

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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 financial 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, 2017 and 2016, 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 31, 2018

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC
STATEMENTS OF FINANCIAL POSITION
MODIFIED CASH BASIS AT
DECEMBER 31, 2017 AND 2016

| | Total (Memo) | | Operations | | Patriots | | Ritchie Fund | | Perpetual Membership | |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| ASSETS | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash | \$ 267,246 | \$ 246,891 | \$ 254,555 | \$ 236,373 | \$ 8,009 | \$ 5,764 | \$ | \$ | \$ 4,682 | \$ 4,754 |
| Investments | 884,416 | 822,500 | 5,463 | 5,463 | 668,358 | 615,684 | 50,793 | 47,096 | 159,802 | 154,257 |
| Accounts receivable | | 0 | | | | | | | | |
| Prepaid expense | 1,673 | 1,073 | 673 | 73 | 1,000 | 1,000 | | | | |
| Inter fund | 36,528 | 36,528 | 7,443 | 7,443 | 22,603 | 22,603 | | | 6,482 | 6,482 |
| Total assets | <u>\$ 1,189,863</u> | <u>1,106,992</u> | <u>\$ 268,134</u> | <u>\$ 249,352</u> | <u>\$ 699,970</u> | <u>\$ 645,051</u> | <u>\$ 50,793</u> | <u>\$ 47,096</u> | <u>\$ 170,966</u> | <u>\$ 165,493</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts payable | \$ 3,809 | \$ 3,005 | \$ 3,709 | \$ 2,905 | \$ 100 | \$ 100 | \$ | \$ | \$ | \$ |
| Deferred membership dues national/state/local | 118,923 | 109,780 | 118,923 | 109,780 | | | | | | |
| Inter fund | 36,528 | 36,528 | 35,528 | 35,528 | | | 1,000 | 1,000 | | |
| Total current liabilities | <u>159,260</u> | <u>149,313</u> | <u>158,160</u> | <u>148,213</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 | 784,754 | 726,034 | 84,884 | 81,083 | 699,870 | 644,951 | | | | |
| Board designated restricted | 25,090 | 20,056 | 25,090 | 20,056 | | | | | | |
| Total unrestricted net assets | <u>809,844</u> | <u>746,090</u> | <u>109,974</u> | <u>101,139</u> | <u>699,870</u> | <u>644,951</u> | | | | |
| Temporarily restricted net assets | | | | | | | | | | |
| Permanently restricted net assets | 220,759 | 211,589 | | | | | 49,793 | 46,096 | 170,966 | 165,493 |
| Total net assets | <u>1,030,603</u> | <u>957,679</u> | <u>109,974</u> | <u>101,139</u> | <u>699,870</u> | <u>644,951</u> | <u>49,793</u> | <u>46,096</u> | <u>170,966</u> | <u>165,493</u> |
| Total liabilities & net assets | <u>\$ 1,189,863</u> | <u>\$ 1,106,992</u> | <u>\$ 268,134</u> | <u>\$ 249,352</u> | <u>\$ 699,970</u> | <u>\$ 645,051</u> | <u>\$ 50,793</u> | <u>\$ 47,096</u> | <u>\$ 170,966</u> | <u>\$ 165,493</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, 2017 AND 2016

| | Total (Memo) | | Operations | | Patriots | | Ritchie Fund | | Perpetual Membership | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | | | | | |
| Contributions | \$ 3 | \$ 0 | \$ | \$ 0 | \$ 3 | \$ | \$ | \$ | \$ | \$ |
| Application fees | 16,509 | 14,631 | 16,509 | 14,631 | | | | | | |
| Investment income | 40,315 | 24,176 | 158 | 191 | 26,879 | 15,553 | 2,719 | 1,765 | 10,559 | 6,667 |
| Unrealized gains/(losses) on investments | 71,718 | 37,977 | | | 57,618 | 29,382 | 1,978 | 1,847 | 12,122 | 6,748 |
| Membership dues | 32,065 | 31,050 | 32,065 | 31,050 | | | | | | |
| Donations | 19,407 | 12,743 | 200 | 36 | 19,207 | 12,357 | | | | 350 |
| Other revenue | 5,836 | 5,111 | 4,290 | 4,070 | | 147 | | | 1,546 | 894 |
| Total revenues | 185,853 | 125,688 | 53,222 | 49,978 | 103,707 | 57,439 | 4,697 | 3,612 | 24,227 | 14,659 |
| Expenses | | | | | | | | | | |
| General and administrative expenses | 44,387 | 42,126 | 44,387 | 42,126 | | | | | | |
| Restricted expenses | 68,542 | 36,366 | | | 48,788 | 15,997 | 1,000 | 2,000 | 18,754 | 18,369 |
| Total expenses | 112,929 | 78,492 | 44,387 | 42,126 | 48,788 | 15,997 | 1,000 | 2,000 | 18,754 | 18,369 |
| Increase/(decrease) in unrestricted net assets | 8,835 | 7,852 | 8,835 | 7,852 | | | | | | |
| Increase/(decrease) in temp/perm restricted net assets | 64,089 | 39,344 | | | 54,919 | 41,442 | 3,697 | 1,612 | 5,473 | (3,710) |
| Total increase/(decrease) in net assets | \$ 72,924 | \$ 47,196 | \$ 8,835 | \$ 7,852 | \$ 54,919 | \$ 41,442 | \$ 3,697 | \$ 1,612 | \$ 5,473 | \$ (3,710) |
| Net assets, beginning of year | 957,679 | 910,483 | 101,139 | 93,287 | 644,951 | 603,509 | 46,096 | 44,484 | 165,493 | 169,203 |
| Net assets end of year | \$ 1,030,603 | \$ 957,679 | \$ 109,974 | \$ 101,139 | \$ 699,870 | \$ 644,951 | \$ 49,793 | \$ 46,096 | \$ 170,966 | \$ 165,493 |

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, 2017 AND 2016

| | Total (Memo) | | Operations | | Patriots | | Ritchie Fund | | Perpetual Membership | |
|--|-----------------|------------|------------|------------|-----------|-----------|--------------|----------|-------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Changes in net assets | \$ 72,924 | \$ 47,196 | \$ 8,835 | \$ 7,852 | \$ 54,919 | \$ 41,442 | \$ 3,697 | \$ 1,612 | \$ 5,473 | \$ (3,710) |
| Net decrease (increase) in A/R | 0 | 1,000 | | | | | | | | |
| Net increase (decrease) in payables | 804 | (364) | 804 | (364) | | | | | | |
| Net decrease (increase) in prepaid expenses | (600) | 0 | (600) | | | | | | | |
| Net (decrease) increase in deferred liabilities. | 9,143 | (4,481) | 9,143 | (4,481) | | | | | | |
| Net increase (decrease) in due to other funds | 0 | (5,379) | | (5,379) | | | | | | |
| Net (increase) decrease in due from other funds | 0 | 5,379 | | | | 5,379 | | | | |
| Net cash provided/(used) by operating activities | 82,271 | 43,351 | 18,182 | (2,372) | 54,919 | 46,821 | 3,697 | 1,612 | 5,473 | (3,710) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Net (increase) decrease in investments | (61,916) | (47,898) | | | (52,674) | (43,252) | (3,697) | (1,612) | (5,545) | (3,034) |
| Net cash provided/(used) by investing activities | (61,916) | (47,898) | 0 | 0 | (52,674) | (43,252) | (3,697) | (1,612) | (5,545) | (3,034) |
| Net increase/(decrease) in cash | 20,355 | (5,547) | 18,182 | (2,372) | 2,245 | 3,569 | 0 | 0 | (72) | (6,744) |
| Cash balance, beginning of year | 246,891 | 252,438 | 236,373 | 238,745 | 5,764 | 2,195 | | | 4,754 | 11,498 |
| Cash balance, end of year | \$ 267,246 | \$ 246,891 | \$ 254,555 | \$ 236,373 | \$ 8,009 | \$ 5,764 | \$ 0 | \$ 0 | \$ 4,682 | \$ 4,754 |

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, 2017 AND 2016

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, 2017 AND 2016
(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 2017 and 2016, the amounts were \$18,250 and \$15,500 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, 2017, the balance of unapplied for scholarships for the five year open period is \$19,150.

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 \$25,090 as of December 31, 2017.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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, 2017 and 2016.

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, 2017 AND 2016
(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, 2017 and 2016.

| | December 31, 2017 | | |
|------------------------------|-------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Marketable equity securities | \$884,416 | - | - |
| | December 31, 2016 | | |
| | Level 1 | Level 2 | Level 3 |
| Marketable equity securities | \$822,500 | - | - |

NOTE 6 – SUBSEQUENT EVENTS

In preparing these financial statements, TSSAR has evaluated events and transactions for potential recognition or disclosure through March 31, 2018, the date the financial statements were available to be issued. There are no subsequent events that require financial statement disclosure.