

NATIONAL GENEALOGICAL SOCIETY

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2023

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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, 2023, 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, 2023 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Orem, Utah
August 5, 2024

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
September 30, 2023 with Comparative Totals for 2022

	2023	2022
ASSETS		
Current Assets:		
Cash	\$ 364,449	\$ 413,009
Investments	2,140,586	1,997,546
Accounts receivable	2,948	1,384
Current portion of contributions receivable	50,000	-
Inventories	24,435	31,741
Prepaid expenses	60,980	81,419
Total current assets	2,643,398	2,525,099
Contributions Receivable , net of current portion	131,110	-
Operating Lease Right-of-Use Assets	85,633	56,186
Net Capital Assets	50,048	64,637
Total assets	<u>\$ 2,910,189</u>	<u>\$ 2,645,922</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 116,794	\$ 112,897
Accrued expenses	23,775	18,917
Current portion of operating lease liabilities	50,358	44,723
Unearned membership dues revenue	483,019	557,054
Total current liabilities	673,946	733,591
Operating Lease Liabilities , net of current portion	35,275	11,463
Total liabilities	709,221	745,054
Net Assets:		
Without donor restrictions	863,828	699,238
With donor restrictions:		
Purpose restrictions	1,277,021	1,142,057
Endowments	60,119	59,573
Total net assets	2,200,968	1,900,868
Total liabilities and net assets	<u>\$ 2,910,189</u>	<u>\$ 2,645,922</u>

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

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF ACTIVITIES

Year Ended September 30, 2023 with Comparative Totals for 2022

	2023	2022
Net Assets without Donor Restrictions:		
Revenues and Support:		
Membership dues	\$ 644,856	\$ 652,791
Education services	270,285	110,331
Conferences and meetings	502,412	329,396
Product sales, net of cost of goods sold	87,172	82,149
Contributions	89,705	60,371
Publications	5,930	4,264
Investment earnings (loss)	140,641	(415,092)
Other	2,716	5,226
Net assets released from restrictions	<u>61,107</u>	<u>76,331</u>
Total revenues and support	1,804,824	905,767
Expenses:		
Program services:		
Conferences/meetings	478,157	485,118
Education	136,940	154,425
Publications	239,783	230,761
Member services	130,911	133,924
Society activities	62,739	74,515
Supporting services:		
Administration	564,744	495,534
Membership development	<u>26,960</u>	<u>18,887</u>
Total expenses	1,640,234	1,593,164
Change in net assets without donor restrictions	164,590	(687,397)
Net Assets with Donor Restrictions:		
Investment earnings	2	3
Contributions	196,615	12,963
Net assets released from restrictions	<u>(61,107)</u>	<u>(76,331)</u>
Change in net assets with donor restrictions	<u>135,510</u>	<u>(63,365)</u>
Change in Net Assets	300,100	(750,762)
Net Assets at Beginning of Year	<u>1,900,868</u>	<u>2,651,630</u>
Net Assets at End of Year	<u><u>\$ 2,200,968</u></u>	<u><u>\$ 1,900,868</u></u>

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

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2023 with Comparative Totals for 2022

	Program Services					Supporting Services			Total	
	Conferences/ Meetings	Education	Publications	Member Services	Society Activities	Total	Administration	Membership Development	2023	2022
Salaries and wages	\$ 1,905	\$ 113,716	\$ -	\$ 56,994	\$ 46,194	\$ 218,809	\$ 168,629	\$ -	\$ 387,438	\$ 419,593
Conferences and meetings	327,802	704	-	744	11,215	340,465	23,855	551	364,871	371,066
Printing and postage	8,102	50	90,229	18,523	-	116,904	1,746	-	118,650	112,648
Professional fees	71,045	6,480	149,554	15,623	-	242,702	152,584	-	395,286	413,390
Information technology	32,724	12,852	-	31,612	715	77,903	88,642	-	166,545	101,873
Occupancy	2,246	-	-	-	-	2,246	53,071	-	55,317	56,363
Awards	-	-	-	-	-	-	-	-	-	3,185
Office	5,303	999	-	10	1,715	8,027	12,356	-	20,383	12,334
Depreciation	-	-	-	-	-	-	18,129	-	18,129	19,071
Insurance	3,446	-	-	-	-	3,446	5,366	-	8,812	11,803
Other	22,612	-	-	2,288	750	25,650	40,121	26,369	92,140	70,144
Advertising	2,972	2,139	-	5,117	2,150	12,378	245	40	12,663	1,694
Total	<u>\$ 478,157</u>	<u>\$ 136,940</u>	<u>\$ 239,783</u>	<u>\$ 130,911</u>	<u>\$ 62,739</u>	<u>\$ 1,048,530</u>	<u>\$ 564,744</u>	<u>\$ 26,960</u>	<u>\$ 1,640,234</u>	<u>\$ 1,593,164</u>

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

NATIONAL GENEALOGICAL SOCIETY
STATEMENT OF CASH FLOWS

Year Ended September 30, 2023 with Comparative Totals for 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 300,100	\$ (750,762)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,129	19,071
Operating lease right-of-use assets	45,641	10,905
Loss on disposal of capital assets	-	1,368
Unrealized losses (gains) on investments	(92,527)	461,081
Changes in operating assets and liabilities:		
Accounts receivable	(1,564)	2,875
Contributions receivable	(181,110)	-
Inventories	7,306	(7,375)
Prepaid expenses	20,439	(12,419)
Accounts payable	3,897	(15,410)
Accrued expenses	4,858	(4,612)
Operating lease liabilities	(45,641)	(10,905)
Unearned membership dues revenue	(74,035)	22,959
Total adjustments	<u>(294,607)</u>	<u>467,538</u>
Net cash provided (used) by operating activities	5,493	(283,224)
Cash Flows from Investing Activities:		
Net purchases of investments	(50,513)	(52,001)
Purchases of capital assets	<u>(3,540)</u>	<u>-</u>
Net cash used by investing activities	<u>(54,053)</u>	<u>(52,001)</u>
Net Change in Cash	(48,560)	(335,225)
Cash at Beginning of Year	<u>413,009</u>	<u>748,234</u>
Cash at End of Year	<u><u>\$ 364,449</u></u>	<u><u>\$ 413,009</u></u>

Supplemental Data:

The Organization paid no interest or income taxes during the year ended September 30, 2023.

The Organization recognized an operating lease right-of-use asset totaling \$30,365 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, 2023). 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.

Inventory

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

Contributions Receivable

Contributions are recorded when an unconditional promise to give's collection is expected in the near term and is probable. The Society has not established an allowance for uncollectable contributions at September 30, 2023. The Society believes all amounts are fully collectable.

Unconditional promises to give will be received over four years and have been discounted to their net present value using the Internal Revenue Service Applicable Federal Rate (4.09 percent) for the anticipated collection period.

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

Leases

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.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at September 30, 2023:

Financial assets at year end:	
Cash	\$ 364,449
Investments	2,140,586
Accounts receivable	<u>2,948</u>
Total financial assets	2,507,983
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,337,140)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,170,843</u></u>

The Society's goal is to maintain financial assets to meet two months of operating expenses (approximately \$270,000). Operating expenses are defined by the Society as total expenses less depreciation. As part of its liquidity plan, the Society invests its excess cash. In addition, the Society has established a \$300,000 line of credit with a bank.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at September 30, 2023:

Receivable within one year	\$ 50,000
Receivable from one to four years	<u>150,000</u>
Total contributions receivable	200,000
Discount contributions to net present value	(18,890)
Allowance for uncollectable contributions	<u>-</u>
Contributions receivable, net	<u><u>\$ 181,110</u></u>

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – 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, 2023:

		<u>Depreciable Lives (Years)</u>
Website	\$ 121,641	7
Furniture and equipment	<u>5,814</u>	5 to 7
	127,455	
Accumulated depreciation	<u>(77,407)</u>	
Net capital assets	<u><u>\$ 50,048</u></u>	

NOTE 5 – LEASES

The Society has entered into leases for facilities and equipment. 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 leases mature in December 2024 and July 2028 with an interest rate of 4 percent. The weighted-average remaining lease term was 2.48 years. Required monthly lease payments are \$4,405.

The Society's lease obligations provide the right to use facilities and equipment for a period of time. Operating lease expense was \$47,275 for the year ended September 30, 2023.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2024	\$ 52,867
2025	18,250
2026	6,711
2027	6,711
2028	<u>5,592</u>
	90,131
Amount representing interest	<u>(4,498)</u>
Present value of minimum lease payments	<u><u>\$ 85,633</u></u>

NATIONAL GENEALOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS

Donor-restricted net assets are summarized as follows at September 30, 2023:

Purpose restrictions:	
Society activities fund	\$ 715,100
Records preservation:	
War of 1812 pension	356,350
Bounty-land warrant	183,601
Pennnington gift fund	21,970
Endowments	<u>60,119</u>
	<u><u>\$ 1,337,140</u></u>

Net assets released from restrictions during the year ended September 30, 2023 were for the following:

Satisfaction of purpose restrictions:	
US colored troops	\$ 875
Records preservation:	
War of 1812 pension	11,811
Pennnington gift fund	500
Society activities	<u>47,921</u>
Total	<u><u>\$ 61,107</u></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, 2023 the endowment’s balance was \$24,677. 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 by the Federation of Genealogical Societies to fund the preservation and imaging of research materials held by the National Archives and Records Administration. The Society acquired FGS on October 1, 2020. At September 30, 2023, the endowment’s balance was \$35,442. The endowment’s spending policy is determined by an oversight committee who make recommendations to the Board. Contributions to the fund were \$544 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

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NOTES TO THE FINANCIAL STATEMENTS

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.

The Society’s endowments consisted of the following net asset composition at September 30, 2023:

	<u>With Donor Restrictions</u>
Donor-restricted endowment	\$ 59,237
Accumulated investment return	882
Total	<u>\$ 60,119</u>

Changes to the Society endowed net assets are as follows for the year ended September 30, 2023:

	<u>With Donor Restrictions</u>
Balance at September 30, 2022	\$ 59,573
Contributions	544
Amounts appropriated for expenditure	-
Accumulated investment return	2
Total	<u>\$ 60,119</u>

NOTE 7 – CONCENTRATION OF RISK

At September 30, 2023, the carrying amount of cash deposits was \$364,449 and the bank balance was \$557,861, of which \$369,068 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 \$7,417 to the plan during the year ended September 30, 2023.

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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, 2023 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury bond	\$ 20,736	\$ 20,736	\$ -	\$ -
Mutual funds	<u>2,119,850</u>	<u>2,119,850</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,140,586</u>	<u>\$ 2,140,586</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 – 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.

During 2023, the Society committed to provide \$2,000,000 to fund the digitization of the Bounty-Land Warrant Application records maintained by the National Archives and Records Administration conditioned upon the Society raising such funds. These digitized records will then be made available to the general public free of charge. The Society will pay \$125,000 quarterly beginning in January 2024 to fund this project so long as adequate funds have been raised.

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NOTES TO THE FINANCIAL STATEMENTS

The Society's commitment, should adequate funds be raised, will be paid as follows:

<u>Year Ending</u> <u>September 30,</u>	
2024	\$ 375,000
2025	500,000
2026	500,000
2027	500,000
2028	<u>125,000</u>
Total	<u>\$ 2,000,000</u>

NOTE 11 – SUBSEQUENT EVENTS

Effective October 1, 2023, the Society purchased certain assets of Genealogical Research Institute of Pittsburgh, LLC by entering into a \$355,250 promissory note.

In addition, the Society accepted the transfer of all assets of Genealogy ConferenceKeeper.org, Inc. effective October 1, 2023.

The Society has evaluated subsequent events through August 5, 2024, 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.