

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

**Financial Statements
for the years ended
September 30, 2018
and
September 30, 2017**

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, 2018 and September 30, 2017 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, 2018 and September 30, 2017 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

January 14, 2019

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

Statement of Financial Position

Assets

	September 30	
	2018	2017
Current assets		
Cash	\$ 77,421	\$ 193,149
Accounts receivable	99,418	118,555
Investments, at fair value	4,153,462	3,572,672
Inventory and prepaid expenses	45,175	33,234
Total current assets	4,375,476	3,917,610
Security deposit	101,748	100,624
Property and equipment, at cost		
Real estate and improvements	3,941,557	3,934,974
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	252,592	247,093
Improvements in progress	81,584	-
Sub-total	5,685,747	5,592,081
Less: accumulated depreciation	2,162,365	1,956,657
Net property and equipment	3,523,382	3,635,424
Total assets	\$8,000,606	\$7,653,658

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 69,325	\$ 129,429
Contract payable	40,825	-
Total current liabilities	110,150	129,429
Security deposit payable	101,748	100,624
Total liabilities	211,898	230,053
Net assets		
Unrestricted		
General operating fund	4,172,511	4,104,068
Board-designated funds	435,109	248,334
Total unrestricted	4,607,620	4,352,402
Temporarily restricted	-	3
Permanently restricted	3,181,088	3,071,200
Total net assets	7,788,708	7,423,605
Total liabilities and net assets	\$8,000,606	\$7,653,658

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, 2018
(with comparative information for the year ended September 30, 2017)

	Unrestricted			Total	Total	
	Operating Fund	Board - Designated Funds	Unrestricted		2018	2017
Public support and revenue						
Support						
Contributions and grants	\$ 373,186	\$ 1,775	\$ 374,961	\$ 484,849	\$ 219,465	
Special fundraising event(s), net of contributions of \$62,972 in 2018 and \$44,108 in 2017 and net of direct expenses of \$40,774 in 2018 and \$38,407 in 2017	(15,546)	-	(15,546)	(15,546)	(11,161)	
Total public support	357,640	1,775	359,415	469,303	208,304	
Revenue						
Program services	190,762	-	190,762	190,762	184,144	
Real estate rentals net of real estate taxes and insurance of \$188,451 in 2018 \$175,023 in 2017	649,351	-	649,351	649,351	616,182	
Interest and dividends, net	-	7,023	7,023	93,878	89,797	
Realized gain on sale of investments	-	5,550	5,550	74,186	127,050	
Other	1,364	-	1,364	1,364	605	
Net assets released from restrictions	264,688	-	264,688	(264,688)	-	
Total revenue	1,106,165	12,573	1,118,738	1,009,541	1,017,778	
Total public support and revenue	1,463,805	14,348	1,478,153	1,478,844	1,226,082	
Expenses						
Program services						
Commemorative and fellowship	271,122	-	271,122	271,122	197,335	
Museum programs and activities	461,311	-	461,311	461,311	439,298	
Total program services	732,433	-	732,433	732,433	636,633	
Supporting activities						
General and administrative	377,753	-	377,753	377,753	403,962	
Fund raising	121,577	-	121,577	121,577	80,921	
Total supporting activities	499,330	-	499,330	499,330	484,883	
Total expenses	1,231,763	-	1,231,763	1,231,763	1,121,516	
Excess (deficiency) of support and revenue over expenses before non-operating	232,042	14,348	246,390	247,081	104,566	
Non-operating						
Unrealized gain on investments	-	8,828	8,828	118,022	223,628	
Interfund transfers	(163,599)	163,599	-	-	-	
Increase in net assets	68,443	186,775	255,218	365,103	328,194	
Net assets, beginning of year	4,104,068	248,334	4,352,402	7,423,605	7,095,411	
Net assets, end of year	\$ 4,172,511	\$ 435,109	\$ 4,607,620	\$ 7,788,708	\$ 7,423,605	

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, 2018
(with summarized information for the year ended September 30, 2017)

	Program Services			Supporting Activities			Total 2017
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising	Total 2018	
Expenses							
Salaries and wages	\$ 129,487	\$ 184,555	\$ 314,042	\$ 35,014	\$ 58,370	\$ 407,426	\$ 341,793
Fringe benefits	39,107	56,445	95,552	10,776	17,459	123,787	85,835
Outside services	-	180	180	62,108	900	63,188	85,003
Professional fees	-	4,999	4,999	36,175	7,010	48,184	40,659
Insurance	22,066	52,957	75,023	-	-	75,023	70,798
Maintenance and repairs	8,092	19,421	27,513	26,434	-	53,947	55,504
Advertising	-	-	-	-	4,444	4,444	9,916
Utilities	8,910	21,384	30,294	29,107	-	59,401	60,495
Board and Committee	22,011	-	22,011	-	-	22,011	31,322
Supplies	-	163	163	4,905	226	5,294	4,858
Publications and dues	-	635	635	2,047	16,442	19,124	19,040
Printing	-	3,719	3,719	9,265	11,757	24,741	14,326
Flag Day	4,195	-	4,195	-	-	4,195	2,674
Program related services	1,677	30,009	31,686	-	-	31,686	37,712
Telephone	2,447	5,874	8,321	7,995	-	16,316	14,744
Postage	60	37	97	3,551	48	3,696	5,621
Security	5,779	13,869	19,648	18,876	-	38,524	35,902
Travel, meals and hospitality	128	1,174	1,302	3,574	34	4,910	8,142
Awards and benevolence	395	-	395	-	-	395	590
Other	26	63	89	14,787	4,887	19,763	14,553
Depreciation	26,742	65,827	92,569	113,139	-	205,708	182,029
Total expenses - 2018	\$ 271,122	\$ 461,311	\$ 732,433	\$ 377,753	\$ 121,577	\$ 1,231,763	\$ 1,121,516
Total expenses - 2017	\$ 197,335	\$ 439,298	\$ 636,633	\$ 403,962	\$ 80,921		

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, 2017

	Unrestricted				Total	Temporarily	Permanently	Total
	Operating	Board -	Unrestricted	Temporarily	Unrestricted	Restricted	Restricted	Unrestricted
	Fund	Designated	Funds	Restricted	Funds	Funds	Funds	Funds
		Funds						
Public support and revenue								
Support	\$ 143,368	6,097	\$ 149,465	\$ -	\$ 70,000	\$ 219,465		
Contributions and grants	(11,161)	-	(11,161)	-	-	(11,161)		
Special fundraising event(s), net of contributions of \$44,108 and net of direct expenses of \$38,407	132,207	6,097	138,304	-	70,000	208,304		
Total public support	184,144	-	184,144	-	-	184,144		
Revenue	616,182	-	616,182	-	-	616,182		
Program services	-	11,191	11,191	78,606	-	89,797		
Real estate rentals, net of real estate taxes and insurance of \$175,023	-	15,832	15,832	111,218	-	127,050		
Interest and dividends	605	-	605	-	-	605		
Realized gain on sale of investments	385,581	-	385,581	(385,581)	-	-		
Other	1,186,512	27,023	1,213,535	(195,757)	-	1,017,778		
Net assets released from restrictions	1,318,719	33,120	1,351,839	(195,757)	70,000	1,226,082		
Total revenue								
Total public support and revenue								
Expenses								
Program services	197,335	-	197,335	-	-	197,335		
Commemorative and fellowship	439,298	-	439,298	-	-	439,298		
Museum programs and activities	636,633	-	636,633	-	-	636,633		
Total program services	403,962	-	403,962	-	-	403,962		
Supporting activities	80,921	-	80,921	-	-	80,921		
General and administrative	484,883	-	484,883	-	-	484,883		
Fund raising	1,121,516	-	1,121,516	-	-	1,121,516		
Total supporting activities								
Total expenses	197,203	33,120	230,323	(195,757)	70,000	104,566		
Excess (deficiency) of support and revenue over expenses before non-operating	-	27,868	27,868	195,760	-	223,628		
Non-operating								
Unrealized gain on investments	239,891	(239,891)	-	-	-	-		
Interfund transfers	437,094	(178,903)	258,191	3	70,000	328,194		
Increase (decrease) in net assets	3,666,974	427,237	4,094,211	-	3,001,200	7,095,411		
Net assets, beginning of year	\$ 4,104,068	\$ 248,334	\$ 4,352,402	\$ 3	\$ 3,071,200	\$ 7,423,605		
Net assets, end of year								

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, 2017

	Program Services		Supporting Activities			Total
	Commen- orative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising	
Expenses						
Salaries and wages	\$ 80,306	\$ 169,648	\$ 249,954	\$ 46,560	\$ 45,279	\$ 341,793
Fringe benefits	19,926	42,762	62,688	11,730	11,417	85,835
Outside services	-	1,788	1,788	81,115	2,100	85,003
Professional fees	-	15,105	15,105	25,534	20	40,659
Insurance	20,823	49,975	70,798	-	-	70,798
Maintenance and repairs	8,326	19,981	28,307	27,197	-	55,504
Advertising	-	7,491	7,491	-	2,425	9,916
Utilities	-	23,668	23,668	36,827	-	60,495
Board and Committee	31,322	-	31,322	-	-	31,322
Supplies	28	714	742	4,067	49	4,858
Publications and dues	-	2,399	2,399	321	16,320	19,040
Printing	-	4,079	4,079	7,638	2,609	14,326
Flag Day	2,674	-	2,674	-	-	2,674
Program related services	9,265	28,447	37,712	-	-	37,712
Telephone	-	3,632	3,632	11,112	-	14,744
Postage	54	1,718	1,772	3,838	11	5,621
Security	-	2,452	2,452	33,450	-	35,902
Travel, meals and hospitality	421	2,917	3,338	4,804	-	8,142
Awards and benevolence	500	90	590	-	-	590
Other	26	4,183	4,209	9,653	691	14,553
Depreciation	23,664	58,249	81,913	100,116	-	182,029
Total expenses - 2017	\$ 197,335	\$ 439,298	\$ 636,633	\$ 403,962	\$ 80,921	\$ 1,121,516

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>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 365,103	\$ 328,194
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	205,708	182,029
Donated securities	10,968	-
Proceeds from sale of donated securities	(10,968)	-
Realized (gain) on sale of investments	(74,186)	(127,050)
Unrealized (gain) on investments	(118,022)	(223,628)
Permanently restricted contributions	(109,888)	(70,000)
(Increase) decrease in assets		
Accounts receivables	19,137	(26,534)
Inventory and prepaid expenses	(11,941)	12,766
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(60,104)	82,411
Deferred revenue	-	(21,475)
Deposit payable	1,124	382
Net cash provided by operating activities	<u>216,931</u>	<u>137,095</u>
Cash flows from investing activities		
Expenditures for property and equipment, net of change in contract payable	(52,841)	(506,492)
Proceeds from sale of investments	298,457	619,495
Purchases of investments	(687,039)	(377,397)
(Increase) security deposit	(1,124)	(382)
Net cash (used in) investing activities	<u>(442,547)</u>	<u>(264,776)</u>
Cash flows provided by financing activities		
Permanently restricted contributions	<u>109,888</u>	<u>70,000</u>
Net (decrease) in cash	(115,728)	(57,681)
Cash, beginning of year	<u>193,149</u>	<u>250,830</u>
Cash, end of year	<u>\$ 77,421</u>	<u>\$ 193,149</u>

See notes to financial statements.

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

Notes to Financial Statements September 30, 2018 and September 30, 2017

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 preserve and interpret the history of the American Revolutionary era through public education. This mission is fulfilled through the interpretation and preservation of the Museum’s collections, landmarked building and varied public programs that serve the community.

Note 2 – Summary of significant accounting policies

Net assets

The Society maintains three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- 1) Unrestricted net assets, consist of the General Operating Fund and the Board Designated Funds which are defined as follows:
 - General Operating Fund – Consists of revenue and expenses incurred by Fraunces Tavern Museum and other 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.
 - 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 preservation of the Society’s existing collection or to buy additional items for the collection and/or other works of art.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)****Net assets (continued)**

- 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, 2018 and September 30, 2017 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, 2018 and September 30, 2017 was \$181,088 and \$71,200, respectively. Earnings are reflected as temporarily restricted net assets until released from restrictions or appropriated for expenditures, as approved by the Board of Managers.

Interfund transfers

During the 2018 fiscal year, the Society transferred interest, dividends, net realized and unrealized gains totaling \$21,401 from the unrestricted board designated funds to the general operating fund. In addition, during the 2018 fiscal year, the Society transferred back from the general operating fund the \$185,000 transferred in the 2017 fiscal year to the unrestricted board designated fund as approved by the Board to meet ongoing financial commitments of various capital projects.

During the 2017 fiscal year, the Society transferred \$239,891 from the unrestricted board designated funds to the general operating fund. The transfer consists of interest, dividends, net realized gains and unrealized gains totaling \$54,891 and additional \$185,000 as approved by the Board, to meet ongoing financial commitments of various capital projects.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)****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, 2018 and September 30, 2017.

Allowance for doubtful accounts

As of September 30, 2018 and September 30, 2017, 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.

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. Accession and de-accession of items for the collections are subject to the Fraunces Tavern® Museum Collections Management Policy, most recently approved by the Board of Managers on May 21, 2018. 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)****Service marks, trademarks, and works of art**

No amount has been reflected in the financial statements for the Fraunces Tavern® service mark, the Samuel Fraunces® trademark, and the 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.

Contributions received from the George Washington Ball for the years ended September 30, 2018 and September 30, 2017 totaled \$62,972 and \$44,108, respectively. These contributions are included in contributions and grants in the statement of activities.

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 program services and supporting activities benefited.

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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)****Concentrations of credit risk**

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, receivables and investments. 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, 2018 and September 30, 2017. The Society routinely assesses the financial strength of its financial institutions and investments. The Society's management monitors the collectibility of its receivables 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. The Society invests cash in excess of daily requirements in short-term investments. In addition, the investment portfolio consists primarily of mutual funds and exchange traded funds, all of which offer daily liquidity. Following a redemption or sale of any of these, proceeds could be made available in the organization's checking account within two to five business days depending on the source of funds. To help manage unanticipated liquidity needs, the Society has Board Designated Funds (quasi-endowments) and its unspent endowment investment return. Although the Society does not intend to spend from its quasi-endowments and its unspent endowment 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 investment return could be made available if necessary.

Reclassification

Certain items in the 2017 financial statements have been reclassified for comparative purposes only.

Subsequent events

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through January 14, 2019, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures and/or adjustments other than those contained herein.

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

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 3 – Investments

The following is a summary of investments at September 30, 2018 and September 30, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 74,812	\$ 74,812	\$ 47,063	\$ 47,063
Mutual funds	2,847,560	3,375,771	2,881,105	3,291,744
Exchange traded funds	<u>668,472</u>	<u>702,879</u>	<u>199,908</u>	<u>233,865</u>
Total investments	<u>\$ 3,590,844</u>	<u>\$ 4,153,462</u>	<u>\$ 3,128,076</u>	<u>\$ 3,572,672</u>
Unrealized gain on investments		<u>\$ 562,618</u>		<u>\$ 444,596</u>
Change in unrealized gain on investments		<u>\$ 118,022</u>		<u>\$ 223,628</u>

For assets measured at fair value on a recurring basis, as of and September 30, 2018 and September 30, 2017, 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.

Note 4 – Commitments

Boiler replacement project

During August 2018, in connection with the boiler replacement project, the Society entered into a contract with a general contractor totaling approximately \$71,000 including change orders. Work completed under the contract through September 30, 2018 that remains to be paid totaled \$40,825, which is reflected as contract payable on the statement of financial position.

HVAC project

During October 2018, in connection with the HVAC project, the Society entered into a contract with a general contractor totaling approximately \$251,000. The work is scheduled to commence in December 2018.

Note 5 – 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, certain 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, 2018, the tenant has posted a security deposit of \$101,748 (including interest).

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

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 5 – Lease agreements (continued)

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.

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>
2019	\$ 279,384	\$ 89,121	\$ 368,505
2020	139,692	91,128	230,820
2021	-	22,908	22,908
Total	<u>\$ 419,076</u>	<u>\$ 203,157</u>	<u>\$ 622,233</u>

Note 6 – Support for commemorative and fellowship program services and museum programs and activities

For the 2018 and 2017 fiscal years, the Society funded from its operating fund a total of \$732,433 and \$636,633, respectively, for program services. For the fiscal years 2016 through 2018, the Society funded from its operating fund a cumulative total of \$2,042,570 for program services.

For the 2018 and 2017 fiscal years, \$271,122 and \$197,335 was expended by the Society on commemorative and fellowship program services, respectively. For the fiscal years 2016 through 2018, the Society expended a cumulative total of \$707,052 on commemorative and fellowship program services.

For the 2018 and 2017 fiscal years, \$461,311 and \$439,298 was expended by the Society on Museum programs and activities, respectively. For the fiscal years 2016 through 2018, the Society expended a cumulative total of \$1,335,518 on Museum programs and activities.

From the 1985 fiscal year through the 2018 fiscal year, the Society has appropriated a cumulative total of \$13,456,420 from the general operating fund and the board designated funds to defray the costs of the Museum, as well as to pay for certain commemorative and fellowship expenses.

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 2018 and 2017 amounted to \$17,055 and \$14,948, respectively.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 8 – 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 9 – Legal proceeding

The Society is currently involved in a legal proceeding arising in the ordinary course of business. The Society believes it has a defense for the proceeding and is vigorously defending the action. The Society's insurance carrier is providing defense and indemnity for this proceeding and in the opinion of management of the Society, the resolution of the matter will not have a materially adverse effect on the Society's financial statements.

Note 10 – 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 11 – 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).

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 11 – Endowments (continued)****Investment objectives and principles (continued)****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.
- (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) above, 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.

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

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 11 – Endowments (continued)

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, 2018 and September 30, 2017.

As of September 30, 2018 and September 30, 2017, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Investments, at fair value	\$ 3,616,197	\$ 3,319,537

Endowment Net Asset Composition by Type of Fund as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$3,181,088	\$ 3,181,088
Board-designated endowment funds	<u>435,109</u>	<u>-</u>	<u>-</u>	<u>435,109</u>
Total funds	<u>\$ 435,109</u>	<u>\$ -</u>	<u>\$3,181,088</u>	<u>\$ 3,616,197</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3	\$3,071,200	\$ 3,071,203
Board-designated endowment funds	<u>248,334</u>	<u>-</u>	<u>-</u>	<u>248,334</u>
Total funds	<u>\$ 248,334</u>	<u>\$ 3</u>	<u>\$3,071,200</u>	<u>\$ 3,319,537</u>

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

Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017

Note 11 – Endowments (continued)

The following is a summary of the activities of the unrestricted board designated funds for the years ended September 30, 2017 and September 30, 2018:

	Reserve Fund	Flag Fund	Permanent Fund	Museum Endowment Fund	Deaccession Collections Fund	Total Board Designated Funds
Balance at September 30, 2016	\$ 51,221	\$ 124,462	\$ 83,041	\$ 152,496	\$ 16,017	\$ 427,237
Investment returns						
Interest and dividends	1,342	3,260	2,175	3,994	420	11,191
Net realized gain on sale of investments	1,898	4,612	3,077	5,651	594	15,832
Unrealized gain on investment	3,341	8,118	5,417	9,947	1,045	27,868
Total investment returns	6,581	15,990	10,669	19,592	2,059	54,891
Membership dues	6,097	-	-	-	-	6,097
Sub-total	63,899	140,452	93,710	172,088	18,076	488,225
Investment returns appropriated for expenditures	(6,581)	(15,990)	(10,669)	(19,592)	(2,059)	(54,891)
Transfers (to) the general operating fund	(28,860)	(70,115)	-	(86,025)	-	(185,000)
Balance at September 30, 2017	28,458	54,347	83,041	66,471	16,017	248,334
Investment returns						
Interest and dividends	805	1,537	2,348	1,880	453	7,023
Net realized gain on sale of investments	636	1,215	1,855	1,486	358	5,550
Unrealized gain on investment	1,012	1,932	2,952	2,363	569	8,828
Total investment returns	2,453	4,684	7,155	5,729	1,380	21,401
Membership dues	1,775	-	-	-	-	1,775
Sub-total	32,686	59,031	90,196	72,200	17,397	271,510
Investment returns appropriated for expenditures	(2,453)	(4,684)	(7,155)	(5,729)	(1,380)	(21,401)
Transfers from the general operating fund	28,860	70,115	-	86,025	-	185,000
Balance at September 30, 2018	\$ 59,093	\$ 124,462	\$ 83,041	\$ 152,496	\$ 16,017	\$ 435,109

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

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 11 – Endowments (continued)

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2017 and September 30, 2018:

	<u>Shelby C. Davis Fund</u>	<u>Building Maintenance Endowment Fund</u>	<u>Total</u>
Balance at September 30, 2016	\$ -	\$ -	\$ -
Investment returns			
Interest and dividends	78,605	1	78,606
Net realized gain on sale of investments	111,217	1	111,218
Unrealized gain on investments	195,759	1	195,760
Net assets released from restrictions/appropriated for expenditures	<u>(385,581)</u>	<u>-</u>	<u>(385,581)</u>
Balance at September 30, 2017	-	3	3
Investment returns			
Interest and dividends	84,857	1,998	86,855
Net realized gain on sale of investments	67,057	1,579	68,636
Unrealized gain on investments	106,683	2,511	109,194
Net assets released from restrictions/appropriated for expenditures	<u>(258,597)</u>	<u>(6,091)</u>	<u>(264,688)</u>
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>