

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

**Financial Statements  
for the years ended  
September 30, 2017  
and  
September 30, 2016**

**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, 2017 and September 30, 2016 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, 2017 and September 30, 2016 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*

December 18, 2017

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

**Statement of Financial Position**

**Assets**

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash	\$ 193,149	\$ 250,830
Accounts receivable	118,555	92,021
Investments, at fair value	3,572,672	3,464,092
Inventory and prepaid expenses	33,234	46,000
Total current assets	<u>3,917,610</u>	<u>3,852,943</u>
<b>Security deposit</b>	<u>100,624</u>	<u>100,242</u>
<b>Property and equipment, at cost</b>		
Real estate and improvements	3,934,974	3,010,120
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	247,093	247,093
Improvements in progress	-	531,783
Sub-total	<u>5,592,081</u>	<u>5,199,010</u>
Less accumulated depreciation	1,956,657	1,774,628
Net property and equipment	<u>3,635,424</u>	<u>3,424,382</u>
<b>Total assets</b>	<b><u>\$7,653,658</u></b>	<b><u>\$7,377,567</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 129,429	\$ 47,018
Contracts payable	-	113,421
Deferred revenue	-	21,475
Total current liabilities	<u>129,429</u>	<u>181,914</u>
<b>Security deposit payable</b>	<u>100,624</u>	<u>100,242</u>
Total liabilities	<u>230,053</u>	<u>282,156</u>
<b>Net assets</b>		
Unrestricted		
General operating fund	4,104,068	3,666,974
Board-designated funds	248,334	427,237
Total unrestricted	<u>4,352,402</u>	<u>4,094,211</u>
Temporarily restricted	3	-
Permanently restricted	3,071,200	3,001,200
Total net assets	<u>7,423,605</u>	<u>7,095,411</u>
<b>Total liabilities and net assets</b>	<b><u>\$7,653,658</u></b>	<b><u>\$7,377,567</u></b>

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  
(with comparative totals for the year ended September 30, 2016)

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total	
	Operating Fund	Board - Designated Funds	Total Unrestricted				2017	2016
<b>Public support and revenue</b>								
Support								
Contributions, bequests, grants and pledges								
George Washington Ball, net of direct expenses of \$38,407 in 2017 and \$41,319 in 2016	\$ 90,346	6,097	\$ 96,443	\$ -	\$ 70,000	\$ 166,443	\$ 479,057	
Flag Day contributions	32,947	-	32,947	-	-	32,947	5,486	
Total support	132,207	6,097	138,304	-	70,000	208,304	489,748	
Revenue								
Program services	184,144	-	184,144	-	-	184,144	167,382	
Real estate rentals	791,205	-	791,205	-	-	791,205	760,664	
Interest and dividends	-	11,191	11,191	78,606	-	89,797	98,161	
Realized gain on sale of investments	-	15,832	15,832	111,218	-	127,050	86,017	
Other	605	-	605	-	-	605	2,315	
Net assets released from restrictions	385,581	-	385,581	(385,581)	-	-	-	
Total revenue	1,361,535	27,023	1,388,558	(195,757)	-	1,192,801	1,114,539	
Total public support and revenue	1,493,742	33,120	1,526,862	(195,757)	70,000	1,401,105	1,604,287	
<b>Expenses</b>								
Program services								
Commemorative and fellowship	197,335	-	197,335	-	-	197,335	238,595	
Museum programs and activities	439,298	-	439,298	-	-	439,298	434,909	
Total program services	636,633	-	636,633	-	-	636,633	673,504	
Supporting services								
General and administrative	578,985	-	578,985	-	-	578,985	534,138	
Fund raising	80,921	-	80,921	-	-	80,921	54,400	
Total supporting services	659,906	-	659,906	-	-	659,906	588,538	
Total expenses	1,296,539	-	1,296,539	-	-	1,296,539	1,262,042	
Excess (deficiency) of support and revenue over expenses before other additions (deductions) and interfund transfers	197,203	33,120	230,323	(195,757)	70,000	104,566	342,245	
<b>Other additions (deductions) and interfund transfers</b>								
Insurance proceeds	-	-	-	-	-	-	75,000	
Unrealized gain on investments	-	27,868	27,868	195,760	-	223,628	228,900	
Interfund transfers	239,891	(239,891)	-	-	-	-	-	
Increase (decrease) in net assets	437,094	(178,903)	258,191	3	70,000	328,194	646,145	
Net assets, beginning of year	3,666,974	427,237	4,094,211	-	3,001,200	7,095,411	6,449,266	
Net assets, end of year	\$ 4,104,068	\$ 248,334	\$ 4,352,402	\$ 3	\$ 3,071,200	\$ 7,423,605	\$ 7,095,411	

See notes to financial statements.

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

**Statement of Activities  
For the Year Ended September 30, 2016**

	Unrestricted					Total
	Operating Fund	Board - Designated Funds	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Public support and revenue</b>						
Support	\$ 477,619	\$ -	\$ 477,619	\$ 1,338	\$ 100	\$ 479,057
Contributions, bequests, grants and pledges George Washington Ball, net of direct expenses of \$41,319	5,486	-	5,486	-	-	5,486
Flag Day contributions	5,205	-	5,205	-	-	5,205
Total support	<u>488,310</u>	<u>-</u>	<u>488,310</u>	<u>1,338</u>	<u>100</u>	<u>489,748</u>
Revenue						
Program services	167,382	-	167,382	-	-	167,382
Real estate rentals	760,664	-	760,664	-	-	760,664
Interest and dividends	6,397	6,208	12,605	85,556	-	98,161
Realized gain on sale of investments	-	5,819	5,819	80,198	-	86,017
Other	2,315	-	2,315	-	-	2,315
Net assets released from restrictions	386,331	-	386,331	(386,331)	-	-
Total revenue	<u>1,323,089</u>	<u>12,027</u>	<u>1,335,116</u>	<u>(220,577)</u>	<u>-</u>	<u>1,114,539</u>
Total public support and revenue	<u>1,811,399</u>	<u>12,027</u>	<u>1,823,426</u>	<u>(219,239)</u>	<u>100</u>	<u>1,604,287</u>
<b>Expenses</b>						
Program services						
Commemorative and fellowship	238,595	-	238,595	-	-	238,595
Museum programs and activities	434,909	-	434,909	-	-	434,909
Total program services	<u>673,504</u>	<u>-</u>	<u>673,504</u>	<u>-</u>	<u>-</u>	<u>673,504</u>
Supporting services						
General and administrative	534,138	-	534,138	-	-	534,138
Fund raising	54,400	-	54,400	-	-	54,400
Total supporting services	<u>588,538</u>	<u>-</u>	<u>588,538</u>	<u>-</u>	<u>-</u>	<u>588,538</u>
Total expenses	<u>1,262,042</u>	<u>-</u>	<u>1,262,042</u>	<u>-</u>	<u>-</u>	<u>1,262,042</u>
Excess (deficiency) of support and revenue over expenses before other additions (deductions) and interfund transfers	549,357	12,027	561,384	(219,239)	100	342,245
<b>Other additions (deductions) and interfund transfers</b>						
Insurance proceeds	75,000	-	75,000	-	-	75,000
Unrealized gain on investments	-	15,485	15,485	213,415	-	228,900
Interfund transfers - net	(181,555)	181,555	-	-	-	-
Increase (decrease) in net assets	<u>442,802</u>	<u>209,067</u>	<u>651,869</u>	<u>(5,824)</u>	<u>100</u>	<u>646,145</u>
Net assets, beginning of year	<u>3,224,172</u>	<u>218,170</u>	<u>3,442,342</u>	<u>5,824</u>	<u>3,001,100</u>	<u>6,449,266</u>
Net assets, end of year	<u>\$ 3,666,974</u>	<u>\$ 427,237</u>	<u>\$ 4,094,211</u>	<u>\$ -</u>	<u>\$ 3,001,200</u>	<u>\$ 7,095,411</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, 2017  
(with summarized totals for the year ended September 30, 2016)

	Program Services			Supporting Services			Total 2017	Total 2016
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising			
<b>Expenses</b>								
Salaries and wages	\$ 80,306	\$ 169,648	\$ 249,954	\$ 46,560	\$ 45,279	\$ 341,793	\$ 339,970	
Fringe benefits	19,926	42,762	62,688	11,730	11,417	85,835	103,516	
Outside services	-	1,788	1,788	81,115	2,100	85,003	61,314	
Real estate taxes	-	-	-	107,001	-	107,001	101,083	
Professional fees	-	15,105	15,105	25,534	20	40,659	53,443	
Insurance	20,823	49,975	70,798	68,022	-	138,820	134,679	
Maintenance and repairs	8,326	19,981	28,307	27,197	-	55,504	77,765	
Advertising	-	7,491	7,491	-	2,425	9,916	5,346	
Utilities	-	23,668	23,668	36,827	-	60,495	43,088	
Board and Committee	31,322	-	31,322	-	-	31,322	22,514	
Supplies	28	714	742	4,067	49	4,858	9,797	
Publications and dues	-	2,399	2,399	321	16,320	19,040	14,835	
Printing	-	4,079	4,079	7,638	2,609	14,326	14,977	
Flag Day	2,674	-	2,674	-	-	2,674	726	
Program related services	9,265	28,447	37,712	954	-	38,666	42,214	
Telephone	-	3,632	3,632	11,112	-	14,744	16,575	
Postage	54	1,718	1,772	3,838	11	5,621	6,639	
Security	-	2,452	2,452	33,450	-	35,902	40,214	
Travel, meals and hospitality	421	2,917	3,338	4,804	-	8,142	1,659	
Awards and benevolence	500	90	590	-	-	590	848	
Other	26	4,183	4,209	8,699	691	13,599	16,546	
Depreciation	23,664	58,249	81,913	100,116	-	182,029	154,294	
<b>Total expenses – 2017</b>	<b>\$ 197,335</b>	<b>\$ 439,298</b>	<b>\$ 636,633</b>	<b>\$ 578,985</b>	<b>\$ 80,921</b>	<b>\$ 1,296,539</b>	<b>\$ 1,262,042</b>	
<b>Total expenses – 2016</b>	<b>\$ 238,595</b>	<b>\$ 434,909</b>	<b>\$ 673,504</b>	<b>\$ 534,138</b>	<b>\$ 54,400</b>			

See notes to financial statements.

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

Statement of Functional Expenses  
For the Year Ended September 30, 2016

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

See notes to financial statements

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

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>September 30</b>	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 328,194	\$ 646,145
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	182,029	154,294
Donated securities	-	3,920
Proceeds from sale of donated securities	-	(3,920)
Realized (gain) on sale of investments	(127,050)	(86,017)
Unrealized (gain) on investments	(223,628)	(228,900)
Permanently restricted contributions	(70,000)	(100)
(Increase) decrease in assets		
Pledges receivable	-	1,000
Other receivables	(26,534)	(5,500)
Inventory and prepaid expenses	12,766	(6,719)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	82,411	2,147
Deferred revenue	(21,475)	21,475
Deposit payable	382	81
Net cash provided by operating activities	<u>137,095</u>	<u>497,906</u>
<b>Cash flows from investing activities</b>		
Expenditures for property and equipment, net of change in contracts payable	(506,492)	(356,493)
Proceeds from sale of investments	619,495	319,287
Purchases of investments	(377,397)	(370,579)
(Increase) security deposit	(382)	(81)
Promissory note receivable, net	-	126,211
Net cash (used in) investing activities	<u>(264,776)</u>	<u>(281,655)</u>
<b>Cash flows provided by financing activities</b>		
Permanently restricted contributions	<u>70,000</u>	<u>100</u>
Net increase (decrease) in cash	<b>(57,681)</b>	<b>216,351</b>
<b>Cash, beginning of year</b>	<u>250,830</u>	<u>34,479</u>
<b>Cash, end of year</b>	<u>\$ 193,149</u>	<u>\$ 250,830</u>

See notes to financial statements.



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

### Notes to Financial Statements September 30, 2017 and September 30, 2016

#### **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 as follows:

- 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 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, 2017 and September 30, 2016****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, 2017 and September 30, 2016 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, 2017 and September 30, 2016 was \$71,200 and \$1,200, 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 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.

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

**SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.****Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016****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, 2017 and September 30, 2016.

**Allowance for doubtful accounts**

As of September 30, 2017 and September 30, 2016, 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. Proceeds from de-accessions or insurance recoveries are used to acquire or preserve other items for collection. Contributions for the purchase of items for the collection are classified as temporarily restricted net assets until acquisitions are made. The Museum's collections and exhibits are not capitalized in the statement of financial position. Purchases of items are expensed in the year that the items are acquired. The cost of these items is reported as a separate program expense. Contributed collection items are not reflected in the financial statements.

**Service marks and works of art**

No amount has been reflected in the financial statements for the Fraunces Tavern® service mark 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, 2017 and September 30, 2016****Note 2 – Summary of significant accounting policies (continued)**Contributions

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

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

Government grants

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

Functional expenses

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

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, 2017 and September 30, 2016****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, 2017 and September 30, 2016. 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. In addition, the Society invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Society has Board Designated Funds (quasi-endowments) and its unspent endowment 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 2016 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 December 18, 2017, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent event that necessitated disclosure and/or adjustments other than those contained herein.

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

**Notes to Financial Statements (continued)**  
**September 30, 2017 and September 30, 2016**

**Note 3 – Investments**

The following is a summary of investments at September 30, 2017 and September 30, 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 47,063	\$ 47,063	\$ 103,069	\$ 103,069
Mutual funds				
Dividend appreciation fund	541,733	960,352	766,925	1,203,154
Bond funds	546,990	552,933	677,046	665,605
Exchange traded fund	199,908	233,865	199,908	199,242
International growth fund	589,454	696,961	312,092	316,054
Emerging markets income fund	197,506	204,528	197,506	201,187
Gold, national resource and income fund	-	-	81,191	41,151
Precious metals and minerals fund	79,573	26,592	79,573	33,063
Other	925,849	850,378	825,814	701,567
Total mutual funds	<u>3,081,013</u>	<u>3,525,609</u>	<u>3,140,055</u>	<u>3,361,023</u>
Total investments	<u>\$ 3,128,076</u>	<u>\$ 3,572,672</u>	<u>\$ 3,243,124</u>	<u>\$ 3,464,092</u>
Unrealized gain on investments		<u>\$ 444,596</u>		<u>\$ 220,968</u>
Change in unrealized gain on investments		<u>\$ 223,628</u>		<u>\$ 228,900</u>

For assets measured at fair value on a recurring basis, as of and September 30, 2017 and September 30, 2016, Financial Accounting Standards, Fair Value Measurements require quantitative disclosure about the fair value measurement separately for each major class of assets. The Society's investments have been classified in the highest level of hierarchy (Level 1). These quoted prices are in active markets for identical assets.

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

**Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016**

**Note 4 – Commitments**

Electrical project

During June 2015, in connection with the electrical project, the Society entered into a contract with a general contractor totaling approximately \$589,000 including change orders. Work completed under the contract through September 30, 2016 that remained to be paid was \$105,521 and was recorded as contracts payable on the 2016 statement of financial position. The electrical project was completed during 2017.

Sidewalk project

During September 2016, in connection with the sidewalk project, the Society entered into a contract with a general contractor totaling \$97,000 including change orders. Work completed under the contract through September 30, 2016 that remained to be paid was \$7,900 and was recorded as contracts payable on the 2016 statement of financial position. The sidewalk project was completed during 2017.

**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, all related taxes incurred with the restaurant operations are paid by the tenant. The lease term, which expires March 31, 2020, requires a monthly base rent plus a percentage of all restaurant gross sales as defined in the lease agreement. As of September 30, 2017, the tenant has posted a security deposit of \$100,624 (including interest).

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

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>
2018	\$ 270,384	\$ 87,156	\$ 357,540
2019	279,384	89,121	368,505
2020	139,692	91,128	230,820
2021	-	22,908	22,908
Total	<u>\$ 689,460</u>	<u>\$ 290,313</u>	<u>\$ 979,773</u>

**SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.****Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016****Note 6 – Government grants**

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

**Note 7 – Insurance proceeds**

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

**Note 8 – Support for commemorative and fellowship program services and museum programs and activities**

For the 2017 and 2016 fiscal years, the Society funded from its operating fund a total of \$636,633 and \$673,504, respectively, for program services. For the fiscal years 2016 through 2017, the Society funded from its operating fund a cumulative total of \$1,310,137 for program services.

For the 2017 and 2016 fiscal years, \$197,335 and \$238,595 was expended by the Society on commemorative and fellowship program services, respectively. For the fiscal years 2016 through 2017, the Society expended a total of \$435,930 on commemorative and fellowship program services.

For the 2017 and 2016 fiscal years, \$439,298 and \$434,909 was expended by the Society on Museum programs and activities, respectively. For the fiscal years 2016 through 2017, the Society expended a total of \$874,207 on Museum programs and activities.

From the 1985 fiscal year through the 2017 fiscal year, the Society has appropriated a net total of \$12,723,987 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 9 – 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.



**SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.****Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016****Note 9 – Endowments (continued)**Investment objectives and principlesObjective

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

Investment principles

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

Asset Allocations:

- (1) At least 20% but no more than 75% of the value of the Portfolio shall be invested in equity securities (i.e., common or preferred shares), of which up to 30% may be securities of foreign issuers.
- (2) At least 25% but no more than 75% of the value of the Portfolio shall be invested in U.S. Government securities and other fixed income securities (including floating rate, discount and inflation-adjusted obligations) rated at least investment grade by Fitch, Moody's or Standard & Poor's Rating Service, of which amount no more than 20% may be invested in convertible bonds and notes and obligations accompanied by warrants.
- (3) No more than 25% of the value of the Portfolio shall be invested in cash and cash equivalents (including in money market funds believed to be of good quality and sold without sales charge).
- (4) No more than 25% of the value of the Portfolio may be invested in other securities (including fixed income securities with lower ratings and REITS) reasonably determined in the context of the remainder of the Portfolio as likely to help the achievement of the investment objective stated above.
- (5) For each percentage point of value of the portfolio in excess of 15% invested in the securities referred to in paragraph (4) above, the limit on investment in equity securities referred to in paragraph (1) on the previous page, shall be reduced by a percentage point.

Interpretation

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

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

**Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016**

**Note 9 – Endowments (continued)**

Interpretation (continued)

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of September 30, 2017 and September 30, 2016.

As of September 30, 2017 and September 30, 2016, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Investments, at fair value	\$ 3,319,537	\$ 3,428,437

**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>

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

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

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

Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016

Note 9 – Endowments (continued)

The following is a summary of the activities of the unrestricted board designated funds for the years ended September 30, 2016 and September 30, 2017:

	Reserve Fund	Flag Fund	Permanent Fund	Museum Endowment Fund	Deaccession Collections Fund	Total Board Designated Funds
<b>Balance at September 30, 2015</b>	\$ -	\$ <u>53,526</u>	\$ <u>83,041</u>	\$ <u>65,586</u>	\$ <u>16,017</u>	\$ <u>218,170</u>
Investment returns						
Interest and dividends	-	1,523	2,363	1,866	456	6,208
Net realized gain on sale of investments	-	1,428	2,215	1,749	427	5,819
Unrealized gain on investment	-	3,799	5,894	4,655	1,137	15,485
Total investment returns	-	<u>6,750</u>	<u>10,472</u>	<u>8,270</u>	<u>2,020</u>	<u>27,512</u>
Sub-total	-	60,276	93,513	73,856	18,037	245,682
Transfers from the general operating fund	51,221	70,936	-	86,910	-	209,067
Transfers (to) the general operating fund	-	(6,750)	(10,472)	(8,270)	(2,020)	(27,512)
<b>Balance at September 30, 2016</b>	\$ <u>51,221</u>	\$ <u>124,462</u>	\$ <u>83,041</u>	\$ <u>152,496</u>	\$ <u>16,017</u>	\$ <u>427,237</u>
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)
<b>Balance at September 30, 2017</b>	\$ <u>28,458</u>	\$ <u>54,347</u>	\$ <u>83,041</u>	\$ <u>66,471</u>	\$ <u>16,017</u>	\$ <u>248,334</u>

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

Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016

**Note 9 – Endowments (continued)**

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2016 and September 30, 2017:

	<u>Shelby C. Davis Fund</u>	<u>Building Maintenance Endowment Fund</u>	<u>Time Restricted</u>	<u>Dunsmore Painting Conservation Project</u>	<u>Total</u>
<b>Balance at September 30, 2015</b>	\$ -	\$ -	\$ 1,000	\$ 4,824	\$ 5,824
Investment returns					
Interest and dividends	85,556	-	-	-	85,556
Net realized and unrealized gain on investments	293,613	-	-	-	293,613
Contributions	-	-	-	1,338	1,338
Net assets released from restrictions	<u>(379,169)</u>	<u>-</u>	<u>(1,000)</u>	<u>(6,162)</u>	<u>(386,331)</u>
<b>Balance at September 30, 2016</b>	-	-	-	-	-
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>-</u>	<u>-</u>	<u>(385,581)</u>
<b>Balance at September 30, 2017</b>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

**Note 10 – 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 2017 and 2016 amounted to \$14,948 and \$10,775, respectively.

**SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.****Notes to Financial Statements (continued)  
September 30, 2017 and September 30, 2016****Note 11 – Related party transactions**

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

**Note 12 – 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. In the opinion of management of the Society, the resolution of these matters will not have a material effect on the Society's financial statements.

**Note 13 – 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.