

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2021 and 2020

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Opinion

We have audited the accompanying financial statements of Society of Former Special Agents of the Federal Bureau of Investigation, Inc. (“the Society”), which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years 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 the Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

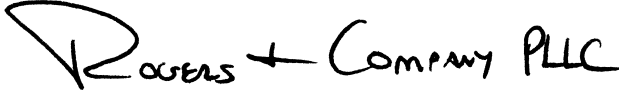
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 generally accepted auditing standards, 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 the 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 the Society's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
April 29, 2022

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 518,381	\$ 513,420
Investments	919,447	810,865
Accounts receivable	16,292	1,963
Due from related party	20,988	58,678
Prepaid expenses	25,381	15,692
Inventory	32,612	19,131
Property and equipment, net	620,975	581,378
Total assets	<u>\$ 2,154,076</u>	<u>\$ 2,001,127</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 90,847	\$ 66,907
Deferred revenue	470,833	433,352
Total liabilities	<u>561,680</u>	<u>500,259</u>
Net Assets		
Without donor restrictions	<u>1,592,396</u>	<u>1,500,868</u>
Total net assets	<u>1,592,396</u>	<u>1,500,868</u>
Total liabilities and net assets	<u>\$ 2,154,076</u>	<u>\$ 2,001,127</u>

See accompanying notes.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenue and Support		
Membership dues	\$ 687,171	\$ 787,458
Dues reimbursements and Widows Program – Foundation	52,205	56,300
Convention revenue	149,420	-
Program service revenue	17,565	41,038
Contributions	3,656	7,610
Memorabilia sales – net of costs	11,918	4,755
Other income	4,842	13,542
	<u>926,777</u>	<u>910,703</u>
Expenses		
Program services	482,019	309,607
Supporting services: Management and general	478,454	483,723
	<u>478,454</u>	<u>483,723</u>
Total supporting services	478,454	483,723
Total expenses	<u>960,473</u>	<u>793,330</u>
Change in Net Assets from Operations	(33,696)	117,373
Non-Operating Activity		
Investment return, net	125,224	54,417
Total non-operating activity	<u>125,224</u>	<u>54,417</u>
Change in Net Assets	91,528	171,790
Net Assets, beginning of year	<u>1,500,868</u>	<u>1,329,078</u>
Net Assets, end of year	<u>\$ 1,592,396</u>	<u>\$ 1,500,868</u>

See accompanying notes.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services Management and General	Total Expenses
Salaries	\$ 158,436	\$ 174,873	\$ 333,309
Payroll taxes	11,957	13,197	25,154
Employee benefits	16,239	17,924	34,163
Personnel administrative fees	234	5,282	5,516
<i>Grapevine</i> Magazine	141,357	-	141,357
Member directory	281	-	281
Trapline	7,155	-	7,155
Other program expenses	6,785	-	6,785
Professional fees	-	33,908	33,908
General office expenses	-	59,668	59,668
Occupancy	-	26,471	26,471
IT services	-	25,695	25,695
Convention expenses	139,575	-	139,575
Travel, meetings, and events	-	69,159	69,159
Miscellaneous	-	25,797	25,797
Depreciation and amortization, netted with allocation	-	26,480	26,480
Total Expenses	\$ 482,019	\$ 478,454	\$ 960,473

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services Management and General	Total Expenses
Salaries	\$ 69,975	\$ 257,200	\$ 327,175
Payroll taxes	5,249	19,293	24,542
Employee benefits	7,056	25,934	32,990
Personnel administrative fees	1,205	4,429	5,634
<i>Grapevine</i> Magazine	149,570	-	149,570
Member directory	60,222	-	60,222
Trapline	8,701	-	8,701
Other program expenses	4,827	-	4,827
Professional fees	-	23,140	23,140
General office expenses	-	63,581	63,581
Occupancy	-	28,468	28,468
IT services	-	23,751	23,751
Convention expenses	2,802	-	2,802
Travel, meetings, and events	-	10,242	10,242
Miscellaneous	-	3,879	3,879
Depreciation and amortization, netted with allocation	-	23,806	23,806
Total Expenses	\$ 309,607	\$ 483,723	\$ 793,330

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Change in net assets	\$ 91,528	\$ 171,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment gain, net	(81,416)	(35,757)
Depreciation and amortization	27,694	28,154
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(14,329)	(561)
Due from related party	37,690	(10,446)
Prepaid expenses	(9,689)	(4,846)
Inventory	(13,481)	6,516
Increase (decrease) in:		
Accounts payable and accrued expenses	23,940	502
Deferred revenue	37,481	(68,130)
	<u>99,418</u>	<u>87,222</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(67,291)	(31,770)
Purchases of investments	(73,205)	(22,177)
Proceeds from sales of investments	46,039	-
	<u>(94,457)</u>	<u>(53,947)</u>
Net Increase in Cash	4,961	33,275
Cash, beginning of year	<u>513,420</u>	<u>480,145</u>
Cash, end of year	<u><u>\$ 518,381</u></u>	<u><u>\$ 513,420</u></u>
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for income taxes	<u><u>\$ 21,576</u></u>	<u><u>\$ 1,567</u></u>

See accompanying notes.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations

The Society of Former Special Agents of the Federal Bureau of Investigation, Inc. (“the Society”), established in 1937, is a fraternal educational and community-minded organization composed of former Federal Bureau of Investigation (F.B.I.) Special Agents who served with Fidelity, Bravery, and Integrity in defense of America. The Society’s mission is to preserve F.B.I. values; to support the welfare of the members through services, benefits, and career networking; to offer programs of fellowship, education, service, and history; and to promote the F.B.I. and law enforcement/national security communities. The Society’s primary sources of support and revenue are membership dues and new membership application fees. Its affairs are managed by a Board of Directors who are elected by a vote by the Society’s members.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Society’s financial statements are prepared on the accrual basis of accounting. Accordingly, net assets without donor restrictions represent funds that are not subject to donor-imposed stipulations and are available for support of the Society’s operations. All net assets were without donor restrictions at December 31, 2021 and 2020.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported in the accompanying statements of activities. The Society considers cash equivalents that are part of the portfolio to be classified as investments.

Accounts Receivable

Accounts receivable are recorded at net realizable value and are deemed fully collectible within one year. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts receivable. There is no provision for doubtful accounts, based on management’s evaluation of the collection of receivables at December 31, 2021 and 2020.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of various memorabilia items that are carried at the lower of cost or net realizable value, with cost determined on a weighted average. Management determines the allowance for obsolete inventory by identifying nonmarketable items and by using historical experience applied to recent sales. Items are written-off when deemed unmarketable. There was no provision for obsolete inventory at December 31, 2021 and 2020.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. Expenditures for maintenance and repairs are expensed as incurred.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Society satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Society expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Society combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Society recognizes revenue as follows:

Membership dues are classified as an exchange transaction based on the structure and the type of benefits provided to the members. The Society's membership dues include quarterly journal and other membership benefits, such as access to the members-only section of the website, meetings, and discounts on certain services and events.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

The portion of membership dues that includes a bundle of membership benefits that represents a performance obligation is recognized ratably over the membership term. The portion of membership dues that includes a quarterly journal is satisfied at a point in time, and revenue is recognized when control of the journal has been transferred to the customer upon shipment or online publication. Membership dues received that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position.

Convention revenue is classified as an exchange transaction and recognized as revenue at a point in time once the event takes place. Conference registrations received that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position.

Program service revenue is recognized as revenue when control of the journal has been transferred to the customer upon shipment or online publication. Payments received that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position.

Memorabilia sales revenue is recognized as revenue when control of the memorabilia has been transferred to the customer upon shipment, and is recorded net of costs.

Revenue Accounted for in Accordance with Contribution Accounting

Contributions are recognized when cash, securities, an unconditional promise to give, or other assets are received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Society reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Contributed Services

The Society receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Society expenses advertising costs as incurred. There were no advertising costs for the years ended December 31, 2021 and 2020.

Measure of Operations

The Society includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through April 29, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Society strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. As part of its liquidity plan, management periodically reviews the Society's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2021	2020
Cash	\$ 518,381	\$ 513,420
Investments	919,447	810,865
Accounts receivable	16,292	1,963
Due from related party	20,988	58,678
Total available for general expenditures	<u>\$ 1,475,108</u>	<u>\$ 1,384,926</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Society to significant concentrations of credit risk consist of cash and investments. The Society maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Society has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

5. Investments and Fair Value Measurements

Net investment return consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 48,106	\$ 22,176
Unrealized gain	62,159	35,757
Realized gain	19,257	-
Investment management fees	<u>(4,298)</u>	<u>(3,516)</u>
Total investment return, net	<u>\$ 125,224</u>	<u>\$ 54,417</u>

The Society follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Society recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Society uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

5. Investments and Fair Value Measurements (continued)

The following table presents the Society's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2021:</u>				
Money market funds	\$ 106	\$ -	\$ -	\$ 106
Mutual funds – bonds	390,631	-	-	390,631
Mutual funds – equities	306,254	-	-	306,254
Exchange traded funds	222,456	-	-	222,456
Total investments	<u>\$ 919,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 919,447</u>
<u>2020:</u>				
Money market funds	\$ 7	\$ -	\$ -	\$ 7
Mutual funds – bonds	346,384	-	-	346,384
Mutual funds – equities	464,474	-	-	464,474
Total investments	<u>\$ 810,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 810,865</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Land	\$ 209,611	\$ 209,611
Building	449,542	449,542
Building improvements	53,949	45,062
Computers, software, and equipment	134,375	75,969
Furniture and fixtures	23,810	23,810
Total property and equipment	871,287	803,994
Less: accumulated depreciation and amortization	<u>(250,312)</u>	<u>(222,616)</u>
Property and equipment, net	<u>\$ 620,975</u>	<u>\$ 581,378</u>

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

7. Revenue from Contracts with Customers

Deferred revenue consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Deferred membership dues:		
Magazine	\$ 138,927	\$ 141,079
Membership benefits bundle	276,731	278,898
Deferred conference revenue	54,950	1,000
Other deferred revenue	<u>225</u>	<u>12,375</u>
Total deferred revenue	<u>\$ 470,833</u>	<u>\$ 433,352</u>

8. Economic Injury Disaster Loan Advance

The Society applied for a loan advance under the Economic Injury Disaster Loan Assistance program (EIDL) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The EIDL program is designed to provide economic relief to small businesses that are currently experiencing a temporary loss of revenue due to COVID-19. The loan advance was granted to the Society on July 7, 2020 in the amount of \$8,000. Management decided not to apply for a loan. The loan advance is included in other income in the accompanying statement of activities for the year ended December 31, 2020.

9. Related Party Transactions

Former Agents of the F.B.I. Foundation

All functions necessary to perform the Former Agents of the F.B.I. Foundation's ("the Foundation") mission are performed by the Society's employees. The Foundation reimburses the Society for these personnel costs, as well as other costs incurred by the Society in performing the Foundation's functions, such as depreciation of property. Also, during the year, in conjunction with membership billing, the Society collects contributions on behalf of the Foundation. There is not a majority of Board overlap and, accordingly, the Foundation's financial statements are not consolidated with the Society's. The amounts reimbursed to the Society were \$354,467 and \$313,492 for the years ended December 31, 2021 and 2020, respectively. The Society had a receivable of \$20,988 and \$58,678 from the Foundation at December 31, 2021 and 2020, respectively.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

9. Related Party Transactions (continued)

Fettler Park, LLC

In 2009, the Society and the Foundation entered into an agreement to form Fettler Park, LLC (“the LLC”), of which the Society owns 75% and the Foundation owns 25%. The purpose of the entity is to purchase and hold office space that the Society and the Foundation utilize for their day-to-day operations. The Society and the Foundation share operating costs of this property based on the aforementioned ownership percentages. Per the terms of the operating agreement of the LLC, the members intend for the company to be treated as an unincorporated association excluded from Subchapter K of the Internal Revenue Code (IRC) pursuant to Section 761. Accordingly, they do not treat the company as a partnership for income tax purposes and both members agree to separately report their proportionate share of all income, gains, deductions, and losses from the venture. The statements of financial position reflect only the Society’s share of the land and building related to this investment.

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

11. Retirement Plan

The Society sponsors a 401(k) profit sharing plan. The plan is available to all eligible employees and permits employee elective deferral contributions of pre- or after-tax compensation for all eligible employees, up to limits established by law. The plan also permits employer contributions up to a specified dollar amount or percentage of all eligible employees’ compensation, as determined by the Society each year. Plan contributions for the years ended December 31, 2021 and 2020 were \$17,185 and \$14,989, respectively.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

12. Operating Lease

The Society leases certain office equipment under a non-cancelable operating lease agreement. Future minimum lease payments under this office equipment lease are as follows for the years ending December 31:

2022	\$	2,340
2023		2,340
2024		2,340
2025		2,340
2026		975
		<hr/>
Future minimum lease payments	\$	<u>10,335</u>

13. Income Taxes

The Society is recognized as exempt from federal income tax on member transactions and other activities directly related to its exempt purpose under IRC Section 501(c)(7). The Society is liable for federal and state income taxes on its unrelated business income, which includes investment return, advertising income, royalty income, and certain other non-member receipts. Management has evaluated the Society's tax positions and concluded that the financial statements do not include any uncertain tax positions.