

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

**Financial Statements
for the years ended
September 30, 2019
and
September 30, 2018**

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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, 2019 and September 30, 2018 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, 2019 and September 30, 2018 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

June 17, 2020

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

Statement of Financial Position

Assets

	September 30	
	2019	2018
Current assets		
Cash	\$ 96,603	\$ 77,421
Accounts receivable	102,167	99,418
Investments, at fair value	3,888,714	4,153,462
Inventory and prepaid expenses	56,254	45,175
Total current assets	<u>4,143,738</u>	<u>4,375,476</u>
Security deposit	<u>102,976</u>	<u>101,748</u>
Property and equipment, at cost		
Real estate and improvements	4,499,692	3,941,557
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	274,181	252,592
Improvements in progress	-	81,584
Sub-total	6,183,887	5,685,747
Less: accumulated depreciation	<u>2,422,274</u>	<u>2,162,365</u>
Net property and equipment	<u>3,761,613</u>	<u>3,523,382</u>
Total assets	<u>\$8,008,327</u>	<u>\$8,000,606</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 139,855	\$ 69,325
Contract payable	-	40,825
Deferred revenue	21,318	-
Total current liabilities	<u>161,173</u>	<u>110,150</u>
Security deposit payable	<u>102,976</u>	<u>101,748</u>
Total liabilities	<u>264,149</u>	<u>211,898</u>
Net assets		
Without donor restrictions		
General operating fund	4,007,976	4,172,511
Board-designated funds	436,309	435,109
Total without donor restrictions	4,444,285	4,607,620
With donor restrictions	<u>3,299,893</u>	<u>3,181,088</u>
Total net assets	<u>7,744,178</u>	<u>7,788,708</u>
Total liabilities and net assets	<u>\$8,008,327</u>	<u>\$8,000,606</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, 2019
(with comparative information for the year ended September 30, 2018)

	Without Donor Restrictions		With Donor Restrictions	Total
	Operating Fund	Board - Designated Funds	Total	Total
	2019	2018	2019	2018
Public support and revenue				
Support				
Contributions and grants	\$ 287,046	\$ 1,200	\$ 288,246	\$ 407,051
Special fundraising event(s), net of contributions of \$78,074 in 2019 and \$62,972 in 2018 and net of direct expenses of \$40,445 in 2019 and \$40,774 in 2018	(14,449)	-	(14,449)	(14,449)
Total public support	<u>272,597</u>	<u>1,200</u>	<u>273,797</u>	<u>392,602</u>
Revenue				
Program services	190,986	-	190,986	190,762
Real estate rentals net of real estate taxes and insurance of \$201,164 in 2019 \$188,451 in 2018	655,332	-	655,332	649,351
Other	2,040	-	2,040	1,364
Net assets released from restrictions	123,530	-	123,530	-
Total revenue	<u>971,888</u>	<u>-</u>	<u>971,888</u>	<u>841,477</u>
Total public support and revenue	<u>1,244,485</u>	<u>1,200</u>	<u>1,245,685</u>	<u>1,240,960</u>
Expenses				
Program services				
Commemorative and fellowship	270,670	-	270,670	271,122
Museum programs and activities	454,691	-	454,691	461,311
Total program services	<u>725,361</u>	<u>-</u>	<u>725,361</u>	<u>732,433</u>
Supporting activities				
General and administrative	478,466	-	478,466	377,753
Fund raising	222,091	-	222,091	121,577
Total supporting activities	<u>700,557</u>	<u>-</u>	<u>700,557</u>	<u>499,330</u>
Total expenses	<u>1,425,918</u>	<u>-</u>	<u>1,425,918</u>	<u>1,231,763</u>
Excess (deficiency) of support and revenue over expenses before non-operating	(181,433)	1,200	(180,233)	(184,958)
Non-operating				
Net investment return	-	16,898	16,898	286,086
Interfund transfers - net	<u>16,898</u>	<u>(16,898)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(164,535)</u>	<u>1,200</u>	<u>(163,335)</u>	<u>(44,530)</u>
Net assets, beginning of year	<u>4,172,511</u>	<u>435,109</u>	<u>4,607,620</u>	<u>7,788,708</u>
Net assets, end of year	<u>\$ 4,007,976</u>	<u>\$ 436,309</u>	<u>\$ 4,444,285</u>	<u>\$ 7,788,708</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, 2019
(with summarized information for the year ended September 30, 2018)**

	Program Services			Supporting Activities			Total 2018
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising	Total 2019	
Expenses							
Salaries and wages	\$ 114,796	\$ 163,943	\$ 278,739	\$ 59,624	\$ 65,873	\$ 404,236	\$ 407,426
Fringe benefits	32,833	46,890	79,723	17,054	18,841	115,618	123,787
Outside services	-	-	-	79,206	-	79,206	63,188
Professional fees	-	3,570	3,570	47,891	12,962	64,423	48,184
Insurance	23,182	55,637	78,819	-	-	78,819	75,023
Maintenance and repairs	9,842	23,620	33,462	39,100	-	72,562	53,947
Advertising	-	-	-	-	87,114	87,114	4,444
Utilities	10,454	25,091	-	34,152	-	69,697	59,401
Board and Committee	23,660	-	23,660	-	-	23,660	22,011
Supplies	-	54	54	5,376	232	5,662	5,294
Publications and dues	-	1,087	1,087	2,410	18,175	21,672	19,124
Printing	-	2,705	2,705	2,033	8,897	13,635	24,741
Flag Day	7,877	-	7,877	-	-	7,877	4,195
Program related services	1,521	27,703	29,224	1,563	2,211	32,998	31,686
Telephone	1,968	4,724	6,692	6,429	-	13,121	16,316
Postage	98	8	106	3,936	20	4,062	3,696
Security	6,096	14,630	-	19,914	-	40,640	38,524
Travel, meals and hospitality	1,012	1,720	2,732	2,863	565	6,160	4,910
Awards and benevolence	3,517	-	3,517	-	-	3,517	395
Other	26	138	164	13,965	7,201	21,330	19,763
Depreciation	33,788	83,171	116,959	142,950	-	259,909	205,708
Total expenses – 2019	\$ 270,670	\$ 454,691	\$ 725,361	\$ 478,466	\$ 222,091	\$ 1,425,918	\$ 1,231,763
Total expenses – 2018	\$ 271,122	\$ 461,311	\$ 732,433	\$ 377,753	\$ 121,577		

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**

	Without Donor Restrictions			
	Operating Fund	Board - Designated Funds	Total	With Donor Restrictions
	Total	Total	Total	Total
Public support and revenue				
Support	\$ 373,186	\$ 1,775	\$ 374,961	\$ 484,849
Contributions and grants				
Special fundraising event(s), net of contributions of \$62,972 and net of direct expenses of \$40,774	(15,546)	-	(15,546)	(15,546)
Total public support	<u>357,640</u>	<u>1,775</u>	<u>359,415</u>	<u>469,303</u>
Revenue				
Program services	190,762	-	190,762	190,762
Real estate rentals net of real estate taxes and insurance of \$188,451	649,351	-	649,351	649,351
Other	1,364	-	1,364	1,364
Net assets released from restrictions	264,688	-	264,688	(264,688)
Total revenue	<u>1,106,165</u>	<u>-</u>	<u>1,106,165</u>	<u>(264,688)</u>
Total public support and revenue	<u>1,463,805</u>	<u>1,775</u>	<u>1,465,580</u>	<u>(154,800)</u>
Expenses				
Program services	271,122	-	271,122	271,122
Commemorative and fellowship	461,311	-	461,311	461,311
Museum programs and activities	732,433	-	732,433	732,433
Total program services				
Supporting activities	377,753	-	377,753	377,753
General and administrative	121,577	-	121,577	121,577
Fund raising	499,330	-	499,330	499,330
Total supporting activities				
Total expenses	<u>1,231,763</u>	<u>-</u>	<u>1,231,763</u>	<u>1,231,763</u>
Excess (deficiency) of support and revenue over expenses before non-operating	232,042	1,775	233,817	(154,800)
Non-operating				
Net investment return	-	21,401	21,401	286,086
Interfund transfers	(163,599)	163,599	-	-
Increase in net assets	<u>68,443</u>	<u>186,775</u>	<u>255,218</u>	<u>365,103</u>
Net assets, beginning of year	<u>4,104,068</u>	<u>248,334</u>	<u>4,352,402</u>	<u>7,423,605</u>
Net assets, end of year	<u>\$ 4,172,511</u>	<u>\$ 435,109</u>	<u>\$ 4,607,620</u>	<u>\$ 7,788,708</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, 2018

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

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>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (44,530)	\$ 365,103
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	259,909	205,708
Donated securities	-	10,968
Proceeds from sale of donated securities	-	(10,968)
Realized (gain) on sale of investments	(28,314)	(74,186)
Unrealized (gain) on investments	(7,825)	(118,022)
Contributions with perpetual donor restrictions	(118,805)	(109,888)
(Increase) decrease in assets		
Accounts receivables	(2,749)	19,137
Inventory and prepaid expenses	(11,079)	(11,941)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	70,530	(60,104)
Deferred revenue	21,318	-
Deposit payable	1,228	1,124
Net cash provided by operating activities	<u>139,683</u>	<u>216,931</u>
Cash flows from investing activities		
Expenditures for property and equipment, net of change in contract payable	(538,965)	(52,841)
Proceeds from sale of investments	444,861	298,457
Purchases of investments	(143,974)	(687,039)
(Increase) security deposit	(1,228)	(1,124)
Net cash (used in) investing activities	<u>(239,306)</u>	<u>(442,547)</u>
Cash flows provided by financing activities		
Contributions with perpetual donor restrictions	<u>118,805</u>	<u>109,888</u>
Net increase (decrease) in cash	19,182	(115,728)
Cash, beginning of year	<u>77,421</u>	<u>193,149</u>
Cash, end of year	<u>\$ 96,603</u>	<u>\$ 77,421</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements
September 30, 2019 and September 30, 2018****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 two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions

Net assets without donor restrictions 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 consist 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, 2019 and September 30, 2018****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)With donor restrictions

Net assets with temporary donor restrictions 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, net assets with temporary donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net assets with perpetual donor restrictions 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, 2019 and September 30, 2018 was \$3,000,000. Earnings are reflected as net assets with temporary donor restrictions 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, 2019 and September 30, 2018 was \$299,893 and \$181,088, respectively. Earnings are reflected as net assets with temporary donor restrictions until released from restrictions or appropriated for expenditures, as approved by the Board of Managers.

Interfund transfers

During the 2019 fiscal year, the Society transferred interest, dividends, net realized and unrealized gains totaling \$16,898 from the board designated funds to the general operating fund.

During the 2018 fiscal year, the Society transferred \$21,401 from the 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 board designated funds as approved by the Board to meet ongoing financial commitments of various capital projects.

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, 2019 and September 30, 2018.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

As of September 30, 2019 and September 30, 2018, 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 statement of activities.

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.

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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018****Note 2 – Summary of significant accounting policies (continued)**Contributions

The Museum reports contributions as support with temporary donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a designated restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with temporary donor restrictions are reported as increase in net assets without donor restrictions 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, 2019 and September 30, 2018 totaled \$78,074 and \$62,972, 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 in the accompanying statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages, time and effort reporting and other equitable basis.

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.

For the fiscal year ended September 30, 2019 the Society received donated advertising services totaling \$81,568.

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

**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018**

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, 2019 and September 30, 2018. 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.

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

During the 2019 fiscal year, the Society adopted Accounting Standards Update *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

A recap of the net asset reclassifications driven by the adoption of the standard as of September 30, 2017 are as follows:

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted	\$ 4,352,402	\$ -	\$ 4,352,402
Temporarily restricted	-	3	3
Permanently restricted	-	3,071,200	3,071,200
Net assets, as reclassified			
September 30, 2017	<u>\$ 4,352,402</u>	<u>\$ 3,071,203</u>	<u>\$ 7,423,605</u>

In addition, in accordance with the adoption of the standard, the Society has also reclassified its 2018 fiscal year net asset classifications.

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

**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018**

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 June 17, 2020, which is the date the financial statements were available to be issued. On March 16, 2020, pursuant to general New York State and City directives addressing the novel coronavirus (COVID 19) pandemic, the Society's museum and its restaurant tenant were ordered temporarily closed, and those closures have continued through at least the May 13, 2020 date. The government-ordered closures have adversely impacted the Society, including (among other adverse effects) loss of museum revenues and loss of restaurant sales-based rentals. The duration of the closures, and their future impact, remain unknown as of the May 13, 2020 date. Management is closely monitoring developments relating to the coronavirus and the government-ordered closures, and their impact on the Society.

Note 3 – Liquidity and availability of financial assets

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.

As of September 30, 2019, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures, such as operating expenses, were as follows:

Cash and cash equivalents	\$ 96,603
Investments, at fair value	3,888,714
Accounts receivable	<u>102,167</u>
Sub-total	4,087,484
Less: net assets with donor restrictions	<u>3,299,893</u>
Total	<u>\$ 787,591</u>

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

**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018**

Note 4 – Investments

The following is a summary of investments at September 30, 2019 and September 30, 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 57,253	\$ 57,253	\$ 74,812	\$ 74,812
Mutual funds	2,565,375	3,109,323	2,847,560	3,375,771
Exchange traded funds	<u>695,643</u>	<u>722,138</u>	<u>668,472</u>	<u>702,879</u>
Total investments	<u>\$ 3,318,271</u>	<u>\$ 3,888,714</u>	<u>\$ 3,590,844</u>	<u>\$ 4,153,462</u>
Unrealized gain on investments		<u>\$ 570,443</u>		<u>\$ 562,618</u>
Change in unrealized gain on investments		<u>\$ 7,825</u>		<u>\$ 118,022</u>

For assets measured at fair value on a recurring basis, as of and September 30, 2019 and September 30, 2018, 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.

Net investment return is summarized as follows for the years ended September 30, 2019 and September 30, 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net	\$ 104,289	\$ 93,878
Realized gain on sale of investments	28,314	74,186
Unrealized gain on investments	<u>7,825</u>	<u>118,022</u>
Total	<u>\$ 140,428</u>	<u>\$ 286,086</u>

Note 5 – 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 remained to be paid totaled \$40,825, which was reflected as contract payable on the fiscal 2018 statement of financial position. Work was completed in 2019.

HVAC project

During October 2018, in connection with the HVAC project, the Society entered into a contract with a general contractor totaling approximately \$286,000 including change orders. Work was completed in 2019.

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

**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018**

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, certain related taxes incurred with the restaurant operations are paid by the tenant. The initial lease term was to expire March 31, 2020. The 2010 lease agreement provided to tenant two 5 year extension options. During 2019, the tenant exercised the first 5-year renewal option. In October 2019, the lease agreement was amended (first amendment to the lease) to acknowledge that the tenant had exercised the first renewal option to extend the lease for an additional term of five years commencing on April 1, 2020 and ending on March 31, 2025. The first amendment to the lease also granted the tenant a third renewal option, for a potential additional 10-year term beginning April 1, 2030. The lease requires a monthly base rent plus a percentage of all restaurant gross sales as defined in the lease agreement. As of September 30, 2019, the tenant has posted a security deposit of \$102,976 (including interest).

The first amendment to the lease includes a provision for Loans for Improvement of Premises in which the Society agreed to lend the tenant 1) an amount of up to \$176,000 (the first loan) for improvements to be made to the tenant’s restaurant kitchen and 2) an additional \$75,000 (the second loan) for improvements to be made to enlarge the tenant’s bar area, as outlined in the first amendment to the lease. Subsequent to September 30, 2019 to the date of this report, \$112,328 has been advanced to the tenant.

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>
2020	\$ 279,384	\$ 91,128	\$ 370,512
2021	283,578	22,908	306,486
2022	292,086	-	292,086
2023	300,846	-	300,846
2024	309,870	-	309,870
2025	157,224	-	157,224
Total	<u>\$ 1,622,988</u>	<u>\$ 114,036</u>	<u>\$ 1,737,024</u>

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018****Note 7 – Support for commemorative and fellowship program services and museum programs and activities**

For the 2019 and 2018 fiscal years, the Society funded from its operating fund a total of \$725,361 and \$732,433, respectively, for program services. For the fiscal years 2016 through 2019, the Society funded from its operating fund a cumulative total of \$2,767,931 for program services.

For the 2019 and 2018 fiscal years, \$270,670 and \$271,122 was expended by the Society on commemorative and fellowship program services, respectively. For the fiscal years 2016 through 2019, the Society expended a cumulative total of \$977,722 on commemorative and fellowship program services.

For the 2019 and 2018 fiscal years, \$454,691 and \$461,311 was expended by the Society on Museum programs and activities, respectively. For the fiscal years 2016 through 2019, the Society expended a cumulative total of \$1,790,209 on Museum programs and activities.

From the 1985 fiscal year through the 2019 fiscal year, the Society has appropriated a cumulative total of \$14,150,873 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 8 – 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 2019 and 2018 amounted to \$11,165 and \$17,055, respectively.

Note 9 – 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 10 – Legal proceedings

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

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018****Note 11 – 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 12 – 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018****Note 12 – Endowments (continued)**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, 2019 and September 30, 2018**

Note 12 – Endowments (continued)

As of September 30, 2019 and September 30, 2018, the Board-Designated endowment funds and net asset with perpetual donor restrictions composition consist of the following:

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Investments, at fair value	\$ 3,736,202	\$ 3,616,197

Endowment Net Asset Composition by Type of Fund as of September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Perpetual Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$3,299,893	\$ 3,299,893
Board-designated endowment funds	<u>436,309</u>	<u>-</u>	<u>436,309</u>
Total funds	<u>\$ 436,309</u>	<u>\$3,299,893</u>	<u>\$ 3,736,202</u>

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

	<u>Without Donor Restrictions</u>	<u>With Perpetual Donor Restrictions</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>435,109</u>
Total funds	<u>\$ 435,109</u>	<u>\$3,181,088</u>	<u>\$ 3,616,197</u>

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

Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018

Note 12 – Endowments (continued)

The following is a summary of the activities of the board designated funds for the years ended September 30, 2018 and September 30, 2019:

	Reserve Fund	Flag Fund	Permanent Fund	Museum Endowment Fund	Deaccession Collections Fund	Total Board Designated Funds
Balance at September 30, 2017	\$ 28,458	\$ 54,347	\$ 83,041	\$ 66,471	\$ 16,017	\$ 248,334
Net investment return	2,453	4,684	7,155	5,729	1,380	21,401
Memberships 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
Net investment return	2,296	4,833	3,225	5,922	622	16,898
Memberships dues	1,200	-	-	-	-	1,200
Sub-total	62,589	129,295	86,266	158,418	16,639	453,207
Investment returns appropriated for expenditures	(2,296)	(4,833)	(3,225)	(5,922)	(622)	(16,898)
Balance at September 30, 2019	\$ 60,293	\$ 124,462	\$ 83,041	\$ 152,496	\$ 16,017	\$ 436,309

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

**Notes to Financial Statements (continued)
September 30, 2019 and September 30, 2018**

Note 12 – Endowments (continued)

The following is a summary of the activity of the net assets with temporary donor restrictions for the years ended September 30, 2018 and September 30, 2019:

	<u>Shelby C. Davis Fund</u>	<u>Building Maintenance Endowment Fund</u>	<u>Total</u>
Balance at September 30, 2017	\$ -	\$ 3	\$ 3
Net investment return	258,597	6,088	264,685
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>
Net investment return	116,489	7,041	123,530
Net assets released from restrictions/appropriated for expenditures	<u>(116,489)</u>	<u>(7,041)</u>	<u>(123,530)</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>