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Independent Auditor's Report

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

We have audited the accompanying financial statements of Sons of the Revolution in the State of New York, Inc. which comprise the statement of financial position as of September 30, 2015 and September 30, 2014 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, 2015 and September 30, 2014 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

January 5, 2016

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

**Financial Statements
for the year ended
September 30, 2015
and
September 30, 2014**

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

Statement of Financial Position

Assets

| | September 30 | |
|---|--------------|-------------|
| | 2015 | 2014 |
| Current assets | | |
| Cash | \$ 34,479 | \$ 188,506 |
| Current portion of pledges receivable | 1,000 | 6,100 |
| Other receivables | 86,521 | 84,136 |
| Investments, at fair value | 3,097,883 | 3,903,776 |
| Inventory and prepaid expenses | 39,281 | 39,687 |
| Current portion of promissory note | 126,211 | 93,332 |
| Total current assets | 3,385,375 | 4,315,537 |
| Security deposit | 100,161 | 100,036 |
| Promissory note – net of current portion | - | 94,115 |
| Property and equipment | | |
| Real estate and improvements | 2,825,589 | 2,111,557 |
| Roof restoration | 1,132,268 | 1,132,268 |
| Museum memorabilia | 277,746 | 277,746 |
| Furniture, fixtures and equipment | 247,093 | 245,760 |
| Improvements in progress | 350,758 | 438,936 |
| Sub-total | 4,833,454 | 4,206,267 |
| Less accumulated depreciation | 1,620,334 | 1,487,778 |
| Net property and equipment | 3,213,120 | 2,718,489 |
| Total assets | \$6,698,656 | \$7,228,177 |
| Current Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 44,871 | \$ 53,386 |
| Contracts payable | 104,358 | 244,284 |
| Security deposit payable | 100,161 | 100,036 |
| Total current liabilities | 249,390 | 399,706 |
| Net assets | | |
| Unrestricted | 3,224,172 | 2,731,148 |
| General operating fund | 218,170 | 451,147 |
| Board-designated funds | 3,442,342 | 3,182,295 |
| Total unrestricted | 5,824 | 645,926 |
| Temporarily restricted | 3,001,100 | 3,000,250 |
| Permanently restricted | 6,449,266 | 6,828,471 |
| Total net assets | \$6,698,656 | \$7,228,177 |

See notes to financial statements.

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

Statement of Activities
For the Year Ended September 30, 2015
(with comparative totals for the year ended September 30, 2014)

| | Unrestricted | | | Temporarily Restricted | Permanently Restricted | Total | |
|---|------------------------|--------------------------|-------------|------------------------|------------------------|--------------------|--------------|
| | General Operating Fund | Board - Designated Funds | Museum Fund | | | Total Unrestricted | Total |
| Public support and revenue | | | | | | | |
| Support | | | | | | | |
| Contributions, bequests, grants and pledges | \$ 141,350 | \$ - | \$ 19,547 | \$ 160,897 | \$ 3,838 | \$ 850 | \$ 165,585 |
| George Washington Ball | 41,745 | - | - | 41,745 | - | - | 41,745 |
| Flag Day contributions | 1,950 | - | - | 1,950 | - | - | 1,950 |
| Total support | 185,045 | - | 19,547 | 204,592 | 3,838 | 850 | 209,280 |
| Revenue | | | | | | | |
| Program services | 20,256 | - | 110,496 | 130,752 | - | - | 130,752 |
| Real estate rentals | 728,243 | - | - | 728,243 | - | - | 728,243 |
| Interest and dividends | 18,607 | 11,209 | - | 29,816 | 90,588 | - | 120,404 |
| Realized gain on sale of investments | - | 13,202 | - | 13,202 | 106,695 | - | 119,897 |
| Other | 1,740 | - | - | 1,740 | - | - | 1,740 |
| Net assets released from restrictions | 444,597 | - | 6,100 | 450,697 | (450,697) | - | - |
| Total revenue | 1,213,443 | 24,411 | 116,596 | 1,354,450 | (253,414) | - | 1,101,036 |
| Total public support and revenue | 1,398,488 | 24,411 | 136,143 | 1,559,042 | (249,576) | 850 | 1,310,316 |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Commemorative and fellowship | 29,237 | - | 107,616 | 136,853 | - | - | 136,853 |
| Museum programs and activities | - | - | 242,500 | 242,500 | - | - | 242,500 |
| Total program services | 29,237 | - | 350,116 | 379,353 | - | - | 379,353 |
| Supporting services | | | | | | | |
| General and administrative | 748,665 | - | 58,742 | 807,407 | - | - | 807,407 |
| Fund raising | 35,743 | - | 28,171 | 63,914 | - | - | 63,914 |
| Total supporting services | 784,408 | - | 86,913 | 871,321 | - | - | 871,321 |
| Total expenses | 813,645 | - | 437,029 | 1,250,674 | - | - | 1,250,674 |
| Excess (deficiency) of support and revenue over expenses before other addition (deductions) and interfund transfers | 584,843 | 24,411 | (300,886) | 308,368 | (249,576) | 850 | 59,642 |
| Other addition (deductions) and interfund transfers | | | | | | | |
| Appropriation of general operating funds | (300,886) | - | 300,886 | - | - | - | - |
| Unrealized (loss) on investments | - | (48,321) | - | (48,321) | (390,526) | - | (438,847) |
| Interfund transfers | 209,067 | (209,067) | - | - | - | - | - |
| Increase (decrease) in net assets | 493,024 | (232,977) | - | 260,047 | (640,102) | 850 | (379,205) |
| Net assets, beginning of year | 2,731,148 | 451,147 | - | 3,182,295 | 645,926 | 3,000,250 | 6,828,471 |
| Net assets, end of year | \$ 3,224,172 | \$ 218,170 | \$ - | \$ 3,442,342 | \$ 5,824 | \$ 3,001,100 | \$ 6,449,266 |

See notes to financial statements.

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See notes to financial statements.

| Expenses | 2015 | 2014 |
|-------------------------------|------------|--------------|
| Salaries and wages | \$ 55,239 | \$ 286,940 |
| Fringe benefits | 15,648 | 82,583 |
| Outside services | 24 | 6,680 |
| Real estate taxes | - | 88,774 |
| Professional fees | 6,825 | 50,308 |
| Insurance | - | 132,544 |
| Maintenance and repairs | 334 | 81,718 |
| Advertising | 1,952 | 1,979 |
| George Washington Ball | 17,879 | 24,337 |
| Utilities | 23,961 | 58,452 |
| Board and Committee | - | 16,581 |
| Supplies | 241 | 3,398 |
| Publications and dues | - | 13,566 |
| Printing | - | 9,839 |
| Flag Day | 5,278 | 5,271 |
| Program related services | 9,384 | 35,359 |
| Telephone | - | 14,109 |
| Postage | 38 | 6,779 |
| Security | - | 25,073 |
| Travel, meals and hospitality | 50 | 266 |
| Awards and benevolence | - | 5,290 |
| Bad debt | - | 22,987 |
| Other | - | 15,149 |
| Depreciation | - | 102,028 |
| Total expenses - 2015 | \$ 136,853 | \$ 1,148,010 |
| Total expenses - 2014 | \$ 217,769 | \$ 1,148,010 |

Statement of Functional Expenses
For the Year Ended September 30, 2015
(with summarized totals for the year ended September 30, 2014)

| Supporting Services | General and Administrative Fund | Program Total | Museum Programs and Activities | Fellowship and Program | Total |
|-------------------------------|---------------------------------|---------------|--------------------------------|------------------------|--------------|
| Salaries and wages | \$ 22,500 | \$ 104,328 | \$ 170,345 | \$ 115,106 | \$ 412,279 |
| Fringe benefits | 2,212 | 43,973 | 55,618 | 39,970 | 141,773 |
| Outside services | - | 55,527 | 3,597 | 3,573 | 63,697 |
| Real estate taxes | - | 94,744 | - | - | 94,744 |
| Professional fees | - | 61,425 | 22,825 | 16,000 | 100,250 |
| Insurance | - | 134,889 | 2,268 | 2,268 | 139,425 |
| Maintenance and repairs | - | 76,864 | 6,980 | 6,646 | 84,490 |
| Advertising | - | - | 3,182 | 1,230 | 4,412 |
| George Washington Ball | 35,744 | - | 17,880 | - | 53,624 |
| Utilities | - | 13,955 | 35,759 | 17,880 | 67,634 |
| Board and Committee | - | - | 23,961 | - | 23,961 |
| Supplies | - | 2,347 | 1,457 | 1,216 | 5,100 |
| Publications and dues | - | 12,094 | 975 | - | 13,069 |
| Printing | - | 7,849 | 7,238 | - | 15,087 |
| Flag Day | - | 5,278 | 5,278 | - | 10,556 |
| Program related services | 2,564 | 1,300 | 22,977 | 13,593 | 40,334 |
| Telephone | - | 6,239 | 6,239 | - | 12,478 |
| Postage | - | 6,190 | 3,313 | 3,275 | 12,778 |
| Security | - | 30,096 | 6,261 | - | 36,357 |
| Travel, meals and hospitality | - | 149 | 55 | 5 | 204 |
| Awards and benevolence | - | 12,332 | - | - | 12,332 |
| Bad debt | - | - | - | - | - |
| Other | 135 | 10,550 | 1,025 | - | 11,710 |
| Depreciation | - | 132,556 | - | - | 132,556 |
| Total expenses - 2015 | \$ 63,914 | \$ 807,407 | \$ 379,353 | \$ 245,800 | \$ 1,496,474 |
| Total expenses - 2014 | \$ 48,921 | \$ 767,068 | \$ 332,021 | \$ 217,769 | \$ 1,353,779 |

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

See notes to financial statements.

| Support and Revenue | Operating Fund | Designated Funds | Museum Fund | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------|------------------|--------------|--------------------|------------------------|------------------------|--------------|
| Contributions, bequests, grants and pledges | \$ 101,015 | \$ 1,000 | \$ 22,908 | \$ 124,923 | \$ 5,000 | \$ - | \$ 129,923 |
| Flag Day contributions | 5,490 | - | 5,490 | 5,490 | - | - | 10,980 |
| George Washington Ball | 45,825 | - | 45,825 | 91,650 | - | - | 181,238 |
| Revenue | 152,330 | 1,000 | 22,908 | 176,238 | 5,000 | - | 181,238 |
| Program services | 17,207 | - | 105,333 | 122,540 | - | - | 122,540 |
| Real estate rentals | 680,334 | - | 680,334 | 1,360,668 | - | - | 1,360,668 |
| Interest and dividends | 662 | 12,212 | 12,874 | 25,748 | 109,268 | - | 147,832 |
| Realized gain on sale of investments | - | 29,649 | 29,649 | 59,298 | 265,265 | - | 324,563 |
| Other | 8,430 | - | 8,430 | 16,860 | - | - | 33,720 |
| Net assets released from restrictions | 564,626 | 3,206 | 567,832 | 1,135,664 | (567,832) | - | 567,832 |
| Total support and revenue | 1,433,589 | 42,861 | 1,580,690 | 3,057,340 | (188,299) | - | 2,869,041 |
| Program services | 21,852 | - | 92,400 | 114,252 | - | - | 114,252 |
| Museum programs and activities | - | - | 217,769 | 217,769 | - | - | 435,538 |
| Commentary and fellowship | 21,852 | - | 310,169 | 332,021 | - | - | 644,140 |
| Supporting services | 690,894 | - | 76,174 | 767,068 | - | - | 1,474,132 |
| General and administrative | 24,337 | - | 48,921 | 73,258 | - | - | 122,179 |
| Fund raising | 715,231 | - | 100,758 | 815,989 | - | - | 1,631,978 |
| Excess (deficiency) of support and revenue over expenses before other addition (deductions) and interfund transfer | 686,506 | 42,861 | (296,687) | 432,680 | (188,299) | - | 244,381 |
| Other addition (deductions) and interfund transfer | (296,687) | (5,988) | 296,687 | - | (53,578) | - | (59,566) |
| Appropriated (loss) on investments | - | - | - | - | - | - | - |
| Interfund transfer | 20,297 | - | - | - | - | - | 20,297 |
| Increase (decrease) in net assets | 410,116 | 16,576 | 426,692 | 853,384 | (241,877) | - | 611,507 |
| Net assets, beginning of year | 2,321,032 | 434,571 | 2,755,603 | 5,511,206 | 887,893 | - | 6,400,100 |
| Net assets, end of year | \$ 2,731,148 | \$ 451,147 | \$ 3,182,295 | \$ 6,344,511 | \$ 645,926 | \$ - | \$ 7,034,584 |

Statement of Activities
For the Year Ended September 30, 2014

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

Statement of Functional Expenses
For the Year Ended September 30, 2014

| | Program Services | | | Supporting Services | | Total |
|-------------------------------|------------------------------|--------------------------------|------------------------|----------------------------|------------------|--------------------|
| | Commemorative and Fellowship | Museum Programs and Activities | Total Program Services | General and Administrative | Fund Raising | |
| Expenses | | | | | | |
| Salaries and wages | \$ 45,216 | \$ 83,687 | \$ 128,903 | \$ 135,508 | \$ 22,529 | \$ 286,940 |
| Fringe benefits | 12,980 | 31,058 | 44,038 | 36,495 | 2,050 | 82,583 |
| Outside services | 810 | 8,221 | 9,031 | 55,649 | - | 64,680 |
| Real estate taxes | - | - | - | 88,774 | - | 88,774 |
| Professional fees | 6,000 | 13,491 | 19,491 | 30,817 | - | 50,308 |
| Insurance | - | 2,432 | 2,432 | 130,112 | - | 132,544 |
| Maintenance and repairs | 334 | 4,105 | 4,439 | 77,279 | - | 81,718 |
| Advertising | - | 845 | 845 | 1,134 | - | 1,979 |
| George Washington Ball | - | - | - | - | 24,337 | 24,337 |
| Utilities | 17,762 | 21,776 | 39,538 | 18,914 | - | 58,452 |
| Board and Committee | 16,581 | - | 16,581 | - | - | 16,581 |
| Supplies | 583 | 179 | 762 | 2,631 | 5 | 3,398 |
| Publications and dues | - | 465 | 465 | 13,101 | - | 13,566 |
| Printing | 225 | 8,234 | 8,459 | 1,380 | - | 9,839 |
| Flag Day | 5,271 | - | 5,271 | - | - | 5,271 |
| Program related services | 8,238 | 26,637 | 34,875 | 484 | - | 35,359 |
| Telephone | - | 6,643 | 6,643 | 7,466 | - | 14,109 |
| Postage | - | 3,273 | 3,273 | 3,506 | - | 6,779 |
| Security | - | 5,743 | 5,743 | 19,330 | - | 25,073 |
| Travel, meals and hospitality | 252 | - | 252 | 14 | - | 266 |
| Awards and benevolence | - | - | - | 5,290 | - | 5,290 |
| Bad debt | - | - | - | 22,987 | - | 22,987 |
| Other | - | 980 | 980 | 14,169 | - | 15,149 |
| Depreciation | - | - | - | 102,028 | - | 102,028 |
| Total expenses – 2014 | \$ 114,252 | \$ 217,769 | \$ 332,021 | \$ 767,068 | \$ 48,921 | \$1,148,010 |

See notes to financial statements

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

Statement of Cash Flows

| | Year Ended September 30 | |
|---|----------------------------|-------------|
| | 2015 | 2014 |
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (379,205) | \$ 184,815 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Depreciation | 132,556 | 102,028 |
| Realized (gain) on sale of investments | (119,897) | (294,914) |
| Unrealized loss on investments | 438,847 | 59,566 |
| Permanently restricted contributions | (850) | - |
| (Increase) decrease in assets | | |
| Pledges receivable | 5,100 | 3,733 |
| Other receivables | (2,385) | (10,549) |
| Inventory and prepaid expenses | 406 | 4,272 |
| Promissory note | - | 47,987 |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | (10,515) | (96,798) |
| Deposit payable | 125 | 83,073 |
| Net cash provided by operating activities | 64,182 | 83,213 |
| Cash flows from investing activities | | |
| Expenditures for property and equipment, net of contracts payable | (767,113) | (306,353) |
| Proceeds from sale of investments | 486,943 | 1,798,381 |
| Purchase of investments | - | (1,154,018) |
| (Increase) security deposit | (125) | (83,073) |
| Promissory note receivable | (59,548) | (190,451) |
| Promissory note repayable | 120,784 | 3,004 |
| Net cash provided by (used in) investing activities | (219,059) | 67,490 |
| Cash flows provided by financing activities | | |
| Permanently restricted contributions | 850 | - |
| Net increase (decrease) in cash | (154,027) | 150,703 |
| Cash, beginning of year | 188,506 | 37,803 |
| Cash, end of year | \$ 34,479 | \$ 188,506 |

See notes to financial statements.

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

Notes to Financial Statements
September 30, 2015 and September 30, 2014

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 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

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 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.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Net assets (continued)

1) (continued)

- 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. During the 2014 fiscal year, in connection with a major capital improvement project, the Society utilized and closed the Capital Campaign 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.
- 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, 2015 and September 30, 2014 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 \$1,100 as of September 30, 2015 and September 30, 2014.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Interfund transfers

During the 2015 and 2014 fiscal years, the Society transferred \$209,067 and \$20,297, respectively, from the unrestricted board designated funds to the general operating fund.

The Board approved these transfers to meet the ongoing financial commitments of various capital projects and each fund will be restored as soon as possible.

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, 2015 and September 30, 2014.

Allowance for doubtful accounts

As of September 30, 2015 and September 30, 2014, 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.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

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.

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 other works of art

No amount has been reflected in the financial statements for the Frances 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.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

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, 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 and mutual 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 statement of financial position at September 30, 2015 and September 30, 2014. 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.

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 5, 2016, 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, 2015 and September 30, 2014

Note 3 – Investments

The following is a summary of investments at September 30, 2015 and September 30, 2014:

| | 2015 | | 2014 | |
|---|-------------|-------------|-------------|-------------|
| | Cost | Fair Value | Cost | Fair Value |
| Money market funds | \$ 73,094 | \$ 73,094 | \$ 20,587 | \$ 20,587 |
| Mutual funds | | | | |
| Dividend appreciation fund | 848,247 | 1,169,430 | 978,156 | 1,407,835 |
| Bond funds | 684,973 | 655,665 | 760,961 | 817,084 |
| International growth fund | 307,717 | 270,371 | 333,152 | 332,795 |
| Emerging markets income fund | 197,506 | 178,992 | 219,343 | 225,021 |
| Gold, national resource and income fund | 81,191 | 32,185 | 91,196 | 66,313 |
| Precious metals and minerals fund | 79,573 | 17,951 | 88,170 | 30,903 |
| Other | 833,514 | 700,195 | 981,296 | 1,003,238 |
| Total mutual funds | 3,032,721 | 3,024,789 | 3,452,274 | 3,883,189 |
| Total investments | \$3,105,815 | \$3,097,883 | \$3,472,861 | \$3,903,776 |

Fair value measurements

For assets measured at fair value on a recurring basis, as of and September 30, 2015 and September 30, 2014, 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.

Note 4 – Promissory note

During April 2014, the Board of Managers accepted an agreement between the Society and its new restaurant tenant (the "tenant") regarding the construction of a kitchen exhaust system in which the Society would advance the money for the cost of the construction to the tenant up to \$250,000 which will be repaid by the tenant over a period of twenty-four months commencing on September 1, 2014 at a rate of 10% per annum. On July 2014, a promissory note was entered into by the Society and the tenant for the above agreement. As of September 30, 2015, the promissory note outstanding balance of \$126,211 is expected to be received in the 2016 fiscal year.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

Note 5 – Commitments

Kitchen and Boiler Exhaust System project

During May 2014, in connection with the kitchen and boiler exhaust system project, the Society entered into a contract with a general contractor totaling approximately \$687,000 including change orders. Work completed under the contract through September 30, 2015 that remains to be paid was \$87,408 and has been recorded as contracts payable on the statement of financial position.

Facade restoration project

During June 2014, in connection with the facade restoration project, the Society entered into a contract with a general contractor totaling approximately \$363,000 including change orders. The facade restoration project was completed in the 2015 fiscal year.

Electrical project

During June 2015, in connection with the electrical project, the Society entered into a contract with a general contractor totaling approximately \$452,000. Work completed under the contract through September 30, 2015 that remains to be paid was \$16,950 and has been recorded as contracts payable on the statement of financial position.

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.

The lease term, which expires March 31, 2020, with certain renewal options as defined in the agreement, requires a monthly base rent of \$18,782 as of April 1, 2010 through March 31, 2013. 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. As of September 30, 2015, the tenant has posted a security deposit of \$100,161 (including interest).

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

Note 6 – Lease agreements (Continued)

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:

| Fiscal Year | Restaurant Premises | | Non-Profit Facility | | Total |
|-------------|---------------------|------------|---------------------|--------|-------------|
| | Amount | Amount | Amount | Amount | |
| 2016 | \$ 261,384 | \$ 83,370 | | | \$ 344,754 |
| 2017 | 261,384 | 85,245 | | | 346,629 |
| 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 | \$1,212,228 | \$ 458,928 | | | \$1,671,156 |

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 2015 and 2014 amounted to \$12,879 and \$12,323, respectively.

Note 8 – Museum support

For the 2015 and 2014 fiscal years, the Society appropriated funds from the general operating fund totaling \$300,886 and \$296,687, respectively, to the museum fund. Since the 1985 fiscal year, the Society has transferred \$11,281,564 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, 2015 and September 30, 2014

Note 8 – Museum support (continued)

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

| Year Ending September 30 | Total |
|-----------------------------|---------------|
| 1985 – 1995 | \$ 4,182,716 |
| 1996 – 2005 | 3,412,637 |
| 2006 – 2014 | 3,385,325 |
| 2015 | 300,886 |
| Total | \$ 11,281,564 |

Note 9 – Litigation

The Society was involved in a legal proceeding arising in the ordinary course of business. Subsequent to September 30, 2015 to the date of this report, such legal proceeding was resolved at no additional cost to the Society.

Note 10 – Tax status

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(1) of the Code. Donors are eligible to receive the maximum charitable deductions available for public charities under the Code. At September 30, 2015, no amounts have been recognized for uncertain income tax positions. The Society’s tax returns for the 2012 fiscal year and forward are subject to the usual review by the appropriate authorities.

Note 11 – Endowments

The Society’s endowment and board-designated funds consist of various individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowments and board-designated funds are classified and reported based on donor-imposed restrictions.

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

Notes to Financial Statements (continued)
September 30, 2015 and September 30, 2014

Note 11 – Endowments (continued)

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.
- (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).

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.
 Notes to Financial Statements (continued)
 September 30, 2015 and September 30, 2014

Note 11 – Endowments (continued)

Asset Allocations: (continued)

- (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, 2015 and September 30, 2014.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.
 Notes to Financial Statements (continued)
 September 30, 2015 and September 30, 2014

Note 11 – Endowments (continued)

Fund with deficiencies (continued)

As of September 30, 2015 and September 30, 2014, the Board-Designated, Temporarily Restricted and Permanently Restricted Net Asset composition consist of the following:

| Assets | 2015 | | 2014 | |
|----------------------------|------|-----------|------|-----------|
| | | | | |
| Pledges receivable | \$ | 1,000 | \$ | 6,100 |
| Note receivable | | 126,211 | | 187,447 |
| Investments, at fair value | | 3,097,883 | | 3,903,776 |
| Total | \$ | 3,225,094 | \$ | 4,097,323 |

Endowment Net Asset Composition by Type of Fund as of September 30, 2015:

| Donor-restricted endowment funds | Temporarily Restricted | | Permanently Restricted | | Total | |
|----------------------------------|------------------------|------------|------------------------|------------|-------|-----------|
| | Unrestricted | Restricted | Unrestricted | Restricted | | |
| Board-designated endowment funds | \$ | - | \$ | 5,824 | \$ | 3,006,924 |
| Total funds | \$ | 218,170 | \$ | - | \$ | 218,170 |
| Total funds | \$ | 218,170 | \$ | 5,824 | \$ | 3,001,100 |

Endowment Net Asset Composition by Type of Fund as of September 30, 2014:

| Donor-restricted endowment funds | Temporarily Restricted | | Permanently Restricted | | Total | |
|----------------------------------|------------------------|------------|------------------------|------------|-------|------------|
| | Unrestricted | Restricted | Unrestricted | Restricted | | |
| Board-designated endowment funds | \$ | - | \$ | 645,926 | \$ | 3,646,176 |
| Total funds | \$ | 451,147 | \$ | - | \$ | 451,147 |
| Total funds | \$ | 451,147 | \$ | 645,926 | \$ | 33,000,250 |
| Total funds | \$ | 451,147 | \$ | 645,926 | \$ | 4,097,323 |

| | Balance at September 30, 2015 | Net realized and unrealized gain | Dividends and Interest | Contributions | Balance at September 30, 2014 |
|--|-------------------------------|----------------------------------|------------------------|---------------|-------------------------------|
| Total temporarily restricted | \$ 5,824 | \$ (450,697) | \$ 90,588 | \$ 3,838 | \$ 645,926 |
| Shelby C. Davis Fund | - | \$ (439,497) | \$ 90,588 | - | \$ 632,740 |
| Time restricted | 1,000 | (5,100) | - | 3,838 | 6,100 |
| Dunsmore Painting Conservation Project | 4,824 | (6,100) | - | - | 7,086 |
| Map Exhibit Project | - | (10,000) | - | 5,000 | 5,000 |
| Total temporarily restricted | \$ 645,926 | \$ (567,832) | \$ 109,268 | \$ 5,000 | \$ 887,803 |

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2015 and September 30, 2014:

| | Balance at September 30, 2014 | Net realized and unrealized gain | Dividends and Interest | Contributions | Balance at September 30, 2013 |
|--|-------------------------------|----------------------------------|------------------------|---------------|-------------------------------|
| Total temporarily restricted | \$ 632,740 | \$ (550,893) | \$ 109,268 | \$ - | \$ 862,678 |
| Shelby C. Davis Fund | 632,740 | (550,893) | 109,268 | - | 862,678 |
| Time restricted | 6,100 | (3,733) | - | - | 9,833 |
| Dunsmore Painting Conservation Project | 7,086 | (3,206) | - | 5,000 | 10,292 |
| Map Exhibit Project | - | (10,000) | - | 5,000 | 5,000 |
| Total temporarily restricted | \$ 645,926 | \$ (567,832) | \$ 109,268 | \$ 5,000 | \$ 887,803 |

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2014 and September 30, 2013:

| | Balance at September 30, 2014 | Net realized and unrealized gain | Dividends and Interest | Contributions | Balance at September 30, 2013 |
|--|-------------------------------|----------------------------------|------------------------|---------------|-------------------------------|
| Total temporarily restricted | \$ 862,678 | \$ (550,893) | \$ 109,268 | \$ - | \$ 862,678 |
| Shelby C. Davis Fund | 862,678 | (550,893) | 109,268 | - | 862,678 |
| Time restricted | 9,833 | (3,733) | - | - | 10,292 |
| Dunsmore Painting Conservation Project | 10,292 | (3,206) | - | 5,000 | 10,292 |
| Map Exhibit Project | 5,000 | (10,000) | - | 5,000 | 5,000 |
| Total temporarily restricted | \$ 887,803 | \$ (567,832) | \$ 109,268 | \$ 5,000 | \$ 887,803 |

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2014 and September 30, 2013:

| | Balance at September 30, 2015 | Net realized and unrealized gain | Dividends and Interest | Contributions | Balance at September 30, 2014 |
|--|-------------------------------|----------------------------------|------------------------|---------------|-------------------------------|
| Total temporarily restricted | \$ 5,824 | \$ (450,697) | \$ 90,588 | \$ 3,838 | \$ 645,926 |
| Shelby C. Davis Fund | - | \$ (439,497) | \$ 90,588 | - | \$ 632,740 |
| Time restricted | 1,000 | (5,100) | - | 3,838 | 6,100 |
| Dunsmore Painting Conservation Project | 4,824 | (6,100) | - | - | 7,086 |
| Map Exhibit Project | - | (10,000) | - | 5,000 | 5,000 |
| Total temporarily restricted | \$ 645,926 | \$ (567,832) | \$ 109,268 | \$ 5,000 | \$ 887,803 |

The following is a summary of the activity of the temporarily restricted net assets for the years ended September 30, 2014 and September 30, 2013:

