

NATIONAL GENEALOGICAL SOCIETY

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Genealogical Society

Report on the Basic Financial Statements

We have audited the accompanying financial statements of National Genealogical Society (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Basic 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Genealogical Society as of September 30, 2021 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.

Squire & Company, PC

Orem, Utah
June 14, 2022

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
September 30, 2021

ASSETS

Current Assets:

Cash	\$ 748,234
Investments	2,406,626
Accounts receivable	4,259
Inventories	24,366
Prepaid expenses	69,000
	<hr/>
Total current assets	3,252,485

Net Capital Assets

	85,076
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Total assets	\$ 3,337,561
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 128,307
Accrued expenses	23,529
Unearned membership dues revenue	534,095
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Total current liabilities	685,931

Net Assets:

Without donor restrictions	1,386,635
With donor restrictions:	
Purpose restrictions	1,208,388
Endowments	56,607
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Total net assets	2,651,630
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Total liabilities and net assets	\$ 3,337,561
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The accompanying notes are an integral part of this financial statement.

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

Net Assets without Donor Restrictions:

Revenues and Support:

Membership dues	\$ 699,356
Education services	126,982
Conferences and meetings	564,154
Product sales, net of cost of goods sold	79,538
Contributions	76,343
Publications	43,192
Investment earnings	90,537
Other	13,451
Net assets released from restrictions	<u>45,125</u>
Total revenues and support	1,738,678

Expenses:

Program services:	
Conferences/meetings	333,905
Education	118,676
Publications	234,233
Member services	140,994
Society activities	85,918
Supporting services:	
Administration	434,292
Membership development	<u>14,968</u>
Total expenses	1,362,986

Gain on Forgiveness of PPP Loan	<u>51,601</u>
Change in net assets without donor restrictions	427,293

Net Assets with Donor Restrictions:

Investment earnings	16,782
Contributions	9,082
Contribution received in the acquisition of Federation of Genealogical Societies	1,259,586
Net assets released from restrictions	<u>(45,125)</u>
Change in net assets with donor restrictions	<u>1,240,325</u>

Change in Net Assets 1,667,618

Net Assets at Beginning of Year 984,012

Net Assets at End of Year \$ 2,651,630

The accompanying notes are an integral part of this financial statement.

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

	Program Services					Supporting Services			Total Expenses
	Conferences/ Meetings	Education	Publications	Member Services	Society Activities	Total	Administration	Membership Development	
Salaries and wages	\$ 89,257	\$ 31,865	\$ -	\$ 45,334	\$ 31,432	\$ 197,888	\$ 247,467	\$ -	\$ 445,355
Conferences and meetings	179,570	-	-	-	17,200	196,770	-	-	196,770
Printing and postage	2,969	102	93,632	9,680	294	106,677	1,141	-	107,818
Professional fees	48,982	64,688	137,521	49,897	9,723	310,811	65,435	917	377,163
Information technology	440	21,742	480	32,467	4,533	59,662	13,744	-	73,406
Occupancy	-	-	-	-	-	-	60,323	-	60,323
Awards	1,750	-	-	750	-	2,500	-	-	2,500
Office	-	29	-	2,069	236	2,334	7,478	-	9,812
Depreciation	-	-	-	-	-	-	18,079	-	18,079
Insurance	-	-	-	-	-	-	6,962	-	6,962
Other	-	250	2,600	720	22,500	26,070	13,540	14,051	53,661
Advertising	10,937	-	-	77	-	11,014	123	-	11,137
Total	<u>\$ 333,905</u>	<u>\$ 118,676</u>	<u>\$ 234,233</u>	<u>\$ 140,994</u>	<u>\$ 85,918</u>	<u>\$ 913,726</u>	<u>\$ 434,292</u>	<u>\$ 14,968</u>	<u>\$ 1,362,986</u>

The accompanying notes are an integral part of this financial statement.

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2021

Cash Flows from Operating Activities:

Change in net assets	\$ 1,667,618
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	18,079
Loss on disposal of capital assets	21
Unrealized gains on investments	(64,257)
Gain on forgiveness of PPP loan	(51,601)
Changes in operating assets and liabilities:	
Accounts receivable	2,035
Inventories	338
Prepaid expenses	(18,306)
Accounts payable	(32,805)
Accrued expenses	(952)
Unearned membership dues revenue	(8,305)
Total adjustments	<u>(155,753)</u>
Net cash provided by operating activities	1,511,865

Cash Flows from Investing Activities:

Net purchases of investments	(1,672,643)
Purchases of capital assets	<u>(8,363)</u>
Net cash used by investing activities	<u>(1,681,006)</u>

Net Change in Cash (169,141)

Cash at Beginning of Year 917,375

Cash at End of Year \$ 748,234

Supplemental Data:

The Organization paid no interest or income taxes during the year ended September 30, 2021.

The Organization had no noncash investing or financing activities for the year ended September 30, 2021.

The accompanying notes are an integral part of this financial statement.

NATIONAL GENEALOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of National Genealogical Society (the Society) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization

National Genealogical Society was incorporated in 1903 as a nonprofit organization in the State of Virginia for the purpose of serving the genealogical community by providing education and training, fostering increased quality and standards, and promoting access to and preservation of genealogical records.

Effective October 1, 2020, the Society acquired the assets and assumed the liabilities of the Federation of Genealogical Societies (FGS), a nonprofit organization incorporated in the State of Illinois. The boards of the Society and FGS agreed to this acquisition to realize certain economies of scale, to strengthen the overall health of the combined entities, and to better serve the genealogical community. See Note 5 for further information relating to this acquisition.

Financial Statement Presentation

The Society reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society’s management and board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Revenue Recognition

The Society generates revenue primarily from dues collected and registrant fees from its annual conference. Dues received are recognized ratably over the term of membership (1 to 3 years) with any amounts attributable to future periods recorded as unearned revenue. Registrant fees are recognized when registrants attend the conference. Other revenue sources are recognized when the goods or services are provided to the member.

Tax Status

The Society is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (except for net income derived from unrelated business activities). The Society is classified as a 501(c)(3) public charity. The Society is also exempt from state income taxes.

NATIONAL GENEALOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

The Society's unrelated business activities – advertising revenue in its publications has accumulated net operating losses over the years (\$94,101 at September 30, 2021). These losses may be carried forward to offset future taxable income from unrelated business activities. Management does not anticipate generating taxable income sufficient to utilize these losses. Accordingly, the Society does not report any deferred tax asset for these losses.

Accounts Receivable

Accounts receivable consist of amounts for advertising in the Society's journal. Management believes all amounts outstanding are fully collectible; therefore no allowance for uncollectible accounts has been established.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Investment income in the statement of activities includes realized and unrealized gains and losses, interest, and dividends, net of investment management fees.

The components of investment return are as follows for the year ended September 30, 2021:

Interest and dividends	\$	31,507
Realized gains		27,442
Unrealized gains		64,257
Management fees		<u>(15,887)</u>
Total investment return	\$	<u>107,319</u>

Inventory

Inventory consists of items held for resale valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

Allocation of Costs

Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions (such as facilities costs, depreciation, insurance, office supplies, repairs and maintenance, and telephone) have been allocated to the program or support service proportionate to usage.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting period. Actual results could differ from those estimates.

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Society’s financial assets at September 30, 2021:

Financial assets at year end:	
Cash	\$ 748,234
Investments	2,406,626
Accounts receivable	<u>4,259</u>
Total financial assets	3,159,119
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,264,995)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,894,124</u></u>

The Society’s goal is to maintain financial assets to meet two months of operating expenses (approximately \$330,000). Operating expenses are defined by the Society as total expenses less depreciation. As part of its liquidity plan, the Society invests its excess cash.

NOTE 3 – CAPITAL ASSETS

Capital assets are carried at cost or, if donated, the approximate fair value at the date of donation. Capital assets valued at \$1,000 or more are capitalized and depreciated, using the straight-line method, over the estimated useful lives of the assets. Capital assets are as follows at September 30, 2021:

		<u>Depreciable Lives (Years)</u>
Website	\$ 121,641	7
Furniture and equipment	<u>23,108</u>	5 to 7
	144,749	
Accumulated depreciation	<u>(59,673)</u>	
Net capital assets	<u><u>\$ 85,076</u></u>	

NOTE 4 – PPP LOAN

During 2020, the Society received loan proceeds of \$51,601 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower used the loan proceeds for eligible purposes (including payroll, benefits, rent and utilities) and maintains its payroll levels.

The Society used the proceeds of the loan for purposes consistent with the PPP and received forgiveness during the year ended September 30, 2021.

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – ACQUISITION

The Society acquired all assets of the Federation of Genealogical Societies (FGS), assumed all liabilities of FGS, and agreed to honor the intentions of the FGS donors who had donated funds restricted for specific purposes. The Society paid \$0 in this transaction to acquire the operations of FGS. The remaining net assets of FGS have been reported as restricted for society activities, a new program service of the Society as a result of this acquisition.

The following schedule summarizes the assets, liabilities, and net assets of FGS on October 1, 2020, when FGS was acquired by the Society:

Assets:	
Cash	\$ 1,280,974
Accounts receivable	<u>8,560</u>
Total assets	1,289,534
Liabilities:	
Accounts payable	17,264
Unearned membership dues revenue	<u>12,684</u>
Total liabilities	29,948
Net Assets:	
Without donor restrictions	862,695
With donor restrictions:	
Purpose restrictions	369,036
Endowments	<u>27,855</u>
Total net assets acquired	<u><u>\$ 1,259,586</u></u>

The Society recognized a contribution of \$1,259,586 during the year ended September 30, 2021 as a result of its acquisition of FGS; representing the total net assets of FGS on the acquisition date.

NOTE 6 – NET ASSETS

Donor-restricted net assets are summarized as follows at September 30, 2021:

Purpose restrictions:	
Conference	\$ 5,000
Society activities fund	834,352
Records preservation:	
War of 1812 pension	368,161
U.S. colored troops	875
Endowments	<u>56,607</u>
	<u><u>\$ 1,264,995</u></u>

Net assets released from restrictions totaled \$45,125 during the year ended September 30, 2021 and were all related to society activities.

NATIONAL GENEALOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

Donor-Restricted Endowments

The Society's endowments consist of two funds – the 2nd Century Endowment Fund and the Stern-Nara Fund.

The 2nd Century Endowment Fund was established to ensure the future viability of the Society. At September 30, 2021 the endowment's balance was \$24,672. The 2nd Century Endowment Fund hopes to raise \$1,000,000 and no amounts can be spent until the fund reaches \$150,000 at which time 80 percent of the investment earnings can be spent on activities approved by the Board. When the \$1,000,000 is raised 100 percent of the investment earnings can be spent on activities approved by the board. No amounts were contributed or appropriated for expenditure during the year.

The Stern-Nara Fund was established as part of the acquisition of FGS (see Note 5) and was established by FGS to fund the preservation and imaging of research materials held by the National Archives and Records Administration. At September 30, 2021, the endowment's balance was \$31,935. The endowment's spending policy is determined by an oversight committee who make recommendations to the Board. Contributions to the fund were \$4,081 during the year with no amounts appropriated for expenditure.

The Society's Board of Directors has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

NOTE 7 – CONCENTRATION OF RISK

At September 30, 2021, the carrying amount of cash deposits was \$748,234 and the bank balance was \$776,581, of which \$399,536 was covered by federal depository or security investor insurance.

NOTE 8 – RETIREMENT PLAN

The Society has a defined contribution plan covering all eligible employees. The Society matches 50 percent of employee contributions up to 6 percent of an employee's eligible earnings, for a maximum matching contribution of 3 percent. The Society contributed \$11,208 to the plan during the year ended September 30, 2021.

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – FAIR VALUE MEASUREMENTS

The Society reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair market hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Society has access at the measurement date.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets in markets that are not active.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value if observable inputs are not available.

The primary uses of fair value measures in the Society’s financial statements are initial measurement of noncash gifts and recurring measurement of investments.

Fair value of assets measured on a recurring basis at September 30, 2021 is as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury bond	\$ 19,540	\$ 19,540	\$ -	\$ -
Mutual funds	<u>2,387,086</u>	<u>2,387,086</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,406,626</u>	<u>\$ 2,406,626</u>	<u>\$ -</u>	<u>\$ -</u>

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS

The Society leases office space under a noncancellable lease expiring September 2023. Rent paid under this lease was \$51,447 for the year ended September 30, 2021. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>		
2022	\$	56,665
2023		<u>58,223</u>
	\$	<u>114,888</u>

The Society has contracts with hotels and convention centers for future meetings and conferences. These contracts contain cancellation clauses that would require the Society to pay certain liquidating damages. The Society also risks forfeiture of any deposits paid should an event be cancelled. The Society has insurance to mitigate the potential impact of event cancellation.

NOTE 11 – SUBSEQUENT EVENTS

The Society amended its lease agreement to occupy less office space. This lease amendment reduces the monthly payment while extending the lease through December 2024.

The Society has evaluated subsequent events through June 14, 2022, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.