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TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

**FRANK
MELVIN**

PC
Certified Public
Accountant

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1
Financial statements:	
Statement of financial position	2
Statement of activities and changes in net assets	3
Statement of cash flows	4
Notes to financial statements	5 - 7

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INDEPENDENT AUDITOR'S REPORT

Board of Managers
Texas Society Sons of the American Revolution, Inc.

We have audited the accompanying statement of financial position – modified cash basis of the Texas Society Sons of the American Revolution, Inc. (a not-for-profit organization) for the years ended December 31, 2011 and 2010, and the related statements of statements of activities and changes in net assets – modified cash basis, and statements of cash flows - modified cash basis. These financial statements are the responsibility of the Texas Society Sons of the American Revolution, Inc.'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financials statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Society Sons of the American Revolution, Inc. as of December 31, 2011 and 2010, and the results of its operations for the years then ended, on the basis of accounting described in Note 1.



Austin, Texas
October 4, 2012

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC
STATEMENTS OF FINANCIAL POSITION
MODIFIED CASH BASIS AT
DECEMBER 31, 2011 AND 2010

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
ASSETS										
Current Assets										
Cash	\$ 213,894	\$ 131,936	\$ 161,724	\$ 62,515	\$ 45,869	\$ 60,932	\$	\$ 7,703	\$ 6,301	\$ 786
Investments	574,392	561,562	5,230	6,515	370,929	345,089	38,211	29,128	160,022	180,830
Due from Other Funds										
Prepaid Expense	389	226	389	226						
Inter Fund	42,547	32,575	(7,082)	17,591	24,638	14,984			24,991	
Total Assets	<u>\$ 831,222</u>	<u>726,299</u>	<u>\$ 160,261</u>	<u>\$ 86,847</u>	<u>\$ 441,436</u>	<u>\$ 421,005</u>	<u>\$ 38,211</u>	<u>\$ 36,831</u>	<u>\$ 191,314</u>	<u>\$ 181,616</u>
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts Payable	\$ 100	\$ 392	\$	\$ 392	\$ 100	\$	\$	\$	\$	\$
Deferred Membership Dues National/State/Local	94,126	16,342	94,026	16,342	100					
Inter Fund	42,547	32,575	23,538	14,984	500		1,000		17,509	17,591
Total Current Liabilities	<u>136,773</u>	<u>49,309</u>	<u>117,564</u>	<u>31,718</u>	<u>700</u>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>17,509</u>	<u>17,591</u>
Net Assets										
Unrestricted Net Assets	483,433	476,134	42,697	55,129	440,736	421,005				
Temporarily Restricted Net Assets										
Permanently Restricted Net Assets	211,016	200,856					37,211	36,831	173,805	164,025
Total Net Assets	<u>694,449</u>	<u>676,990</u>	<u>42,697</u>	<u>55,129</u>	<u>440,736</u>	<u>421,005</u>	<u>37,211</u>	<u>36,831</u>	<u>173,805</u>	<u>164,025</u>
Total Liabilities & Net Assets	<u>\$ 831,222</u>	<u>\$ 726,299</u>	<u>\$ 160,261</u>	<u>\$ 86,847</u>	<u>\$ 441,436</u>	<u>\$ 421,005</u>	<u>\$ 38,211</u>	<u>\$ 36,831</u>	<u>\$ 191,314</u>	<u>\$ 181,616</u>

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 MODIFIED CASH BASIS
 FOR THE YEARS ENDED
 DECEMBER 31, 2011 AND 2010

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues										
Contributions	\$	\$	\$ 124		\$	\$	\$	\$	\$	\$
Application Fees	38,709	8,195	38,709	\$ 8,195						
Investment Income	23,841	11,883	13		14,708	7,533	1,561	1,331	7,560	3,019
Unrealized Gains on Investments	(16,428)	52,623			(8,536)	33,139	(180)	2,213	(7,713)	17,271
Life Memberships	2,940	345	2,940							345
Membership Dues	35,524	21,811	35,524	21,811						
Supplemental/Reinstatement Fees			2,009							
Application Fees										
Capital Gains (Losses)										
Donations	26,867	16,764	1,512	100	22,760	16,539			2,595	125
Other Revenue	2,355	2,266	1,967	2,215	388	51				
Total Revenues	<u>113,808</u>	<u>113,887</u>	<u>82,798</u>	<u>32,321</u>	<u>29,320</u>	<u>57,262</u>	<u>1,381</u>	<u>3,544</u>	<u>2,442</u>	<u>20,760</u>
Expenses										
General and Administrative Expenses	54,952	44,961	52,695	25,621	881	1,001	1,000		17,923	18,339
Program Services	16,382	9,735			16,382	9,735				
Total Expenses	<u>71,334</u>	<u>54,696</u>	<u>52,695</u>	<u>25,621</u>	<u>17,263</u>	<u>10,736</u>	<u>1,000</u>	<u>0</u>	<u>17,923</u>	<u>18,339</u>
Increases in Unrestricted Net Assets	42,160	53,226	30,103	6,700	12,057	46,526				
Increase in Permanently Restricted Net Assets	(15,100)	5,965					380	3,544	(15,481)	2,421
Total Increase in Net Assets	<u>\$ 27,060</u>	<u>\$ 59,191</u>	<u>\$ 30,103</u>	<u>\$ 6,700</u>	<u>\$ 12,057</u>	<u>\$ 46,526</u>	<u>\$ 380</u>	<u>\$ 3,544</u>	<u>\$ (15,481)</u>	<u>\$ 2,421</u>
Net Assets, Beginning of Year	676,990	617,799	55,129	48,429	421,005	374,479	36,831	33,287	164,025	161,604
Fund Balance Adjustment	(9,601)		(42,535)		7,674				25,260	
Net Assets End of Year	<u>\$ 694,449</u>	<u>\$ 676,990</u>	<u>\$ 42,697</u>	<u>\$ 55,129</u>	<u>\$ 440,736</u>	<u>\$ 421,005</u>	<u>\$ 37,211</u>	<u>\$ 36,831</u>	<u>\$ 173,805</u>	<u>\$ 164,025</u>

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES										
Changes in Net Assets	\$ 27,060	\$ 59,191	\$ 30,103	\$ 6,700	\$ 12,057	\$ 46,526	\$ 380	\$ 3,544	\$ (15,481)	\$ 2,421
Net Increase (Decrease) in Payables	(292)	(1,480)	(392)	(1,480)	100					
Decrease (Increase) in prepaid expenses	(163)		(163)							
Decrease (Increase) in Deferred Liabilities and Payables	77,785	(46,818)	77,684	(46,818)	101					
Increase (Decrease) in Due to Other Funds	9,972		8,554		500		1,000		(82)	
(Increase) Decrease in Due From Other Funds	(9,972)		24,673	(17,591)	(9,654)				(24,991)	
Net Cash Provided (Used) by Operating Activities	<u>104,389</u>	<u>10,893</u>	<u>140,459</u>	<u>(59,189)</u>	<u>3,103</u>	<u>46,526</u>	<u>1,380</u>	<u>3,544</u>	<u>(40,554)</u>	<u>2,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES										
Net (Increase) Decrease in Investments	(12,830)	(47,605)	1,285	(1,402)	(25,840)	(26,720)	(9,083)	(2,212)	20,808	(17,271)
Net Cash Provided/(Used) by Investing Activities	<u>(12,830)</u>	<u>(47,605)</u>	<u>1,285</u>	<u>(1,402)</u>	<u>(25,840)</u>	<u>(26,720)</u>	<u>(9,083)</u>	<u>(2,212)</u>	<u>20,808</u>	<u>(17,271)</u>
Fund Balance Adjustment	(9,601)		(42,535)		7,674				25,260	
Net Increase/(Decrease) in Cash	91,559	(36,712)	99,209	(60,591)	(22,737)	19,806	(7,703)	1,332	5,515	2,741
Cash Balance, Beginning of Year	<u>131,936</u>	<u>168,648</u>	<u>62,515</u>	<u>123,106</u>	<u>60,932</u>	<u>41,126</u>	<u>7,703</u>	<u>6,371</u>	<u>786</u>	<u>(1,955)</u>
Cash Balance, End of Year	<u>\$ 213,894</u>	<u>\$ 131,936</u>	<u>\$ 161,724</u>	<u>\$ 62,515</u>	<u>\$ 45,869</u>	<u>\$ 60,932</u>	<u>\$ 0</u>	<u>\$ 7,703</u>	<u>\$ 6,301</u>	<u>\$ 786</u>

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Texas Society Sons of the American Revolution, Inc. (The Society), is a not-for-profit organization exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for Federal income tax has been made in the accompanying financial statements.

Method of accounting - The financial statements are presented using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from accounting principles generally accepted in the United States of America in that under the modified cash basis, revenues and related assets are generally recognized when received rather than when earned, and expenses and related liabilities are generally recognized when paid rather than when incurred, except for certain membership dues received in advance.

Cash equivalents - For purposes of the statement of cash flows modified cash basis, The Society considers highly liquid investments, such as money market funds with a maturity of three months or less to be cash equivalents.

Basis of Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - The Society accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 on the statement of activities as net assets released from restrictions.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The Society accounts for investments in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position, and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Current liabilities - The amounts due to the national society and to local chapters, and the amounts of deferred revenues represent dues collected in advance by The Society that have not been remitted to the national or local organizations nor earned by the state organization as of the Statement of Financial Position date.

NOTE 2 - SARBANES-OXLEY ACT OF 2002

As a not-for-profit organization, the Society is subject to the *Public Company Accounting Reform and Investor Protection Act* commonly called Sarbanes-Oxley. The act was enacted July 30, 2002 and set new and enhanced standards for all U.S. public company boards, management and public accounting firms. It is named after sponsors U.S. Senator Paul Sarbanes and U.S. Representative Michael G. Oxley.

NOTE 3 - SCHOLARSHIPS

The Society has reserved donations for student scholarships. For the years 2011 and 2010, the amounts were \$10,000 and \$ 10,000 respectively. Liability for the scholarships will not begin until the student applies for admission to attend the university and the university applies to The Society for funding of these scholarship. The potential for the liability is open for five years from the date of the award to the recipient unless the recipient enlist in the military. As of December 31, 2011, the balance of unapplied for scholarships for the five year open period is \$ 18,400.

NOTE 4 - FAIR VALUE MEASUREMENT

Financial accounting standards for fair value measurements define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Current accounting standards establish a framework for measuring fair value. That framework provides a

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable input (Level 3 measurements). The three levels of the fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to assess. Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Investments in marketable equity securities: Valued at the net asset value of shares held at year-end. 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 Society 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 investments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of December 31, 2011 and 2010.

	December 31, 2011		
	Level 1	Level 2	Level 3
Marketable equity Securities	\$574,392	-	-
	December 31, 2010		
	Level 1	Level 2	Level 3
Marketable equity Securities	\$561,562	-	-