

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

**Financial Statements
for the year ended
September 30, 2010
(with summarized comparative
information for the year ended
September 30, 2009)**

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of the Sons of the Revolution in the State of New York, Inc. (the "Society") as of September 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information was derived from the Society's 2009 financial statements and, in our report dated February 1, 2010, we expressed a qualified opinion on those financial statements due to the Society's policy of not providing for depreciation.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 2, the Society follows the policy of not providing for depreciation on its property and equipment. This practice is not in conformity with accounting principles generally accepted in the United States of America. The effect on the financial statements of this practice is not readily determinable.

In our opinion, except for the effect of the practice referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Sons of the Revolution in the State of New York, Inc. at September 30, 2010 and September 30, 2009, the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

June 20, 2011

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

Statements of Financial Position

Assets

	September 30	
	2010	2009
Current assets		
Cash	\$ 37,089	\$ 223,342
Rent receivable	-	53,692
Grant receivable	40,000	179,276
Other receivables	-	4,274
Investments, at fair value	4,339,790	4,623,681
Inventory and prepaid expenses	30,167	7,556
Total current assets	<u>4,447,046</u>	<u>5,091,821</u>
Other assets		
Deferred expenses	-	14,492
Security deposit	50,022	62,340
Promissory note	122,987	122,987
Total other assets	<u>173,009</u>	<u>199,819</u>
Property and equipment		
Real estate and improvements	995,682	995,681
Roof restoration	1,126,501	692,709
Museum memorabilia	277,746	277,746
Furniture and furnishings	239,915	239,915
Total property and equipment	<u>2,639,844</u>	<u>2,206,051</u>
Total assets	<u>\$7,259,899</u>	<u>\$7,497,691</u>

Current Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 67,640	\$ 99,203
Contract payable	-	142,738
Deposit payable	50,022	62,340
Total current liabilities	<u>117,662</u>	<u>304,281</u>
Net assets		
Unrestricted		
General operating fund	2,802,447	2,569,729
Board-designated fund	742,928	722,740
Total unrestricted	3,545,375	3,292,469
Temporarily restricted	-	92,019
Permanently restricted	3,596,862	3,808,922
Total net assets	<u>7,142,237</u>	<u>7,193,410</u>
Total liabilities and net assets	<u>\$7,259,899</u>	<u>\$7,497,691</u>

See notes to financial statements.

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

Statements of Activities
For the Year Ended September 30, 2010
(with summarized comparative information for the year ended September 30, 2009)

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total	
	General Operating Fund	Board Designated Funds	Museum Fund	Total Unrestricted			2010	2009
Support and revenue								
Support								
Contributions, bequests and grants	\$ 228,350	\$ 58,459	\$ 16,140	\$ 302,949	\$ 1,900	\$ -	\$ 304,849	\$ 728,472
George Washington Ball	49,525	-	-	49,525	-	-	49,525	50,250
Flag Day contributions	5,900	-	-	5,900	-	-	5,900	6,620
Total support	283,775	58,459	16,140	358,374	1,900	-	360,274	785,342
Revenue								
Program services	22,952	-	44,674	67,626	60,154	-	127,780	94,203
Life memberships	-	5,600	-	5,600	-	-	5,600	8,975
Real estate rentals	266,870	-	-	266,870	-	-	266,870	348,937
Interest and dividends	-	13,315	-	13,315	77,909	-	91,224	136,113
Realized (loss) on sale of investments	-	(14,116)	-	(14,116)	-	(82,570)	(96,686)	(322,658)
Other income	95,355	-	-	95,355	-	-	95,355	240
Net assets released from restrictions	77,860	23,246	130,876	231,982	(231,982)	-	-	-
Total revenue	463,037	28,045	175,550	666,632	(93,919)	(82,570)	490,143	265,810
Total support and revenue	746,812	86,504	191,690	1,025,006	(92,019)	(82,570)	850,417	1,051,152
Expenses								
Program services								
Commemorative and fellowship activities	25,677	-	199,828	225,505	-	-	225,505	186,034
Museum program and activities	-	-	285,240	285,240	-	-	285,240	226,854
Loeb Book Project	-	-	-	-	-	-	-	447,672
Magna Carta Exhibit	-	-	161,711	161,711	-	-	161,711	1,008,733
Total program services	25,677	-	646,779	672,456	-	-	672,456	1,869,293
Supporting services								
General and administrative	396,032	147,630	60,026	603,688	-	-	603,688	533,048
Fund raising	41,994	-	41,171	83,165	-	-	83,165	109,079
Total supporting services	438,026	147,630	101,197	686,853	-	-	686,853	642,127
Total expenses	463,703	147,630	747,976	1,359,309	-	-	1,359,309	2,511,420
Excess (deficiency) of support and revenue over expenses before other additions (deductions)	283,109	(61,126)	(556,286)	(334,303)	(92,019)	(82,570)	(508,892)	(1,460,268)
Appropriation of general operating funds	(556,286)	-	556,286	-	-	-	-	-
Sale of painting	-	-	-	-	-	-	-	550,000
Unrealized gain (loss) on investments	-	587,209	-	587,209	-	(129,490)	457,719	(82,597)
Interfund transfer	505,895	(505,895)	-	-	-	-	-	-
Increase (decrease) in net assets	232,718	20,188	-	252,906	(92,019)	(212,060)	(51,173)	(992,865)
Net assets, beginning of year	2,569,729	722,740	-	3,292,469	92,019	3,808,922	7,193,410	8,186,275
Net assets, end of year	\$ 2,802,447	\$ 742,928	\$ -	\$ 3,545,375	\$ -	\$ 3,596,862	\$ 7,142,237	\$ 7,193,410

See notes to financial statements.

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

Statements of Functional Expenses
For the Year Ended September 30, 2010
(with summarized comparative information for the year ended September 30, 2009)

	Program Services				Supporting Services		Total 2010	Total 2009	
	Commemorative and Fellowship	Museum Programs and Activities	Loeb Book Project	Magna Carta Exhibit	Total Program Services	General and Administrative			Fund Raising
Salaries and wages	\$ 60,977	\$ 77,999	\$ -	\$ 18,818	\$ 157,794	\$ 66,441	\$ 9,612	\$ 233,847	\$ 285,614
Fringe benefits	21,975	26,247	-	1,754	49,976	21,915	3,756	75,647	78,771
Outside services	41,849	64,537	-	116,687	223,073	234,786	22,235	480,094	508,734
Real estate taxes	-	-	-	-	-	76,814	-	76,814	74,591
Professional fees	-	-	-	-	-	66,337	-	66,337	74,736
Insurance	22,572	52,319	-	-	74,891	41,458	-	116,349	146,824
Maintenance and repairs	7,187	6,130	-	-	13,317	10,476	-	23,793	15,966
Advertising	-	849	-	2,728	3,577	198	-	3,775	72,636
George Washington Ball	-	-	-	-	-	-	41,994	41,994	41,838
Utilities	24,955	24,955	-	-	49,910	38,155	-	88,065	60,945
Board and Committee expense	18,257	-	-	-	18,257	-	-	18,257	24,443
Supplies	2,181	5,552	-	726	8,459	3,874	615	12,948	15,025
Publications and dues	-	2,084	-	-	2,084	13,526	-	15,610	13,106
Printing	1,235	1,620	-	950	3,805	5,763	-	9,568	432,714
Flag Day	7,420	-	-	-	7,420	-	-	7,420	7,744
Telephone	2,154	2,154	-	325	4,633	2,318	2,154	9,105	10,661
Postage	73	554	-	129	756	2,831	22	3,609	6,673
Security	8,707	10,414	-	-	19,121	6,060	-	25,181	27,427
Travel, meals and hospitality	1,763	543	-	46	2,352	1,983	-	4,335	29,334
Office equipment	2,776	5,425	-	2,408	10,609	1,972	2,777	15,358	446,424
Special meetings	-	-	-	-	-	-	-	-	9,631
Awards and benevolence	-	-	-	-	-	910	-	910	2,583
Website	-	-	-	-	-	600	-	600	959
Shipping of paintings	-	-	-	-	-	-	-	-	355
Flag restoration	-	-	-	15,958	15,958	-	-	15,958	1,591
Loan fees for exhibits	-	-	-	-	-	-	-	-	100,050
Miscellaneous	1,424	3,858	-	415	6,049	7,271	-	13,320	22,045
Total expenses - 2010	\$ 225,505	\$ 285,240	\$ -	\$ 161,711	\$ 672,456	\$ 603,688	\$ 83,165	\$ 1,359,309	\$ 2,511,420
Total expenses - 2009	\$ 186,034	\$ 226,854	\$ 447,672	\$ 1,008,733	\$ 1,869,293	\$ 533,048	\$ 109,079	\$ 2,511,420	

See notes to financial statements.

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

Statements of Cash Flows

	Year Ended	
	September 30	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (51,173)	\$ (992,865)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Realized loss on sale of investments	96,686	322,658
Unrealized (gain) loss on investments	(457,719)	82,597
(Increase) decrease in assets		
Rent receivable	53,692	38,242
Grant receivable	139,276	(179,276)
Other receivables	4,274	7,687
Inventory and prepaid expenses	(22,611)	53,550
Prepaid program expenses	-	251,648
Deferred expenses	14,492	7,246
Promissory note	-	(122,987)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(31,563)	14,249
Deposit payable	(12,318)	268
Net cash (used in) operating activities	<u>(266,964)</u>	<u>(516,983)</u>
Cash flows from investing activities		
Expenditures for preservation of building, net of contract payable	(576,531)	(520,022)
Proceeds from sale of investments	856,424	1,410,759
Purchase of investments	(211,500)	(271,520)
(Increase) decrease in security deposit	12,318	(268)
Net cash provided by investing activities	<u>80,711</u>	<u>618,949</u>
Net increase (decrease) in cash	(186,253)	101,966
Cash, beginning of year	<u>223,342</u>	<u>121,376</u>
Cash, end of year	<u>\$ 37,089</u>	<u>\$ 223,342</u>

See notes to financial statements.

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

Notes to Financial Statements September 30, 2010

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 Sons of the Revolution in the State of New York, Inc. (the “Society”) and its accounts are included in the Society’s financial statements. The Museum’s mission is to inspire curiosity, discovery, and learning about the role of Manhattan’s oldest surviving Colonial American structures as it relates to early Colonial New York, the American Revolution and New York City as the nation’s first capital. Housed in the building where General George Washington bade farewell to his officers in 1783, and home of the first offices of the nation’s Department of War, Treasury and Foreign Affairs (now the U.S. Department of State), the Museum’s cornerstone mission is education and historical outreach. Through the preservation of the building and the thorough, thoughtful interpretation of its outstanding collection of art and artifacts, the museum represents a vital educational resource for all Americans and for visitors from beyond our borders. Fraunces Tavern Museum’s greatest and most profound task is to promote a keen appreciation for the rich history that exists in Lower Manhattan.

Note 2 – Summary of significant accounting policies

Net assets

The Society maintains three classes of net assets as follows:

- 1) Unrestricted net assets, which consist of funds available for operations and board designated purposes. The unrestricted net assets consist of the following:
 - General Operating Fund – Funds available for current operations.
 - Board Designated Funds – Amounts that are restricted at the discretion of the Board. Included in these funds are the reserve fund, flag fund, permanent fund, capital campaign, museum endowment fund and deaccession collections funds. 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. 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2010****Note 2 – Summary of significant accounting policies (continued)****Net assets (continued)**

- 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 statement of activities as net assets released from restrictions. Temporarily restricted funds consist of the following:
- Loeb Book Project (the “Project”) – The Society published a book designed to educate the public and encourage exploration of early New York History. All expenses are agreed to be reimbursed by the John Loeb Jr. Foundation. The total expenditures for the Project totaled \$447,672 in the 2009 fiscal year.
 - Magna Carta Exhibit (the “Exhibit”) – The Society entered into an agreement to borrow certain artifacts pertaining to the Magna Carta. As a stipulation of the agreement, certain expenses must be incurred to prepare the Exhibit for these artifacts. All contributions for the Exhibit are recorded as temporarily restricted revenue. The Exhibit was unveiled during the 2009 fiscal year. As of September 30, 2010 and 2009, the Society incurred expenditures totaling \$161,711 (of which \$129,186 was funded by the Magna Carta Exhibit Fund contributions) and \$1,008,733, respectively, for the Exhibit.
- 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, 2010 and 2009 was \$3,596,862 and \$3,808,922, respectively.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2010****Note 2 – Summary of significant accounting policies (continued)**Interfund transfer

During the 2010 fiscal year, the Society transferred \$505,895 from the board designated funds to the general operating fund.

Allowance for doubtful accounts

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 current 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 restricted reserve 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 are recorded at cost as to items purchased and at appraised value as to items acquired by gift or bequest. The Society follows the policy of not providing for depreciation.

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 restrictions ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2010****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 statements 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.

Trademarks and other works of art

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

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.

Donated services

The Society receives donated services rendered by volunteers who have donated significant amounts of time to the Society's activities and museum. No amounts have been reflected in the financial statements for donated services in as much as no objective basis is available to measure the value of such services.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

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

Notes to Financial Statements (continued)
September 30, 2010

Note 2 – Summary of significant accounting policies (continued)

Concentration of credit risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments and grant receivables. 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. The Society invests in mutual funds and money market funds. 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 statements of financial position at September 30, 2010. The Society's management monitors the collectibility of the receivables. The Society routinely assesses the financial strength of its cash and investments. 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.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through June 20, 2011, which is the date the financial statements were available to be issued.

Note 3 – Investments

The following is a summary of investments at September 30, 2010 and September 30, 2009:

	Sons Investments			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 163,751	\$ 163,751	\$ 271,791	\$ 271,791
Mutual funds				
Loomis Bond Fund	180,077	185,090	169,876	159,556
CGM Focus Group	170,703	81,676	170,613	80,696
T-Rowe Price emerging markets stocks (Siebert)	147,065	119,755	147,065	99,564
Russell Equity Growth Strategy Fund Class A	280,521	192,656	321,440	203,152
Total mutual funds	<u>778,366</u>	<u>579,177</u>	<u>808,994</u>	<u>542,968</u>
Total Sons investments	<u>\$ 942,117</u>	<u>\$ 742,928</u>	<u>\$1,080,785</u>	<u>\$ 814,759</u>

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

Notes to Financial Statements (continued)
September 30, 2010

Note 3 – Investments (continued)

	Shelby C. Davis Fund			
	2010		2009	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 209,076	\$ 209,076	\$ 632,930	\$ 632,930
Mutual funds				
Loomis Bond Fund	1,053,327	1,082,650	993,649	933,293
CGM Focus Group	998,494	477,746	997,971	472,015
T-Rowe Price emerging markets stocks (Siebert)	860,228	700,483	860,228	582,381
Russell Equity Growth Strategy Fund Class A	<u>1,640,913</u>	<u>1,126,907</u>	<u>1,880,202</u>	<u>1,188,303</u>
Total mutual funds	<u>4,552,962</u>	<u>3,387,786</u>	<u>4,732,050</u>	<u>3,175,992</u>
Total Shelby C. Davis investments	<u>4,762,038</u>	<u>3,596,862</u>	<u>5,364,980</u>	<u>3,808,922</u>
Total investments	<u>\$5,704,155</u>	<u>\$4,339,790</u>	<u>\$6,445,765</u>	<u>\$4,623,681</u>

Fair value measurements

For assets measured at fair value on a recurring basis, as of and September 30, 2010, Financial Accounting Standards, Fair Value Measurements require quantitative disclosure about the fair value measurement separately for each major category 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 – Promissory note

On February 17, 2009, the principals of the previous tenant executed and delivered a promissory note to the Society in the principal amount of \$122,987 which the Society accepted in full payment of total amount of arrearages in base rent owing from the previous tenant. The promissory note will bear simple interest thereon at the rate of 3% per annum and all outstanding principal and accrued interest will be due and payable on January 1, 2012.

Note 5 – Lease agreements

During April 2010, the Society has 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.

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

Notes to Financial Statements (continued)

September 30, 2010

Note 5 – Lease agreements (continued)

The lease term, which expires March 31, 2020, requires a monthly base rent of \$18,782 as of April 1, 2010 through March 31, 2013. (No rent is due for February 2011 and March 2011.) In accordance with the terms of the lease, the monthly base rent is adjusted thereafter until the lease expires in March 2020. In addition to the base rent, the tenant shall pay a percentage of all restaurant gross sales as defined in the lease agreement. The tenant has a security deposit of \$50,000. On September 2, 2010, the tenant executed and delivered Irrevocable Stand by Letter of Credit in favor of the Society for a sum not exceeding \$250,000 expiring in September 2011 and automatically extended without amendment for further periods of one year. Subsequent to September 30th, the Society refunded the security deposit to the tenant, with simultaneously applied it to various lease obligations.

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. The lease requires a monthly base rent of \$6,250 as of January 1, 2011. 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>
2011	\$ 187,820	\$ 75,000	\$ 262,820
2012	225,384	76,266	301,650
2013	234,384	77,982	312,366
2014	243,384	79,736	323,120
2015	252,384	81,530	333,914
2016 and thereafter	<u>1,212,228</u>	<u>458,914</u>	<u>1,671,142</u>
Total	<u>\$2,355,584</u>	<u>\$ 849,428</u>	<u>\$3,205,012</u>

Note 6 – Retirement plan

The Society has a non-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. Such contributions are used to purchase individual annuity contracts for the employees. Plan expense for fiscal years 2010 and 2009 amounted to \$13,961 and \$15,465, respectively.

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

**Notes to Financial Statements (continued)
September 30, 2010**

Note 7 – Museum support

For the 2010 and 2009 fiscal years, the Society appropriated funds from the general operating fund totaling \$556,286 and \$438,573, respectively, to the museum fund. Since the 1985 fiscal year, the Society has transferred \$9,668,902 from the general operating fund and the board designated funds to the museum fund to defray the costs of the museum.

The following is a schedule by years since 1985 of the transfers and appropriations:

<u>Year Ending September 30</u>	<u>Total</u>
1985 – 1995	\$ 4,182,716
1996 – 2005	3,412,637
2006	296,448
2007	297,700
2008	484,542
2009	438,573
2010	<u>556,286</u>
Total	<u>\$ 9,668,902</u>

Note 8 – Commitments

In connection with the Society’s roof renovation project (the “Project”), the Society was granted a matching grant of \$400,000 from New York State Office of Parks, Recreation and Historic Preservation (the “NYSOPRHP”). As of September 30, 2010 and 2009, \$40,000 and \$179,276, respectively, was submitted to be reimbursed to the NYSOPRHP in accordance with terms of the matching grant and has been recorded as grant receivable on the statements of financial position.

Note 9 – Real estate tax refund

During the 2010 fiscal year, the Society received a real estate tax refund from the City of New York for the tax years 1989 through 1991 totaling \$95,355 (net of legal fees and expenses), which has been recorded as other income in the statements of activities.

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. At September 30, 2010, no amounts have been recognized for uncertain income tax positions. The Society’s tax returns for the year 2007 and forward are subject to the usual review by the appropriate taxing authorities.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)****September 30, 2010****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.

On September 17, 2010, New York adopted the passage of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") to govern how not for profit organizations administer and manage endowment assets. NYPMIFA may have an effect on the treatment and classification of endowment earnings, the classification current endowment net assets and financial statement disclosure. Management is currently reviewing the effects, if any, NYPMIFA will have on the Society and guidance from the New York Attorney General's Office to interpret the law.

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 the 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 significant conflict of financial interest by a member of the Investment Committee or the Board of Manager 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.

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, 2010

Note 11 – Endowments (continued)

As of September 30, 2010, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset Composition consist of the Society's investments, at fair value. The following is a summary of the unrestricted board designated funds for the year ended September 30, 2010:

	Reserve	Flag	Permanent	Capital Campaign	Museum Endowment	Deaccession Collections Fund	Totals
Balance at September 30, 2009	\$ 556,415	\$ 48,251	\$ 31,787	\$ 27,914	\$ 58,373	\$ -	\$ 722,740
Investment returns							
Interest and dividends	10,659	924	609	5	1,118	-	13,315
Net realized (loss) on sale of investments	(11,304)	(980)	(646)	-	(1,186)	-	(14,116)
Unrealized gain on investment	470,236	40,777	26,864	-	49,332	-	587,209
Total investment returns	469,591	40,721	26,827	5	49,264	-	586,408
Contributions	-	-	-	58,459	-	-	58,459
Life memberships	5,600	-	-	-	-	-	5,600
Appropriation of expenditures	(14,492)	-	-	(133,138)	-	-	(147,630)
Reclassifications	-	-	-	-	-	23,246	23,246
Transfer (to) from general operating fund	(657,418)	-	-	48,073	-	103,450	(505,895)
Balance at September 30, 2010	\$ 359,696	\$ 88,972	\$ 58,614	\$ 1,313	\$ 107,637	\$ 126,696	\$ 742,928

The following is a summary of the temporarily restricted net assets for the year ended September 30, 2010:

	Balance at September 30, 2009	Contributions	Program Services	Interest and Dividends	Net assets Released from Restrictions	Balance at September 30, 2010
Operating fund						
Shelby C. Davis Fund	\$ -	\$ -	\$ -	\$ 77,860	\$ (77,860)	\$ -
Museum						
Magna Carta Exhibit	67,102	1,900	60,154	30	(129,186)	-
Deaccession collections fund	24,917	-	-	19	(24,936)	-
Total temporarily restricted	\$ 92,019	\$ 1,900	\$ 60,154	\$ 77,909	\$ (231,982)	\$ -