

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

**Financial Statements
for the years ended
September 30, 2021
and
September 30, 2020**

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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, 2021 and September 30, 2020 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, 2021 and September 30, 2020 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

July 18, 2022

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

Statement of Financial Position

Assets

	September 30	
	2021	2020
Current assets		
Cash	\$ 353,364	\$ 124,296
Accounts receivable	54,518	55,386
Loan receivable	-	7,881
Investments, at fair value	4,916,626	4,388,232
Inventory and prepaid expenses	<u>66,972</u>	<u>32,826</u>
Total current assets	<u>5,391,480</u>	<u>4,608,621</u>
Property and equipment, at cost		
Real estate and improvements	4,659,865	4,594,241
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	<u>297,704</u>	<u>284,606</u>
Sub-total	6,367,583	6,288,861
Less: accumulated depreciation	<u>2,899,927</u>	<u>2,659,084</u>
Net property and equipment	<u>3,467,656</u>	<u>3,629,777</u>
Total assets	<u>\$8,859,136</u>	<u>\$8,238,398</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 69,051	\$ 99,811
Net assets		
Without donor restrictions		
General operating fund	4,696,248	4,264,145
Board-designated funds	<u>447,009</u>	<u>440,609</u>
Total without donor restrictions	5,143,257	4,704,754
With donor restrictions-perpetual in nature	<u>3,646,828</u>	<u>3,433,833</u>
Total net assets	<u>8,790,085</u>	<u>8,138,587</u>
Total liabilities and net assets	<u>\$8,859,136</u>	<u>\$8,238,398</u>

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, 2021
(with comparative information for the year ended September 30, 2020)**

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating Fund	Board - Designated Funds	Total		2021	2020
	Public support and revenue					
Support						
Contributions and grants (including in-kind \$149,255 in 2021 and \$120,311 in 2020)	\$ 550,879	\$ 6,400	\$ 557,279	\$ 212,995	\$ 770,274	\$ 768,033
Special fundraising event(s), net of contributions of \$82,515 in 2021 and \$91,271 in 2020 and net of direct expenses of \$7,721 in 2021 and \$48,144 in 2020	74,794	-	74,794	-	74,794	(28,524)
Total public support	625,673	6,400	632,073	212,995	845,068	739,509
Revenue						
Program services	64,278	-	64,278	-	64,278	102,506
Real estate rentals net of real estate taxes and insurance of \$234,692 in 2021 and \$191,962 in 2020	303,790	-	303,790	-	303,790	373,976
Other	7,275	-	7,275	-	7,275	5,361
Net assets released from restrictions	796,626	-	796,626	(796,626)	-	-
Total revenue	1,171,969	-	1,171,969	(796,626)	375,343	481,843
Total public support and revenue	1,797,642	6,400	1,804,042	(583,631)	1,220,411	1,221,352
Expenses						
Program services						
Commemorative and fellowship	211,568	-	211,568	-	211,568	168,423
Museum programs and activities	444,301	-	444,301	-	444,301	522,397
Total program services	655,869	-	655,869	-	655,869	690,820
Supporting activities						
General and administrative	566,002	-	566,002	-	566,002	501,621
Fund raising	245,886	-	245,886	-	245,886	89,820
Total supporting activities	811,888	-	811,888	-	811,888	591,441
Total expenses	1,467,757	-	1,467,757	-	1,467,757	1,282,261
Excess (deficiency) of public support and revenue over expenses before non-operating activities	329,885	6,400	336,285	(583,631)	(247,346)	(60,909)
Non-operating activities						
Net investment return	-	102,218	102,218	796,626	898,844	455,318
Interfund transfers – net	102,218	(102,218)	-	-	-	-
Increase in net assets	432,103	6,400	438,503	212,995	651,498	394,409
Net assets, beginning of year	4,264,145	440,609	4,704,754	3,433,833	8,138,587	7,744,178
Net assets, end of year	\$ 4,696,248	\$ 447,009	\$ 5,143,257	\$ 3,646,828	\$ 8,790,085	\$ 8,138,587

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, 2021
(with summarized information for the year ended September 30, 2020)

	Program Services			Supporting Activities			Total 2021	Total 2020
	Commemorative and Fellowship	Museum Programs and Activities	Total Program Services	General and Administrative	Fund Raising	Direct Cost of Special Events		
Expenses								
Salaries and wages	\$ 110,248	\$ 183,704	\$ 293,952	\$ 87,476	\$ 78,058	\$ -	\$ 459,486	\$ 356,792
Fringe benefits	9,715	16,493	26,208	92,502	10,216	-	128,926	103,024
Outside services	-	7,835	7,835	75,506	-	-	83,341	82,624
Professional fees	-	2,830	2,830	40,250	5,472	5,439	53,991	78,331
Insurance	24,643	59,144	83,787	-	-	-	83,787	84,504
Maintenance and repairs	11,359	27,261	38,620	37,107	-	-	75,727	56,148
Advertising	-	683	683	-	143,161	-	143,844	123,715
Utilities	6,021	14,450	20,471	19,668	-	-	40,139	28,475
Board and Committee	141	-	141	-	-	-	141	784
Supplies	-	314	314	2,586	16	-	2,916	5,926
Publications and dues	-	-	-	34,371	175	-	34,546	3,513
Printing	-	4,107	4,107	1,144	-	900	6,151	8,318
Flag Day	1,818	-	1,818	-	-	-	1,818	-
Program related services	3,217	28,882	32,099	-	-	100	32,199	97,215
Telephone	1,566	3,758	5,324	5,115	-	-	10,439	6,667
Postage	-	122	122	4,387	363	250	5,122	4,188
Security	6,435	15,443	21,878	21,020	-	-	42,898	32,053
Travel, meals and hospitality	1,244	417	1,661	1,892	100	849	4,502	3,967
Awards and benevolence	2,633	-	2,633	-	-	15	2,648	-
Other	1,218	1,788	3,006	10,515	8,325	168	22,014	17,351
Depreciation	<u>31,310</u>	<u>77,070</u>	<u>108,380</u>	<u>132,463</u>	<u>-</u>	<u>-</u>	<u>240,843</u>	<u>236,810</u>
Total expenses	211,568	444,301	655,869	566,002	245,886	7,721	1,475,478	1,330,405
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	(7,721)	(7,721)	(48,144)
Total expenses reported by function on the statement of activities	\$ 211,568	\$ 444,301	\$ 655,869	\$ 566,002	\$ 245,886	\$ -	\$1,467,757	\$1,282,261
Total expenses – 2020	\$ 168,423	\$ 522,397	\$ 690,820	\$ 501,561	\$ 89,820	\$ -		

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, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating Fund	Board - Designated Funds	Total		
Public support and revenue					
Support					
Contributions and grants (including in-kind \$120,311 in 2020)	\$ 629,793	\$ 4,300	\$ 634,093	\$ 133,940	\$ 768,033
Special fundraising event(s), net of contributions of \$91,271 in 2020 and net of direct expenses of \$48,144 in 2020	(28,524)	-	(28,524)	-	(28,524)
Total public support	<u>601,269</u>	<u>4,300</u>	<u>605,569</u>	<u>133,940</u>	<u>739,509</u>
Revenue					
Program services	102,506	-	102,506	-	102,506
Real estate rentals net of real estate taxes and insurance of \$191,962 in 2020 \$201,164 in 2019	373,976	-	373,976	-	373,976
Other	5,361	-	5,361	-	5,361
Net assets released from restrictions	402,084	-	402,084	(402,084)	-
Total revenue	<u>883,927</u>	<u>-</u>	<u>883,927</u>	<u>(402,084)</u>	<u>481,843</u>
Total public support and revenue	<u>1,485,196</u>	<u>4,300</u>	<u>1,489,496</u>	<u>(268,144)</u>	<u>1,221,352</u>
Expenses					
Program services					
Commemorative and fellowship	168,423	-	168,423	-	168,423
Museum programs and activities	522,397	-	522,397	-	522,397
Total program services	<u>690,820</u>	<u>-</u>	<u>690,820</u>	<u>-</u>	<u>690,820</u>
Supporting activities					
General and administrative	501,621	-	501,621	-	501,621
Fund raising	89,820	-	89,820	-	89,820
Total supporting activities	<u>591,441</u>	<u>-</u>	<u>591,441</u>	<u>-</u>	<u>591,441</u>
Total expenses	<u>1,282,261</u>	<u>-</u>	<u>1,282,261</u>	<u>-</u>	<u>1,282,261</u>
Excess (deficiency) of public support and revenue over expenses before non-operating activities	202,935	4,300	207,235	(268,144)	(60,909)
Non-operating activities					
Net investment return	-	53,234	53,234	402,084	455,318
Interfund transfers – net	<u>53,234</u>	<u>(53,234)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	256,169	4,300	260,469	133,940	394,409
Net assets, beginning of year	<u>4,007,976</u>	<u>436,309</u>	<u>4,444,285</u>	<u>3,299,893</u>	<u>7,744,178</u>
Net assets, end of year	<u>\$ 4,264,145</u>	<u>\$ 440,609</u>	<u>\$ 4,704,754</u>	<u>\$ 3,433,833</u>	<u>\$ 8,138,587</u>

See notes to financial statements.

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

**Statement of Functional Expenses
For the Year Ended September 30, 2020**

	<u>Program Services</u>			<u>Supporting Activities</u>		<u>Direct Cost of Special Events</u>	<u>Total</u>
	<u>Commem- orative and Fellowship</u>	<u>Museum Programs and Activities</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>		
Expenses							
Salaries and wages	\$ 82,550	\$ 148,124	\$ 230,674	\$ 61,246	\$ 64,872	\$ -	\$ 356,792
Fringe benefits	7,468	12,422	19,890	75,762	7,372	-	103,024
Outside services	-	-	-	82,624	-	-	82,624
Professional fees	-	15,696	15,696	59,107	2,653	875	78,331
Insurance	24,854	59,650	84,504	-	-	-	84,504
Maintenance and repairs	8,422	20,213	28,635	27,513	-	-	56,148
Advertising	-	122,803	122,803	-	912	-	123,715
Utilities	4,271	10,251	14,522	13,953	-	-	28,475
Board and Committee	784	-	784	-	-	-	784
Supplies	-	185	185	5,691	50	-	5,926
Publications and dues	1,043	432	1,475	988	1,050	-	3,513
Printing	-	1,121	1,121	406	4,800	1,991	8,318
Program related services	1,161	40,222	41,383	10,715	468	44,649	97,215
Telephone	1,000	2,400	3,400	3,267	-	-	6,667
Postage	-	-	-	3,821	352	15	4,188
Security	4,808	11,539	16,347	15,706	-	-	32,053
Travel, meals and hospitality	1,177	407	1,584	1,754	15	614	3,967
Other	100	1,152	1,252	8,823	7,276	-	17,351
Depreciation	30,785	75,780	106,565	130,245	-	-	236,810
Total expenses	168,423	522,397	690,820	501,621	89,820	48,144	1,330,405
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	(48,144)	(48,144)
Total expenses reported by function on the statement of activities	<u>\$ 168,423</u>	<u>\$ 522,397</u>	<u>\$ 690,820</u>	<u>\$ 501,621</u>	<u>\$ 89,820</u>	<u>\$ -</u>	<u>\$1,282,261</u>

See notes to financial statements

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

Statement of Cash Flows

	Year Ended	
	September 30	
	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 651,498	\$ 394,409
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	240,843	236,810
Realized (gain) on sale of investments	(166,318)	-
Unrealized (gain) on investments	(651,684)	(356,547)
Contributions with perpetual donor restrictions	(212,995)	(133,940)
(Increase) decrease in assets		
Accounts receivables	868	46,781
Inventory and prepaid expenses	(34,146)	23,428
(Decrease) in liabilities		
Accounts payable and accrued expenses	(30,760)	(40,044)
Deferred revenue	-	(21,318)
Deposit payable	-	(102,958)
Net cash provided by (used in) operating activities	<u>(202,694)</u>	<u>46,621</u>
Cash flows from investing activities		
Expenditures for property and equipment, net of change in contract payable	(78,722)	(104,974)
Proceeds from sale of investments	617,988	-
Purchases of investments	(328,380)	(142,971)
Decrease security deposit	-	102,958
Net cash provided by (used in) investing activities	<u>210,886</u>	<u>(144,987)</u>
Cash flows from financing activities		
Contributions with perpetual donor restrictions	212,995	133,940
Loan advance	-	(175,000)
Loan repayments/forgiven	7,881	167,119
Net cash provided by financing activities	<u>220,876</u>	<u>126,059</u>
Net increase in cash	229,068	27,693
Cash, beginning of year	<u>124,296</u>	<u>96,603</u>
Cash, end of year	<u>\$ 353,364</u>	<u>\$ 124,296</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements
September 30, 2021 and September 30, 2020****Note 1 – Nature of organization**

The Sons of the Revolution in the State of New York, Inc. (the “Society”) was instituted in 1876 and incorporated in 1884. The Society was organized to perpetuate the memory of the men who, in military, naval or civil service, by their acts or counsel, achieved American independence; to promote and assist in various celebrations of the anniversaries relating to or connected with the war of the revolution and to inspire among the members and their descendants the patriotic spirit of their forefathers.

Fraunces Tavern® Museum (the “Museum”) was founded in 1907 and is owned and operated by the Society and its accounts are included in the Society’s financial statements. The Museum’s mission is to preserve and interpret the history of the American Revolutionary era through public education. This mission is fulfilled through the interpretation and preservation of the Museum’s collections, landmarked building and varied public programs that serve the community.

Note 2 – Summary of significant accounting policiesNet assets

The Society maintains two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions

Net assets without donor restrictions consist of the General Operating Fund and the Board Designated Funds which are defined as follows:

- General Operating Fund – Consists of revenue and expenses incurred by Fraunces Tavern Museum and other funds available for current operations.
- Board Designated Funds – Consists of amounts that are designated by the Board and its assets are pooled with Society’s investments. The Board designated funds consist of the following:
 - The Reserve Fund was established to set aside all initiation and life membership fees, and all donor, patron and fellow subscriptions which may be made to the Society.
 - The Flag Fund was established for the acquisition by the Society of reproductions of flags, colors and standards carried by the Continental Troops in the War of the Revolution.
 - The Permanent Fund was established from the contributions and from other monies as may be from time to time received by the Society and which are directed by the Board of Managers to be credited to such Fund, the same to remain forever to the use of the Society, the income only of which shall be expensed.
 - The Museum Endowment Fund was segregated for the museum endowment aspect of the capital campaign, and the designated amounts are available for programs and activities conducted by the Fraunces Tavern® Museum.
 - The Deaccession Collections Fund consists of proceeds from the sale of the Society’s collection and other works of art, and may be used for direct care and/or preservation of the Society’s existing collection or to buy additional items for the collection and/or other works of art.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)With donor restrictions

Net assets with temporary donor restrictions 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, net assets with temporary donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with perpetual donor restrictions 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, 2021 and September 30, 2020 was \$3,000,000. Earnings are reflected as net assets with temporary donor restrictions until released from restrictions or appropriated for expenditures, as approved by the Board of Managers.
- Building Maintenance Endowment Fund – The Building Maintenance Endowment Fund is to remain forever to the use of the Society, the income only of which shall be expended solely for the maintenance of the buildings comprising of the Fraunces Tavern® Museum complex, as determined by the Board of Managers. The value of the Building Maintenance Endowment Fund as of September 30, 2021 and September 30, 2020 was \$646,828 and \$433,833, respectively. Earnings are reflected as net assets with temporary donor restrictions until released from restrictions or appropriated for expenditures, as approved by the Board of Managers.

Interfund transfers

During the 2021 and 2020 fiscal years, the Society transferred interest, dividends, net realized and unrealized gains totaling \$102,218 and \$53,234, 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, 2021 and September 30, 2020.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

As of September 30, 2021 and September 30, 2020, 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 statement of activities.

Property and equipment

Property and equipment expenditures above a nominal amount and with a useful life greater than one year are capitalized and are recorded at cost. Items received by gift or bequest are recorded at appraised value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets which range from 7 to 20 years.

Collections

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational exhibit and curatorial purposes. Accession and de-accession of items for the collections are subject to the Fraunces Tavern® Museum Collections Management Policy, as most recently revised by the Board of Managers on May 21, 2018. 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, trademarks, and works of art

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

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****Note 2 – Summary of significant accounting policies (continued)**Contributions

The Museum reports contributions as support with temporary donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a designated restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with temporary donor restrictions are reported as increase in net assets without donor restrictions if the restrictions are satisfied within the same fiscal year the contributions are received.

Contributions received from the George Washington Ball for the years ended September 30, 2021 and September 30, 2020 totaled \$82,515 and \$91,271, respectively. These contributions are included in contributions and grants in the statement of activities.

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

Government grants

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

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages, time and effort reporting and other equitable basis.

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. The services of these individuals do not meet the criteria to be recorded and have not been included in the financial statements.

For the years ended September 30, 2021 and September 30, 2020, the Society received donated advertising services from a major corporation totaling \$139,255 and \$120,311, respectively. In addition, during the 2021, the Society received donated materials totaling \$10,000.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****Note 2 – Summary of significant accounting policies (continued)**Concentrations of credit risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, receivables and investments. The Society places its cash with what it believes to be quality financial institutions. At times during the fiscal year, the balance in the Society's cash bank account exceeded the FDIC insurance limit; however, the Society has not experienced any losses in such bank account to date. Investments are exposed to various risks such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at September 30, 2021 and September 30, 2020. The Society routinely assesses the financial strength of its financial institutions and investments. The Society's receivables consist primarily of rent from tenants and donor contributions. The Society's management monitors the collectibility of its receivables on an ongoing basis. As a consequence, management believes concentrations of credit risk are limited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Risks and uncertainties

As a result of the ongoing coronavirus and other subsequent variants on the Society's future financial operations is not readily determinable. Management is continuing to closely monitor developments as made available to assess the impact, if any, on the Society.

Subsequent events

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through July 18, 2022, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures 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, 2021 and September 30, 2020**

Note 3 – Liquidity and availability of financial assets

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society invests cash in excess of daily requirements in short-term investments. In addition, the investment portfolio consists primarily of mutual funds and exchange traded funds, all of which offer daily liquidity. Following a redemption or sale of any of these, proceeds could be generally made available in the organization's checking account within two to five business days, depending on the source of funds.

To help manage unanticipated liquidity needs, the Society has Board Designated Funds (quasi-endowments) and its unspent endowment investment return. Although the Society does not intend to spend from its quasi-endowments and its unspent endowment investment return other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowments and its unspent endowment investment return could be made available if necessary.

As of September 30, 2021 and September 30, 2020, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures, such as operating expenses, were as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 353,364	\$ 124,296
Investments, at fair value	4,916,626	4,388,232
Receivables	<u>54,518</u>	<u>63,267</u>
Sub-total	5,324,508	4,575,795
Less: net assets with donor restrictions	<u>3,646,828</u>	<u>3,433,833</u>
Total	<u>\$ 1,677,680</u>	<u>\$ 1,141,962</u>

Note 4 – Investments

The following is a summary of investments at September 30, 2021 and September 30, 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 133,239	\$ 133,239	\$ 189,885	\$ 189,885
Mutual funds	2,604,715	3,931,851	2,575,714	3,416,810
Exchange traded funds	<u>599,998</u>	<u>851,536</u>	<u>695,643</u>	<u>781,537</u>
Total investments	<u>\$ 3,337,952</u>	<u>\$ 4,916,626</u>	<u>\$ 3,461,242</u>	<u>\$ 4,388,232</u>
Unrealized gain on investments		<u>\$ 1,578,674</u>		<u>\$ 926,990</u>
Change in unrealized gain on investments		<u>\$ 651,684</u>		<u>\$ 356,547</u>

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

**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020**

Note 4 – Investments (continued)

For assets measured at fair value on a recurring basis, as of and September 30, 2021 and September 30, 2020, 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.

Net investment return is summarized as follows for the years ended September 30, 2021 and September 30, 2020:

	2021	2020
Interest and dividends, net	\$ 80,842	\$ 98,771
Realized gain on sale of investments	166,318	-
Unrealized gain on investments	651,684	356,547
Total	\$ 898,844	\$ 455,318

Note 5 – Lease agreements

During April 2010, the Society entered into a lease agreement as a landlord to lease a portion of its facility for a restaurant premises. The restaurant operations have been undertaken by an independent contractor (the "tenant") and the food and beverage sales and related expenses are reflected separately in the books and records of the tenant and are not reflected in the accounts and records of the Society. In addition, certain related taxes incurred with the restaurant operations are paid by the tenant. The initial lease term was to expire March 31, 2020. The 2010 lease agreement provided to tenant two 5-year extension options. During 2019, the tenant exercised the first 5-year renewal option. In October 2019, the lease agreement was amended (first amendment to the lease) to acknowledge that the tenant had exercised the first renewal option to extend the lease for an additional term of five years commencing on April 1, 2020 and ending on March 31, 2025. The first amendment to the lease also granted the tenant a third renewal option, for a potential additional 10-year term beginning April 1, 2030. The lease requires a monthly base rent plus a percentage of all restaurant gross sales as defined in the lease agreement. During June 2020, due to practical issues posed by the coronavirus (COVID-19) pandemic, this lease was modified as outlined in a signed side-letter agreement. As of September 30, 2020, the tenant was permitted to use its security deposit of \$103,600 (including interest) toward the repayment of its loan to the Society noted below. During March 2021, also due to practical issues posed by the coronavirus (COVID-19) pandemic, this lease was again modified as outlined in a signed side-letter agreement.

The first amendment to the lease includes a provision for Loans for Improvement of Premises in which the Society agreed to lend the tenant 1) an amount of up to \$176,000 (the first loan) for improvements to be made to the tenant's restaurant kitchen and 2) an additional \$75,000 (the second loan) for improvements to be made to enlarge the tenant's bar area, as outlined in the first amendment to the lease. During the 2020 fiscal year, the Society advanced the tenant the first loan totaling \$175,000. In addition, during the 2020 fiscal year, \$57,937 of the first loan was forgiven and \$103,600 from the tenant's security deposit was utilized towards the first loan as a repayment. As of September 30, 2020, \$7,881 was outstanding under the first loan which was repaid during the 2021 fiscal year.

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

**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020**

Note 5 – 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 which expires on December 31, 2030. In accordance with the terms of the lease, the base rent is adjusted thereafter until the lease expires in December 2030.

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>
2022	\$ 292,086	\$ 96,096	\$ 388,182
2023	300,846	98,733	399,579
2024	309,870	101,448	411,318
2025	157,224	104,238	261,462
2026	-	107,100	107,100
2027 and thereafter	-	488,739	488,739
Total	<u>\$ 1,060,026</u>	<u>\$ 996,354</u>	<u>\$ 2,056,380</u>

Note 6 – Support for commemorative and fellowship program services and museum programs and activities

For the 2021 and 2020 fiscal years, the Society funded from its operating fund a total of \$655,869 and \$690,820, respectively, for program services. For the fiscal years 2016 through 2021, the Society funded from its operating fund a cumulative total of \$4,208,428 for program services.

For the 2021 and 2020 fiscal years, \$211,568 and \$168,423 was expended by the Society on commemorative and fellowship program services, respectively. For the fiscal years 2016 through 2021, the Society expended a cumulative total of \$1,357,713 on commemorative and fellowship program services.

For the 2021 and 2020 fiscal years, \$444,301 and \$522,397 was expended by the Society on Museum programs and activities, respectively. For the fiscal years 2016 through 2021, the Society expended a cumulative total of \$2,850,715 on Museum programs and activities.

From the 1985 fiscal year through the 2021 fiscal year, the Society has appropriated a cumulative total of \$15,622,278 from the general operating fund and the board designated funds to defray the costs of the Museum, as well as to pay for certain commemorative and fellowship expenses.

Note 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 2021 and 2020 amounted to \$18,733 and \$10,378, respectively.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****Note 8 – Related party transactions**

The Society has bank accounts with a financial institution where the Treasurer of the Society (through December 3, 2021, after which another individual assumed the position and the outgoing Treasurer remained a member of the Society's Board of Managers and Chairman of its Finance Committee) is an officer. This individual has disclosed this relationship to the full Board of Managers in a board meeting where it was approved. Any direct or indirect benefits, if any, to this individual is not determinable.

Note 9 – Legal proceeding

The Society is currently a defendant in a civil action arising in the ordinary course of its activities. The Society believes it has a valid defense to the action and is vigorously defending the action. The Society's insurance carrier is providing defense and indemnity for this action. In the opinion of the Society's management, the resolution of this action will not have a materially adverse effect on the Society's financial statements.

Note 10 – Paycheck Protection Program

The Society applied for and, on May 5, 2020, received \$96,690 under the Paycheck Protection Program ("PPP") which is a business loan program established under the Coronavirus Aid, Relief and Economic Security Act. The amounts received are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities. As of September 30, 2020, the Society believes it has expended the full amount of the loan proceeds in accordance with the terms of the PPP and has, therefore, qualified for full forgiveness. For the year ended September 30, 2020, the Society elected to record the loan proceeds as contribution and grants in the 2020 statement of activities. In July 2021, the Society was informed that the loan was fully forgiven. In addition, in February 2021 the Society applied and was approved for a 2nd PPP loan under the Consolidated Appropriations Act of 2021 for \$107,046. For the year ended September 30, 2021, the Society elected to record the proceeds as contributions and grants in the 2021 statement of activities. In December 2021, the Society was informed that the loan was fully forgiven.

Note 11 – Employee retention payroll tax credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act provides, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per eligible employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, the Consolidated Appropriations Act increased the payroll tax credit from 50% to 70% up to \$10,000 of qualified wages per quarter per employee through September 30, 2021, for eligible employers. On March 11, 2021, the American Rescue Plan extended the payroll tax credits through December 31, 2021, for eligible employers. During November 2021, the Infrastructure Investment and Jobs Act ended the eligibility for the payroll tax credits as of September 30, 2021. During December 2021, the Society submitted amended payroll forms and applied for such payroll tax credits through September 30, 2021 in the total amount of \$194,241. The Society received these tax credits in May 2022, and they will be reflected as non-operating activities in the statement of activities for the fiscal year ending September 30, 2022.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020****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.

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.

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 generally 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, 2021 and September 30, 2020**

Note 13 – 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) above, 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, where approximate and circumstances would otherwise warrant, alternatives to expenditures of the fund, given due consideration to the effect that such alternative may have on the Society and the investment policies of the Society.

As of September 30, 2021 and September 30, 2020, the Board-Designated endowment funds and net asset with perpetual donor restrictions composition consist of the following:

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Investments, at fair value	\$ 4,093,837	\$ 3,874,442

Endowment Net Asset Composition by Type of Fund as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Perpetual Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$3,646,828	\$ 3,646,828
Board-designated endowment funds	<u>447,009</u>	<u>-</u>	<u>447,009</u>
Total funds	<u>\$ 447,009</u>	<u>\$3,646,828</u>	<u>\$ 4,093,837</u>

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

**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020**

Note 13 – Endowments (continued)

Interpretation (continued)

Endowment Net Asset Composition by Type of Fund as of September 30, 2020:

	Without Donor <u>Restrictions</u>	With Perpetual Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$3,433,833	\$ 3,433,833
Board-designated endowment funds	<u>440,609</u>	<u>-</u>	<u>440,609</u>
Total funds	<u>\$ 440,609</u>	<u>\$3,433,833</u>	<u>\$ 3,874,442</u>

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

**Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020**

Note 13 – Endowments (continued)

The following is a summary of the activities of the board designated funds for the years ended September 30, 2020 and September 30, 2021:

	<u>Reserve Fund</u>	<u>Flag Fund</u>	<u>Permanent Fund</u>	<u>Museum Endowment Fund</u>	<u>Deaccession Collections Fund</u>	<u>Total Board Designated Funds</u>
Balance at September 30, 2019	\$ 60,293	\$ 124,462	\$ 83,041	\$ 152,496	\$ 16,017	\$ 436,309
Net investment return	7,356	15,186	10,132	18,606	1,954	53,234
Membership dues	4,300	-	-	-	-	4,300
Sub-total	71,949	139,648	93,173	171,102	17,971	493,843
Investment returns appropriated for expenditures	(7,356)	(15,186)	(10,132)	(18,606)	(1,954)	(53,234)
Balance at September 30, 2020	64,593	124,462	83,041	152,496	16,017	440,609
Net investment return	14,985	28,874	19,265	35,378	3,716	102,218
Membership dues	6,400	-	-	-	-	6,400
Sub-total	85,978	153,336	102,306	187,874	19,733	549,227
Investment returns appropriated for expenditures	(14,985)	(28,874)	(19,265)	(35,378)	(3,716)	(102,218)
Balance at September 30, 2021	<u>\$ 70,993</u>	<u>\$ 124,462</u>	<u>\$ 83,041</u>	<u>\$ 152,496</u>	<u>\$ 16,017</u>	<u>\$ 447,009</u>

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

Notes to Financial Statements (continued)
September 30, 2021 and September 30, 2020

Note 13 – Endowments (continued)

The following is a summary of the activity of the net assets with temporary donor restrictions for the years ended September 30, 2020 and September 30, 2021:

	Shelby C. Davis Fund	Building Maintenance Endowment Fund	Total
Balance at September 30, 2019	\$ -	\$ -	\$ -
Net investment return	365,494	36,590	402,084
Net assets released from restrictions/appropriated for expenditures	<u>(365,494)</u>	<u>(36,590)</u>	<u>(402,084)</u>
Balance at September 30, 2020	-	-	-
Net investment return	695,980	100,646	796,626
Net assets released from restrictions/appropriated for expenditures	<u>(695,980)</u>	<u>(100,646)</u>	<u>(796,626)</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>