

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Texas Society Sons of the American Revolution

We have audited the accompanying financial statements of Texas Society Sons of the American Revolution (TSSAR, a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSSAR as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Danny Peña III, PC".

Danny Peña III, PC
Austin, TX
March 30, 2018

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC
STATEMENTS OF FINANCIAL POSITION
MODIFIED CASH BASIS AT
DECEMBER 31, 2016 AND 2015

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
ASSETS										
Current Assets										
Cash	\$ 246,891	\$ 252,438	\$ 236,373	\$ 238,745	\$ 5,764	\$ 2,195	\$	\$	\$ 4,754	\$ 11,498
Investments	822,500	774,602	5,463	5,463	615,684	572,432	47,096	45,484	154,257	151,223
Accounts receivable		0		0						
Prepaid expense	1,073	1,073	73	73	1,000	1,000				
Inter fund	36,528	41,907	7,443	7,443	22,603	27,982			6,482	6,482
Total assets	<u>\$ 1,106,992</u>	<u>1,070,020</u>	<u>\$ 249,352</u>	<u>\$ 251,724</u>	<u>\$ 645,051</u>	<u>\$ 603,609</u>	<u>\$ 47,096</u>	<u>\$ 45,484</u>	<u>\$ 165,493</u>	<u>\$ 169,203</u>
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts payable	\$ 3,005	\$ 3,369	\$ 2,905	\$ 3,269	\$ 100	\$ 100	\$	\$	\$	\$
Deferred membership dues national/state/local	109,780	114,261	109,780	114,261						
Inter fund	36,528	41,907	35,528	40,907			1,000	1,000		
Total current liabilities	<u>149,313</u>	<u>159,537</u>	<u>148,213</u>	<u>158,437</u>	<u>100</u>	<u>100</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Net Assets										
Unrestricted net assets										
Unrestricted	726,034	681,768	81,083	78,259	644,951	603,509				
Board designated restricted	20,056	15,028	20,056	15,028						
Total unrestricted net assets	<u>746,090</u>	<u>696,796</u>	<u>101,139</u>	<u>93,287</u>	<u>644,951</u>	<u>603,509</u>				
Temporarily restricted net assets							46,096	44,484	165,493	169,203
Permanently restricted net assets	211,589	213,687								
Total net assets	<u>957,679</u>	<u>910,483</u>	<u>101,139</u>	<u>93,287</u>	<u>644,951</u>	<u>603,509</u>	<u>46,096</u>	<u>44,484</u>	<u>165,493</u>	<u>169,203</u>
Total liabilities & net assets	<u>\$ 1,106,992</u>	<u>\$ 1,070,020</u>	<u>\$ 249,352</u>	<u>\$ 251,724</u>	<u>\$ 645,051</u>	<u>\$ 603,609</u>	<u>\$ 47,096</u>	<u>\$ 45,484</u>	<u>\$ 165,493</u>	<u>\$ 169,203</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, 2016 AND 2015

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues										
Contributions	\$	\$ 0	\$	\$ 0	\$	\$	\$	\$	\$	\$
Application fees	14,631	18,992	14,631	18,992						
Investment income	24,176	34,171	191	84	15,553	22,375	1,765	(1,875)	6,667	13,587
Unrealized gains/(losses) on investments	37,977	(29,702)			29,382	(23,054)	1,847	2,448	6,748	(9,096)
Membership dues	31,050	29,966	31,050	29,966						
Donations	12,743	12,140	36	470	12,357	11,350			350	320
Other revenue	5,111	7,704	4,070	1,582	147	5,863			894	259
Total revenues	125,688	73,271	49,978	51,094	57,439	16,534	3,612	573	14,659	5,070
Expenses										
General and administrative expenses	42,126	32,846	42,126	32,846						
Restricted expenses	36,366	43,165			15,997	18,753	2,000	0	18,369	24,412
Total expenses	78,492	76,011	42,126	32,846	15,997	18,753	2,000	0	18,369	24,412
Increase/(decrease) in unrestricted net assets	7,852	18,248	7,852	18,248						
Increase/(decrease) in temp/perm restricted net assets	39,344	(20,988)			41,442	(2,219)	1,612	573	(3,710)	(19,342)
Total increase/(decrease) in net assets	\$ 47,196	\$ (2,740)	\$ 7,852	\$ 18,248	\$ 41,442	\$ (2,219)	\$ 1,612	\$ 573	\$ (3,710)	\$ (19,342)
Net assets, beginning of year	910,483	913,223	93,287	75,039	603,509	605,728	44,484	43,911	169,203	188,545
Net assets end of year	\$ 957,679	\$ 910,483	\$ 101,139	\$ 93,287	\$ 644,951	\$ 603,509	\$ 46,096	\$ 44,484	\$ 165,493	\$ 169,203

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, 2016 AND 2015

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES										
Changes in net assets	\$ 47,196	\$ (2,740)	\$ 7,852	\$ 18,248	\$ 41,442	\$ (2,219)	\$ 1,612	\$ 573	\$ (3,710)	\$ (19,342)
Net decrease (increase) in A/R	0	1,000		1,000						
Net increase (decrease) in payables	(364)	1,564	(364)	1,564						
Net decrease (increase) in prepaid expenses	0	542		542						
Net (decrease) increase in deferred liabilities.	(4,481)	23,907	(4,481)	23,907						
Net increase (decrease) in due to other funds	(5,379)	4,849	(5,379)	4,849						
Net (increase) decrease in due from other funds	5,379	(4,849)		0	5,379	(4,850)				1
Net cash provided/(used) by operating activities	42,351	24,273	(2,372)	50,110	46,821	(7,069)	1,612	573	(3,710)	(19,341)
CASH FLOWS FROM INVESTING ACTIVITIES										
Net (increase) decrease in investments	(47,898)	21,401		2,088	(43,252)	2,350	(1,612)	(573)	(3,034)	17,536
Net cash provided/(used) by investing activities	(47,898)	21,401	0	2,088	(43,252)	2,350	(1,612)	(573)	(3,034)	17,536
Net increase/(decrease) in cash	(5,547)	45,674	(2,372)	52,198	3,569	(4,719)	0	0	(6,744)	(1,805)
Cash balance, beginning of year	252,438	206,764	238,745	186,547	2,195	6,914			11,498	13,303
Cash balance, end of year	\$ 246,891	\$ 252,438	\$ 236,373	\$ 238,745	\$ 5,764	\$ 2,195	\$ 0	\$ 0	\$ 4,754	\$ 11,498

42,351

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, 2016 AND 2015

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, 2016 AND 2015
(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 2016 and 2015, the amounts were \$15,500 and \$16,400 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, 2016, the balance of unapplied for scholarships for the five year open period is \$10,650.

NOTE 4 – BOARD DESIGNATED RESTRICTED NET ASSETS

Management elected to restrict \$5,000 for funding of the 2018 NSSAR Congress to be held in Houston. The total amount estimated to be required of Society is \$30,000. Each year an additional \$5,000 will be recorded as board designated restricted until it is expended for the meeting. The balance of the board designated fund, including earned interest, is \$20,056 as of December 31, 2016.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

NOTE 5 – 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 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, 2016 and 2015.

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, 2016 AND 2015
(Continued)

NOTE 5 – 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, 2016 and 2015.

	December 31, 2016		
	Level 1	Level 2	Level 3
Marketable equity securities	\$822,500	-	-
	December 31, 2015		
	Level 1	Level 2	Level 3
Marketable equity securities	\$774,602	-	-

NOTE 6 – SUBSEQUENT EVENTS

In preparing these financial statements, TSSAR has evaluated events and transactions for potential recognition or disclosure through March 30, 2018, the date the financial statements were available to be issued. There are no subsequent events that require financial statement disclosure.