

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

**Financial Statements
for the year ended
September 30, 2011
(with summarized comparative
information for the year ended
September 30, 2010)**

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

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, 2011 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 2010 financial statements and, in our report dated June 20, 2011, we expressed a qualified opinion on those financial statements due to the Society's policy of not providing for depreciation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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, 2011, the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

January 13, 2012

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

Statements of Financial Position

Assets

	September 30	
	2011	2010
Current assets		
Cash	\$ 18,612	\$ 37,089
Grant receivable	-	40,000
Pledges receivable	7,875	-
Investments, at fair value	3,952,231	4,339,790
Inventory and prepaid expenses	53,465	30,167
Promissory note	122,987	-
Total current assets	<u>4,155,170</u>	<u>4,447,046</u>
Pledges receivable – net of current portion	<u>12,358</u>	<u>-</u>
Other assets		
Security deposit	12,789	50,022
Promissory note	-	122,987
Total other assets	<u>12,789</u>	<u>173,009</u>
Property and equipment		
Real estate and improvements	1,132,476	995,682
Roof restoration	1,132,268	1,126,501
Museum memorabilia	277,746	277,746
Furniture and furnishings	244,427	239,915
Total property and equipment	<u>2,786,917</u>	<u>2,639,844</u>
Total assets	<u>\$6,967,234</u>	<u>\$7,259,899</u>

Current Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 66,223	\$ 67,640
Deposit payable	12,789	50,022
Total current liabilities	<u>79,012</u>	<u>117,662</u>
Net assets		
Unrestricted		
General operating fund	2,915,758	2,802,447
Board-designated funds	677,840	742,928
Total unrestricted	<u>3,593,598</u>	<u>3,545,375</u>
Temporarily restricted	20,233	-
Permanently restricted	3,274,391	3,596,862
Total net assets	<u>6,888,222</u>	<u>7,142,237</u>
Total liabilities and net assets	<u>\$6,967,234</u>	<u>\$7,259,899</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, 2011
 (with summarized comparative information for the year ended September 30, 2010)

	Unrestricted					Temporarily Restricted	Permanently Restricted	Total	
	General Operating Fund	Board - Designated Funds	Museum Fund	Total Unrestricted	2011			2010	
Support and revenue									
Support									
Contributions, bequests, grants and pledges	\$ 23,108	\$ 34,374	\$ 24,245	\$ 81,727	\$ 20,233	\$ -	\$ 101,960	\$ 304,849	
George Washington Ball	65,255	-	-	65,255	-	-	65,255	49,525	
Flag Day contributions	6,281	-	-	6,281	-	-	6,281	5,900	
Total support	94,644	34,374	24,245	153,263	20,233	-	173,496	360,274	
Revenue									
Program services	24,702	-	60,630	85,332	-	-	85,332	127,780	
Life memberships	-	-	-	-	-	-	-	5,600	
Real estate rentals	276,571	-	-	276,571	-	-	276,571	266,870	
Interest and dividends	-	14,244	-	14,244	81,421	-	95,665	91,224	
Realized (loss) on sale of investments	-	(174,275)	-	(174,275)	-	(1,019,388)	(1,193,663)	(96,686)	
Other income	16,610	-	-	16,610	-	-	16,610	95,355	
Net assets released from restrictions	81,421	-	-	81,421	(81,421)	-	-	-	
Total revenue	399,304	(160,031)	60,630	299,903	20,233	(1,019,388)	(719,485)	490,143	
Total support and revenue	493,948	(125,657)	84,875	453,166	20,233	(1,019,388)	(545,989)	850,417	
Expenses									
Program services									
Commemorative and fellowship	29,563	-	182,245	211,808	-	-	211,808	225,505	
Museum programs and activities	-	-	220,691	220,691	-	-	220,691	285,240	
Magna Carta Exhibit	-	-	1,203	1,203	-	-	1,203	161,711	
Total program services	29,563	-	404,139	433,702	-	-	433,702	672,456	
Supporting services									
General and administrative	271,636	49,593	45,714	366,943	-	-	366,943	603,688	
Fund raising	44,585	-	28,441	73,026	-	-	73,026	83,165	
Total supporting services	316,221	49,593	74,155	439,969	-	-	439,969	686,853	
Total expenses	345,784	49,593	478,294	873,671	-	-	873,671	1,359,309	
Excess (deficiency) of support and revenue over expenses before other additions (deductions)	148,164	(175,250)	(393,419)	(420,505)	20,233	(1,019,388)	(1,419,660)	(508,892)	
Appropriation of general operating funds	(393,419)	-	393,419	-	-	-	-	-	
Unrealized gain on investments	-	468,978	-	468,978	-	696,667	1,165,645	457,719	
Interfund transfer	358,566	(358,816)	-	(250)	-	250	-	-	
Increase (decrease) in net assets	113,311	(65,088)	-	48,223	20,233	(322,471)	(254,015)	(51,173)	
Net assets, beginning of year	2,802,447	742,928	-	3,545,375	-	3,596,862	7,142,237	7,193,410	
Net assets, end of year	\$ 2,915,758	\$ 677,840	\$ -	\$ 3,593,598	\$ 20,233	\$ 3,274,391	\$ 6,888,222	\$ 7,142,237	

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, 2011
(with summarized comparative information for the year ended September 30, 2010)

	Program Services				Supporting Services		Total 2010
	Commen- orative and Fellowship	Museum Programs and Activities	Magna Carta Exhibit	Total Program Services	General and Administrative	Fund Raising	
Salaries and wages	\$ 64,951	\$ 69,704	\$ -	\$ 134,655	\$ 59,124	\$ 9,772	\$ 203,551
Fringe benefits	25,195	25,001	-	50,196	21,874	4,035	76,105
Outside services	15,109	15,034	556	30,699	79,267	9,234	119,200
Real estate taxes	-	-	-	-	78,742	-	78,742
Professional fees	-	-	-	-	26,621	-	26,621
Insurance	19,103	41,803	-	60,906	38,206	-	99,112
Maintenance and repairs	13,024	11,607	-	24,631	9,671	-	34,302
Advertising	-	15	-	15	115	-	130
George Washington Ball	-	-	-	-	-	44,585	44,585
Utilities	24,703	24,703	-	49,406	10,024	-	59,430
Board and Committee expense	21,260	-	-	21,260	-	-	21,260
Supplies	2,468	5,214	-	7,682	2,908	-	10,590
Publications and dues	-	1,154	-	1,154	13,020	-	14,174
Printing	560	913	-	1,473	6,662	-	8,135
Flag Day	8,304	-	-	8,304	-	-	8,304
Telephone	2,299	2,299	167	4,765	2,299	2,299	9,363
Postage	225	1,015	17	1,257	2,051	167	3,475
Security	9,548	9,549	-	19,097	4,775	-	23,872
Travel, meals and hospitality	1,536	89	-	1,625	1,256	-	2,881
Office equipment	2,934	5,743	-	8,677	-	2,934	11,611
Awards and benevolence	-	-	-	-	1,617	-	1,617
Website	-	-	-	-	719	-	719
Shipping of paintings	-	-	313	313	-	-	313
Loan fees for exhibits	-	-	150	150	-	-	150
Miscellaneous	589	6,848	-	7,437	7,992	-	15,429
Total expenses - 2011	\$ 211,808	\$ 220,691	\$ 1,203	\$ 433,702	\$ 366,943	\$ 73,026	\$ 873,671
Total expenses - 2010	\$ 225,505	\$ 285,240	\$ 161,711	\$ 672,456	\$ 603,688	\$ 83,165	\$ 1,359,309

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>2011</u>	<u>2010</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (254,015)	\$ (51,173)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Realized loss on sale of investments	1,193,663	96,686
Unrealized (gain) on investments	(1,165,645)	(457,719)
(Increase) decrease in assets		
Rent receivable	-	53,692
Grant receivable	40,000	139,276
Pledges receivable	(20,233)	-
Other receivables	-	4,274
Inventory and prepaid expenses	(23,298)	(22,611)
Deferred expenses	-	14,492
(Decrease) in liabilities		
Accounts payable and accrued expenses	(1,417)	(31,563)
Deposit payable	(37,233)	(12,318)
Net cash (used in) operating activities	<u>(268,178)</u>	<u>(266,964)</u>
Cash flows from investing activities		
Expenditures for property and equipment	(147,073)	(576,531)
Proceeds from sale of investments	495,202	856,424
Purchase of investments	(135,661)	(211,500)
Decrease in security deposit	37,233	12,318
Net cash provided by investing activities	<u>249,701</u>	<u>80,711</u>
Net (decrease) in cash	(18,477)	(186,253)
Cash, beginning of year	<u>37,089</u>	<u>223,342</u>
Cash, end of year	<u>\$ 18,612</u>	<u>\$ 37,089</u>

See notes to financial statements.

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

Notes to Financial Statements September 30, 2011

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 structure 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 fund. 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2011****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 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, 2011 and 2010 was \$3,274,141 and \$3,596,862, respectively.
 - 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, 2011 was \$250.

Interfund transfer

During the 2011 fiscal year, the Society transferred \$358,566 from the board designated funds to the general operating fund. In addition, during the 2011 fiscal year, the Society transferred \$250 from the board designated funds to the Building Maintenance Endowment 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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2011****Note 2 – Summary of significant accounting policies (continued)****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 restriction 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.

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.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2011****Note 2 – Summary of significant accounting policies (continued)**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, 2010, from which the summarized information was derived.

Concentration of credit risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments and grant and pledges 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, 2011. 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

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through January 13, 2012, 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, 2011**

Note 3 – Investments

The following is a summary of investments at September 30, 2011 and September 30, 2010:

	<u>Sons Investments</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 261,398	\$ 261,398	\$ 163,751	\$ 163,751
Mutual funds				
Dividend appreciation fund	189,791	172,888	-	-
Bond funds	153,441	150,626	-	-
Growth equity fund	58,410	52,050	-	-
Emerging markets income fund	29,205	26,699	-	-
Precious metals and minerals fund	14,600	14,179	-	-
Loomis Bond Fund	-	-	180,077	185,090
CGM Focus Group	-	-	170,703	81,676
T-Rowe Price emerging markets stocks	-	-	147,065	119,755
Russell Equity Growth Strategy Fund	-	-	280,521	192,656
Total mutual funds	<u>445,447</u>	<u>416,442</u>	<u>778,366</u>	<u>579,177</u>
Total Sons investments	\$ <u>706,845</u>	\$ <u>677,840</u>	\$ <u>942,117</u>	\$ <u>742,928</u>
	<u>Shelby C. Davis Fund</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 838,489	\$ 838,489	\$ 209,076	\$ 209,076
Mutual funds				
Dividend appreciation fund	1,110,200	1,011,274	-	-
Bond funds	897,527	881,063	-	-
Growth equity fund	341,660	304,454	-	-
Emerging markets income fund	170,830	156,171	-	-
Precious metals and minerals fund	85,400	82,940	-	-
Loomis Bond Fund	-	-	1,053,327	1,082,650
CGM Focus Group	-	-	998,494	477,746
T-Rowe Price emerging markets stocks	-	-	860,228	700,483
Russell Equity Growth Strategy Fund	-	-	1,640,913	1,126,907
Total mutual funds	<u>2,605,617</u>	<u>2,435,902</u>	<u>4,552,962</u>	<u>3,387,786</u>
Total Shelby C. Davis Fund and Building Maintenance Endowment Fund investments	<u>3,444,106</u>	<u>3,274,391</u>	<u>4,762,038</u>	<u>3,596,862</u>
Total investments	\$ <u>4,150,951</u>	\$ <u>3,952,231</u>	\$ <u>5,704,155</u>	\$ <u>4,339,790</u>

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

**Notes to Financial Statements (continued)
September 30, 2011**

Note 3 – Investments (continued)

Fair value measurements

For assets measured at fair value on a recurring basis, as of and September 30, 2011, 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 – Pledges receivable

Pledges receivable are unconditional promises to make donations to the Society. As of September 30, 2011, pledges receivable are expected to be received as follows:

Due in one year	\$ 7,875
Due in one to five years	<u>12,358</u>
Total	<u>\$ 20,233</u>

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. As of January 13, 2012, this promissory note is still outstanding.

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, 2011**

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 \$12,789. 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.

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>
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	261,384	83,365	344,749
2017 and thereafter	<u>950,844</u>	<u>375,549</u>	<u>1,326,393</u>
Total	<u>\$2,167,764</u>	<u>\$ 774,428</u>	<u>\$2,942,192</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 2011 and 2010 amounted to \$13,892 and \$13,961, respectively.

Note 8 – Museum support

For the 2011 fiscal year, the Society appropriated funds from the general operating fund totaling \$393,419 to the museum fund. Since the 1985 fiscal year, the Society has transferred \$10,062,321 from the general operating fund and the board designated funds to the museum fund to defray the costs of the museum.

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

**Notes to Financial Statements (continued)
September 30, 2011**

Note 8 – Museum support (continued)

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 – 2010	2,073,549
2011	<u>393,419</u>
Total	<u>\$ 10,062,321</u>

Note 9 – 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, \$40,000 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. During the fiscal year 2011, the Society received the final matching grant payment from the NYSOPRHP.

Note 10 – 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 1987 through 2002 totaling \$95,355 (net of legal fees and expenses), which has been recorded as other income in the statements of activities. In addition, during the 2011 fiscal year, the Society received a real estate tax refund from the City of New York for the tax years 2009 through 2011 totaling \$8,207 (net of legal fees and expenses), which has been recorded as other income in the statements of activities.

Note 11 – Litigation

The Society is currently involved in a legal proceeding arising in the ordinary course of business. The Society believes it has a defense for this proceeding and is vigorously defending the action.

Note 12 – 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, 2011, no amounts have been recognized for uncertain income tax positions. The Society's tax returns for the fiscal year 2008 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, 2011****Note 13 – 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 of 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 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 15% 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, 2011**

Note 13 – 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 15% 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.

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.

As of September 30, 2011, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

Assets

Pledges receivable	\$	20,233
Investments, at fair value		<u>3,952,231</u>
Total		<u>\$ 3,972,464</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 20,233	\$3,274,391	\$ 3,294,624
Board-designated endowment funds	<u>677,840</u>	<u>-</u>	<u>-</u>	<u>677,840</u>
Total funds	<u>\$ 677,840</u>	<u>\$ 20,233</u>	<u>\$3,274,391</u>	<u>\$ 3,972,464</u>

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)****September 30, 2011****Note 13 – Endowments (continued)****Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of September 30, 2011.

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

Notes to Financial Statements (continued)
September 30, 2011

Note 13 – Endowments (continued)

The following is a summary of the unrestricted board designated funds for the year ended September 30, 2011:

	Reserve	Flag	Permanent	Capital Campaign	Museum Endowment	Deaccession Collections Fund	Totals
Balance at September 30, 2010	\$ 359,696	\$ 88,972	\$ 58,614	\$ 1,313	\$ 107,637	\$ 126,696	\$ 742,928
Investment returns							
Interest and dividends	8,142	2,014	1,327	1	2,437	323	14,244
Net realized (loss) on sale of investments	(101,941)	(25,216)	(16,612)	-	(30,506)	-	(174,275)
Unrealized gain on investment	398,342	24,624	16,222	-	29,790	-	468,978
Total investment returns	304,543	1,422	937	1	1,721	323	308,947
Contributions	-	-	-	34,363	-	11	34,374
Appropriation of expenditures	-	-	-	(49,593)	-	-	(49,593)
Transfer (to) from general operating fund	(363,795)	-	-	14,979	-	(10,000)	(358,816)
Balance at September 30, 2011	\$ 300,444	\$ 90,394	\$ 59,551	\$ 1,063	\$ 109,358	\$ 117,030	\$ 677,840

The following is a summary of the temporarily restricted net assets for the year ended September 30, 2011:

	Balance at September 30, 2010	Contributions	Interest and Dividends	Net assets Released from Restrictions	Balance at September 30, 2011
Operating fund					
Shelby C. Davis Fund	\$ -	\$ -	\$ 81,420	\$ (81,420)	\$ -
Building Maintenance Endowment Fund	-	-	1	(1)	-
Times restricted	-	20,233	-	-	20,233
Total temporarily restricted	\$ -	\$ 20,233	\$ 81,421	\$ (81,421)	\$ 20,233