

NATIONAL GENEALOGICAL SOCIETY

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Genealogical Society

Report on the Financial Statements

Opinion

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, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Genealogical Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Genealogical Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Genealogical Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Genealogical Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited National Genealogical Society's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Squire & Company, PC

Orem, Utah
July 14, 2023

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION

September 30, 2022 with Summarized Comparative Totals for 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 413,009	\$ 748,234
Investments	1,997,546	2,406,626
Accounts receivable	1,384	4,259
Inventories	31,741	24,366
Prepaid expenses	81,419	69,000
Total current assets	2,525,099	3,252,485
Operating Lease Right-of-Use Asset	56,186	-
Net Capital Assets	64,637	85,076
Total assets	<u>\$ 2,645,922</u>	<u>\$ 3,337,561</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 112,897	\$ 128,307
Accrued expenses	18,917	23,529
Current portion of operating lease liability	44,723	-
Unearned membership dues revenue	557,054	534,095
Total current liabilities	733,591	685,931
Operating Lease Liability, net of current portion	11,463	-
Total liabilities	745,054	685,931
Net Assets:		
Without donor restrictions	699,238	1,386,635
With donor restrictions:		
Purpose restrictions	1,142,057	1,208,388
Endowments	59,573	56,607
Total net assets	1,900,868	2,651,630
Total liabilities and net assets	<u>\$ 2,645,922</u>	<u>\$ 3,337,561</u>

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

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF ACTIVITIES

Year Ended September 30, 2022 with Summarized Comparative Totals for 2021

	2022	2021
Net Assets without Donor Restrictions:		
Revenues and Support:		
Membership dues	\$ 613,086	\$ 699,356
Education services	110,331	126,982
Conferences and meetings	324,030	564,154
Product sales, net of cost of goods sold	87,515	79,538
Contributions	60,371	76,343
Publications	43,969	43,192
Investment earnings (loss)	(415,092)	90,537
Other	5,226	13,451
Net assets released from restrictions	<u>76,331</u>	<u>45,125</u>
Total revenues and support	905,767	1,738,678
Expenses:		
Program services:		
Conferences/meetings	485,118	333,905
Education	154,425	118,676
Publications	230,761	234,233
Member services	133,924	140,994
Society activities	74,515	85,918
Supporting services:		
Administration	495,534	434,292
Membership development	<u>18,887</u>	<u>14,968</u>
Total expenses	1,593,164	1,362,986
Gain on Forgiveness of PPP Loan	<u>-</u>	<u>51,601</u>
Change in net assets without donor restrictions	(687,397)	427,293
Net Assets with Donor Restrictions:		
Investment earnings	3	16,782
Contributions	12,963	9,082
Contribution received in the acquisition of Federation of Genealogical Societies	-	1,259,586
Net assets released from restrictions	<u>(76,331)</u>	<u>(45,125)</u>
Change in net assets with donor restrictions	<u>(63,365)</u>	<u>1,240,325</u>
Change in Net Assets	(750,762)	1,667,618
Net Assets at Beginning of Year	<u>2,651,630</u>	<u>984,012</u>
Net Assets at End of Year	<u><u>\$ 1,900,868</u></u>	<u><u>\$ 2,651,630</u></u>

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

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022 with Summarized Comparative Totals for 2021

	Program Services						Supporting Services		Total	
	Conferences/ Meetings	Education	Publications	Member Services	Society Activities	Total	Administration	Membership Development	2022	2021
	Salaries and wages	\$ 23,719	\$ 31,826	\$ -	\$ 59,808	\$ 56,971	\$ 172,324	\$ 248,984	\$ -	\$ 421,308
Conferences and meetings	371,066	-	-	-	-	371,066	-	-	371,066	196,770
Printing and postage	6,251	32	92,885	10,467	-	109,635	593	2,420	112,648	107,818
Professional fees	72,038	85,639	137,226	21,956	11,270	328,129	81,201	2,345	411,675	377,163
Information technology	6,016	35,450	-	37,504	5,094	84,064	17,809	-	101,873	73,406
Occupancy	-	-	-	-	-	-	56,363	-	56,363	60,323
Awards	750	-	-	2,435	-	3,185	-	-	3,185	2,500
Office	592	-	-	1,125	280	1,997	10,337	-	12,334	9,812
Depreciation	-	-	-	-	-	-	19,071	-	19,071	18,079
Insurance	4,551	-	-	-	-	4,551	7,252	-	11,803	6,962
Other	87	-	650	605	900	2,242	53,780	14,122	70,144	53,661
Advertising	48	1,478	-	24	-	1,550	144	-	1,694	11,137
Total	<u>\$ 485,118</u>	<u>\$ 154,425</u>	<u>\$ 230,761</u>	<u>\$ 133,924</u>	<u>\$ 74,515</u>	<u>\$ 1,078,743</u>	<u>\$ 495,534</u>	<u>\$ 18,887</u>	<u>\$ 1,593,164</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, 2022 with Summarized Comparative Totals for 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (750,762)	\$ 1,667,618
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	19,071	18,079
Operating lease right-of-use asset	10,905	-
Loss on disposal of capital assets	1,368	21
Unrealized losses (gains) on investments	409,080	(64,257)
Gain on forgiveness of PPP loan	-	(51,601)
Changes in operating assets and liabilities:		
Accounts receivable	2,875	2,035
Inventories	(7,375)	338
Prepaid expenses	(12,419)	(18,306)
Accounts payable	(15,410)	(32,805)
Accrued expenses	(4,612)	(952)
Operating lease liability	(10,905)	-
Unearned membership dues revenue	22,959	(8,305)
Total adjustments	<u>415,537</u>	<u>(155,753)</u>
Net cash provided (used) by operating activities	(335,225)	1,511,865
Cash Flows from Investing Activities:		
Net purchases of investments	-	(1,672,643)
Purchases of capital assets	-	(8,363)
Net cash used by investing activities	<u>-</u>	<u>(1,681,006)</u>
Net Change in Cash	(335,225)	(169,141)
Cash at Beginning of Year	<u>748,234</u>	<u>917,375</u>
Cash at End of Year	<u>\$ 413,009</u>	<u>\$ 748,234</u>

Supplemental Data:

The Organization paid no interest or income taxes during the year ended September 30, 2022.

The Organization recognized an operating lease right-of-use asset totaling \$67,901 through the assumption of an operating lease liability.

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.

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 (approximately \$98,000 at September 30, 2022). 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 accumulated 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 earnings (loss) are as follows for the year ended September 30, 2022:

Interest and dividends	\$	65,053
Realized gains		48,734
Unrealized gains (losses)		(509,815)
Management fees		<u>(19,061)</u>
Total investment earnings (loss)	\$	<u>(415,089)</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

Recent Accounting Pronouncement

The Society adopted ASU No. 2016-02, *Leases* (Topic 842), as of October 1, 2021. The adoption of the new standard had no material impact on the Society's financial statements.

The Society has elected to account for leases as short-term leases if the lease has a term of 12 months or less and does not include an option to purchase the underlying asset that the Society is reasonably certain to exercise. Short-term lease expense is recognized on a straight-line basis over the lease term.

Subsequent Events

The Society has evaluated subsequent events through July 14, 2023, 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.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at September 30, 2022:

Financial assets at year end:	
Cash	\$ 413,009
Investments	1,997,546
Accounts receivable	<u>1,384</u>
Total financial assets	2,411,939
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,201,630)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,210,309</u>

The Society's goal is to maintain financial assets to meet two months of operating expenses (approximately \$260,000). Operating expenses are defined by the Society as total expenses less depreciation. As part of its liquidity plan, the Society invests its excess cash.

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

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, 2022:

		<u>Depreciable Lives (Years)</u>
Website	\$ 121,641	7
Furniture and equipment	<u>2,275</u>	5 to 7
	123,916	
Accumulated depreciation	<u>(59,279)</u>	
Net capital assets	<u><u>\$ 64,637</u></u>	

NOTE 4 – LEASES

The Society has entered into a lease for facilities. Lease maturities were calculated as the initial lease term and all options to extend management estimated to be reasonably certain to exercise at lease commencement. The Society's lease matures in December 2024 with an interest rate of 4 percent. Required monthly lease payments are \$3,846.

The Society's lease obligation provides the right to use facilities for a period of time. Operating lease expense was \$11,539 for the year ended September 30, 2022.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2023	\$ 46,157
2024	<u>11,539</u>
Total minimum lease payments	57,696
Amount representing interest	<u>(1,510)</u>
Present value of minimum lease payments	<u><u>\$ 56,186</u></u>

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – NET ASSETS

Donor-restricted net assets are summarized as follows at September 30, 2022:

Purpose restrictions:	
Society activities fund	\$ 763,021
Records preservation:	
War of 1812 pension	368,161
U.S. colored troops	875
Pennington gift fund	10,000
Endowments	<u>59,573</u>
	<u>\$ 1,201,630</u>

Net assets released from restrictions during the year ended September 30, 2022 were for the following:

Satisfaction of purpose restrictions:	
Conference	\$ 5,000
Society activities	<u>71,331</u>
Total	<u>\$ 76,331</u>

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, 2022 the endowment’s balance was \$24,675. 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, 2022, the endowment’s balance was \$34,898. 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.

NATIONAL GENEALOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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 6 – CONCENTRATION OF RISK

At September 30, 2022, the carrying amount of cash deposits was \$413,009 and the bank balance was \$557,861, of which \$369,068 was covered by federal depository or security investor insurance.

NOTE 7 – 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 \$8,554 to the plan during the year ended September 30, 2022.

NOTE 8 – 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.

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

Fair value of assets measured on a recurring basis at September 30, 2022 is as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasury bond	\$ 20,736	\$ 20,736	\$ -	\$ -
Mutual funds	<u>1,976,810</u>	<u>1,976,810</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,997,546</u>	<u>\$ 1,997,546</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 – COMMITMENTS

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.