

TEXAS SOCIETY SONS OF THE  
AMERICAN REVOLUTION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

TEXAS SOCIETY SONS OF THE  
AMERICAN REVOLUTION, INC.

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## INDEPENDENT AUDITORS' REPORT

Certified Public  
Accountant

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, 2012 and 2011, and the related statements of activities and changes in net assets – modified cash basis, and statement of cash flows – modified cash basis for the years then ended. 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 financial 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Austin, Texas  
August 23, 2013

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.  
STATEMENT OF FINANCIAL POSITION  
MODIFIED CASH BASIS AT  
DECEMBER 31, 2012 AND 2011

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>										
Current assets										
Cash	\$ 215,441	\$ 213,894	\$ 176,842	\$ 161,724	\$ 35,297	\$ 45,869	\$	\$	\$ 3,302	\$ 6,301
Investments	646,576	574,392	5,460	5,230	435,052	370,929	39,914	38,211	166,150	160,022
Prepaid expense	38	389	38	389						
Inter fund	48,123	49,629			23,133	24,638			24,990	24,991
Total assets	<u>\$ 910,178</u>	<u>\$ 838,304</u>	<u>\$ 182,340</u>	<u>\$ 167,343</u>	<u>\$ 493,482</u>	<u>\$ 441,436</u>	<u>\$ 39,914</u>	<u>\$ 38,211</u>	<u>\$ 194,442</u>	<u>\$ 191,314</u>
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities										
Accounts payable	\$ 1,048	\$ 100	\$ 948	\$	\$ 100	\$ 100	\$	\$	\$	\$
Deferred membership dues national/state/local	85,231	77,575	85,131	77,475	100	100				
Inter fund	48,123	49,629	28,250	30,620	364	500	1,000	1,000	18,509	17,509
Total current liabilities	<u>134,402</u>	<u>127,304</u>	<u>114,329</u>	<u>108,095</u>	<u>564</u>	<u>700</u>	<u>1,000</u>	<u>1,000</u>	<u>18,509</u>	<u>17,509</u>
Net assets										
Unrestricted net assets	560,929	499,984	68,011	59,248	492,918	440,736				
Permanently restricted net assets	214,847	211,016					38,914	37,211	175,933	173,805
Total net assets	<u>775,776</u>	<u>711,000</u>	<u>68,011</u>	<u>59,248</u>	<u>492,918</u>	<u>440,736</u>	<u>38,914</u>	<u>37,211</u>	<u>175,933</u>	<u>173,805</u>
Total liabilities & net assets	<u>\$ 910,178</u>	<u>\$ 838,304</u>	<u>\$ 182,340</u>	<u>\$ 167,343</u>	<u>\$ 493,482</u>	<u>\$ 441,436</u>	<u>\$ 39,914</u>	<u>\$ 38,211</u>	<u>\$ 194,442</u>	<u>\$ 191,314</u>

The accompanying notes are an integral  
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
Contributions	\$	\$ 124	\$	\$ 124	\$	\$	\$	\$	\$	\$
Application fees	14,346	38,709	14,346	38,709						
Investment Income	16,777	23,841	11	13	9,905	14,708	1,772	1,560	5,089	7,560
Unrealized gains on investments	51,087	(16,429)			35,426	(8,536)	1,931	(180)	13,730	(7,713)
Life memberships	510	2,940	510	2,940						
Membership Dues	27,463	37,533	27,463	37,533						
Donations	21,633	26,867	1,614	1,512	18,019	22,760			2,000	2,595
Other revenue	3,260	2,355	2,350	1,967	910	388				
Total revenues	<u>135,076</u>	<u>115,940</u>	<u>46,294</u>	<u>82,798</u>	<u>64,260</u>	<u>29,320</u>	<u>3,703</u>	<u>1,380</u>	<u>20,819</u>	<u>2,442</u>
Expenses										
General and administrative expenses	59,510	72,498	37,531	52,695	1,288	881	2,000	1,000	18,691	17,922
Program services	10,790	16,382			10,790	16,382				
Total expenses	<u>70,300</u>	<u>88,880</u>	<u>37,531</u>	<u>52,695</u>	<u>12,078</u>	<u>17,263</u>	<u>2,000</u>	<u>1,000</u>	<u>18,691</u>	<u>17,922</u>
Increases in unrestricted net assets	60,945	42,160	8,763	30,103	52,182	12,057				
Increase in permanently restricted net assets	3,831	(15,100)					1,703	380	2,128	(15,480)
Total increase in net assets	<u>\$ 64,776</u>	<u>\$ 27,060</u>	<u>\$ 8,763</u>	<u>\$ 30,103</u>	<u>\$ 52,182</u>	<u>\$ 12,057</u>	<u>\$ 1,703</u>	<u>\$ 380</u>	<u>\$ 2,128</u>	<u>\$ (15,480)</u>
Net assets, beginning of year	711,000	676,990	59,248	55,129	440,736	421,005	37,211	36,831	173,805	164,025
Adjustments to fund balances		6,950		(25,984)		7,674				25,260
Net assets end of year	<u>\$ 775,776</u>	<u>\$ 711,000</u>	<u>\$ 68,011</u>	<u>\$ 59,248</u>	<u>\$ 492,918</u>	<u>\$ 440,736</u>	<u>\$ 38,914</u>	<u>\$ 37,211</u>	<u>\$ 175,933</u>	<u>\$ 173,805</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, 2012 AND 2011

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Changes in net assets	\$ 64,777	\$ 27,059	\$ 8,764	\$ 30,103	\$ 52,182	\$ 12,057	\$ 1,703	\$ 380	\$ 2,128	\$ (15,481)
Net increase (decrease) in payables	948	(292)	948	(392)		100				
Decrease (increase) in prepaid expenses	350	(163)	350	(163)						
Increase (decrease) in deferred liabilities.	7,656	77,785	7,656	77,684		101				
Increase (decrease) in due to other funds	(1,505)	9,972	(2,370)	8,554	(135)	500		1,000	1,000	(82)
(Increase) decrease in due from other funds	1,504	(9,972)		24,673	1,504	(9,654)				(24,991)
Net cash provided/(used) by operating activities	<u>73,730</u>	<u>104,389</u>	<u>15,348</u>	<u>140,459</u>	<u>53,551</u>	<u>3,104</u>	<u>1,703</u>	<u>1,380</u>	<u>3,128</u>	<u>(40,554)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Net (increase)/decrease in investments	(72,183)	(13,550)	(230)	1,285	(64,123)	(25,840)	(1,703)	(9,803)	(6,127)	20,808
Net cash provided/(used) by investing activities	<u>(72,183)</u>	<u>(13,550)</u>	<u>(230)</u>	<u>1,285</u>	<u>(64,123)</u>	<u>(25,840)</u>	<u>(1,703)</u>	<u>(9,803)</u>	<u>(6,127)</u>	<u>20,808</u>
Fund balance adjustment				(7,674)		7,674				
Net increase/(decrease) in cash	1,547	74,284	15,118	99,209	(10,572)	(22,737)	0	(7,703)	(2,999)	5,515
Cash balance, beginning 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>
Cash balance, end of year	<u>\$ 215,441</u>	<u>\$ 213,894</u>	<u>\$ 176,842</u>	<u>\$ 161,724</u>	<u>\$ 35,297</u>	<u>\$ 45,869</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,302</u>	<u>\$ 6,301</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, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Texas Society Sons of the American Revolution, Inc. (The Society), is a male lineage society that perpetuates the ideals of the war for independence. As a historical, educational, and patriotic, non-profit corporation, we seek to maintain and expand the meaning of patriotism, respect for our national symbols, the value of American citizenship, and the unifying force of "*e pluribus unum*" that was created from the people of many nations -- one nation and one people. 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, The Society considers highly liquid investments, such as money market funds, as 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, 2012 AND 2011  
(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 2012 and 2011, the amounts were \$10,450 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 scholarships. The potential for the liability is open for five years from the date of the award to the recipient unless the recipient enlists in the military. As of December 31, 2012, the balance of unapplied for scholarships for the five year open period is \$25,000.

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



TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

transaction between market participants at the measurement date. Current accounting standards establish a framework for measuring fair value. That framework provides a 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, 2012 and 2011.

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.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following sets forth by level, within the fair value hierarchy, The Society's assets at fair value as of December 31, 2012 and 2011.

	<u>December 31, 2012</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable equity securities	\$646,576	-	-

  

	<u>December 31, 2011</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable equity securities	\$574,392	-	-