

Society for Military History
FINANCIAL STATEMENTS (Prepared on a cash basis) AND
INDEPENDENT AUDITOR'S REPORT
March 31, 2023

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James R. Turner & Company, P.C

Certified Public Accountant

703-506-0198

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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, 2023, 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.

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, 2023, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Society of Military History 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.

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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting as described in Note A and for 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 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 generally accepted auditing standards 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, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 the Society for Military History'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society for Military'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.

James R. Turner & Company, P.C.

Vienna, VA
December 4, 2023

Society for Military History
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
 (Prepared on a cash basis)
 March 31, 2023

ASSETS

Cash and cash equivalents	\$	351,081
Investments-At Cost, estimated market value \$738,916		796,720
Coffman award funds, including money market \$12,039 and mutual funds at cost of \$ 44,818, estimated market value \$42,680		56,857
Millett award funds, including money market \$2,801 and mutual funds at cost of \$51,637, estimated value \$49,252		54,438
Interest due on bonds purchased		301
Office equipment- At Cost		4,275
Accumulated depreciation		(4,275)
TOTAL ASSETS	\$	<u>1,259,397</u>

LIABILITIES AND NET ASSETS

Amount due on credit card and total liabilities	\$	<u>2,588</u>
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NET ASSETS

Board designated net assets		60,000
Net assets without donor restrictions		<u>1,081,793</u>
Total net assets without donor restrictions		<u>1,141,793</u>
Net assets with donor restrictions		<u>115,016</u>
Total net assets		<u>1,256,809</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,259,397</u>

See notes to financial statements

Society for Military History
STATEMENT OF ACTIVITIES
(prepared on a cash basis)
Year ended March 31, 2023

REVENUE, GAINS AND OTHER SUPPORT	
Member dues	\$ 180,868
Publication revenue	26,292
Contributions, including \$20,000 from VMI	21,635
Royalties-publications	149,380
Annual and other meetings	325,554
Miscellaneous revenue	795
Interest and dividends	34,770
Realized gain on sale of investments	10,347
Released from restrictions -awards given	3,725
Revenue, gains and other support	<u>732,672</u>
EXPENDITURES	
Publications	240,502
Annual and regional meetings	383,249
Awards and contributions	42,809
Other programs	2,000
TOTAL PROGRAM EXPENDITURES	<u>668,560</u>
Management and general	144,811
TOTAL EXPENDITURES	<u>813,371</u>
CHANGE IN NET ASSEST WITHOUT DONOR RESTRICTIONS	<u>(80,699)</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	1,400
Interest and dividends	5,343
Realized gains on sales of investments	1,530
Released from restrictions	(3,725)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>4,548</u>
CHANGE IN NET ASSETS	(76,151)
NET ASSETS, BEGINNING OF YEAR	<u>1,332,960</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,256,809</u></u>

See notes to financial statements

Society for Military History
STATEMENT OF FUNCTIONAL EXPENDITURES
(Prepared on a cash basis)
Year ended March 31, 2023

<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	\$ 156,154	\$2,000	\$ -	\$ -	\$158,154	\$ 112,767	\$ -	\$ 270,921
Payroll taxes and processing	14,176	-	-	-	14,176	10,420	-	24,596
Printing and mailing	62,032	-	-	-	62,032	-	-	62,032
Facilities	-	-	-	320,942	320,942	-	-	320,942
Office supplies and expense	8,140	-	-	-	8,140	2,645	-	10,785
Contributions	-	-	5,984	-	5,984	-	-	5,984
Awards	-	-	36,825	-	36,825	-	-	36,825
Travel	-	-	-	51,221	51,221	-	-	51,221
Regional coordinators	-	-	-	5,342	5,342	-	-	5,342
Professional fees	-	-	-	-	-	6,622	-	6,622
Bank charges and fees	-	-	-	4,273	4,273	5,420	-	9,693
Insurance	-	-	-	1,471	1,471	1,424	-	2,895
Investment management fees	-	-	-	-	-	5,513	-	5,513
	<u>\$ 240,502</u>	<u>\$2,000</u>	<u>\$ 42,809</u>	<u>\$383,249</u>	<u>\$668,560</u>	<u>\$ 144,811</u>	<u>\$ -</u>	<u>\$ 813,371</u>

See notes to financial statements

Society for Military History
NOTES TO FINANCIAL STATEMENTS
(Prepared on a cash basis)
March 31, 2023

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, 2023 amounted to \$830,848, 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, 2023 costs and expenses exceeded advertising revenue consequently, there was no income subject to tax. Returns for the years ended March 31, 2020, 2021, and 2022 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, 2023

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, 2023, 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 to determine how the funds were to be used. The Society also passed a motion to determine the

Society for Military History
 NOTES TO FINANCIAL STATEMENTS-continued
 (Prepared on cash basis)
 March 31, 2023

NOTE E-COFFMAN AWARD-CONTINUED

winner of a \$1,000 prize or the maximum amount the fund allows.

NOTE F-SUBSEQUENT EVENTS

The Society has considered subsequent events through December 4, 2023 the date that the financial statements were available to be issued.

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 2023 \$36,825 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.

NOTE I-INVESTMENTS

At March 31, 2023, investments in marketable securities are summarized as follows:

	<u>Cost</u>	<u>Estimated value</u>
Common stocks	\$145,061	\$146,304
ETF's and closed-end funds	14,970	15,131
Mutual funds	624,468	571,839
Corporate bonds	40,012	34,605
U.S. Government bonds	<u>68,663</u>	<u>62,970</u>
	<u>\$893,174</u>	<u>\$830,849</u>

Cost of securities sold is determined using specific identification of the security sold. Estimated values of securities at March 31, 2023 are determined using the closing exchange prices of the securities at March 31, 2023.