

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

**Financial Statements
for the year ended
September 30, 2013
and
September 30, 2012**

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. (the "Society") which comprise the statement of financial position as of September 30, 2013 and September 30, 2012, 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of the Society as of September 30, 2013 and September 30, 2012 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.

Auditor's Updated Opinion on the 2012 Fiscal Year Financial Statements

In our report dated July 10, 2013, we expressed a qualified opinion on the 2012 financial statements due to the Society's accounting practices of not providing for depreciation on its property and equipment. As described in note 2, the Society has changed its accounting practices and is now capitalizing and depreciating expenditures for property and equipment in accordance with accounting principles generally accepted in the United States of America. In addition, the Society has restated its 2011 financial statements to give retroactive effect to this change. Accordingly, our present opinion on the 2012 financial statements, as presented herein, is different from that expressed in our previous report.

Condon O'Meara McGinty + Donnelly LLP

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

Statement of Financial Position

Assets

	September 30	
	2013	2012*
Current assets		
Cash	\$ 37,803	\$ 500
Current portion of pledges receivable	8,333	8,238
Other receivables	73,587	28,369
Investments, at fair value	4,312,791	4,381,383
Inventory and prepaid expenses	43,959	47,271
Current portion of promissory note	47,987	97,987
Total current assets	<u>4,524,460</u>	<u>4,563,748</u>
Pledges receivable – net of current portion	<u>1,500</u>	<u>4,110</u>
Security deposit	<u>16,963</u>	<u>296</u>
Promissory note – net of current portion	<u>-</u>	<u>25,000</u>
Property and equipment		
Real estate and improvements	1,915,441	1,659,043
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture and furnishings	244,427	244,427
Improvements in progress	85,748	-
Sub-total	<u>3,655,630</u>	<u>3,313,484</u>
Less accumulated depreciation	1,385,750	1,284,591
Net property and equipment	<u>2,269,880</u>	<u>2,028,893</u>
Total assets	<u>\$6,812,803</u>	<u>\$6,622,047</u>

Current Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 152,184	\$ 74,874
Deposit payable	16,963	296
Total current liabilities	<u>169,147</u>	<u>75,170</u>
Net assets		
Unrestricted		
General operating fund	2,321,032	2,153,146
Board-designated funds	434,571	684,583
Total unrestricted	<u>2,755,603</u>	<u>2,837,729</u>
Temporarily restricted	887,803	708,898
Permanently restricted	3,000,250	3,000,250
Total net assets	<u>6,643,656</u>	<u>6,546,877</u>
Total current liabilities and net assets	<u>\$6,812,803</u>	<u>\$6,622,047</u>

* Restated

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, 2013
(with comparative total for the year ended September 30, 2012)*

	Unrestricted						Total
	General Operating Fund	Board - Designated Funds	Museum Fund	Total Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue							
Support							
Contributions, bequests, grants and pledges	\$ 91,029	\$ 8,217	\$ 22,751	\$ 121,997	\$ 15,000	\$ -	\$ 136,997
George Washington Ball	46,561	-	-	46,561	-	-	46,561
Flag Day contributions	7,649	-	-	7,649	-	-	7,649
Total support	145,239	8,217	22,751	176,207	15,000	-	191,207
Revenue							
Program services	19,267	-	71,176	90,443	-	-	90,443
Life memberships	-	-	-	-	-	-	-
Real estate rentals	456,266	-	-	456,266	-	-	456,266
Interest and dividends	-	23,990	-	23,990	129,257	-	153,247
Realized gain on sale of investments	-	6,738	-	6,738	36,391	-	43,129
Other	474	-	-	474	-	-	474
Net assets released from restrictions	133,337	-	8,280	141,617	(141,617)	-	-
Total revenue	609,344	30,728	79,456	719,528	24,031	-	743,559
Total support and revenue	754,583	38,945	102,207	895,735	39,031	-	934,766
Expenses							
Program services							
Commemorative and fellowship	22,019	-	125,117	147,136	-	-	147,136
Museum programs and activities	-	-	232,102	232,102	-	-	232,102
Total program services	22,019	-	357,219	379,238	-	-	379,238
Supporting services							
General and administrative	544,252	-	43,233	587,485	-	-	587,485
Fund raising	25,503	-	11,537	37,040	-	-	37,040
Total supporting services	569,755	-	54,770	624,525	-	-	624,525
Total expenses	591,774	-	411,989	1,003,763	-	-	1,003,763
Excess (deficiency) of support and revenue over expenses before other additions (deductions)	162,809	38,945	(309,782)	(108,028)	39,031	-	(68,997)
Other additions (deductions)							
Appropriation of general operating funds	(309,782)	-	309,782	-	-	-	-
Unrealized gain on investments	-	25,902	-	25,902	139,874	-	165,776
Interfund transfer	314,859	(314,859)	-	-	-	-	-
Increase (decrease) in net assets	167,886	(250,012)	-	(82,126)	178,905	-	96,779
Net assets, beginning of year, as restated	2,153,146	684,583	-	2,837,729	708,898	3,000,250	6,546,877
Net assets, end of year	2,321,032	434,571	-	2,755,603	887,803	3,000,250	6,643,656

* Restated
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, 2012*

	Unrestricted					2012 Total
	General Operating Fund	Board - Designated Funds	Museum Fund	Total Unrestricted	Temporarily Restricted	
Support and revenue						
Support	\$ 17,395	\$ 16,521	\$ 29,407	\$ 63,323	\$ 29,651	\$ 92,974
Contributions, bequests, grants and pledges	49,175	-	-	49,175	-	49,175
George Washington Ball	6,488	-	-	6,488	-	6,488
Flag Day contributions	73,058	16,521	29,407	118,986	29,651	148,637
Total support						
Revenue	29,103	-	81,654	110,757	-	110,757
Program services	-	4,000	-	4,000	-	4,000
Life memberships	380,355	-	-	380,355	-	380,355
Real estate rentals	-	19,660	438	20,098	117,062	137,160
Interest and dividends	-	2,093	-	2,093	12,245	14,338
Realized gain on sale of investments	13,024	-	-	13,024	-	13,024
Other	129,947	-	16,079	146,026	(146,026)	-
Net assets released from restrictions	552,429	25,753	98,171	676,353	(16,719)	659,634
Total revenue	625,487	42,274	127,578	795,339	12,932	808,271
Total support and revenue						
Expenses						
Program services	28,142	-	162,171	190,313	-	190,313
Commemorative and fellowship	-	-	200,686	200,686	-	200,686
Museum programs and activities	28,142	-	362,857	390,999	-	390,999
Total program services						
Supporting services	488,790	8,454	55,947	553,191	-	553,191
General and administrative	29,505	-	20,662	50,167	-	50,167
Fund raising	518,295	8,454	76,609	603,358	-	603,358
Total supporting services						
Total expenses	546,437	8,454	439,466	994,357	-	994,357
Excess (deficiency) of support and revenue over expenses before other additions (deductions)	79,050	33,820	(311,888)	(199,018)	12,932	(186,086)
Other additions (deductions)						
Appropriation of general operating funds	(311,888)	-	311,888	-	-	-
Unrealized gain on investments	-	121,833	-	121,833	401,592	523,425
Interfund transfer	148,910	(148,910)	-	-	-	-
Increase (decrease) in net assets	(83,928)	6,743	-	(77,185)	414,524	337,339
Net assets, beginning of year, as previously reported	2,915,758	677,840	-	3,593,598	20,233	6,888,222
Restatement/reclassification	(678,684)	-	-	(678,684)	274,141	(678,684)
Net assets, beginning of year, as restated	2,237,074	677,840	-	2,914,914	294,374	6,209,538
Net assets, end of year, as restated	\$ 2,153,146	\$ 684,583	\$ -	\$ 2,837,729	\$ 708,898	\$ 6,546,877

* Restated
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, 2013
(with summarized total for the year ended September 30, 2012)*

	Program Services			Supporting Services			Total 2013	Total 2012*
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising			
Expenses								
Salaries and wages	\$ 54,801	\$ 99,807	\$ 154,608	\$ 93,763	\$ 8,775	\$ 257,146	\$ 210,937	
Fringe benefits	17,749	19,830	37,579	24,724	1,283	63,586	66,631	
Outside services	6,946	11,506	18,452	63,995	1,250	83,697	73,610	
Real estate taxes	-	-	-	79,081	-	79,081	78,996	
Professional fees	6,625	11,938	18,563	23,310	-	41,873	41,307	
Insurance	-	2,432	2,432	115,709	-	118,141	109,957	
Maintenance and repairs	6,647	30,411	37,058	15,747	-	52,805	68,913	
Advertising	-	1,494	1,494	300	-	1,794	369	
George Washington Ball	-	-	-	-	25,503	25,503	29,505	
Utilities	20,516	23,665	44,181	16,218	-	60,399	50,147	
Board and Committee expense	12,945	-	12,945	-	-	12,945	17,892	
Supplies	1,111	2,824	3,935	2,046	87	6,068	12,669	
Publications and dues	60	1,176	1,236	12,741	-	13,977	14,278	
Printing	60	1,477	1,537	692	123	2,352	5,542	
Flag Day	9,704	-	9,704	-	-	9,704	10,250	
Telephone	1,680	2,553	4,233	4,233	-	8,466	9,600	
Postage	72	574	646	2,749	19	3,414	3,155	
Security	6,040	9,317	15,357	9,519	-	24,876	24,877	
Travel, meals and hospitality	2,180	714	2,894	188	-	3,082	14,081	
Office equipment	-	-	-	-	-	-	12,650	
Awards and benevolence	-	-	-	1,430	-	1,430	2,553	
Other	-	12,384	12,384	19,881	-	32,265	42,073	
Depreciation	-	-	-	101,159	-	101,159	94,365	
Total expenses - 2013	\$ 147,136	\$ 232,102	\$ 379,238	\$ 587,485	\$ 37,040	\$1,003,763	\$ 994,357	
Total expenses - 2012 (Restated)	\$ 190,313	\$ 200,686	\$ 390,999	\$ 553,191	\$ 50,167			

* Restated

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, 2012*

	Program Services			Supporting Services			Total
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising		
Expenses							
Salaries and wages	\$ 65,345	\$ 69,825	\$ 135,170	\$ 70,693	\$ 5,074	\$ 210,937	
Fringe benefits	21,169	18,933	40,102	25,377	1,152	66,631	
Outside services	7,043	12,966	20,009	52,746	855	73,610	
Real estate taxes	-	-	-	78,996	-	78,996	
Professional fees	8,041	9,306	17,347	23,960	-	41,307	
Insurance	-	2,432	2,432	107,525	-	109,957	
Maintenance and repairs	17,586	20,760	38,346	30,567	-	68,913	
Advertising	-	300	300	-	69	369	
George Washington Ball	-	-	-	-	29,505	29,505	
Utilities	18,805	18,805	37,610	12,537	-	50,147	
Board and Committee expense	17,892	-	17,892	-	-	17,892	
Supplies	1,853	7,031	8,884	3,785	-	12,669	
Publications and dues	348	1,465	1,813	12,465	-	14,278	
Printing	500	277	777	1,395	3,370	5,542	
Flag Day	10,250	-	10,250	-	-	10,250	
Telephone	2,493	3,209	5,702	3,898	-	9,600	
Postage	98	455	553	2,460	142	3,155	
Security	8,943	9,254	18,197	6,680	-	24,877	
Travel, meals and hospitality	2,355	439	2,794	1,287	10,000	14,081	
Office equipment	7,592	5,058	12,650	-	-	12,650	
Awards and benevolence	-	-	-	2,553	-	2,553	
Other	-	20,171	20,171	21,902	-	42,073	
Depreciation	-	-	-	94,365	-	94,365	
Total expenses - 2012	\$ 190,313	\$ 200,686	\$ 390,999	\$ 553,191	\$ 50,167	\$ 994,357	

* Restated
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>2013</u>	<u>2012*</u>
Cash flows from operating activities		
Increase in net assets	\$ 96,779	\$ 337,339
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	101,159	94,365
Realized (gain) on sale of investments	(43,129)	(14,338)
Unrealized (gain) on investments	(165,776)	(523,425)
(Increase) decrease in assets		
Pledges receivable	2,515	7,885
Other receivables	(45,218)	(28,369)
Inventory and prepaid expenses	3,312	6,194
Promissory note	75,000	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	77,310	8,651
Deposit payable	<u>16,667</u>	<u>(12,493)</u>
Net cash provided by (used in) operating activities	<u>118,619</u>	<u>(124,191)</u>
Cash flows from investing activities		
Expenditures for property and equipment	(342,146)	(15,025)
Proceeds from sale of investments	730,691	252,663
Purchase of investments	(453,194)	(144,052)
(Increase) decrease in security deposit	<u>(16,667)</u>	<u>12,493</u>
Net cash provided by (used in) investing activities	<u>(81,316)</u>	<u>106,079</u>
Net increase (decrease) in cash	37,303	(18,112)
Cash, beginning of year	<u>500</u>	<u>18,612</u>
Cash, end of year	<u>\$ 37,803</u>	<u>\$ 500</u>

* Restated

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements
September 30, 2013 and September 30, 2012****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 educate the public and create genuine appreciation for New York City History as it relates to Colonial America, the American Revolutionary War, and the Early Republic; this mission is fulfilled through the preservation of its collection and interpretation of the Society’s landmarked 1719 building along with varied exhibitions of art and artifacts as they relate to the historic site and the American Revolution. The Museum’s vision will strive to be an inspiring resource in providing a thorough understanding of various elements of early American life while promoting a particular appreciation for the American Revolutionary War and the rich history that exists in Lower Manhattan. With a culturally significant collection, the Museum will continue to be a vital institution to a growing audience that offers compelling programs and exhibits while expanding on public accessibility both on and off site.

Note 2 – Summary of significant accounting policies**Change in accounting policy and restatement of financial statements**

Prior to the 2013 fiscal year, the Society’s property and equipment were recorded on the statement of financial position with no depreciation and certain capital expenditures were either capitalized or charged against operations. During the 2013 fiscal year, the Society elected to conform to accounting principles generally accepted in the United States of America and began capitalizing expenditures for property and equipment and depreciating such expenditures over their estimated useful lives.

The Society has restated its financial statements to give retroactive effect to this change. In connection therewith, the unrestricted net assets as of October 1, 2011 were decreased by \$678,684 representing the undepreciated value of property and equipment acquired in years prior to the 2012 fiscal year, which had not previously either been capitalized or depreciated in the accounts of the Society. In addition, the unrestricted net assets for the 2012 fiscal year were decreased by \$94,365, which represents the depreciation expense not previously recognized.

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

**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012**

Note 2 – Summary of significant accounting policies (continued)

Reclassification

Certain items in the 2012 financial statements have been reclassified for comparative purposes only. In addition, earnings totaling \$274,141 that were reflected in the permanently restricted net assets have been reclassified to temporarily restricted net assets.

Net assets

The Society maintains three classes of net assets as follows:

- 1) Unrestricted net asset, consist of the General Operating Fund, the Board Designated Funds and the Museum Fund which are defined as follows:
 - General Operating Fund – Funds available for current operations.
 - Board Designated Funds – Consists of amounts that are designated by the Board and are classified as follows:
 - 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 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.

The assets of the Board designated funds are pooled with the Society's investment assets.

- Museum Fund – Consists of revenue and expenses incurred by the Fraunces Tavern Museum.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012****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, 2013 and September 30, 2012 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 was \$250 as of September 30, 2013 and September 30, 2012.

Interfund transfers

During the 2013 and 2012 fiscal years, the Society transferred \$314,859 and \$148,910, respectively, from the board designated funds to the general operating fund.

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, 2013 and September 30, 2012.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

As of September 30, 2013 and September 30, 2012, 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.

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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012****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.

Service marks and other works of art

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

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.

Concentrations of credit risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, receivables, investments and a promissory note. The Society places its cash with what it believes to be quality financial institutions. The Society has not experienced any losses in such bank accounts to date. The Society invests in money market funds, mutual funds and domestic equities. 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, 2013 and September 30, 2012. The Society routinely assesses the financial strength of its cash and investments. The Society's management monitors the collectibility of its receivables and promissory note on an ongoing basis. As a consequence, management believes concentrations of credit risk are limited.

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

**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012**

Note 2 – Summary of significant accounting policies (continued)

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

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through January 21, 2014, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent event that necessitated disclosure and/or adjustments other than those contained herein.

Note 3 – Investments

The following is a summary of investments at September 30, 2013 and September 30, 2012:

	Sons Investments			
	2013		2012	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 125,168	\$ 125,168	\$ 365,371	\$ 365,371
Mutual funds				
Dividend appreciation fund	1,105,835	1,438,332	1,300,000	1,450,886
Bond funds	1,450,970	1,536,082	1,251,545	1,328,416
Growth equity fund	400,070	544,893	400,070	462,863
Emerging markets income fund	400,070	399,938	399,494	438,688
Gold, national resource and income fund	109,984	85,754	109,985	116,827
Precious metals and minerals fund	100,000	39,283	100,000	81,010
Total mutual funds	3,566,929	4,044,282	3,561,094	3,878,690
Domestic equities	<u>130,213</u>	<u>143,341</u>	<u>130,213</u>	<u>137,322</u>
Total investments	<u>\$3,822,310</u>	<u>\$4,312,791</u>	<u>\$4,056,678</u>	<u>\$4,381,383</u>

Fair value measurements

For assets measured at fair value on a recurring basis, as of and September 30, 2013 and September 30, 2012, 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.

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

Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012

Note 4 – Pledges receivable

Pledges receivable are unconditional promises to make donations to the Society. As of September 30, 2013 and September 30, 2012, pledges receivable are expected to be received as follows:

	2013	2012
Due in one year	\$ 8,333	\$ 8,238
Due in one to five years	1,500	4,110
Total	\$ 9,833	\$ 12,348

Note 5 – Promissory note

On February 17, 2009, the principals of the previous restaurant 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 as of that date. The promissory note bears simple interest at the rate of 3% per annum and all outstanding principal and accrued interest was due and payable on January 1, 2012. During December 2011, the Society received notice from the principals of the previous tenant that they will not pay the note. The Society intends to vigorously pursue collection of the note. On October 5, 2012, the Society and one of the principals agreed to settle a portion of the receivable. The Society intends on seeking the remaining balance from another principal of the previous restaurant. As of September 30, 2013, the promissory note is expected to be received in the 2014 fiscal year.

Note 6 – Lease agreements

During April 2010, the Society entered into a lease agreement as a landlord to lease a portion of its facility for a restaurant premises. The restaurant operations have been undertaken by an independent contractor (the “tenant”) and the food and beverage sales and related expenses are reflected separately in the books and records of the tenant and are not reflected in the accounts and records of the Society. In addition, all related taxes incurred with the restaurant operations are paid by the tenant.

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

Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012

Note 6 – 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 was 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 posted a security deposit of \$296. On September 2, 2010, the tenant executed and delivered an Irrevocable Standby Letter of Credit (the "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. During the fiscal year 2011, the Letter of Credit was reduced to \$100,000. As of the date of this report, the tenant has proposed to restore the security deposit to \$100,000 within a year (\$16,963 as of September 30, 2013).

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>
2014	\$ 243,384	\$ 79,731	\$ 323,115
2015	252,384	81,531	333,915
2016	261,384	83,370	344,754
2017	261,384	85,245	346,629
2018	270,384	87,156	357,540
2019 and thereafter	<u>419,076</u>	<u>203,157</u>	<u>622,233</u>
Total	<u>\$1,707,996</u>	<u>\$ 620,190</u>	<u>\$2,328,186</u>

Note 7 – Retirement plan

The Society has a contributory defined contribution annuity plan covering substantially all employees. Under the terms of the plan, the Society contributes amounts ranging from 2% to 10% of an employee's gross earnings to the plan. Eligible employees can contribute up to the maximum percentage of their compensation allowable, not to exceed the Internal Revenue Code limitation. Such contributions are used to purchase individual annuity contracts for the employees. Plan expense for fiscal years 2013 and 2012 amounted to \$14,813 and \$14,160, respectively.

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

**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012**

Note 8 – Museum support

For the 2013 and 2012 fiscal years, the Society appropriated funds from the general operating fund totaling \$309,782 and \$311,888, respectively, to the museum fund. Since the 1985 fiscal year, the Society has transferred \$10,683,991 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:

Year Ending September 30	<u>Total</u>
1985 – 1995	\$ 4,182,716
1996 – 2005	3,412,637
2006 – 2012	2,778,856
2013	<u>309,782</u>
Total	<u>\$ 10,683,991</u>

Note 9 – Litigation

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.

Note 10 – Hurricane Sandy

On October 29, 2012, as a result of Hurricane Sandy, the Society sustained damage to its buildings and infrastructure. The Society has incurred approximately \$200,000 in expenses relating to the storm and has received approximately \$75,000 in revenue from the membership in order to offset the costs. The Society has filed a claim with its insurance carrier, which was denied. In November 2013, the Society received approximately \$37,500 from the U.S. Federal Emergency Management Agency. Any additional storm related proceeds received will be recorded in the 2014 fiscal year financial statements.

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. At September 30, 2013, no amounts have been recognized for uncertain income tax positions. The Society’s tax returns for the 2010 fiscal year and forward are subject to the usual review by the appropriate authorities.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012****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.

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.

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

**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012**

Note 12 – Endowments (continued)

Asset Allocations (continued)

- (3) No more than 25% of the value of the Portfolio shall be invested in cash and cash equivalents (including in money market funds believed to be of good quality and sold without sales charge).
- (4) No more than 25% of the value of the Portfolio may be invested in other securities (including fixed income securities with lower ratings and REITS) reasonably determined in the context of the remainder of the Portfolio as likely to help the achievement of the investment objective stated above.
- (5) For each percentage point of value of the portfolio in excess of 15% invested in the securities referred to in paragraph (4) above, the limit on investment in equity securities referred to in paragraph (1) on the previous page, shall be reduced by a percentage point.

Interpretation

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of September 30, 2013 and September 30, 2012.

As of September 30, 2013 and September 30, 2012, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 9,833	\$ 12,348
Investments, at fair value	<u>4,312,791</u>	<u>4,381,383</u>
Total	<u>\$ 4,322,624</u>	<u>\$ 4,393,731</u>

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

Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012

Note 12 – Endowments (continued)

Interpretation (continued)

Endowment Net Asset Composition by Type of Fund as of September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 887,803	\$3,000,250	\$ 3,888,053
Board-designated endowment funds	<u>434,571</u>	<u>-</u>	<u>-</u>	<u>434,571</u>
Total funds	<u>\$ 434,571</u>	<u>\$ 887,803</u>	<u>\$3,000,250</u>	<u>\$ 4,322,624</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 708,898	\$3,000,250	\$ 3,709,148
Board-designated endowment funds	<u>684,583</u>	<u>-</u>	<u>-</u>	<u>684,583</u>
Total funds	<u>\$ 684,583</u>	<u>\$ 708,898</u>	<u>\$3,000,250</u>	<u>\$ 4,393,731</u>

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

**Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012**

Note 12 – Endowments (continued)

The following is a summary of the activities of the unrestricted board designated funds for the year ended September 30, 2012 and September 30, 2013:

	Reserve Fund	Flag Fund	Permanent Fund	Capital Campaign Fund	Museum Endowment Fund	Deaccession Collections Fund	Total Board Designated Funds
Balance at September 30, 2011	\$ 300,444	\$ 90,394	\$ 59,551	\$ 1,063	\$ 109,358	\$ 117,030	\$ 677,840
Investment returns							
Interest and dividends	10,507	3,161	2,082	-	3,824	86	19,660
Net realized gain on sale of investments	1,124	338	223	-	408	-	2,093
Unrealized gain on investment	65,388	19,676	12,963	-	23,806	-	121,833
Total investment returns	77,019	23,175	15,268	-	28,038	86	143,586
Sub-total	377,463	113,569	74,819	1,063	137,396	117,116	821,426
Contributions	-	-	-	16,521	-	-	16,521
Life memberships	4,000	-	-	-	-	-	4,000
Appropriation of expenditures	-	(1,431)	-	(7,023)	-	-	(8,454)
Transfer (to) the general operating fund	(93,092)	-	-	-	-	(55,815)	(148,910)
Balance at September 30, 2012	288,368	112,138	74,819	10,561	137,396	61,301	684,583
Investment returns							
Interest and dividends	10,137	3,921	2,616	369	4,804	2,143	23,990
Net realized gain on sale of investments	2,839	1,104	736	104	1,352	603	6,738
Unrealized gain on investment	10,910	4,243	2,831	400	5,199	2,319	25,902
Total investment returns	23,886	9,268	6,183	873	11,355	5,065	56,630
Sub-total	312,254	121,406	81,002	11,434	148,751	66,366	741,213
Contributions	1,825	-	-	6,392	-	-	8,217
Transfer (to) the general operating fund	(264,117)	-	-	-	-	(50,742)	(314,859)
Balance at September 30, 2013	\$ 49,962	\$ 121,406	\$ 81,002	\$ 17,826	\$ 148,751	\$ 15,624	\$ 434,571

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

Notes to Financial Statements (continued)
September 30, 2013 and September 30, 2012

Note 12 – Endowments (continued)

The following is a summary of the activity of the temporarily restricted net assets for the year ended September 30, 2012 and September 30, 2013:

	<u>Balance at September 30, 2011</u>	<u>Contributions</u>	<u>Interest and Dividends</u>	<u>Net realized and unrealized gain on Investments</u>	<u>Net assets Released from Restrictions</u>	<u>Reclassification</u>	<u>Balance at September 30, 2012</u>
Shelby C. Davis Fund	\$ -	\$ -	\$ 117,062	\$ 413,837	\$ (117,062)	\$ 274,141	\$ 687,978
Time restricted	20,233	5,000	-	-	(12,885)	-	12,348
Dunsmore Painting Conservation Project	-	24,651	-	-	(16,079)	-	8,572
Total temporarily restricted	\$ 20,233	\$ 29,651	\$ 117,062	\$ 413,837	\$ (146,026)	\$ 274,141	\$ 708,898
	<u>Balance at September 30, 2012</u>	<u>Contributions</u>	<u>Interest and Dividends</u>	<u>Net realized and unrealized gain on Investments</u>	<u>Net assets Released from Restrictions</u>	<u>Balance at September 30, 2013</u>	
Shelby C. Davis Fund	\$ 687,978	\$ -	\$ 129,257	\$ 176,265	\$ (130,822)	\$ 862,678	
Time restricted	12,348	-	-	-	(2,515)	9,833	
Dunsmore Painting Conservation Project	8,572	10,000	-	-	(8,280)	10,292	
Map Exhibit Project	-	5,000	-	-	-	5,000	
Total temporarily restricted	\$ 708,898	\$ 15,000	\$ 129,257	\$ 176,265	\$ (141,617)	\$ 887,803	