Society for Military History
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
March 31, 2017
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INDependent Auditors' Report

To the Board of Directors
Society for Military History

Report on the Financial Statements

We have audited the accompanying financial statements of the Society for Military History which comprise the statement of assets, liabilities and net assets (prepared on the cash basis) as of March 31, 2017, and the related statement of activities (prepared on the cash basis) for the year 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor’s Responsibility

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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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. According, 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 our audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

1950 Old Gallows Road, Suite 440, Vienna, Virginia 22182
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Society of Military History, as of March 31, 2017, and the changes in its activities for the year then ended, in accordance with the cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

James R. Turner & Company, P.C.

Vienna, VA
November 28, 2017
Society for Military History  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
(prepared on a cash basis)  
March 31, 2017

**ASSETS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 522,904</td>
</tr>
<tr>
<td>Mutual funds, at cost</td>
<td>385,074</td>
</tr>
<tr>
<td>Coffman award funds, including certificates of deposit of $14,052 and money market funds of $14,826</td>
<td>28,878</td>
</tr>
<tr>
<td>Millett award funds, including mutual funds and money market funds of $27,018 and $1,602, respectively</td>
<td>28,620</td>
</tr>
<tr>
<td>Advance for annual meeting</td>
<td>10,000</td>
</tr>
<tr>
<td>Office equipment-AT COST</td>
<td>4,275</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,832)</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**  
$ 977,919

**LIABILITIES AND NET ASSETS**

**UNRESTRICTED NET ASSETS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated net assets</td>
<td>$ 228,157</td>
</tr>
<tr>
<td>Undesignated net assets</td>
<td>688,837</td>
</tr>
<tr>
<td>Total unrestricted net assets</td>
<td>916,994</td>
</tr>
<tr>
<td>Temporarily restricted net assets-Coffman and Millett Awards</td>
<td>60,925</td>
</tr>
<tr>
<td>Total net assets</td>
<td>977,919</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**  
$ 977,919

See notes to financial statements.
Society for Military History

STATEMENT OF ACTIVITIES
(prepared on a cash basis)
Year ended March 31, 2017

REVENUE, GAINS AND OTHER SUPPORT

Member dues $ 157,615
Publication revenue 40,426
Contributions, including $20,000 from VMI 34,710
Royalties-publications and directory 164,001
Annual and other meetings 16,228
Miscellaneous revenue 4,323
Interest and dividends 6,702
Realized gain on sale of mutual funds 3,673
Total revenue, gains and other support 427,678

Total revenue, gains and other support 427,678

EXPENSES

Publications-JOURNAL 71,507
-NEWSLETTER 15,503
Contributions and awards 25,477
Travel 23,801
Salaries, payroll taxes and processing 297,162
Journal office 14,506
Regional coordinators 5,910
Depreciation 855
Professional fees 17,778
Office and general expenses 13,124
Total expenses 485,623

CHANGE IN UNRESTRICTED NET ASSETS (57,945)

TEMPORARILY RESTRICTED NET ASSETS

Contributions 2,250
Interest and dividends 1,128

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS 3,378

CHANGE IN NET ASSETS (54,567)

NET ASSETS, BEGINNING OF YEAR 1,032,486

NET ASSETS, END OF YEAR $ 977,919

See notes to financial statements.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of accounting**
The Society's policy is to prepare its financial statements on the cash basis of accounting; consequently, certain revenue is recognized when received rather than when earned and certain expenses and purchases of assets are recognized when paid rather than when the obligation is incurred.

2. **Investments in mutual funds.**
Investments in mutual funds are carried at cost. The cost of mutual funds sold is determined by the first-in first-out method. The estimated market value of the mutual funds at March 31, 2017 amounted to $442,015, based upon closing exchange prices. All investments are actively traded on stock exchanges and are Level I investments.

3. **Income taxes.**
The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Income from publication advertising less costs and expenses is subject to taxation as unrelated business income. For the year ended March 31, 2017 costs and expenses exceeded advertising revenue consequently, there was no income subject to tax. Returns for the years ended March 31, 2014, 2015, and 2016 are open for examination by the Internal Revenue Service.

4. **Concentration of credit risk**
Cash balances maintained in banks by the Society are fully insured by the Federal Deposit Insurance Corporation up to $250,000 at each financial institution. The Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

5. **Use of estimates**
The preparation of financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

6. **Annual meeting advance payments**
Payments made as “seed money” for annual meetings to be held in the future are deferred until the meeting occurs and the “seed money” is recovered. Amounts not recovered are charged to operations when that determination is made by management.

7. **Depreciation**
Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The Organization capitalizes property and equipment acquired with a cost of $500.
8. **Support**

Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or restrict the support of future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted support.

**NOTE B - ORGANIZATION**

The Society is a District of Columbia not-for-profit membership organization organized to stimulate interest in the study of military history, especially United States of America history.

**NOTE C - PUBLICATION**

The George C. Marshall Foundation and the Virginia Military Institute provide facilities and certain other functions at no cost to the Society in connection with the publication of “The Journal of Military History”.

Beginning in 2000, VMI began charging for certain costs and expenses that were previously provided at no cost to the Society. Since that time, VMI has made cash contributions to the Society. For the year ended March 31, 2017, the contribution was $20,000.

**NOTE D – BOARD DESIGNATED UNRESTRICTED NET ASSETS**

In prior years, the board of trustees designated $168,157 of funds received from certain royalties to be retained as a special contingency fund, the earnings of which are available for general Society use.

During the year ended March 31, 2008, the Board authorized the designation of additional funds for the Weigley Travel Grant Fund of $60,000. Such funds are available for general Society use.
NOTE E-COFFMAN AWARD

During the year ended March 31, 2008 the Society accepted a proposal from the University of North Carolina (UNC) Press for creating a “first book” award prize. This would be a competition open to revised dissertations of recent PhD's and the most recent outstanding manuscripts of military historians outside of the academic world. The prize would include a plaque, stipend, and after successful editorial review, publication by the UNC Press. The Society passed a motion to agree to finance the award by establishing an “endowment fund” to finance the prize and set up a committee to determine how the funds were to be used. The Society also passed a motion to determine the winner of a $1,000 prize or the maximum amount the fund allows.

NOTE F-FUNCTIONAL EXPENDITURES

Functional expenditures are summarized as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publications</td>
<td>$382,083</td>
</tr>
<tr>
<td>Awards and contributions</td>
<td>25,477</td>
</tr>
<tr>
<td>Management and general</td>
<td>78,063</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$485,623</td>
</tr>
</tbody>
</table>

NOTE G-SUBSEQUENT EVENTS

The Society has considered subsequent events through November 28, 2017, the date that the financial statements were available to be issued.

NOTE H-TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are contributions and investment income designated for Coffman and Millett awards to be made at a future date.