily restricted net assets until released from restrictions or appropriated for expenditures, as approved by the Board of Managers.
 - Building Maintenance Endowment Fund – The Building Maintenance Endowment Fund is to remain forever to the use of the Society, the income only of which shall be expended solely for the maintenance of the buildings comprising of the Fraunces Tavern® Museum complex, as determined by the Board of Managers. The value of the Building Maintenance Endowment Fund as of September 30, 2016 and September 30, 2015 was \$1,200 and \$1,100, respectively.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 2 – Summary of significant accounting policies (continued)****Interfund transfers**

During the 2016 fiscal year, the Society transferred \$209,067 from the general operating fund to the unrestricted board designated funds. In addition, during the 2016 fiscal year, the Society transferred \$27,512 from the unrestricted board designated funds to the general operating fund. During the 2015 fiscal year, the Society transferred \$209,067 from the unrestricted board designated funds to the general operations fund.

The Board approved these transfers during the 2015 fiscal year to meet the ongoing financial commitments of various capital projects and restored each fund during the 2016 fiscal year.

Cash equivalents

The Society considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Except for what is included in the Society's investment portfolio, the Society did not have any operating cash equivalents as of September 30, 2016 and September 30, 2015.

Allowance for doubtful accounts

As of September 30, 2016 and September 30, 2015, the Society does not have an allowance for doubtful accounts for any potentially uncollectible receivables. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and economic conditions.

Investments

Investments are recorded at fair value. The fair value of the investments is based on publicly quoted prices. Realized gains or losses on sales of investments are determined on the basis of average cost and are recorded in the general operating and board designated funds, except for realized and unrealized gains or losses on investments held by the Shelby C. Davis Fund, which are recorded in that fund.

Property and equipment

Property and equipment expenditures above a nominal amount and with a useful life greater than one year are capitalized and are recorded at cost. Items received by gift or bequest are recorded at appraised value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets which range from 7 to 20 years.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 2 – Summary of significant accounting policies (continued)****Collections**

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational exhibit and curatorial purposes. Proceeds from de-accessions or insurance recoveries are used to acquire or preserve other items for collection. Contributions for the purchase of items for the collection are classified as temporarily restricted net assets until acquisitions are made. The Museum's collections and exhibits are not capitalized in the statement of financial position. Purchases of items are expensed in the year that the items are acquired. The cost of these items is reported as a separate program expense. Contributed collection items are not reflected in the financial statements.

Service marks and other works of art

No amount has been reflected in the financial statements for the Fraunces Tavern® service mark and other works of art owned by the Society.

Contributions

The Museum reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as increase in unrestricted net assets if the restrictions are satisfied within the same fiscal year the contributions are received.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

Government grants

Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Revenue from government agencies are subject to audit by the agencies. No provision for any disallowance is reflected in the financial statements, since management does not anticipate any material adjustments.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 2 – Summary of significant accounting policies (continued)**Donated services

Organizations are required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. Individuals volunteer their time and perform a variety of tasks that assist the Society. These services do not meet the criteria to be recorded and have not been included in the financial statements.

Concentrations of credit risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, receivables, investments and a promissory note. The Society places its cash with what it believes to be quality financial institutions. The Society has not experienced any losses in such bank accounts to date. Investments are exposed to various risks such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at September 30, 2016 and September 30, 2015. The Society routinely assesses the financial strength of its cash and investments. The Society's management monitors the collectibility of its receivables and promissory note on an ongoing basis. As a consequence, management believes concentrations of credit risk are limited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Liquidity

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Society has Board Designated Funds (quasi-endowments) and its unspent endowment fund investment return. Although the Society does not intend to spend from its quasi-endowments and its unspent endowment fund investment return other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowments and its unspent endowment fund investment return could be made available if necessary.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015**

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through April 18, 2017, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent event that necessitated disclosure and/or adjustments other than those contained herein.

Note 3 – Investments

The following is a summary of investments at September 30, 2016 and September 30, 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 103,069	\$ 103,069	\$ 73,094	\$ 73,094
Mutual funds				
Dividend appreciation fund	766,925	1,203,154	848,247	1,169,430
Bond funds	677,046	665,605	684,973	655,665
Exchange traded fund	199,908	199,242	-	-
International growth fund	312,092	316,054	307,717	270,371
Emerging markets income fund	197,506	201,187	197,506	178,992
Gold, national resource and income fund	81,191	41,151	81,191	32,185
Precious metals and minerals fund	79,573	33,063	79,573	17,951
Other	<u>825,814</u>	<u>701,567</u>	<u>833,514</u>	<u>700,195</u>
Total mutual funds	<u>3,140,055</u>	<u>3,361,023</u>	<u>3,032,721</u>	<u>3,024,789</u>
Total investments	<u>\$ 3,243,124</u>	<u>\$ 3,464,092</u>	<u>\$ 3,105,815</u>	<u>\$ 3,097,883</u>
Unrealized gain (loss) on investments		<u>\$ 220,968</u>		<u>\$ (7,932)</u>
Change in unrealized gain (loss) on investments		<u>\$ 228,900</u>		<u>\$ (438,847)</u>

Fair value measurements

For assets measured at fair value on a recurring basis, as of and September 30, 2016 and September 30, 2015, Financial Accounting Standards, Fair Value Measurements require quantitative disclosure about the fair value measurement separately for each major class of assets. The Society's investments have been classified in the highest level of hierarchy (Level 1). These quoted prices are in active markets for identical assets.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 4 – Promissory note**

During April 2014, the Board of Managers accepted an agreement between the Society and its new restaurant tenant (the “tenant”) regarding the construction of a kitchen exhaust system in which the Society advanced the money for the cost of the construction to the tenant which was repaid by the tenant over a period of twenty-four months commencing on September 1, 2014 at a rate of 10% per annum. On July 2014, a promissory note was entered into by the Society and the tenant for the above agreement. As of September 30, 2016, the balance on the promissory note was received in full.

Note 5 – Commitments**Electrical project**

During June 2015, in connection with the electrical project, the Society entered into a contract with a general contractor totaling approximately \$589,000 including change orders. Work completed under the contract through September 30, 2016 that remains to be paid was \$105,521 and has been recorded as contracts payable on the statement of financial position.

Sidewalk project

During September 2016, in connection with the sidewalk project, the Society entered into a contract with a general contractor totaling \$97,000 including change orders. Work completed under the contract through September 30, 2016 that remains to be paid was \$7,900 and has been recorded as contracts payable on the statement of financial position.

Note 6 – Lease agreements

During April 2010, the Society entered into a lease agreement as a landlord to lease a portion of its facility for a restaurant premises. The restaurant operations have been undertaken by an independent contractor (the “tenant”) and the food and beverage sales and related expenses are reflected separately in the books and records of the tenant and are not reflected in the accounts and records of the Society. In addition, all related taxes incurred with the restaurant operations are paid by the tenant. The lease term, which expires March 31, 2020, requires a monthly base rent plus a percentage of all restaurant gross sales as defined in the lease agreement. As of September 30, 2016, the tenant has posted a security deposit of \$100,242 (including interest).

The Society also has a lease agreement as a landlord to lease a portion of its facility to another non-profit organization. During October 2010, the Society extended the terms of the lease agreement so that the lease shall expire on December 31, 2020. In accordance with the terms of the lease, the base rent is adjusted thereafter until the lease expires in December 2020.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015**

Note 6 – Lease agreements (continued)

For each fiscal year, the base rent will be as follows:

<u>Fiscal Year</u>	<u>Restaurant Premises Amount</u>	<u>Non-Profit Facility Amount</u>	<u>Total</u>
2017	\$ 261,384	\$ 85,245	\$ 346,629
2018	270,384	87,156	357,540
2019	279,384	89,121	368,505
2020	139,692	91,128	230,820
2021	<u>-</u>	<u>22,908</u>	<u>22,908</u>
Total	<u>\$ 950,844</u>	<u>\$ 375,558</u>	<u>\$1,326,402</u>

Note 7 – Retirement plan

The Society has a contributory defined contribution annuity plan covering substantially all employees. Under the terms of the plan, the Society contributes amounts ranging from 2% to 10% of an employee's gross earnings to the plan. Eligible employees can contribute up to the maximum percentage of their compensation allowable, not to exceed the Internal Revenue Code limitation. Such contributions are used to purchase individual annuity contracts for the employees. Plan expense for fiscal years 2016 and 2015 amounted to \$10,775 and \$12,879, respectively.

Note 8 – Museum support

For the 2016 and 2015 fiscal years, the Society appropriated funds from the general operating fund totaling \$560,202 and \$546,474, respectively, to the museum fund. Since the 1985 fiscal year, the Society has transferred \$12,087,354 from the general operating fund and the board designated funds to the museum fund to defray the costs of the museum.

Note 9 – Government grants

The Society recognized revenue totaling \$375,228 under a grant from the New York State Office of Parks, Recreation and Historic Preservation in fiscal 2016 to assist the Society in recovering from electrical damages caused by Hurricane Sandy.

Note 10 – Insurance proceeds

The Society, as plaintiff, filed a claim with its insurance carrier for certain expenses not reimbursed as a result of Hurricane Sandy that occurred in 2012. During the 2016 fiscal year, such claim was resolved and the Society received \$75,000 from its insurance carrier which was recorded as an other addition on the statement of activities.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 11 – Related party transactions**

The Society has bank accounts with a financial institution where a member of the Board of Managers has a financial interest. The board member has disclosed the relationship to the full Board of Managers in a board meeting where it was approved. Any direct or indirect benefits, if any, to the member of the Board of Managers is not determinable.

Note 12 – Tax status

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(1) of the Code. Donors are eligible to receive the maximum charitable deductions available for public charities under the Code.

Note 13 – Endowments

The Society’s endowment and board-designated funds consist of various individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowments and board-designated funds are classified and reported based on donor-imposed restrictions.

Investment objectives and principles**Objective**

The investment objective for the portfolio of the Society is to seek a high current total return (consisting of income and appreciation), consistent with preservation of capital, including as a secondary but important consideration investments in good quality securities with potential for capital appreciation as a hedge against inflation. Except for cash and cash equivalents, the investment objective shall be applied over the long-term (5 to 15 years).

Investment principles

(1) Investments will be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. (2) Investments shall be made solely in the interest of the Society. No investment shall be made in the event of any conflict of financial interest by, or personal benefit to, a member of the Investment Committee or the Board of Managers or the immediate family of any such person. (3) Investment shall be diversified as prudent to reduce the risk of loss unless under the circumstances it is clearly prudent not to diversify.

Asset Allocations:

(1) At least 20% but no more than 75% of the value of the Portfolio shall be invested in equity securities (i.e., common or preferred shares), of which up to 30% may be securities of foreign issuers.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015****Note 13 – Endowments (continued)****Asset Allocations (continued):**

- (2) At least 25% but no more than 75% of the value of the Portfolio shall be invested in U.S. Government securities and other fixed income securities (including floating rate, discount and inflation-adjusted obligations) rated at least investment grade by Fitch, Moody's or Standard & Poor's Rating Service, of which amount no more than 20% may be invested in convertible bonds and notes and obligations accompanied by warrants.
- (3) No more than 25% of the value of the Portfolio shall be invested in cash and cash equivalents (including in money market funds believed to be of good quality and sold without sales charge).
- (4) No more than 25% of the value of the Portfolio may be invested in other securities (including fixed income securities with lower ratings and REITS) reasonably determined in the context of the remainder of the Portfolio as likely to help the achievement of the investment objective stated above.
- (5) For each percentage point of value of the portfolio in excess of 15% invested in the securities referred to in paragraph (4) above, the limit on investment in equity securities referred to in paragraph (1) on the previous page, shall be reduced by a percentage point.

Interpretation

The Society follows the New York State Not-For-Profit Corporation Law (N-PCL) when adhering to donor-restricted contributions. The Society preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Society and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Society, and the investment policies of the Society.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of September 30, 2016 and September 30, 2015.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015**

Note 13 – Endowments (continued)

As of September 30, 2016 and September 30, 2015, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Investments, at fair value	\$ 3,428,437	\$ 3,097,883
Note receivable	-	126,211
Pledges receivable	-	1,000
Total	<u>\$ 3,428,437</u>	<u>\$ 3,225,094</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$3,001,200	\$ 3,001,200
Board-designated endowment funds	<u>427,237</u>	<u>-</u>	<u>-</u>	<u>427,237</u>
Total funds	<u>\$ 427,237</u>	<u>\$ -</u>	<u>\$3,001,200</u>	<u>\$ 3,428,437</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,824	\$3,001,100	\$ 3,006,924
Board-designated endowment funds	<u>218,170</u>	<u>-</u>	<u>-</u>	<u>218,170</u>
Total funds	<u>\$ 218,170</u>	<u>\$ 5,824</u>	<u>\$3,001,100</u>	<u>\$ 3,225,094</u>

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

**Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015**

Note 13 – Endowments (continued)

The following is a summary of the activities of the unrestricted board designated funds for the years ended September 30, 2015 and September 30, 2016:

	<u>Reserve Fund</u>	<u>Flag Fund</u>	<u>Permanent Fund</u>	<u>Museum Endowment Fund</u>	<u>Deaccession Collections Fund</u>	<u>Total Board Designated Funds</u>
Balance at September 30, 2014	<u>\$ 54,087</u>	<u>\$ 131,428</u>	<u>\$ 87,688</u>	<u>\$ 161,030</u>	<u>\$ 16,914</u>	<u>\$ 451,147</u>
Investment returns						
Interest and dividends	1,344	3,265	2,179	4,001	420	11,209
Net realized gain on sale of investments	1,583	3,846	2,566	4,712	495	13,202
Unrealized (loss) on investment	<u>(5,793)</u>	<u>(14,077)</u>	<u>(9,392)</u>	<u>(17,247)</u>	<u>(1,812)</u>	<u>(48,321)</u>
Total investment returns	<u>(2,866)</u>	<u>(6,966)</u>	<u>(4,647)</u>	<u>(8,534)</u>	<u>(897)</u>	<u>(23,910)</u>
Sub-total	51,221	124,462	83,041	152,496	16,017	427,237
Transfer (to) the general operating fund	<u>(51,221)</u>	<u>(70,936)</u>	<u>-</u>	<u>(86,910)</u>	<u>-</u>	<u>(209,067)</u>
Balance at September 30, 2015	<u>-</u>	<u>53,526</u>	<u>83,041</u>	<u>65,586</u>	<u>16,017</u>	<u>218,170</u>
Investment returns						
Interest and dividends	-	1,523	2,363	1,866	456	6,208
Net realized gain on sale of investments	-	1,428	2,215	1,749	427	5,819
Unrealized gain on investment	<u>-</u>	<u>3,799</u>	<u>5,894</u>	<u>4,655</u>	<u>1,137</u>	<u>15,485</u>
Total investment returns	<u>-</u>	<u>6,750</u>	<u>10,472</u>	<u>8,270</u>	<u>2,020</u>	<u>27,512</u>
Sub-total	-	60,276	93,513	73,856	18,037	245,682
Transfers from the general operating fund	51,221	70,936	-	86,910	-	209,067
Transfers (to) the general operating fund	<u>-</u>	<u>(6,750)</u>	<u>(10,472)</u>	<u>(8,270)</u>	<u>(2,020)</u>	<u>(27,512)</u>
Balance at September 30, 2016	<u>\$ 51,221</u>	<u>\$ 124,462</u>	<u>\$ 83,041</u>	<u>\$ 152,496</u>	<u>\$ 16,017</u>	<u>\$ 427,237</u>

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.

Notes to Financial Statements (continued)
September 30, 2016 and September 30, 2015Note 13 – Endowments (continued)

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2015 and September 30, 2016:

	<u>Shelby C. Davis Fund</u>	<u>Time Restricted</u>	<u>Dunsmore Painting Conservation Project</u>	<u>Total</u>
Balance at September 30, 2014	\$ 632,740	\$ 6,100	\$ 7,086	\$ 645,926
Investment returns				
Interest and dividends	90,588	-	-	90,588
Net realized and unrealized (loss) on investments	(283,831)	-	-	(283,831)
Contributions	-	-	3,838	3,838
Net assets released from restrictions	<u>(439,497)</u>	<u>(5,100)</u>	<u>(6,100)</u>	<u>(450,697)</u>
Balance at September 30, 2015	-	1,000	4,824	5,824
Investment returns				
Interest and dividends	85,556	-	-	85,556
Net realized and unrealized gain on investments	293,613	-	-	293,613
Contributions	-	-	1,338	1,338
Net assets released from restrictions	<u>(379,169)</u>	<u>(1,000)</u>	<u>(6,162)</u>	<u>(386,331)</u>
Balance at September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>