

**THE NATIONAL SOCIETY OF THE SONS OF
THE AMERICAN REVOLUTION AND
RELATED FOUNDATION**

**Combined Financial Statements
and Supplementary Information**

*For the Years Ended December 31, 2018 and 2017
with Report of Independent Auditors*

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Report of Independent Auditors

To the Trustees and the Executive Board
The National Society of the Sons of the American Revolution and Related Foundation
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying combined financial statements of the National Society of the Sons of the American Revolution and the SAR Foundation, Inc. (collectively, the Organization), which comprise the combined statements of financial position as of December 31, 2018 and 2017, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, 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 audit 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 the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
March 4, 2019

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Combined Statements of Financial Position

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,047,800 | \$ 1,563,088 |
| Accounts receivable | 34,096 | 39,618 |
| Contributions receivable, net, current portion | 85,450 | 60,349 |
| Inventories | 210,055 | 218,851 |
| Prepaid expenses and other current assets | <u>99,255</u> | <u>83,063</u> |
| Total current assets | 1,476,656 | 1,964,969 |
| Property and equipment, net | 9,623,076 | 9,208,031 |
| Other assets: | | |
| Investments | 10,080,252 | 10,593,938 |
| Contributions receivable, net, less current portion | 98,225 | 112,623 |
| Collections | <u>2,445,974</u> | <u>2,422,856</u> |
| Total other assets | <u>12,624,451</u> | <u>13,129,417</u> |
| Total assets | \$ <u>23,724,183</u> | \$ <u>24,302,417</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 66,658 | \$ 359,183 |
| Accrued expenses | 25,506 | 17,777 |
| Deferred revenues | 58,781 | 61,713 |
| Line of credit | <u>313,568</u> | <u>373,568</u> |
| Total current liabilities | 464,513 | 812,241 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 765,658 | 496,103 |
| Invested in property and equipment and collections | 12,069,050 | 11,630,887 |
| Designated by the Board for endowment | 4,372,496 | 4,749,728 |
| Designated by the Board for programs | <u>50,000</u> | <u>50,000</u> |
| Total net assets without donor restrictions | 17,257,204 | 16,926,718 |
| With donor restrictions: | | |
| Perpetual in nature | 1,326,447 | 1,285,317 |
| Purpose restrictions | <u>4,676,019</u> | <u>5,278,141</u> |
| Total net assets with donor restrictions | <u>6,002,466</u> | <u>6,563,458</u> |
| Total net assets | <u>23,259,670</u> | <u>23,490,176</u> |
| Total liabilities and net assets | \$ <u>23,724,183</u> | \$ <u>24,302,417</u> |

See accompanying notes to the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Combined Statements of Activities
Years ended December 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|--|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, gains and other support: | | | | | | |
| Per-capita dues and reinstatements | \$ 1,134,275 | \$ - | \$ 1,134,275 | \$ 1,103,276 | \$ - | \$ 1,103,276 |
| Admission fees | 274,905 | - | 274,905 | 282,000 | - | 282,000 |
| Supplemental fees | 79,955 | - | 79,955 | 69,970 | - | 69,970 |
| Net merchandise operations | 120,617 | - | 120,617 | 103,689 | - | 103,689 |
| Contributions and bequests | 625,126 | 506,391 | 1,131,517 | 48,688 | 882,774 | 931,462 |
| Meeting income (expense), net | (3,520) | - | (3,520) | 33,689 | - | 33,689 |
| Other income | 12,718 | - | 12,718 | 11,575 | - | 11,575 |
| Investment (loss) income, net | (160,015) | (453,506) | (613,521) | 377,002 | 939,719 | 1,316,721 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program restrictions | 317,229 | (317,229) | - | 192,734 | (192,734) | - |
| Satisfaction of capital improvement restrictions | 296,648 | (296,648) | - | 347,011 | (347,011) | - |
| Total revenues, gains and other support | 2,697,938 | (560,992) | 2,136,946 | 2,569,634 | 1,282,748 | 3,852,382 |
| Expenses and losses: | | | | | | |
| Program services expense: | | | | | | |
| Patriotic | 294,902 | - | 294,902 | 251,297 | - | 251,297 |
| Genealogy | 838,100 | - | 838,100 | 663,556 | - | 663,556 |
| Education | 478,616 | - | 478,616 | 403,221 | - | 403,221 |
| Total program services expenses | 1,611,618 | - | 1,611,618 | 1,318,074 | - | 1,318,074 |
| Supporting services expense: | | | | | | |
| Management and general | 579,397 | - | 579,397 | 625,687 | 3,809 | 629,496 |
| Fundraising | 171,298 | - | 171,298 | 140,502 | - | 140,502 |
| Total supporting services expenses | 750,695 | - | 750,695 | 766,189 | 3,809 | 769,998 |
| Collection deaccessions and impairments | 4,350 | - | 4,350 | 302,856 | - | 302,856 |
| Loss on disposal of property and equipment | 789 | - | 789 | - | - | - |
| Total expenses and losses | 2,367,452 | - | 2,367,452 | 2,387,119 | 3,809 | 2,390,928 |
| Change in net assets | 330,486 | (560,992) | (230,506) | 182,515 | 1,278,939 | 1,461,454 |
| Net assets, beginning of year | 16,926,718 | 6,563,458 | 23,490,176 | 16,744,203 | 5,284,519 | 22,028,722 |
| Net assets, end of year | \$ 17,257,204 | \$ 6,002,466 | \$ 23,259,670 | \$ 16,926,718 | \$ 6,563,458 | \$ 23,490,176 |

See accompanying notes to the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Combined Statement of Functional Expenses

Year ended December 31, 2018

| | Program Services | | | | Management and General | Fundraising | Cost of Goods Sold | Total |
|---|-------------------|-------------------|-------------------|---------------------|---------------------------|-------------------|-----------------------|---------------------|
| | Patriotic | Genealogy | Education | Total | | | | |
| Salaries, benefits and payroll taxes | \$ 21,547 | \$ 592,721 | \$ 144,519 | \$ 758,787 | \$ 344,745 | \$ 83,076 | \$ - | \$ 1,186,608 |
| Special purpose expenses | 33,101 | 11,427 | 136,752 | 181,280 | - | - | - | 181,280 |
| Magazine | 222,477 | - | - | 222,477 | - | - | - | 222,477 |
| Library | - | 16,783 | - | 16,783 | - | - | - | 16,783 |
| Occupancy and maintenance | - | 34,067 | 30,563 | 64,630 | 39,075 | 562 | - | 104,267 |
| Supplies, printing and postage | - | 19,157 | 2,560 | 21,717 | 11,917 | 40,674 | - | 74,308 |
| President General discretionary fund | 32,527 | - | - | 32,527 | - | - | - | 32,527 |
| Professional fees | - | - | 2,475 | 2,475 | 28,044 | 5,031 | - | 35,550 |
| Merchandise cost of goods sold | - | - | - | - | - | - | 449,734 | 449,734 |
| Meeting expense | - | - | - | - | 289,663 | - | - | 289,663 |
| Information technology | 2,440 | 17,083 | 17,083 | 36,606 | 12,203 | 13,886 | - | 62,695 |
| Insurance | - | 12,467 | 12,467 | 24,934 | 10,687 | - | - | 35,621 |
| Training and travel | - | 4,687 | 1,153 | 5,840 | 1,425 | 3,284 | - | 10,549 |
| Advertising and promotion | - | - | - | - | 2,670 | 18,237 | - | 20,907 |
| Awards | 6,107 | - | - | 6,107 | - | - | - | 6,107 |
| Interest | - | - | - | - | 10,134 | - | - | 10,134 |
| Depreciation | - | 131,044 | 131,044 | 262,088 | 112,323 | 125 | - | 374,536 |
| Miscellaneous | - | 339 | - | 339 | 6,174 | 6,423 | - | 12,936 |
| Total expenses by function | 318,199 | 839,775 | 478,616 | 1,636,590 | 869,060 | 171,298 | 449,734 | 3,126,682 |
| Less expenses included with revenues and revenues included with expenses on the combined statement of activities: | | | | | | | | |
| Magazine income | (23,297) | - | - | (23,297) | - | - | - | (23,297) |
| Library income | - | (1,675) | - | (1,675) | - | - | - | (1,675) |
| Merchandise cost of goods sold | - | - | - | - | - | - | (449,734) | (449,734) |
| Meeting expense | - | - | - | - | (289,663) | - | - | (289,663) |
| Total expenses included in the expense section on the combined statement of activities | <u>\$ 294,902</u> | <u>\$ 838,100</u> | <u>\$ 478,616</u> | <u>\$ 1,611,618</u> | <u>\$ 579,397</u> | <u>\$ 171,298</u> | <u>\$ -</u> | <u>\$ 2,362,313</u> |

See accompanying notes to the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Combined Statement of Functional Expenses

Year ended December 31, 2017

| | Program Services | | | | Management and General | Fundraising | Cost of Goods Sold | Total |
|---|-------------------|-------------------|-------------------|---------------------|---------------------------|-------------------|-----------------------|---------------------|
| | Patriotic | Genealogy | Education | Total | | | | |
| Salaries, benefits and payroll taxes | \$ - | \$ 461,814 | \$ 124,028 | \$ 585,842 | \$ 361,865 | \$ 61,530 | \$ - | \$ 1,009,237 |
| Special purpose expenses | 23,925 | 10,721 | 113,668 | 148,314 | - | - | - | 148,314 |
| Magazine | 210,656 | - | - | 210,656 | - | - | - | 210,656 |
| Library | - | 14,821 | - | 14,821 | - | - | - | 14,821 |
| Occupancy and maintenance | - | 31,626 | 29,543 | 61,169 | 36,908 | 562 | - | 98,639 |
| Supplies, printing and postage | - | 12,567 | 3,160 | 15,727 | 10,987 | 37,673 | - | 64,387 |
| President General discretionary fund | 40,676 | - | - | 40,676 | - | - | - | 40,676 |
| Professional fees | - | - | 937 | 937 | 87,975 | 5,031 | - | 93,943 |
| Merchandise cost of goods sold | - | - | - | - | - | - | 427,846 | 427,846 |
| Meeting expense | - | - | - | - | 271,567 | - | - | 271,567 |
| Information technology | 1,200 | 8,399 | 8,399 | 17,998 | 6,001 | 10,885 | - | 34,884 |
| Insurance | - | 11,325 | 11,325 | 22,650 | 9,708 | - | - | 32,358 |
| Training and travel | - | 985 | 1,129 | 2,114 | 410 | 3,284 | - | 5,808 |
| Advertising and promotion | - | - | - | - | 993 | 14,702 | - | 15,695 |
| Awards | 4,685 | - | - | 4,685 | - | - | - | 4,685 |
| Bad debt expense | - | - | - | - | 3,809 | - | - | 3,809 |
| Interest | - | - | - | - | 14,989 | - | - | 14,989 |
| Depreciation | - | 111,032 | 111,032 | 222,064 | 95,170 | 413 | - | 317,647 |
| Miscellaneous | - | 2,288 | - | 2,288 | 681 | 6,422 | - | 9,391 |
| Total expenses by function | 281,142 | 665,578 | 403,221 | 1,349,941 | 901,063 | 140,502 | 427,846 | 2,819,352 |
| Less expenses included with revenues and revenues included with expenses on the combined statement of activities: | | | | | | | | |
| Magazine income | (29,845) | - | - | (29,845) | - | - | - | (29,845) |
| Library income | - | (2,022) | - | (2,022) | - | - | - | (2,022) |
| Merchandise cost of goods sold | - | - | - | - | - | - | (427,846) | (427,846) |
| Meeting expense | - | - | - | - | (271,567) | - | - | (271,567) |
| Total expenses included in the expense section on the combined statement of activities | <u>\$ 251,297</u> | <u>\$ 663,556</u> | <u>\$ 403,221</u> | <u>\$ 1,318,074</u> | <u>\$ 629,496</u> | <u>\$ 140,502</u> | <u>\$ -</u> | <u>\$ 2,088,072</u> |

See accompanying notes to the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Combined Statements of Cash Flows

Years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (230,506) | \$ 1,461,454 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 374,536 | 317,647 |
| Provision for uncollectible contributions | 3,141 | (37,031) |
| Realized and unrealized losses (gains) on investments | 917,874 | (1,042,845) |
| Contributed property and equipment | (550,000) | - |
| Contributions restricted for long-term purposes | (83,000) | (27,250) |
| Loss on disposal of property and equipment | 789 | - |
| Non-cash additions to collections | (27,468) | (9,557) |
| Collections deaccessions and impairments | 4,350 | 302,856 |
| Increase (decrease) in cash due to changes in: | | |
| Accounts receivable | 5,522 | (16,951) |
| Contributions receivable | 38,116 | 105,639 |
| Inventories | 8,796 | 12,314 |
| Prepaid expenses and other current assets | (16,192) | 26,639 |
| Accounts payable | (292,525) | 249,754 |
| Accrued expenses | 7,729 | (11,790) |
| Deferred revenues | <u>(2,932)</u> | <u>14,767</u> |
| Net cash provided by operating activities | 158,230 | 1,345,646 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (240,370) | (51,376) |
| Purchase of investments, net | <u>(404,188)</u> | <u>(395,322)</u> |
| Net cash used in investing activities | (644,558) | (446,698) |
| Cash flows from financing activities: | | |
| Payments on line of credit, net | (60,000) | (317,165) |
| Proceeds from contributions restricted for long-term purposes | <u>31,040</u> | <u>6,900</u> |
| Net cash used in financing activities | <u>(28,960)</u> | <u>(310,265)</u> |
| Net (decrease) increase in cash | (515,288) | 588,683 |
| Cash, beginning of year | <u>1,563,088</u> | <u>974,405</u> |
| Cash, end of year | <u>\$ 1,047,800</u> | <u>\$ 1,563,088</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 10,134 | \$ 14,989 |

See accompanying notes to the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements

1. Description of the Organization

The National Society of the Sons of the American Revolution (NSSAR) is a not-for-profit voluntary membership organization created June 9, 1906 by a special act of the Congress of the United States of America. NSSAR's main purposes are to foster patriotic, historical, and educational pursuits including those intended or designed to perpetuate the memory of those patriots who, by their service and sacrifice during the American Revolution, achieved the independence of the American people, and to maintain and extend the institutions of American freedom as expressed in the preamble of the Constitution of our country and the instructions of George Washington in his farewell address to the American people.

The SAR Foundation, Inc. (the Foundation) is a tax exempt organization established September 26, 2002 to hold and administer funds to support the patriotic, historical, and educational mission of NSSAR.

The accompanying combined financial statements include the accounts of the above named organizations (collectively, the Organization). The combined financial statements do not include the locally generated revenues of NSSAR's state or international chapters.

The Organization fulfills its mission by focusing their efforts in three primary service areas.

Patriotic

The Organization inspires the community with the principles on which our nation was founded by participating in civic and patriotic events with color guards that wear Revolutionary War uniforms. The Organization provides recognition for public service by presenting thousands of awards each year to law enforcement officers, public safety officers and other citizens who exemplify the best civic traditions of our nation.

Genealogy

The Organization supports research and presentations related to the history and people of the period 1750-1800. Through genealogy research, Organization members prove they are lineal descendants of an ancestor who was at all times unfailing in loyalty to, and rendered active service in the cause of American Independence. The Organization helps preserves these membership applications along with records relating to the events leading up to and during the American Revolution.

Education

Education Outreach is used to perpetuate knowledge of our founding documents and stories of patriotism, courage, sacrifice, tragedy, and triumph of the patriots who achieved the independence of the American people in the belief that these stories are universal ones of man's eternal struggle against tyranny, relevant to all time, and will inspire and strengthen each succeeding generation as it too is called upon to defend our freedoms on the battlefield and in our public institutions. The Organization supports youth award contests that promote character and foster civic responsibility.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the combined financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its combined financial statements:

Basis of Presentation

For the year ended December 31, 2018, Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, became effective and was adopted by the Organization. This standard changed the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) including qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. The 2017 combined financial statements have been reformatted and various amounts have been reclassified to conform to the 2018 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

The combined financial statements are prepared by combining the financial statements of NSSAR and the Foundation. All inter-organizational balances and transactions have been eliminated in combination. Under GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions include the portion of expendable funds that are not subject to donor-imposed stipulations and include the following:

Undesignated: These net assets represent the portion of expendable funds available in operation of the Organization.

Invested in Property and Equipment and Collections: These net assets represent cumulative resources expended for property, equipment and collections, less accumulated depreciation recorded.

Board Designated - Endowment: These net assets represent funds without donor restrictions designated by the Board of Trustees to be used as endowments. This designation can only be released or revised in the future, to the extent not externally restricted, as a result of Board approval.

Board Designated - Programs: These net assets represent bequest funds without donor restrictions designated by the Board of Trustees for use by the Eagle Scout fund only.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Net Assets With Donor Restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. The Organization treats donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less that are not designated for a specific purpose. The Organization has a concentration of credit risk in that it typically maintains cash deposits in financial institutions in excess of federally insured limits. Management considers it very unlikely that any loss will result from the cash balance in excess of federal insurance limits.

Accounts Receivable

Accounts receivable consist primarily of amounts attributable to magazine advertising and merchandise sales. Management reviews accounts receivable for collectability by regularly evaluating individual receivables and by using historical experience with the same or similar customers. Management considers all accounts receivable to be fully collectable. Accordingly, no allowance for uncollectable accounts receivable is currently reflected in the accompanying combined financial statements.

Inventories

Inventories consist primarily of items held for sale to NSSAR members and are stated at the lower of cost (first-in, first-out basis) or market.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their estimated future cash flows. The discounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Investments

Investments are carried at fair value, generally determined by quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses are reflected in the combined statements of activities and changes in net assets. Receipt of donated investments is recorded at the quoted market value of the investments at the time of donation.

The Organization invests in fixed income securities, including government and corporate bonds, in publicly-traded stocks and mutual funds, and in other investment vehicles. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes the Organization's gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Land, buildings and equipment are stated at cost or, if donated, at fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to forty years. Major renewals and betterments are capitalized while maintenance and repairs are expensed.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Collections

NSSAR has an extensive collection of genealogical and historical materials and documents. Purchased collection items are stated at cost at the date of acquisition. Donated collection items are valued at their estimated fair value at the date of the gift or bequest and are reported as contributions on the accompanying combined statements of activities and changes in net assets. Depreciation is not provided on the collections.

Impairments

The Organization periodically reviews the undepreciated values assigned to long-lived assets to determine if any impairments are indicated. During each of the years ended December 31, 2018 and 2017, the Organization had appraisals performed on various collection items in conjunction with updating its insurance coverage. There were no impairments for the year ended December 31, 2018. A reduction in the fair value of a collectible resulted in an impairment of \$300,000 during the year ended December 31, 2017.

Revenue and Revenue Recognition

Membership dues are collected and revenues are recorded for a calendar year period. Deferred revenues as of December 31, 2018 and 2017 consist primarily of membership dues collected in advance of the upcoming calendar year.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. The Organization received contributed goods and services in the amount of \$550,000 for the year ended December 31, 2018 for design development documents. The Organization recorded the contributed service as contribution revenue and property and equipment. There were no contributed goods or services received during the year ended December 31, 2017.

Functional Allocation of Expenses

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The combined statements of functional expenses present the natural classification detail of expenses by function. The expenses that are allocated include occupancy, maintenance, insurance and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology expenses, and miscellaneous, which are allocated on the basis of estimates of time and effort.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Taxes

NSSAR and the Foundation have been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) as non-profit organizations that are not private foundations. NSSAR is subject to income tax on certain unrelated business activity; however, allowable cost allocations have resulted in tax losses.

Reclassifications

Certain amounts in the 2017 combined financial statements have been reclassified to conform to the 2018 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

New Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board (FASB) ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard becomes effective for the Organization in 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Organization's balance sheet as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Organization will recognize: 1) a lease liability for Organization's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Organization's right to use, or control the use of, the specified asset for the lease term. Upon adopting the ASU, the Organization will be required to recognize and measure its leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for the Organization in 2020, with early adoption permitted. The Organization is currently evaluating the effect that the new standard will have on its combined financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, requiring a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the combined statement of activity and changes in net assets will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending December 31, 2021, and the Organization is currently evaluating the effect the standard will have on the combined financial statements.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through March 4, 2019, the date that the combined financial statements were available to be issued.

3. Liquidity and Availability

The following table reflects the Organization's financial assets available as of December 31 to meet general expenditures within one year of the combined financial statements date, reduced by amounts that are not available because of donor restrictions or Board designations. In the event the need arises to utilize the Board-designated funds for liquidity purposes, the principal could be expended by a three-fourths vote of the Board of Trustees and ratified by a three-fourths vote of the delegates at the annual Congress. Additionally, the Organization has a line of credit facility available to meet short-term needs. As of December 31, 2018, the Organization had \$1,186,432 available on this line of credit. See Note 8 for more information regarding the line of credit.

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Total assets | \$ 23,724,183 | \$ 24,302,417 |
| Less: Property and equipment | (9,623,076) | (9,208,031) |
| Less: Collections | <u>(2,445,974)</u> | <u>(2,422,856)</u> |
| Financial assets | 11,655,133 | 12,671,530 |
| Less: Donor imposed restrictions | (6,002,466) | (6,563,458) |
| Less: Board designated funds | <u>(4,422,496)</u> | <u>(4,799,728)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u><u>1,230,171</u></u> | \$ <u><u>1,308,344</u></u> |

4. Contributions Receivable

Contributions receivable as of December 31, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|--------------------------|--------------------------|
| George Washington Fund | \$ 54,700 | \$ 43,584 |
| SAR Education Center and Museum | 101,811 | 82,223 |
| Other special purpose | <u>41,992</u> | <u>58,115</u> |
| | 198,503 | 183,922 |
| Less: Allowance | (6,950) | (3,809) |
| Less: Discounts to present value | <u>(7,878)</u> | <u>(7,141)</u> |
| | \$ <u><u>183,675</u></u> | \$ <u><u>172,972</u></u> |

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

4. Contributions Receivable, continued

As of December 31, 2018 and 2017, contributions receivable are estimated to be collected as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------|-------------------|-------------------|
| Less than one year | \$ 92,400 | \$ 64,158 |
| One year to five years | 96,119 | 112,792 |
| More than five years | <u>9,984</u> | <u>6,972</u> |
| | <u>\$ 198,503</u> | <u>\$ 183,922</u> |

Contributions due after one year have been discounted to present value reflecting the time value of money using discount rates ranging between 2.20% and 2.51%

5. Investments

Fair Value Measurement

The Organization classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value measurements of the Organization as of December 31 are summarized as follows:

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

5. Investments, continued

Fair Value Measurement, continued

| <u>December 31, 2018</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------------|----------------------|---------------------|---------------------|----------------|
| Money market funds | \$ 806,989 | \$ 806,989 | \$ - | \$ - |
| U.S. government and agency securities | 1,348,407 | - | 1,348,407 | - |
| Corporate bonds and notes | 195,039 | - | 195,039 | - |
| Common stock | 4,046,165 | 4,046,165 | - | - |
| Mutual funds | <u>3,683,652</u> | <u>3,683,652</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 10,080,252</u> | <u>\$ 8,536,806</u> | <u>\$ 1,543,446</u> | <u>\$ -</u> |
| <u>December 31, 2017</u> | | | | |
| Money market funds | \$ 615,855 | \$ 615,855 | \$ - | \$ - |
| U.S. government and agency securities | 1,273,287 | - | 1,273,287 | - |
| Corporate bonds and notes | 458,130 | - | 458,130 | - |
| Common stock | 4,312,558 | 4,312,558 | - | - |
| Mutual funds | <u>3,934,108</u> | <u>3,934,108</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 10,593,938</u> | <u>\$ 8,862,521</u> | <u>\$ 1,731,417</u> | <u>\$ -</u> |

The following methods and assumptions were used by the Organization in estimating the fair value of its assets and liabilities. There were no changes in the methodologies used to measure fair value during the years ended December 31, 2018 and 2017.

Money market funds and common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and notes and U.S. Government and agency securities: Valued based on yields currently available on comparable securities of issuers with similar credit ratings in active markets.

Mutual funds: Valued at net asset value (NAV) of shares held by the Organization at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

The methods described prior may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

5. Investments, continued

Fair Value Measurement, continued

Investment return for the years ended December 31, 2018 and 2017 is as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Realized gains | \$ 268,616 | \$ 123,531 |
| Unrealized (losses) gains | <u>(1,186,490)</u> | <u>919,314</u> |
| Total realized and unrealized (losses) gains on investments | (917,874) | 1,042,845 |
| Interest and dividends | 347,266 | 315,908 |
| Investment fees | <u>(42,913)</u> | <u>(42,032)</u> |
| Investment (loss) income, net | \$ <u>(613,521)</u> | \$ <u>1,316,721</u> |

6. Property and Equipment

Property and equipment consists of the following as of December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 819,480 | \$ 819,480 |
| Buildings and improvements | 8,495,828 | 8,305,216 |
| Furniture and equipment | 906,297 | 766,689 |
| Construction in progress | <u>1,205,552</u> | <u>779,561</u> |
| | 11,427,157 | 10,670,946 |
| Less accumulated depreciation | <u>(1,804,081)</u> | <u>(1,462,915)</u> |
| Property and equipment, net | \$ <u>9,623,076</u> | \$ <u>9,208,031</u> |

Construction in progress as of December 31, 2018 and 2017 consists of initial costs incurred for design development for the SAR Education Center and Museum at the Organization's headquarters at 809 West Main Street in Louisville, Kentucky and costs incurred towards specialized computer systems and software that has yet to be implemented. The Organization is committed to approximately an additional \$550,000 of costs related to design development for the SAR Education Center and Museum at its headquarters.

Depreciation expense during the years ended December 31, 2018 and 2017 was \$374,536 and \$317,647, respectively.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

7. Collections

Over time, NSSAR has obtained, through both acquisitions and donations, an extensive collection of genealogical and historical materials and documents.

Collections consists of the following as of December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Library: | | |
| Consists of family genealogies; American Revolution era county, state and local histories; miscellaneous biographies; bound volumes of periodicals; and other collectibles | \$ 1,395,868 | \$ 1,393,350 |
| Museum: | | |
| Consists principally of American Revolution era paintings, sculptures, donated furnishing, antiques and artifacts | <u>1,050,106</u> | <u>1,029,506</u> |
| | <u>\$ 2,445,974</u> | <u>\$ 2,422,856</u> |

NSSAR received non-cash contributions of library and museum collections totaling \$27,468 and \$9,557 during the years ended December 31, 2018 and 2017, respectively. Collections totaling \$4,350 and \$2,856 were deaccessioned during the years ended December 31, 2018 and 2017, respectively.

8. Line of Credit

NSSAR has a \$1,500,000 bank line of credit bearing interest at the one-month LIBOR rate plus 1.50%, rounded up to the nearest 0.0625%, a rate of 4.000% and 3.125% as of December 31, 2018 and 2017, respectively. The line of credit is payable in monthly interest only payments with the outstanding principal balance, plus the unpaid interest accrued thereon, due at maturity in October 2019. The Foundation's investments are pledged as collateral. The amount outstanding under the bank line of credit was \$313,568 and \$373,568 as of December 31, 2018 and 2017.

9. Endowment Funds

The Organization's endowment fund includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Kentucky enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after enactment. The Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

9. Endowment Funds, continued

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as perpetual in nature net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified perpetual in nature is classified as purpose restricted until appropriated for expenditure by the Organization.

As of December 31 endowment investments consist of the following:

| <u>December 31, 2018</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Board designated endowment funds | \$ 4,372,496 | \$ - | \$ 4,372,496 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 1,372,163 | 1,372,163 |
| Accumulated investment gains | <u>-</u> | <u>628,352</u> | <u>628,352</u> |
| Total endowment funds | <u>\$ 4,372,496</u> | <u>\$ 2,000,515</u> | <u>\$ 6,373,011</u> |
| <u>December 31, 2017</u> | | | |
| Board designated | \$ 4,749,728 | \$ - | \$ 4,749,728 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 1,327,800 | 1,327,800 |
| Accumulated investment gains | <u>-</u> | <u>749,020</u> | <u>749,020</u> |
| Total endowment funds | <u>\$ 4,749,728</u> | <u>\$ 2,076,820</u> | <u>\$ 6,826,548</u> |

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

9. Endowment Funds, continued

Changes in endowment investments are as follows:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|--------------------------------------|-----------------------------------|---------------------|
| Endowment net assets, January 1, 2017 | \$ 4,476,308 | \$ 1,805,722 | \$ 6,282,030 |
| Investment return: | | | |
| Investment income | 142,351 | 40,011 | 182,362 |
| Net appreciation | <u>459,032</u> | <u>205,915</u> | <u>664,947</u> |
| Total investment return | 601,383 | 245,926 | 847,309 |
| Contributions | 19,700 | 53,914 | 73,614 |
| Appropriation for expenditures | <u>(347,663)</u> | <u>(28,742)</u> | <u>(376,405)</u> |
| Endowment net assets, December 31, 2017 | 4,749,728 | 2,076,820 | 6,826,548 |
| Investment return: | | | |
| Investment income | 145,650 | 49,486 | 195,136 |
| Net depreciation | <u>(417,956)</u> | <u>(161,976)</u> | <u>(579,932)</u> |
| Total investment return | (272,306) | (112,490) | (384,796) |
| Contributions | 2,889 | 66,233 | 69,122 |
| Appropriation for expenditures | <u>(107,815)</u> | <u>(30,048)</u> | <u>(137,863)</u> |
| Endowment net assets, December 31, 2018 | \$ <u>4,372,496</u> | \$ <u>2,000,515</u> | \$ <u>6,373,011</u> |

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization's spending and investment policies work together to achieve this objective through the diversification of asset classes. The current long term objective is to exceed a strategic blend of benchmark over five-year rolling periods, using benchmarks mutually agreed upon between the investment advisor and the Organization. Actual investment returns in any given fiscal year may vary from this objective.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (unrealized and realized) and current yield (interest and dividend income). The Organization targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term objectives within prudent risk parameters.

The spending policy determines the amount of money in a given year that may be distributed from the Organization's various endowment funds. The spending policy allows for a distribution equal to 4% of the average of the three years' beginning period endowment values.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| SAR Education Center and Museum | \$ 285,985 | \$ 665,097 |
| Special Purpose funds | 3,578,007 | 3,691,052 |
| Promise to give, the proceeds from which have been restricted by donors for: | | |
| SAR Education Center and Museum | 97,501 | 74,648 |
| Special Purpose funds | <u>40,458</u> | <u>55,841</u> |
| | <u>4,001,951</u> | 4,486,638 |
| Endowments: | | |
| Subject to appropriation and expenditure when a specified event occurs: | | |
| Restricted by donors for: | | |
| Adams Memorial Middle School brochure contest | 12,500 | 12,500 |
| Building and Outreach Education endowment | 1,200 | 1,200 |
| Council of Youth Awards | 12,000 | - |
| George Washington endowment | 1,246,721 | 1,217,589 |
| Library endowment | - | 2 |
| Roger Ruth endowment | <u>54,026</u> | <u>54,026</u> |
| | <u>1,326,447</u> | 1,285,317 |
| Subject to the Organization's endowment spending policy and appropriation: | | |
| Adams Memorial Middle School brochure contest | 4,389 | 6,384 |
| George Washington endowment | 616,130 | 730,681 |
| Roger Ruth endowment | 7,833 | 11,955 |
| Unconditional promises to give, net - permanently restricted to George Washington endowment | <u>45,716</u> | <u>42,483</u> |
| | <u>674,068</u> | 791,503 |
| Total endowments | <u>2,000,515</u> | <u>2,076,820</u> |
| Total net assets with donor restrictions | <u>\$ 6,002,466</u> | <u>\$ 6,563,458</u> |

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

11. Operating Leases

NSSAR currently leases certain office equipment under various separate operating leases. As of December 31, 2018, the operating leases have combined base rental payments of \$1,166 per month. The leases expire in various terms through December 2023. Rental expense related to these operating leases for the years ended December 31, 2018 and 2017 totaled \$13,266 and \$19,212, respectively.

Minimum contracted future lease payments under these operating leases are as follows:

| Year ending December 31, | |
|--------------------------|------------------|
| 2019 | \$ 13,995 |
| 2020 | 10,434 |
| 2021 | 10,434 |
| 2022 | 10,434 |
| 2023 | <u>10,434</u> |
| | <u>\$ 55,731</u> |

12. Simple IRA Plan

NSSAR has a Simple IRA Plan (the Plan) that allows for employees who received at least \$5,000 of compensation in the prior year to participate. Employer contributions to the Plan are at the discretion of NSSAR and are based on a percentage of the employees' gross salaries. Employer contributions to the Plan during the years ended December 31, 2018 and 2017 totaled \$23,330 and \$22,668, respectively.

13. Concentrations

As of December 31, 2018 and 2017, one donor represented approximately 16% and 11%, respectively, of net pledges receivable. During the years ended December 31, 2018 and 2017, the Organization received approximately 49% and 10%, respectively, of total contributions and bequests from one donor.

14. Commitments and Contingencies

National meetings are an essential part of NSSAR's operations. As such, NSSAR enters into contracts with various hotels when reserving facilities. These contracts typically require a cancellation fee which increases as the event draws near. As of December 31, 2018, NSSAR had entered into five such contracts for events scheduled to occur through 2022. The estimated cancellation fees range from approximately \$121,000 to \$156,000.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Notes to the Combined Financial Statements, continued

14. Commitments and Contingencies, continued

In February 2016 NSSAR entered into an agreement with King's College London (KCL) to establish the SAR Visiting Professorship at KCL. The original agreement called for three payments of \$38,600 to be made on or before March 1, 2016, 2017 and 2018 to KCL. NSSAR made the 2016 and 2017 payments. In July 2017 NSSAR amended the agreement with KCL to extend the original agreement through March 1, 2020. The amendment called for future payments to be made on March 1, 2018, 2019 and 2020, with each payment being split between \$22,000 going to the American host institution of the SAR Visiting Professor and 8,500 British Pounds going to KCL. NSSAR made the 2018 payment.

SUPPLEMENTARY INFORMATION

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Financial Position

December 31, 2018

| Assets | NSSAR | Foundation | Eliminations | Combined |
|---|----------------------|---------------------|---------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 598,454 | \$ 449,346 | \$ - | \$ 1,047,800 |
| Accounts receivable | 34,096 | - | - | 34,096 |
| Contributions receivable, net, current portion | 16,850 | 68,600 | - | 85,450 |
| Inventories | 210,055 | - | - | 210,055 |
| Prepaid expenses and other assets | 97,581 | 1,674 | - | 99,255 |
| Due from the Foundation | <u>260,913</u> | <u>-</u> | <u>(260,913)</u> | <u>-</u> |
| Total current assets | 1,217,949 | 519,620 | (260,913) | 1,476,656 |
| Property and equipment, net | 9,622,254 | 822 | - | 9,623,076 |
| Other assets: | | | | |
| Investments | 2,020,592 | 8,059,660 | - | 10,080,252 |
| Contributions receivable, net, less current portion | 28,866 | 69,359 | - | 98,225 |
| Collections | <u>2,445,974</u> | <u>-</u> | <u>-</u> | <u>2,445,974</u> |
| Total other assets | <u>4,495,432</u> | <u>8,129,019</u> | <u>-</u> | <u>12,624,451</u> |
| Total assets | <u>\$ 15,335,635</u> | <u>\$ 8,649,461</u> | <u>\$ (260,913)</u> | <u>\$ 23,724,183</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 58,802 | \$ 7,856 | \$ - | \$ 66,658 |
| Accrued expenses | 24,456 | 1,050 | - | 25,506 |
| Deferred revenues | 58,781 | - | - | 58,781 |
| Line of credit | 313,568 | - | - | 313,568 |
| Due to NSSAR | <u>-</u> | <u>260,913</u> | <u>(260,913)</u> | <u>-</u> |
| Total current liabilities | 455,607 | 269,819 | (260,913) | 464,513 |
| Net Assets: | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 903,234 | (137,576) | - | 765,658 |
| Invested in property and equipment and collections | 12,068,227 | 823 | - | 12,069,050 |
| Designated by the Board for endowment | - | 4,372,496 | - | 4,372,496 |
| Designated by the Board for programs | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Total net assets without donor restrictions | 12,971,461 | 4,285,743 | - | 17,257,204 |
| With donor restrictions: | | | | |
| Perpetual in nature | 1,246,721 | 79,726 | - | 1,326,447 |
| Purpose restrictions | <u>661,846</u> | <u>4,014,173</u> | <u>-</u> | <u>4,676,019</u> |
| Total net assets with donor restrictions | <u>1,908,567</u> | <u>4,093,899</u> | <u>-</u> | <u>6,002,466</u> |
| Total net assets | <u>14,880,028</u> | <u>8,379,642</u> | <u>-</u> | <u>23,259,670</u> |
| Total liabilities and net assets | <u>\$ 15,335,635</u> | <u>\$ 8,649,461</u> | <u>\$ (260,913)</u> | <u>\$ 23,724,183</u> |

See report of independent auditors.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Financial Position

December 31, 2017

| Assets | NSSAR | Foundation | Eliminations | Combined |
|---|----------------------|---------------------|--------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 849,487 | \$ 713,601 | \$ - | \$ 1,563,088 |
| Accounts receivable | 28,755 | 10,863 | - | 39,618 |
| Contributions receivable, net, current portion | 14,585 | 45,764 | - | 60,349 |
| Inventories | 218,851 | - | - | 218,851 |
| Prepaid expenses and other assets | 83,063 | - | - | 83,063 |
| Due from the Foundation | <u>96,344</u> | <u>-</u> | <u>(96,344)</u> | <u>-</u> |
| Total current assets | 1,291,085 | 770,228 | (96,344) | 1,964,969 |
| Property and equipment, net | 9,207,084 | 947 | - | 9,208,031 |
| Other assets: | | | | |
| Investments | 1,980,927 | 8,613,011 | - | 10,593,938 |
| Contributions receivable, net, less current portion | 27,898 | 84,725 | - | 112,623 |
| Collections | <u>2,422,856</u> | <u>-</u> | <u>-</u> | <u>2,422,856</u> |
| Total other assets | <u>4,431,681</u> | <u>8,697,736</u> | <u>-</u> | <u>13,129,417</u> |
| Total assets | <u>\$ 14,929,850</u> | <u>\$ 9,468,911</u> | <u>\$ (96,344)</u> | <u>\$ 24,302,417</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 59,114 | \$ 300,069 | \$ - | \$ 359,183 |
| Accrued expenses | 16,902 | 875 | - | 17,777 |
| Deferred revenues | 61,713 | - | - | 61,713 |
| Loan payable | 373,568 | - | - | 373,568 |
| Due to NSSAR | <u>-</u> | <u>96,344</u> | <u>(96,344)</u> | <u>-</u> |
| Total current liabilities | 511,297 | 397,288 | (96,344) | 812,241 |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 518,538 | (22,435) | - | 496,103 |
| Invested in property and equipment and collections | 11,629,940 | 947 | - | 11,630,887 |
| Designated by the Board for endowment | - | 4,749,728 | - | 4,749,728 |
| Designated by the Board for programs | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Total net assets without donor restrictions | 12,148,478 | 4,778,240 | - | 16,926,718 |
| With donor restrictions: | | | | |
| Perpetual in nature | 1,217,589 | 67,728 | - | 1,285,317 |
| Purpose restrictions | <u>1,052,486</u> | <u>4,225,655</u> | <u>-</u> | <u>5,278,141</u> |
| Total net assets with donor restrictions | <u>2,270,075</u> | <u>4,293,383</u> | <u>-</u> | <u>6,563,458</u> |
| Total net assets | <u>14,418,553</u> | <u>9,071,623</u> | <u>-</u> | <u>23,490,176</u> |
| Total liabilities and net assets | <u>\$ 14,929,850</u> | <u>\$ 9,468,911</u> | <u>\$ (96,344)</u> | <u>\$ 24,302,417</u> |

See report of independent auditors.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Activities

Year ended December 31, 2018

| | <u>NSSAR</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Combined</u> |
|--|----------------------|---------------------|---------------------|----------------------|
| Revenues, gains and other support: | | | | |
| Per-capita dues and reinstatements | \$ 1,134,275 | \$ - | \$ - | \$ 1,134,275 |
| Admission fees | 274,905 | - | - | 274,905 |
| Supplemental fees | 79,955 | - | - | 79,955 |
| Net merchandise operations | 120,617 | - | - | 120,617 |
| Contributions and bequests | 787,577 | 343,940 | - | 1,131,517 |
| Other income | 12,718 | - | - | 12,718 |
| Meeting (expense) income, net | (3,520) | - | - | (3,520) |
| Net investment return | <u>(78,940)</u> | <u>(534,581)</u> | <u>-</u> | <u>(613,521)</u> |
| Total revenues, gains and other support | 2,327,587 | (190,641) | - | 2,136,946 |
| Expenses and losses: | | | | |
| Program services expenses: | | | | |
| Patriotic | 294,902 | - | - | 294,902 |
| Genealogy | 838,100 | - | - | 838,100 |
| Education | <u>478,616</u> | <u>-</u> | <u>-</u> | <u>478,616</u> |
| Total program services expenses | 1,611,618 | - | - | 1,611,618 |
| Supporting service expenses: | | | | |
| Management and general | 579,397 | - | - | 579,397 |
| Fundraising | <u>21,548</u> | <u>149,750</u> | <u>-</u> | <u>171,298</u> |
| Total supporting services expenses | 600,945 | 149,750 | - | 750,695 |
| Collection deaccessions and impairments | 4,350 | - | - | 4,350 |
| Loss on disposal of property and equipment | <u>789</u> | <u>-</u> | <u>-</u> | <u>789</u> |
| Total expenses and losses | 2,217,702 | 149,750 | - | 2,367,452 |
| Transfers from the Foundation, net | <u>351,590</u> | <u>(351,590)</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 461,475 | (691,981) | - | (230,506) |
| Net assets, beginning of year | <u>14,418,553</u> | <u>9,071,623</u> | <u>-</u> | <u>23,490,176</u> |
| Net assets, end of year | <u>\$ 14,880,028</u> | <u>\$ 8,379,642</u> | <u>\$ -</u> | <u>\$ 23,259,670</u> |

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THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Activities

Year ended December 31, 2017

| | <u>NSSAR</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Combined</u> |
|---|----------------------|---------------------|---------------------|----------------------|
| Revenues, gains and other support: | | | | |
| Per-capita dues and reinstatements | \$ 1,103,276 | \$ - | \$ - | \$ 1,103,276 |
| Admission fees | 282,000 | - | - | 282,000 |
| Supplemental fees | 69,970 | - | - | 69,970 |
| Net merchandise operations | 103,689 | - | - | 103,689 |
| Contributions and bequests | 233,634 | 697,828 | - | 931,462 |
| Other income | 11,575 | - | - | 11,575 |
| Meeting income, net | 33,689 | - | - | 33,689 |
| Net investment return | <u>209,887</u> | <u>1,106,834</u> | <u>-</u> | <u>1,316,721</u> |
| Total revenues, gains and other support | 2,047,720 | 1,804,662 | - | 3,852,382 |
| Expenses and losses: | | | | |
| Program services expenses: | | | | |
| Patriotic | 251,297 | - | - | 251,297 |
| Genealogy | 663,556 | - | - | 663,556 |
| Education | <u>403,221</u> | <u>-</u> | <u>-</u> | <u>403,221</u> |
| Total program services expenses | 1,318,074 | - | - | 1,318,074 |
| Supporting service expenses: | | | | |
| Management and general | 625,973 | 3,523 | - | 629,496 |
| Fundraising | <u>-</u> | <u>140,502</u> | <u>-</u> | <u>140,502</u> |
| Total supporting services expenses | 625,973 | 144,025 | - | 769,998 |
| Collection deaccessions and impairments | <u>302,856</u> | <u>-</u> | <u>-</u> | <u>302,856</u> |
| Total expenses and losses | 2,246,903 | 144,025 | - | 2,390,928 |
| Transfers from the Foundation, net | <u>460,121</u> | <u>(460,121)</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 260,938 | 1,200,516 | - | 1,461,454 |
| Net assets, beginning of year | <u>14,157,615</u> | <u>7,871,107</u> | <u>-</u> | <u>22,028,722</u> |
| Net assets, end of year | \$ <u>14,418,553</u> | \$ <u>9,071,623</u> | \$ <u>-</u> | \$ <u>23,490,176</u> |

See report of independent auditors.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Functional Expenses

Year ended December 31, 2018

| | <u>NSSAR</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Combined</u> |
|--|---------------------|-------------------|---------------------|---------------------|
| Salaries, benefits and payroll taxes | \$ 1,128,136 | \$ 58,472 | \$ - | \$ 1,186,608 |
| Special purpose expenses | 181,280 | - | - | 181,280 |
| Magazine | 222,477 | - | - | 222,477 |
| Library | 16,783 | - | - | 16,783 |
| Occupancy and maintenance | 103,705 | 562 | - | 104,267 |
| Supplies, printing and postage | 30,576 | 43,732 | - | 74,308 |
| President General discretionary fund | 32,527 | - | - | 32,527 |
| Professional fees | 30,519 | 5,031 | - | 35,550 |
| Merchandise cost of goods sold | 449,734 | - | - | 449,734 |
| Meeting expense | 289,663 | - | - | 289,663 |
| Information technology | 48,810 | 13,885 | - | 62,695 |
| Insurance | 35,621 | - | - | 35,621 |
| Training and travel | 7,265 | 3,284 | - | 10,549 |
| Advertising and promotion | 2,670 | 18,237 | - | 20,907 |
| Awards | 6,107 | - | - | 6,107 |
| Interest | 10,134 | - | - | 10,134 |
| Depreciation | 374,411 | 125 | - | 374,536 |
| Miscellaneous | <u>6,514</u> | <u>6,422</u> | <u>-</u> | <u>12,936</u> |
| Total functional expenses | 2,976,932 | 149,750 | - | 3,126,682 |
| Less expenses included with revenues and revenues included with expenses on the combined statement of activities | | | | |
| Magazine income | (23,297) | - | - | (23,297) |
| Library income | (1,675) | - | - | (1,675) |
| Merchandise cost of goods sold | (449,734) | - | - | (449,734) |
| Meeting expense | <u>(289,663)</u> | <u>-</u> | <u>-</u> | <u>(289,663)</u> |
| Total expenses included in the expense section on the combined statement of activities | <u>\$ 2,212,563</u> | <u>\$ 149,750</u> | <u>\$ -</u> | <u>\$ 2,362,313</u> |

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THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedule of Combining Statements of Functional Expenses

Year ended December 31, 2017

| | <u>NSSAR</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Combined</u> |
|--|---------------------|-------------------|---------------------|---------------------|
| Salaries, benefits and payroll taxes | \$ 947,707 | \$ 61,530 | \$ - | \$ 1,009,237 |
| Special purpose expenses | 148,314 | - | - | 148,314 |
| Magazine | 210,656 | - | - | 210,656 |
| Library | 14,821 | - | - | 14,821 |
| Occupancy and maintenance | 98,077 | 562 | - | 98,639 |
| Supplies, printing and postage | 26,713 | 37,674 | - | 64,387 |
| President General discretionary fund | 40,676 | - | - | 40,676 |
| Professional fees | 88,912 | 5,031 | - | 93,943 |
| Merchandise cost of goods sold | 427,846 | - | - | 427,846 |
| Meeting expense | 271,567 | - | - | 271,567 |
| Information technology | 23,998 | 10,886 | - | 34,884 |
| Insurance | 32,358 | - | - | 32,358 |
| Training and travel | 2,523 | 3,285 | - | 5,808 |
| Advertising and promotion | 993 | 14,702 | - | 15,695 |
| Awards | 4,685 | - | - | 4,685 |
| Bad debt expense | - | 3,809 | - | 3,809 |
| Interest | 14,989 | - | - | 14,989 |
| Depreciation | 317,234 | 413 | - | 317,647 |
| Miscellaneous | <u>3,258</u> | <u>6,133</u> | <u>-</u> | <u>9,391</u> |
| Total functional expenses | 2,675,327 | 144,025 | - | 2,819,352 |
| Less expenses included with revenues and revenues included with expenses on the combined statement of activities | | | | |
| Magazine income | (29,845) | - | - | (29,845) |
| Library income | (2,022) | - | - | (2,022) |
| Merchandise cost of goods sold | (427,846) | - | - | (427,846) |
| Meeting expense | <u>(271,567)</u> | <u>-</u> | <u>-</u> | <u>(271,567)</u> |
| Total expenses included in the expense section on the combined statement of activities | <u>\$ 1,944,047</u> | <u>\$ 144,025</u> | <u>\$ -</u> | <u>\$ 2,088,072</u> |

See report of independent auditors.

THE NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED FOUNDATION

Schedules of NSSAR Departmental Operations

Years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| Merchandise operations: | | |
| Sales | \$ 570,351 | \$ 531,535 |
| Cost of sales: | | |
| Beginning inventory | 218,851 | 231,165 |
| Purchases | 210,517 | 201,600 |
| Payroll and employee benefits | 148,559 | 142,399 |
| Other costs | <u>81,862</u> | <u>71,533</u> |
| | 659,789 | 646,697 |
| Less: ending inventory | <u>(210,055)</u> | <u>(218,851)</u> |
| Total cost of sales | <u>449,734</u> | <u>427,846</u> |
| Net merchandise operations revenue | \$ <u><u>120,617</u></u> | \$ <u><u>103,689</u></u> |
| Magazine operations: | | |
| Magazine publication and distribution costs | \$ 222,477 | \$ 210,656 |
| Less: Magazine advertising income | (22,784) | (29,472) |
| Less: Non-member subscription income | <u>(513)</u> | <u>(373)</u> |
| Net magazine operations expense | \$ <u><u>199,180</u></u> | \$ <u><u>180,811</u></u> |
| Library operations: | | |
| Payroll and employee benefits | \$ 194,053 | \$ 168,607 |
| Other expenses | 16,783 | 15,110 |
| Less: Copying fees | (414) | (818) |
| Less: User fees | <u>(1,261)</u> | <u>(1,205)</u> |
| Net library operations expense | \$ <u><u>209,161</u></u> | \$ <u><u>181,694</u></u> |

See report of independent auditors.