

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

**Financial Statements
for the years ended
September 30, 2022
and
September 30, 2021**

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Sons of the Revolution in the State of New York, Inc. (the "Society"), which comprise the statement of financial position as of September 30, 2022 and September 30, 2021, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of September 30, 2022 and September 30, 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Condon O'Heera McGinty + Donnelly LLP

July 24, 2023

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

Statement of Financial Position

Assets

	September 30	
	2022	2021
Current assets		
Cash	\$ 215,755	\$ 353,364
Accounts receivable	152,311	54,518
Investments, at fair value	3,846,940	4,916,626
Inventory and prepaid expenses	60,602	66,972
Total current assets	<u>4,275,608</u>	<u>5,391,480</u>
Cash Security deposit	<u>100,425</u>	<u>-</u>
Property and equipment, at cost		
Real estate and improvements	5,135,734	4,659,865
Roof restoration	1,132,268	1,132,268
Museum memorabilia	277,746	277,746
Furniture, fixtures and equipment	326,724	297,704
Sub-total	6,872,472	6,367,583
Less: accumulated depreciation	3,155,254	2,899,927
Net property and equipment	<u>3,717,218</u>	<u>3,467,656</u>
Total assets	<u>\$8,093,251</u>	<u>\$8,859,136</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 65,391	\$ 69,051
Contract payable	119,068	-
Total current liabilities	184,459	69,051
Security deposit payable	<u>100,425</u>	<u>-</u>
Total liabilities	<u>284,884</u>	<u>69,051</u>
Net assets		
Without donor restrictions		
General operating fund	3,685,257	4,696,248
Board-designated funds	355,352	447,009
Total without donor restrictions	4,040,609	5,143,257
With donor restrictions-perpetual in nature	3,767,758	3,646,828
Total net assets	<u>7,808,367</u>	<u>8,790,085</u>
Total liabilities and net assets	<u>\$8,093,251</u>	<u>\$8,859,136</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, 2022
(with summarized information for the year ended September 30, 2021)**

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating Fund	Board - Designated Funds	Total		2022	2021
Public support and revenue						
Support						
Contributions and grants of cash and other financial assets	\$ 215,335	\$ 4,150	\$ 219,485	\$ 120,930	\$ 340,415	\$ 621,019
Contributions of nonfinancial assets	123,000	-	123,000	-	123,000	149,255
Special fundraising event(s), contributions of \$117,996 in 2022 and \$82,515 in 2021 net of direct expenses of \$43,370 in 2022 and \$7,721 in 2021	74,626	-	74,626	-	74,626	74,794
Total public support	412,961	4,150	417,111	120,930	538,041	845,068
Revenue						
Program services	121,123	-	121,123	-	121,123	64,278
Real estate rentals net of real estate taxes and insurance of \$214,201 in 2022 and \$234,692 in 2021	662,104	-	662,104	-	662,104	303,790
Other	17,358	-	17,358	-	17,358	7,275
Total revenue	800,585	-	800,585	-	800,585	375,343
Total public support and revenue	1,213,546	4,150	1,217,696	120,930	1,338,626	1,220,411
Expenses						
Program services						
Commemorative and fellowship	203,537	-	203,537	-	203,537	211,568
Museum programs and activities	634,104	-	634,104	-	634,104	444,301
Total program services	837,641	-	837,641	-	837,641	655,869
Supporting activities						
General and administrative	670,190	-	670,190	-	670,190	566,002
Fund raising	129,776	-	129,776	-	129,776	245,886
Total supporting activities	799,966	-	799,966	-	799,966	811,888
Total expenses	1,637,607	-	1,637,607	-	1,637,607	1,467,757
Excess (deficiency) of public support and revenue over expenses before non-operating activities	(424,061)	4,150	(419,911)	120,930	(298,981)	(247,346)
Non-operating activities						
Employee retention payroll tax credits	194,241	-	194,241	-	194,241	-
Net investment return	-	(95,807)	(95,807)	(781,171)	(876,978)	898,844
Interfund transfers – net	(781,171)	-	(781,171)	781,171	-	-
Increase (decrease) in net assets	(1,010,991)	(91,657)	(1,102,648)	120,930	(981,718)	651,498
Net assets, beginning of year	4,696,248	447,009	5,143,257	3,646,828	8,790,085	8,138,587
Net assets, end of year	\$ 3,685,257	\$ 355,352	\$ 4,040,609	\$ 3,767,758	\$ 7,808,367	\$ 8,790,085

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, 2022
(with summarized information for the year ended September 30, 2021)

	<u>Program Services</u>			<u>Supporting Activities</u>		<u>Direct Cost of Special Events</u>	<u>Total 2022</u>	<u>Total 2021</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	\$ 102,219	\$ 214,319	\$ 316,538	\$ 131,141	\$ 80,488	\$ -	\$ 528,167	\$ 459,486
Fringe benefits	8,949	20,758	29,707	106,008	8,615	-	144,330	128,926
Outside services	-	10,312	10,312	79,203	-	-	89,515	83,341
Professional fees	-	16,919	16,919	45,161	7,845	6,820	76,745	53,991
Insurance	26,878	64,509	91,387	-	-	-	91,387	83,787
Maintenance and repairs	6,450	15,481	21,931	21,072	-	35	43,038	65,727
Advertising	-	6,263	6,263	-	3,906	-	10,169	4,589
Nonfinancial assets (advertising)	-	120,966	120,966	-	-	-	120,966	139,255
Utilities	-	-	-	42,513	-	-	42,513	40,139
Board and Committee	11,023	-	11,023	-	-	-	11,023	141
Supplies	-	98	98	2,660	165	-	2,923	2,916
Publications and dues	30	-	30	4,610	19,233	-	23,873	34,546
Printing	-	6,823	6,823	2,162	476	2,265	11,726	6,151
Flag Day	530	-	530	-	-	-	530	1,818
Program related services	12,000	71,588	83,588	17,095	1,030	33,714	135,427	32,199
Telephone	-	-	-	15,437	-	-	15,437	10,439
Postage	-	241	241	5,479	4	-	5,724	5,122
Security	-	-	-	35,783	-	-	35,783	42,898
Travel, meals and hospitality	830	455	1,285	6,295	266	392	8,238	4,502
Awards and benevolence	1,410	-	1,410	-	136	-	1,546	2,648
Nonfinancial assets (other)	-	-	-	-	2,034	-	2,034	10,000
Other	26	3,667	3,693	15,141	5,578	144	24,556	22,014
Depreciation	33,192	81,705	114,897	140,430	-	-	255,327	240,843
Total expenses	<u>203,537</u>	<u>634,104</u>	<u>837,641</u>	<u>670,190</u>	<u>129,776</u>	<u>43,370</u>	<u>1,680,977</u>	<u>1,475,478</u>
Less: expenses deducted directly on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,370)</u>	<u>(43,370)</u>	<u>(7,721)</u>
Total expenses reported by function on the statement of activities – 2022	<u>\$ 203,537</u>	<u>\$ 634,104</u>	<u>\$ 837,641</u>	<u>\$ 670,190</u>	<u>\$ 129,776</u>	<u>\$ -</u>	<u>\$1,637,607</u>	
Total expenses reported by function on the statement of activities – 2021	<u>\$ 211,568</u>	<u>\$ 444,301</u>	<u>\$ 655,869</u>	<u>\$ 566,002</u>	<u>\$ 245,886</u>	<u>\$ -</u>		<u>\$1,467,757</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**

	Without Donor Restrictions			With Donor Restrictions	Total 2021
	Operating Fund	Board - Designated Funds	Total		
Public support and revenue					
Support					
Contributions and grants of cash and other financial assets	\$ 401,624	\$ 6,400	\$ 408,024	\$ 212,995	\$ 621,019
Contributions of nonfinancial assets	149,255	-	149,255	-	149,255
Special fundraising event(s), contributions of \$82,515 net of direct expenses of \$7,721	74,794	-	74,794	-	74,794
Total public support	<u>625,673</u>	<u>6,400</u>	<u>632,073</u>	<u>212,995</u>	<u>845,068</u>
Revenue					
Program services	64,278	-	64,278	-	64,278
Real estate rentals net of real estate taxes and insurance of \$234,692	303,790	-	303,790	-	303,790
Other	7,275	-	7,275	-	7,275
Net assets released from restrictions	<u>796,626</u>	<u>-</u>	<u>796,626</u>	<u>(796,626)</u>	<u>-</u>
Total revenue	<u>1,171,969</u>	<u>-</u>	<u>1,171,969</u>	<u>(796,626)</u>	<u>375,343</u>
Total public support and revenue	<u>1,797,642</u>	<u>6,400</u>	<u>1,804,042</u>	<u>(583,631)</u>	<u>1,220,411</u>
Expenses					
Program services					
Commemorative and fellowship	211,568	-	211,568	-	211,568
Museum programs and activities	444,301	-	444,301	-	444,301
Total program services	<u>655,869</u>	<u>-</u>	<u>655,869</u>	<u>-</u>	<u>655,869</u>
Supporting activities					
General and administrative	566,002	-	566,002	-	566,002
Fund raising	245,886	-	245,886	-	245,886
Total supporting activities	<u>811,888</u>	<u>-</u>	<u>811,888</u>	<u>-</u>	<u>811,888</u>
Total expenses	<u>1,467,757</u>	<u>-</u>	<u>1,467,757</u>	<u>-</u>	<u>1,467,757</u>
Excess (deficiency) of public support and revenue over expenses before non-operating activities	329,885	6,400	336,285	(583,631)	(247,346)
Non-operating activities					
Net investment return	-	102,218	102,218	796,626	898,844
Interfund transfers – net	<u>102,218</u>	<u>(102,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>432,103</u>	<u>6,400</u>	<u>438,503</u>	<u>212,995</u>	<u>651,498</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 4,696,248</u>	<u>\$ 447,009</u>	<u>\$ 5,143,257</u>	<u>\$ 3,646,828</u>	<u>\$ 8,790,085</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, 2021

	<u>Program Services</u>			<u>Supporting Activities</u>		<u>Direct Cost of Special Events</u>	<u>Total 2021</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	\$ 110,248	\$ 183,704	\$ 293,952	\$ 87,476	\$ 78,058	\$ -	\$ 459,486
Fringe benefits	9,715	16,493	26,208	92,502	10,216	-	128,926
Outside services	-	7,835	7,835	75,506	-	-	83,341
Professional fees	-	2,830	2,830	40,250	5,472	5,439	53,991
Insurance	24,643	59,144	83,787	-	-	-	83,787
Maintenance and repairs	11,359	27,261	38,620	27,107	-	-	65,727
Advertising	-	683	683	-	3,906	-	4,589
Nonfinancial assets (advertising)	-	-	-	-	139,255	-	139,255
Utilities	6,021	14,450	20,471	19,668	-	-	40,139
Board and Committee	141	-	141	-	-	-	141
Supplies	-	314	314	2,586	16	-	2,916
Publications and dues	-	-	-	34,371	175	-	34,546
Printing	-	4,107	4,107	1,144	-	900	6,151
Flag Day	1,818	-	1,818	-	-	-	1,818
Program related services	3,217	28,882	32,099	-	-	100	32,199
Telephone	1,566	3,758	5,324	5,115	-	-	10,439
Postage	-	122	122	4,387	363	250	5,122
Security	6,435	15,443	21,878	21,020	-	-	42,898
Travel, meals and hospitality	1,244	417	1,661	1,892	100	849	4,502
Awards and benevolence	2,633	-	2,633	-	-	15	2,648
Nonfinancial assets (other)	-	-	-	10,000	-	-	10,000
Other	1,218	1,788	3,006	10,515	8,325	168	22,014
Depreciation	31,310	77,070	108,380	132,463	-	-	240,843
Total expenses	211,568	444,301	655,869	566,002	245,886	7,721	1,475,478
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	(7,721)	(7,721)
Total expenses reported by function on the statement of activities	\$ 211,568	\$ 444,301	\$ 655,869	\$ 566,002	\$ 245,886	\$ -	\$1,467,757

See notes to financial statements

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

Statement of Cash Flows

	Year Ended	
	September 30	
	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (981,718)	\$ 651,498
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	255,327	240,843
Realized (gain) on sale of investments	(203,063)	(166,318)
Unrealized (gain) loss on investments	1,174,224	(651,684)
Contributions with perpetual donor restrictions	(120,930)	(212,995)
(Increase) decrease in assets		
Accounts receivables	(97,793)	868
Inventory and prepaid expenses	6,370	(34,146)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(3,660)	(30,760)
Deposit payable	100,425	-
Net cash provided by (used in) operating activities	<u>129,182</u>	<u>(202,694)</u>
Cash flows from investing activities		
Expenditures for property and equipment, net of change in contract payable	(385,821)	(78,722)
Proceeds from sale of investments	218,171	617,988
Purchases of investments	<u>(119,646)</u>	<u>(328,380)</u>
Net cash provided by (used in) investing activities	<u>(287,296)</u>	<u>210,886</u>
Cash flows from financing activities		
Contributions with perpetual donor restrictions	120,930	212,995
Loan repayments/forgiven	-	7,881
Net cash provided by financing activities	<u>120,930</u>	<u>220,876</u>
Net increase (decrease) in cash	(37,184)	229,068
Cash, beginning of year	<u>353,364</u>	<u>124,296</u>
Cash, end of year	<u>\$ 316,180</u>	<u>\$ 353,364</u>
Consists of:		
Cash – operations	\$ 215,755	\$ 353,364
Cash – security deposit	<u>100,425</u>	<u>-</u>
Total	<u>\$ 316,180</u>	<u>\$ 353,364</u>

See notes to financial statements.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements
September 30, 2022 and September 30, 2021****Note 1 – Nature of organization**

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

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

Note 2 – Summary of significant accounting policies**Net assets**

The Society maintains 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 the Society 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 only 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, 2022 and September 30, 2021****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, 2022 and September 30, 2021 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, 2022 and September 30, 2021 was \$767,758 and \$646,828, 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 2022 fiscal year, the principal balance of the net assets with perpetual donor restrictions experienced a negative investment return. Accordingly, for the year ended September 30, 2022, the Society made an interfund transfer of \$781,171 from the operating fund to the net assets with donor restrictions to restore the perpetually donor restricted principal balance.

During the 2021 fiscal year, the Society transferred interest, dividends, net realized and unrealized gains totaling \$102,218 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, 2022 and September 30, 2021.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

As of September 30, 2022 and September 30, 2021, 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 revised by the Board of Managers on May 21, 2018. Proceeds from de-accessions or insurance recoveries are used only 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.

Revenue recognition

Program services, rental fees and other educational programs are recognized at the time such services are provided.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021****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 an 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, 2022 and September 30, 2021 totaled \$117,995 and \$82,515, respectively. These contributions are included 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 bases.

Contributions of nonfinancial assets (in-kind)

Contributions of nonfinancial assets (in-kind) are estimated at their fair value and reported as both public support and expenses in the period in which they are used. In-kind contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. These nonfinancial assets do not have donor-imposed restrictions.

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

**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021**

Note 2 – Summary of significant accounting policies (continued)

Contributions of nonfinancial assets (in-kind) (continued)

For the fiscal years ended September 30, 2022 and September 30, 2021, the Society received the following in-kind contributions:

	2022	2021
Donated advertising services	\$ 120,966	\$ 139,255
Donated materials	2,034	10,000
Total	\$ 123,000	\$ 149,255

Donated advertising services are valued and reported at the estimated value if the Society had to hire for such services.

Donated materials were used general operations and were valued and reported at the estimated fair value if the Society had to pay for such goods.

Donated volunteers

A number of volunteers, including members of the Board of Managers, have donated significant amounts of their time in the Society's program services and supporting activities. These donated services have not been recorded in the accompanying statement of activities because they do not meet the criteria for recording such services.

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, 2022 and September 30, 2021. 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.

The Society bank accounts were at a financial institution which was closed on March 12, 2023 by the New York State Department of Financial Services, which appointed the FDIC as receiver. To protect depositors, the FDIC transferred all the deposits of that financial institution to a bridge bank national association, a full-service bank operated by FDIC. By the end of March 2023, those Society bank accounts had been transferred to the FDIC's newly appointed financial institution, and the Society suffered no loss.

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

**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021**

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

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

Reclassification

Certain items in the 2021 fiscal year financial statements have been reclassified for comparative purposes only.

Subsequent events

Management has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through July 24, 2023, 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.

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 Society'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, 2022 and September 30, 2021, 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>2022</u>	<u>2021</u>
Cash	\$ 215,755	\$ 353,364
Investments, at fair value	3,846,940	4,916,626
Receivables	<u>152,311</u>	<u>54,518</u>
Sub-total	4,215,006	5,324,508
Less: net assets with donor restrictions	<u>3,767,758</u>	<u>3,646,828</u>
Total	<u>\$ 447,248</u>	<u>\$ 1,677,680</u>

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

Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021

Note 4 – Investments

The following is a summary of investments at September 30, 2022 and September 30, 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 270,718	\$ 270,718	\$ 133,239	\$ 133,239
Mutual funds	2,571,774	2,938,829	2,604,715	3,931,851
Exchange-traded funds	<u>599,998</u>	<u>637,393</u>	<u>599,998</u>	<u>851,536</u>
Total investments	<u>\$ 3,442,490</u>	<u>\$ 3,846,940</u>	<u>\$ 3,337,952</u>	<u>\$ 4,916,626</u>
Unrealized gain on investments		<u>\$ 404,450</u>		<u>\$ 1,578,674</u>
Change in unrealized gain (loss) on investments		<u>\$ (1,174,224)</u>		<u>\$ 651,684</u>

For assets measured at fair value on a recurring basis, as of and September 30, 2022 and September 30, 2021, 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 the 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, 2022 and September 30, 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net	\$ 94,183	\$ 80,842
Realized gain on sale of investments	203,063	166,318
Unrealized gain (loss) on investments	<u>(1,174,224)</u>	<u>651,684</u>
Total	<u>\$ (876,978)</u>	<u>\$ 898,844</u>

Note 5 – Commitment

Exterior restoration project

During March 2022, in connection with the façade/windows exterior restoration project, the Society entered into a contract with a general contractor totaling approximately \$435,000 including change orders. Work completed under the contract through September 30, 2022 that remains to be paid totaled \$119,068, which is reflected as contract payable on the statement of financial position.

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

**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021**

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, 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. 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 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>
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	-	110,052	110,052
2028 and thereafter	-	378,687	378,687
Total	<u>\$ 767,940</u>	<u>\$ 900,258</u>	<u>\$ 1,668,198</u>

Note 7 – Support for commemorative and fellowship program services and museum programs and activities

For the 2022 and 2021 fiscal years, the Society funded from its operating fund a total of \$837,641 and \$655,869, respectively, for program services. For the fiscal years 2016 through 2022, the Society funded from its operating fund a cumulative total of \$5,046,069 for program services.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021****Note 7 – Support for commemorative and fellowship program services and museum programs and activities (continued)**

For the 2022 and 2021 fiscal years, \$203,537 and \$211,568 was expended by the Society on commemorative and fellowship program services, respectively. For the fiscal years 2016 through 2022, the Society expended a cumulative total of \$1,561,250 on commemorative and fellowship program services.

For the 2022 and 2021 fiscal years, \$634,104 and \$444,301 was expended by the Society on Museum programs and activities, respectively. For the fiscal years 2016 through 2022, the Society expended a cumulative total of \$3,484,819 on Museum programs and activities.

From the 1985 fiscal year through the 2022 fiscal year, the Society has appropriated a cumulative total of \$16,459,919 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 8 – 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 2022 and 2021 amounted to \$20,455 and \$18,733, respectively.

Note 9 – Related party transactions

The Society had bank accounts with a financial institution where a Board Member of the Society was an officer with the financial institution. This individual had 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 10 – Legal proceeding

The Society was a defendant in a civil action arising in the ordinary course of its activities which was settled in May 2023. The Society's insurance carrier provided defense and indemnity for this action.

Note 11 – Employee retention payroll tax credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislations (the "Acts") were signed into law. The Acts provided, among other things, a refundable credit of certain qualified wages per employee for wages paid or incurred from March 13, 2020 through 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 were reflected as non-operating activities in the statement of activities for the fiscal year ended September 30, 2022.

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021****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, 2022 and September 30, 2021**

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 investment returns on its 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 appropriate 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.

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. There were no perpetually donor restricted endowment fund deficiencies as of September 30, 2021. Due the volatility of the financial markets, primarily due to timing, there was a deficiency in the Society’s perpetually donor restricted endowment funds for the fiscal year ended September 30, 2022. Accordingly, for the fiscal year ended September 30, 2022, the Society made an interfund transfer from the Operating Fund to the Net Assets with donor restriction of \$781,171 to maintain the principal balance of donors’ perpetually restricted contributions.

As of September 30, 2022 and September 30, 2021, the Board-Designated endowment funds and net assets with perpetual donor restrictions composition consist of the following:

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Investments, at fair value	\$ 3,846,940	\$ 4,093,837
Cash and other	<u>276,170</u>	<u>-</u>
Total	<u>\$ 4,123,110</u>	<u>\$ 4,093,837</u>

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

**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021**

Note 13 – Endowments (continued)

Funds with deficiencies (continued)

Endowment Net Asset Composition by Type of Fund as of September 30, 2022:

	Without Donor <u>Restrictions</u>	With Perpetual Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,767,758	\$ 3,767,758
Board-designated endowment funds	<u>355,352</u>	<u>-</u>	<u>355,352</u>
Total funds	<u>\$ 355,352</u>	<u>\$ 3,767,758</u>	<u>\$ 4,123,110</u>

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

	Without Donor <u>Restrictions</u>	With Perpetual Donor <u>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, 2022 and September 30, 2021

Note 13 – Endowments (continued)

The following is a summary of the activities of the board designated funds for the years ended September 30, 2021 and September 30, 2022:

	<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, 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	<u>6,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400</u>
Sub-total	85,978	153,336	102,306	187,874	19,733	549,227
Investment returns appropriated for expenditures	<u>(14,985)</u>	<u>(28,874)</u>	<u>(19,265)</u>	<u>(35,378)</u>	<u>(3,716)</u>	<u>(102,218)</u>
Balance at September 30, 2021	70,993	124,462	83,041	152,496	16,017	447,009
Net investment return	(14,046)	(27,064)	(18,056)	(33,159)	(3,482)	(95,807)
Membership dues	<u>4,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,150</u>
Balance at September 30, 2022	<u>\$ 61,097</u>	<u>\$ 97,398</u>	<u>\$ 64,985</u>	<u>\$ 119,337</u>	<u>\$ 12,535</u>	<u>\$ 355,352</u>

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

**Notes to Financial Statements (continued)
September 30, 2022 and September 30, 2021**

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, 2021 and September 30, 2022:

	Shelby C. Davis Fund	Building Maintenance Endowment Fund	Total
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	-	-	-
Net investment return	(642,617)	(138,554)	(781,171)
Interfund transfer, net from operating fund	<u>642,617</u>	<u>138,554</u>	<u>781,171</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>