

**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, 2017 and 2016
with Report of Independent Auditors*

CONTENTS

	<u>Pages</u>
Report of Independent Auditors.....	1 - 2
Combined Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to the Combined Financial Statements.....	6 - 22
Supplementary Information:	
Schedule of Combining Statements of Financial Position.....	23 - 24
Schedule of Combining Statements of Activities.....	25 - 26
Schedules of NSSAR Departmental Operations.....	27
Schedules of Foundation Fundraising Expense.....	28
Budget to Actual Schedules - NSSAR General Operating Fund.....	29 - 30

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 statement of financial position as of December 31, 2017, the related combined statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Trustees and Executive Board
The National Society of the Sons of the American Revolution and Related Foundation
Report of Independent Auditors, continued

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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended December 31, 2017, 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 as of and for the year ended December 31, 2017, has been subjected to the auditing procedures applied in the audit 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 as of and for the year ended December 31, 2017, is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information as of and for the year ended December 31, 2016, was audited by other auditors whose report dated May 3, 2017, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

Other Matter

The financial statements of the Organization, as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated May 3, 2017, expressed an unmodified opinion on those statements.

March 2, 2018
Louisville, Kentucky

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

Combined Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,563,088	\$ 974,405
Accounts receivable	39,618	22,667
Contributions receivable, net, current portion	60,349	117,991
Inventories	218,851	231,165
Prepaid expenses and other current assets	<u>83,063</u>	<u>109,702</u>
Total current assets	1,964,969	1,455,930
Property and equipment, net	9,208,031	9,474,302
Other assets:		
Investments	10,593,938	9,155,771
Contributions receivable, net, less current portion	112,623	103,239
Collections	<u>2,422,856</u>	<u>2,716,155</u>
Total other assets	<u>13,129,417</u>	<u>11,975,165</u>
Total assets	<u>\$ 24,302,417</u>	<u>\$ 22,905,397</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 359,183	\$ 109,429
Accrued expenses	17,777	29,567
Deferred revenues	61,713	46,946
Line of credit	<u>373,568</u>	<u>690,733</u>
Total current liabilities	812,241	876,675
Net assets:		
Unrestricted:		
Undesignated	496,103	27,438
Invested in property and equipment and collections	11,630,887	12,190,457
Board designated endowment	4,749,728	4,476,308
Board designated - program	<u>50,000</u>	<u>50,000</u>
Total unrestricted net assets	16,926,718	16,744,203
Temporarily restricted	5,331,218	4,112,443
Permanently restricted	<u>1,232,240</u>	<u>1,172,076</u>
Total net assets	<u>23,490,176</u>	<u>22,028,722</u>
Total liabilities and net assets	<u>\$ 24,302,417</u>	<u>\$ 22,905,397</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, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Per-capita dues and reinstatements	\$ 1,103,276	\$ -	\$ -	\$ 1,103,276	\$ 1,098,830	\$ -	\$ -	\$ 1,098,830
Admission fees	282,000	-	-	282,000	251,458	-	-	251,458
Supplemental fees	69,970	-	-	69,970	76,655	-	-	76,655
Net merchandise operations	103,689	-	-	103,689	95,267	-	-	95,267
Contributions and bequests	48,688	822,610	60,164	931,462	133,641	563,929	23,549	721,119
Meeting income (expense), net	33,689	-	-	33,689	(51,710)	-	-	(51,710)
Other income	11,575	-	-	11,575	12,662	-	-	12,662
Investment income, net	377,002	939,719	-	1,316,721	250,405	210,522	-	460,927
Net assets released from restrictions:								
Donor redesignation	-	-	-	-	3,000	-	(3,000)	-
Satisfaction of program restrictions	192,734	(192,734)	-	-	286,557	(286,557)	-	-
Satisfaction of capital improvement restrictions	347,011	(347,011)	-	-	462,097	(462,097)	-	-
Total revenues, gains and other support	<u>2,569,634</u>	<u>1,222,584</u>	<u>60,164</u>	<u>3,852,382</u>	<u>2,618,862</u>	<u>25,797</u>	<u>20,549</u>	<u>2,665,208</u>
Expenses and losses:								
Magazine, net	180,811	-	-	180,811	176,003	-	-	176,003
Library, net	181,694	-	-	181,694	176,774	-	-	176,774
Education	153,489	-	-	153,489	196,214	-	-	196,214
Programs	818,461	-	-	818,461	739,258	-	-	739,258
Awards	4,685	-	-	4,685	4,375	-	-	4,375
General and administrative	212,518	-	-	212,518	180,584	-	-	180,584
Occupancy and maintenance	19,491	-	-	19,491	18,581	-	-	18,581
President General discretionary fund	40,676	-	-	40,676	36,673	-	-	36,673
Fundraising	140,216	-	-	140,216	117,720	-	-	117,720
Bad debt expense	-	3,809	-	3,809	-	24,693	-	24,693
Collection deaccessions and impairments	302,856	-	-	302,856	107,751	-	-	107,751
Loss on disposal of property and equipment	-	-	-	-	751	-	-	751
Interest	14,989	-	-	14,989	20,697	-	-	20,697
Depreciation	317,233	-	-	317,233	256,007	-	-	256,007
Total expenses and losses	<u>2,387,119</u>	<u>3,809</u>	<u>-</u>	<u>2,390,928</u>	<u>2,031,388</u>	<u>24,693</u>	<u>-</u>	<u>2,056,081</u>
Change in net assets	182,515	1,218,775	60,164	1,461,454	587,474	1,104	20,549	609,127
Net assets, beginning of year	<u>16,744,203</u>	<u>4,112,443</u>	<u>1,172,076</u>	<u>22,028,722</u>	<u>16,156,729</u>	<u>4,111,339</u>	<u>1,151,527</u>	<u>21,419,595</u>
Net assets, end of year	<u>\$ 16,926,718</u>	<u>\$ 5,331,218</u>	<u>\$ 1,232,240</u>	<u>\$ 23,490,176</u>	<u>\$ 16,744,203</u>	<u>\$ 4,112,443</u>	<u>\$ 1,172,076</u>	<u>\$ 22,028,722</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,461,454	\$ 609,127
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	317,647	256,474
Provision for uncollectible contributions	3,809	24,693
Realized and unrealized gain on investments	(1,042,845)	(237,021)
Contributions restricted for long-term purposes	(666,457)	(418,124)
Collection contributions returned	-	1,860
Non-cash additions to collections	(9,557)	(13,994)
Collections deaccessions and impairments	302,856	107,751
Loss on disposals of property and equipment	-	751
Increase (decrease) in cash due to changes in:		
Accounts receivable	(16,951)	(1,606)
Contributions receivable	(2,080)	(77,303)
Inventories	12,314	(23,686)
Prepaid expenses and other current assets	26,639	(23,138)
Accounts payable	249,754	40,754
Accrued expenses	(11,790)	13,875
Deferred revenues	<u>14,767</u>	<u>(859)</u>
Net cash provided by operating activities	639,560	259,554
Cash flows from investing activities:		
Purchase of property and equipment	(51,376)	(383,580)
Proceeds from sale of investments	1,222,606	8,730,371
Purchases of investments	<u>(1,617,928)</u>	<u>(8,777,885)</u>
Net cash used in investing activities	(446,698)	(431,094)
Cash flows from financing activities:		
Payments on line of credit, net	(317,165)	(547,982)
Proceeds from contributions restricted for long-term purposes	<u>712,986</u>	<u>505,479</u>
Net cash provided by (used in) financing activities	<u>395,821</u>	<u>(42,503)</u>
Net increase (decrease) in cash	588,683	(214,043)
Cash, beginning of year	<u>974,405</u>	<u>1,188,448</u>
Cash, end of year	<u>\$ 1,563,088</u>	<u>\$ 974,405</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 14,989	\$ 20,697
Non-cash operating and investing activities:		
Purchases of property and equipment included in accounts payable	\$ -	\$ 9,640

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.

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

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:

Unrestricted Net Assets 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.

**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

Board Designated - Endowment: These net assets represent unrestricted funds 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 - Program: These net assets represent unrestricted bequests funds designated by the Board of Trustees for use by the Eagle Scout fund only.

Temporarily Restricted Net Assets include net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support.

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.

**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.

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.

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.

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.

**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

Investments, continued

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.

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. Items individually valued at \$5,000 or more are required to have an independent appraisal. Donations of collection items are reported as contributions on the accompanying combined statements of activities and changes in net assets. Depreciation is not provided on the library and museum collections.

Impairments

The Organization periodically reviews the undepreciated values assigned to long-lived assets to determine if any impairments are indicated. During the year ended December 31, 2017, the Organization had appraisals performed on various collection items in conjunction with updating its insurance coverage that resulted in a reduction of fair value of \$300,000 related to a collectible. No impairments were noted as of December 31, 2016.

Membership Dues and Deferred Revenues

Membership dues are collected and revenues are recorded for a calendar year period. Deferred revenues as of December 31, 2017 and 2016 consist primarily of membership dues collected in advance of the upcoming calendar year.

Functional Allocation of Expenses

Certain costs have been allocated between program service, general and administrative and fundraising expenses.

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.

**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

Reclassifications

Certain amounts in the 2016 combined financial statements have been reclassified to conform to the 2017 presentation with no impact on total assets, liabilities, net assets or changes in net assets.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through March 2, 2018, the date that the combined financial statements were available to be issued.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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*. The standard requires 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 calendar 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

New Accounting Pronouncements, continued

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance included 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. This standard is effective for 2018 for the Organization.

3. Contributions Receivable

Contributions receivable as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
George Washington Fund	\$ 43,584	\$ 36,850
Center for Advancing America's Heritage	82,223	159,866
Other special purpose	<u>58,115</u>	<u>69,685</u>
	183,922	266,401
Less: Allowance	(3,809)	(40,840)
Less: Discounts to present value	<u>(7,141)</u>	<u>(4,331)</u>
	<u>\$ 172,972</u>	<u>\$ 221,230</u>

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

Notes to the Combined Financial Statements, continued

3. Contributions Receivable, continued

As of December 31, 2017 and 2016, contributions receivable are estimated to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 60,349	\$ 117,991
One year to five years	116,601	141,894
More than five years	<u>6,972</u>	<u>6,516</u>
	<u>\$ 183,922</u>	<u>\$ 266,401</u>

Contributions due after one year have been discounted to present value reflecting the time value of money using discount rates ranging between 1.96% and 2.20%

4. 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, 2017 are summarized as follows:

December 31, 2017	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</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 NATIONAL SOCIETY OF THE SONS OF THE AMERICAN REVOLUTION AND RELATED
FOUNDATION**

Notes to the Combined Financial Statements, continued

4. Investments, continued

Fair Value Measurement, continued

The fair values of financial instruments as of December 31, 2016 are summarized as follows:

December 31, 2016	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 306,142	\$ 306,142	\$ -	\$ -
U.S. government and agency securities	1,227,820	-	1,227,820	-
Corporate bonds and notes	1,144,193	-	1,144,193	-
Common stock	1,992,910	1,992,910	-	-
Mutual funds	<u>4,484,706</u>	<u>4,484,706</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,155,771</u>	<u>\$ 6,783,758</u>	<u>\$ 2,372,013</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, 2017 and 2016.

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 above 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

4. Investments, continued

Fair Value Measurement, continued

Investment return for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 315,908	\$ 268,022
Investment fees	(42,032)	(44,116)
Realized gains	123,531	42,756
Unrealized gains	<u>919,314</u>	<u>194,265</u>
	<u>\$ 1,316,721</u>	<u>\$ 460,927</u>

5. Property and Equipment

Property and equipment consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 819,480	\$ 819,480
Buildings and improvements	8,305,216	8,295,320
Furniture and equipment	766,689	588,109
Construction in progress	<u>779,561</u>	<u>916,661</u>
	<u>10,670,946</u>	<u>10,619,570</u>
Less accumulated depreciation	<u>(1,462,915)</u>	<u>(1,145,268)</u>
Property and equipment, net	<u>\$ 9,208,031</u>	<u>\$ 9,474,302</u>

Construction in progress as of December 31, 2017 and 2016 consists of initial costs incurred to design museum space at the Organization's headquarters at 809 West Main Street and costs incurred towards specialized computer systems and software that has yet to be implemented.

Depreciation expense during the years ended December 31, 2017 and 2016 was \$317,233 and \$256,007, respectively.

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

Notes to the Combined Financial Statements, continued

6. 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Library:		
Consists of family genealogies; American Revolution era county, state and local histories; miscellaneous biographies; bound volumes of periodicals; and other collectibles	\$ 1,393,350	\$ 1,387,392
Museum:		
Consists principally of American Revolution era paintings, sculptures, donated furnishing, antiques and artifacts	<u>1,029,506</u>	<u>1,328,763</u>
	<u>\$ 2,422,856</u>	<u>\$ 2,716,155</u>

NSSAR received non-cash contributions of library and museum collections totaling \$9,557 and \$13,994 during the years ended December 31, 2017 and 2016, respectively. Collections totaling \$2,856 and \$109,611 were deaccessed during the years ended December 31, 2017 and 2016, respectively.

7. 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 3.125% and 2.125% as of December 31, 2017 and 2016, 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 August 2018. The Foundation's investments are pledged as collateral. The amount outstanding under the bank line of credit was \$373,568 and \$690,733 as of December 31, 2017 and 2016.

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

Notes to the Combined Financial Statements, continued

8. Restricted Net Assets

As of December 31, 2017 temporarily and permanently restricted net assets consist of the following:

Funds	NSSAR		Foundation	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
250th Anniversary	\$ 3,875	\$ -	\$ -	\$ -
Adams Memorial Middle School brochure contest	3,071	-	7,484	12,500
Americanism committee	1,483	-	25,578	-
Ancestry.com grant	-	-	12,854	-
Building and Outreach Education Endowment	-	-	-	1,200
Bond photography award	725	-	31,021	-
C.A.R.	560	-	35,142	-
Center for Advancing America's Heritage	-	-	739,745	-
Color guard	641	-	-	-
Council of Youth Awards	56,703	-	-	-
Eagle scouts	11,366	-	568,834	-
Genealogical	-	-	82,876	-
GRS	-	-	18,557	-
George Washington	862,508	1,164,514	-	-
Horne award	6,258	-	-	-
JROTC	6,269	-	132,556	-
Kendall	1,489	-	4,998	-
Kings College	36,614	-	-	-
Knight essay contest	8,966	-	79,052	-
Lawrence American history teacher	2,233	-	5,089	-
Library	49,102	-	240,649	-
Library endowment	-	-	2	-
Life membership	-	-	915,102	-
McCarty award	2,617	-	13,256	-
Meek award	11,088	-	-	-
Membership development	3,989	-	-	-
Memorial bricks	-	-	24,500	-
Merchant marine academy award	68	-	11,737	-
Military academy award	15	-	-	-
Millett library fund	-	-	178,474	-
Museum	20,426	-	93,878	-
Museum gallery Solid Light	-	-	452,210	-
Newsletters award	2,056	-	51,397	-
Patriot index	1,607	-	12,021	-
Roger Ruth endowment	-	-	11,955	54,026
Rumbaugh orations contest	4,002	-	443,994	-
SAR magazine	4,671	-	9,969	-
State society annual report award	674	-	22,727	-
U.S. stamp	2,485	-	-	-
Total restricted net assets	<u>\$ 1,105,561</u>	<u>\$ 1,164,514</u>	<u>\$ 4,225,657</u>	<u>\$ 67,726</u>

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

Notes to the Combined Financial Statements, continued

8. Restricted Net Assets, continued

As of December 31, 2016 temporarily and permanently restricted net assets consist of the following:

Funds	NSSAR		Foundation	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Adams Memorial Middle School brochure contest	\$ -	\$ -	\$ 4,083	\$ 12,500
Americanism committee	945	-	18,768	-
Ancestry.com grant	-	-	11,155	-
Building and Outreach Education Endowment	-	-	-	1,200
Bond photography award	975	-	26,923	-
C.A.R.	543	-	30,931	-
Center for Advancing America's Heritage	-	-	501,200	-
Color guard	641	-	-	-
Council of Youth Awards	17,350	-	-	-
Eagle scouts	10,964	-	505,468	-
Genealogical	-	-	71,901	-
GRS	-	-	13,194	-
George Washington	676,077	1,104,350	-	-
Horne award	5,680	-	-	-
JROTC	2,293	-	120,580	-
Kendall	1,488	-	4,338	-
Kings College	9,366	-	56,972	-
Knight essay contest	6,825	-	158,412	-
Lawrence American history teacher	232	-	4,417	-
Library	31,114	-	215,329	-
Library endowment	-	-	2	-
Life membership	3	-	808,678	-
McCarty award	2,966	-	11,505	-
Meek award	9,897	-	-	-
Membership development	3,987	-	-	-
Memorial bricks	-	-	24,500	-
Merchant marine academy award	368	-	9,589	-
Military academy award	15	-	-	-
Millett library fund	-	-	154,268	-
Museum	18,401	-	80,220	-
Museum gallery Solid Light	-	-	27,495	-
Newsletters award	2,055	-	45,771	-
Patriot index	1,960	-	10,432	-
Roger Ruth endowment	-	-	3,238	54,026
Rumbaugh orations contest	2,322	-	350,402	-
SAR magazine	4,669	-	8,652	-
State society annual report award	674	-	19,725	-
U.S. stamp	2,485	-	-	-
Total restricted net assets	\$ 814,295	\$ 1,104,350	\$ 3,298,148	\$ 67,726

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

Notes to the Combined Financial Statements, continued

8. Restricted Net Assets, continued

Permanently restricted net assets consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment investments	\$ 1,189,757	\$ 1,135,843
Pledges receivable	<u>42,483</u>	<u>36,233</u>
	<u>\$ 1,232,240</u>	<u>\$ 1,172,076</u>

Temporarily restricted net assets consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment investments	\$ 887,063	\$ 669,879
Investments	3,550,165	2,708,879
Cash accounts	763,501	184,996
Pledges receivable	<u>130,489</u>	<u>548,689</u>
	<u>\$ 5,331,218</u>	<u>\$ 4,112,443</u>

9. Endowment Funds

The Organization's endowment fund includes both donor-restricted endowment funds and funds designated by the Board of Trustee 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 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 permanently restricted net assets 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 in permanently restricted net assets is classified as temporarily restricted until appropriated for expenditure by the Organization.

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

Notes to the Combined Financial Statements, continued

9. Endowment Funds, continued

As of December 31, 2017 endowment investments consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board designated	\$ 4,749,728	\$ -	\$ -	\$ 4,749,728
Donor restricted	<u>-</u>	<u>887,063</u>	<u>1,189,757</u>	<u>2,076,820</u>
Total endowment funds	<u>\$ 4,749,728</u>	<u>\$ 887,063</u>	<u>\$ 1,189,757</u>	<u>\$ 6,826,548</u>

As of December 31, 2016 endowment investments consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board designated	\$ 4,476,308	\$ -	\$ -	\$ 4,476,308
Donor restricted	<u>-</u>	<u>669,879</u>	<u>1,135,843</u>	<u>1,805,722</u>
Total endowment funds	<u>\$ 4,476,308</u>	<u>\$ 669,879</u>	<u>\$ 1,135,843</u>	<u>\$ 6,282,030</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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 4,398,462	\$ 630,741	\$ 1,109,530	\$ 6,138,733
Investment return:				
Investment income	117,059	37,152	-	154,211
Net appreciation	<u>133,050</u>	<u>23,940</u>	<u>-</u>	<u>156,990</u>
Total investment return	250,109	61,092	-	311,201
Contributions	-	-	29,313	29,313
Contributions redesignated	-	-	(3,000)	(3,000)
Appropriation for expenditures	(177,000)	(21,954)	-	(198,954)
Transfer to board designated endowment funds	<u>4,737</u>	<u>-</u>	<u>-</u>	<u>4,737</u>
Endowment net assets, December 31, 2016	4,476,308	669,879	1,135,843	6,282,030
Investment return:				
Investment income	142,351	40,011	-	182,362
Net appreciation	<u>459,032</u>	<u>205,915</u>	<u>-</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>-</u>	<u>(376,405)</u>
Endowment net assets, December 31, 2017	\$ <u>4,749,728</u>	\$ <u>887,063</u>	\$ <u>1,189,757</u>	\$ <u>6,826,548</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.

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

Notes to the Combined Financial Statements, continued

9. Endowment Funds, continued

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.

10. Functional Expense Classification

The Organization's expenses by functional classification for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program service	\$ 1,999,905	\$ 1,693,055
Management and general	246,998	219,862
Fundraising	140,216	117,720
Bad debt expense	3,809	24,693
Loss on disposal of property and equipment	<u>-</u>	<u>751</u>
	<u>\$ 2,390,928</u>	<u>\$ 2,056,081</u>

11. Operating Leases

NSSAR currently leases certain office equipment under four separate operating leases. As of December 31, 2017 the operating leases have combined base rental payments of \$1,601 per month. The leases expire in various terms through May 2022. Rental expense related to these operating leases for the years ended December 31, 2017 and 2016 totaled \$19,212 and \$16,098, respectively.

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

Notes to the Combined Financial Statements, continued

11. Operating Leases, continued

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

Year ending December 31,	
2018	\$ 13,266
2019	10,747
2020	10,747
2021	7,819
2022	<u>6,843</u>
	<u>\$ 49,422</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, 2017 and 2016 totaled \$22,668 and \$23,509, respectively.

13. Concentrations

As of December 31, 2017 and 2016, one donor represented approximately 11% and 13%, respectively, of net pledges receivable. During the years ended December 31, 2017 and 2016, the Organization received approximately 10% and 14%, 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, 2017 NSSAR had entered into five such contracts for events scheduled to occur through 2022. The estimated cancellation fees range from approximately \$101,000 to \$166,000.

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 calls 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.

SUPPLEMENTARY INFORMATION

**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	96,344	-	(96,344)	-
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	2,422,856	-	-	2,422,856
Total other assets	4,431,681	8,697,736	-	13,129,417
Total assets	\$ 14,929,850	\$ 9,468,911	\$ (96,344)	\$ 24,302,417
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
Line of credit	373,568	-	-	373,568
Due to NSSAR	-	96,344	(96,344)	-
Total current liabilities	511,297	397,288	(96,344)	812,241
Net Assets:				
Unrestricted:				
Undesignated	518,538	(22,435)	-	496,103
Invested in property and equipment and collections	11,629,940	947	-	11,630,887
Board designated - endowment	-	4,749,728	-	4,749,728
Board designated - program	-	50,000	-	50,000
Total unrestricted net assets	12,148,478	4,778,240	-	16,926,718
Temporarily restricted	1,105,561	4,225,657	-	5,331,218
Permanently restricted	1,164,514	67,726	-	1,232,240
Total net assets	14,418,553	9,071,623	-	23,490,176
Total liabilities and net assets	\$ 14,929,850	\$ 9,468,911	\$ (96,344)	\$ 24,302,417

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, 2016

Assets	<u>NSSAR</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Current assets:				
Cash and cash equivalents	\$ 571,401	\$ 403,004	\$ -	\$ 974,405
Accounts receivable	22,667	-	-	22,667
Contributions receivable, net, current portion	14,416	103,575	-	117,991
Inventories	231,165	-	-	231,165
Prepaid expenses and other assets	109,702	-	-	109,702
Due from the Foundation	<u>109,420</u>	<u>-</u>	<u>(109,420)</u>	<u>-</u>
Total current assets	1,058,771	506,579	(109,420)	1,455,930
Property and equipment, net	9,472,941	1,361	-	9,474,302
Other assets:				
Investments	1,747,347	7,408,424	-	9,155,771
Contributions receivable, net, less current portion	21,818	81,421	-	103,239
Collections	<u>2,716,155</u>	<u>-</u>	<u>-</u>	<u>2,716,155</u>
Total other assets	<u>4,485,320</u>	<u>7,489,845</u>	<u>-</u>	<u>11,975,165</u>
Total assets	<u>\$ 15,017,032</u>	<u>\$ 7,997,785</u>	<u>\$ (109,420)</u>	<u>\$ 22,905,397</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 92,171	\$ 17,258	\$ -	\$ 109,429
Accrued expenses	29,567	-	-	29,567
Deferred revenues	46,946	-	-	46,946
Loan payable	690,733	-	-	690,733
Due to NSSAR	<u>-</u>	<u>109,420</u>	<u>(109,420)</u>	<u>-</u>
Total current liabilities	859,417	126,678	(109,420)	876,675
Net assets:				
Unrestricted:				
Undesignated	49,874	(22,436)	-	27,438
Invested in property and equipment and collections	12,189,096	1,361	-	12,190,457
Board designated - endowment	-	4,476,308	-	4,476,308
Board designated - program	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total unrestricted net assets	12,238,970	4,505,233	-	16,744,203
Temporarily restricted	814,295	3,298,148	-	4,112,443
Permanently restricted	<u>1,104,350</u>	<u>67,726</u>	<u>-</u>	<u>1,172,076</u>
Total net assets	<u>14,157,615</u>	<u>7,871,107</u>	<u>-</u>	<u>22,028,722</u>
Total liabilities and net assets	<u>\$ 15,017,032</u>	<u>\$ 7,997,785</u>	<u>\$ (109,420)</u>	<u>\$ 22,905,397</u>

See report of independent auditors.

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

Combining Statements of Activities

Year ended December 31, 2017

	NSSAR	Foundation	Eliminations	Combined
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:				
Magazine, net	180,811	-	-	180,811
Library, net	181,694	-	-	181,694
Education	153,489	-	-	153,489
Programs	818,461	-	-	818,461
Awards	4,685	-	-	4,685
General and administrative	212,518	-	-	212,518
Occupancy and maintenance	19,491	-	-	19,491
President General discretionary fund	40,676	-	-	40,676
Fundraising	-	140,216	-	140,216
Bad debt expense	-	3,809	-	3,809
Collection deaccessions and impairments	302,856	-	-	302,856
Interest	14,989	-	-	14,989
Depreciation	<u>317,233</u>	<u>-</u>	<u>-</u>	<u>317,233</u>
Total expenses	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**

Combining Statements of Activities

Year ended December 31, 2016

	NSSAR	Foundation	Eliminations	Combined
Revenues, gains and other support:				
Per-capita dues and reinstatements	\$ 1,098,830	\$ -	\$ -	\$ 1,098,830
Admission fees	251,458	-	-	251,458
Supplemental fees	76,655	-	-	76,655
Net merchandise operations	95,267	-	-	95,267
Contributions and bequests	189,757	531,362	-	721,119
Other income	12,662	-	-	12,662
Meeting expense, net	(51,710)	-	-	(51,710)
Net investment return	<u>57,743</u>	<u>403,184</u>	<u>-</u>	<u>460,927</u>
Total revenues, gains and other support	1,730,662	934,546	-	2,665,208
Expenses:				
Magazine, net	176,003	-	-	176,003
Library, net	176,774	-	-	176,774
Education	196,214	-	-	196,214
Programs	739,258	-	-	739,258
Awards	4,375	-	-	4,375
General and administrative	180,584	-	-	180,584
Occupancy and maintenance	18,581	-	-	18,581
President General discretionary fund	36,673	-	-	36,673
Fundraising	-	117,720	-	117,720
Bad debt expense	-	24,693	-	24,693
Collection deaccessions and impairments	107,751	-	-	107,751
Loss on disposal of property and equipment	751	-	-	751
Interest	20,697	-	-	20,697
Depreciation	<u>256,007</u>	<u>-</u>	<u>-</u>	<u>256,007</u>
Total expenses	1,913,668	142,413	-	2,056,081
Transfers from the Foundation, net	<u>801,930</u>	<u>(801,930)</u>	<u>-</u>	<u>-</u>
Change in net assets	618,924	(9,797)	-	609,127
Net assets, beginning of year	<u>13,538,691</u>	<u>7,880,904</u>	<u>-</u>	<u>21,419,595</u>
Net assets, end of year	<u>\$ 14,157,615</u>	<u>\$ 7,871,107</u>	<u>\$ -</u>	<u>\$ 22,028,722</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Merchandise operations:		
Sales	\$ 521,793	\$ 462,632
Cost of sales:		
Beginning inventory	231,165	207,479
Purchases	201,600	210,023
Payroll and employee benefits	142,399	126,877
Other costs	<u>61,791</u>	<u>54,151</u>
	636,955	598,530
Less: ending inventory	<u>(218,851)</u>	<u>(231,165)</u>
Total cost of sales	<u>418,104</u>	<u>367,365</u>
Net merchandise operations revenue	<u>\$ 103,689</u>	<u>\$ 95,267</u>
 Magazine operations:		
Magazine publication and distribution costs	\$ 210,656	\$ 208,542
Less: Magazine advertising income	(29,472)	(31,978)
Less: Non-member subscription income	<u>(373)</u>	<u>(561)</u>
Net magazine operations expense	<u>\$ 180,811</u>	<u>\$ 176,003</u>
 Library operations:		
Payroll and employee benefits	\$ 168,607	\$ 165,394
Other expenses	15,110	13,886
Less: Copying fees	(818)	(1,260)
Less: User fees	<u>(1,205)</u>	<u>(1,246)</u>
Net library operations expense	<u>\$ 181,694</u>	<u>\$ 176,774</u>

See report of independent auditors.

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

Schedules of Foundation Fundraising Expense

Years ended December 31, 2017 and 2016

	2017	2016
Payroll and employee benefits	\$ 42,437	\$ 42,348
Advertising and promotion	17,206	3,972
Printing and postage	40,848	49,739
Information technology	730	430
Legal fees	5,770	7,333
Licenses and fees	4,983	4,298
Member solicitation promotionals	24,020	3,697
General office and other expenses	3,808	3,488
Travel	-	1,948
Depreciation	414	467
Total fundraising expense	\$ 140,216	\$ 117,720

See report of independent auditors.

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

Budget to Actual Schedule - NSSAR General Operating Fund

Year ended December 31, 2017

	(Unaudited) Budget	Actual	Favorable (Unfavorable) Variances
	Budget	Actual	Variances
Revenues and other support:			
Per-capita dues and reinstatements	\$ 1,167,000	\$ 1,103,276	\$ (63,724)
Admission fees	245,000	282,000	37,000
Supplemental fees	80,000	69,970	(10,030)
Net merchandise operations	110,000	103,689	(6,311)
Contributions and bequests	-	48,688	48,688
Other income	18,000	11,575	(6,425)
Meeting income, net	-	33,689	33,689
Net income from investments	-	266	266
Building & Outreach fund income	26,408	63,904	37,496
Distributions from the Foundation	<u>107,000</u>	<u>107,000</u>	<u>-</u>
Total revenues and other support	1,753,408	1,824,057	70,649
Expenses:			
Payroll and employee benefits	685,396	655,073	30,323
Insurance	37,500	32,358	5,142
General office and other expenses	46,000	43,738	2,262
Public relations/marketing	2,000	993	1,007
Computer expenses	30,000	23,998	6,002
Professional fees	26,000	93,912	(67,912)
Occupancy and maintenance	74,000	77,963	(3,963)
President General discretionary fund	40,000	40,676	(676)
Other office travel	5,000	-	5,000
Interest and other expenses	18,744	14,989	3,755
Magazine, net	177,000	180,811	(3,811)
Library, net	178,450	181,694	(3,244)
Education	187,200	153,489	33,711
Awards	<u>7,000</u>	<u>4,685</u>	<u>2,315</u>
Total expenses	1,514,290	1,504,379	9,911
Transfers:			
Interfund transfers from the life membership fund	-	60,790	60,790
Interfund transfers to the property and equipment fund	<u>-</u>	<u>(20,375)</u>	<u>(20,375)</u>
Total transfers	<u>-</u>	<u>40,415</u>	<u>40,415</u>
Change in net assets	<u>\$ 239,118</u>	<u>\$ 360,093</u>	<u>\$ 120,975</u>

See report of independent auditors.

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

Budget to Actual Schedule - NSSAR General Operating Fund

Year ended December 31, 2016

	(Unaudited) Budget	Actual	Favorable (Unfavorable) Variances
	Budget	Actual	Variances
Revenues and other support:			
Per-capita dues and reinstatements	\$ 1,106,000	\$ 1,098,830	\$ (7,170)
Admission fees	234,000	251,458	17,458
Supplemental fees	76,000	76,655	655
Net merchandise operations	105,000	95,267	(9,733)
Contributions and bequests	-	83,641	83,641
Other income	18,000	12,662	(5,338)
Meeting income (expense), net	-	(51,710)	(51,710)
Net income from investments	-	296	296
Distributions from the Foundation	-	105,000	105,000
Total revenues and other support	1,539,000	1,672,099	133,099
Expenses:			
Payroll and employee benefits	614,000	599,957	14,043
Insurance	46,700	34,428	12,272
General office and other expenses	45,900	34,798	11,102
Public relations/marketing	2,000	1,274	726
Computer expenses	30,000	24,247	5,753
Professional fees	30,000	27,165	2,835
Occupancy and maintenance	77,000	74,324	2,676
President General discretionary fund	40,000	36,673	3,327
Other office travel	5,000	450	4,550
Interest and other expenses	21,235	20,697	538
Magazine, net	177,000	176,003	997
Library, net	175,800	176,774	(974)
Education	167,000	196,214	(29,214)
Awards	7,000	4,375	2,625
Total expenses	1,438,635	1,407,379	31,256
Transfers:			
Interfund transfers from the life membership fund	-	58,860	58,860
Interfund transfers to the property and equipment fund	(45,000)	(183,300)	(138,300)
Transfers to the SAR Foundation, Inc.	-	(1,924)	(1,924)
Total transfers	(45,000)	(126,364)	(81,364)
Change in net assets	\$ 55,365	\$ 138,356	\$ 82,991

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