

Society for Military History  
FINANCIAL STATEMENTS (Prepared on a cash basis) AND  
INDEPENDENT AUDITOR'S REPORT  
March 31, 2021

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# James R. Turner & Company, P.C.

Certified Public Accountant

703-506-0198

## 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, 2021, and the related statements of activities (prepared on the cash basis) and functional expenditures (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.

## **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, 2021, 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  
October 15, 2021

Society for Military History  
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
 (Prepared on a cash basis)  
 March 31, 2021

ASSETS

Cash and cash equivalents	\$	315,913
Investments-At Cost, estimated market value \$744,026		761,095
Coffman award funds, including money market \$11,736 and mutual funds at cost of \$ 40,575, estimated market value \$38,534		52,311
Millett award funds, including money market \$1,550 and mutual funds at cost of \$46,681, estimated value \$44,280		48,231
Interest due on bonds purchased		449
Office equipment- At Cost		4,275
Accumulated depreciation		(4,275)
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,177,999</u></b>

LIABILITIES AND NET ASSETS

Amount due on credit card	\$	548
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NET ASSETS

Board designated net assets		60,000
Net assets without donor restrictions		<u>1,008,558</u>
Total net assets without donor restrictions		<u>1,068,558</u>
Net assets with donor restrictions		<u>108,893</u>
Total net assets		<u>1,177,451</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>1,177,999</u></b>

See notes to financial statements

Society for Military History  
STATEMENT OF ACTIVITIES  
(prepared on a cash basis)  
Year ended March 31, 2021

REVENUE, GAINS AND OTHER SUPPORT	
Member dues	\$ 179,905
Publication revenue	29,929
Contributions, including \$20,000 from VMI	24,768
Royalties-publications	187,772
Miscellaneous revenue	211
Interest and dividends	23,821
Realized losses on sales of investments	(29,373)
Released from restrictions -awards given	5,150
Revenue, gains and other support	<u>422,183</u>
EXPENSES	
Publications-Journal	66,996
Salaries and wages	284,657
Meetings	11,181
Payroll taxes and payroll processing charges	25,847
Journal office supplies and expense	6,669
Contributions and awards	19,015
Regional coordinators	2,695
Travel	7,264
Professional fees	8,586
Office and general expenses	10,134
Total expenses	<u>443,044</u>
CHANGE IN NET ASSEST WITHOUT DONOR RESTRICTIONS	<u>(20,861)</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	23,655
Interest and dividends	2,526
Released from restrictions	(5,150)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>21,031</u>
CHANGE IN NET ASSETS	170
NET ASSETS, BEGINNING OF YEAR	<u>1,177,281</u>
NET ASSETS, END OF YEAR	<u>\$ 1,177,451</u>

See notes to financial statements

Society for Military History  
STATEMENT OF FUNCTIONAL EXPENDITURES  
(Prepared on a cash basis)  
Year ended March 31, 2021

<u>Expenditures</u>	<u>Publications</u>	<u>Media</u>	<u>Awards and Contributions</u>	<u>Meetings</u>	<u>Total programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total Expenditures</u>
Salaries and wages	\$ 173,326	\$2,000	\$ -	\$ -	\$175,326	\$ 109,331	\$ -	\$ 284,657
Payroll taxes and processing	15,738	-	-	-	15,738	10,109	-	25,847
Printing and mailing	66,996	-	-	-	66,996	-	-	66,996
Facilities	-	-	-	11,181	11,181	-	-	11,181
Office supplies and expense	6,668	434	25	-	7,127	1,714	-	8,841
Contributions	-	-	4,925	-	4,925	-	-	4,925
Awards	-	-	14,090	-	14,090	-	-	14,090
Travel	-	-	-	7,264	7,264	-	-	7,264
Regional coordinators	-	-	-	2,695	2,695	-	-	2,695
Professional fees	-	-	-	-	-	8,586	-	8,586
Bank charges and fees	-	-	-	-	-	5,067	-	5,067
Insurance	-	-	-	1,471	1,471	1,424	-	2,895
Depreciation	-	-	-	-	-	-	-	-
	<u>\$ 262,728</u>	<u>\$2,434</u>	<u>\$ 19,040</u>	<u>\$ 22,611</u>	<u>\$306,813</u>	<u>\$ 136,231</u>	<u>\$ -</u>	<u>\$ 443,044</u>

See notes to financial statements

Society for Military History  
NOTES TO FINANCIAL STATEMENTS  
(Prepared on a cash basis)  
March 31, 2021

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  
Marketable securities are carried at cost. The cost of marketable securities sold is determined using specific identification. The estimated market value of all the marketable securities at March 31, 2021 amounted to \$826,840, based upon closing exchange prices. All investments are actively traded on stock exchanges.
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, 2021 costs and expenses exceeded advertising revenue consequently, there was no income subject to tax. Returns for the years ended March 31, 2018, 2019, and 2020 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 \$1,500.



Society for Military History  
NOTES TO FINANCIAL STATEMENTS-continued  
(Prepared on cash basis)  
March 31, 2021

8. Support

Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets not subject to donor restrictions. Gifts of cash and other assets are reported as an increase in net assets subject to donor restrictions 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 contribution is received with a restriction and the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, a reclassification is made to reclassify the net assets subject to donor restriction to net assets not subject to donor restrictions.

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, 2021, the contribution was \$20,000.

NOTE D – BOARD DESIGNATED UNRESTRICTED NET ASSETS

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

Society for Military History  
NOTES TO FINANCIAL STATEMENTS-continued  
(Prepared on cash basis)  
March 31, 2021

NOTE E-COFFMAN AWARD-CONTINUED

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-SUBSEQUENT EVENTS

The Society has considered subsequent events through October 15, 2021, the date that the financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Society's assets, liabilities and net assets and activities. The Society is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Society's assets, liabilities and net assets and activities continue for an extended period of time the Society may have to seek alternative measures to finance its activities. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Society is unable to continue as a going concern.

NOTE G-NET ASSETS SUBJECT TO DONOR RESTRICTIONS

Net assets with donor restrictions are contributions and investment income designated for Coffman, Millett and Jeffery Gray awards to be made at a future date. The Jeffery Gray award was established in 2018 to honor Jeffery Gray, former president of the Society, to establish and fund an annual travel grant to be awarded to a graduate student to facilitate the student's travel to the annual Society for Military History Conference.

During 2020 \$5,150 was expended for Coffman, Millett and Jeffery Gray and other awards.

NOTE H-LIQUIDITY

The Society has evaluated its current assets, liabilities and net assets and has determined that activities for the next year will provide sufficient resources to fund its ongoing requirements and activities.

Society for Military History  
NOTES TO FINANCIAL STATEMENTS-continued  
(Prepared on cash basis)  
March 31, 2021

NOTE I-INVESTMENTS

At March 31, 2021 investment in marketable securities is summarized as follows:

	Cost	Estimated value
Cash held for investment		
Common stocks	\$163,611	\$164,545
ETF's and closed-end funds	16,879	17,328
Mutual funds	473,781	458,169
Corporate bonds	36,318	35,759
U.S. Government bonds	<u>70,506</u>	<u>68,225</u>
	<u>\$761,095</u>	<u>\$744,026</u>

Cost of securities sold is determined using specific identification of the security sold. Estimated values of securities at March 31, 2021 are determined using the closing exchange prices of the securities at March 31, 2021.