

THE ALEXANDER HAMILTON SOCIETY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

THE ALEXANDER HAMILTON SOCIETY
YEARS ENDED DECEMBER 31, 2011 AND 2010

I N D E X

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Alexander Hamilton Society
Washington, DC

We have audited the accompanying statements of financial position of THE ALEXANDER HAMILTON SOCIETY (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alexander Hamilton Society as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Klatzkin & Company
KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
February 21, 2013

THE ALEXANDER HAMILTON SOCIETY

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2011</u>	<u>2010</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents.....	\$ 128,499	\$ 165,844
Pledges Receivable.....	65,820	-
Grants Receivable.....	<u>-</u>	<u>135,000</u>
Total Current Assets.....	194,319	300,844
Property and Equipment, at Cost Less Accumulated		
Depreciation of \$8,742 and \$-0-	24,211	20,200
<u>Other Assets</u>		
Pledges Receivable - Long Term.....	<u>7,500</u>	<u>-</u>
TOTAL ASSETS.....	<u>\$ 226,030</u>	<u>\$ 321,044</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accrued Expenses.....	<u>\$ 5,288</u>	<u>\$ 8,285</u>
<u>Net Assets</u>		
Unrestricted.....	128,592	177,759
Temporarily Restricted Net Assets.....	<u>92,150</u>	<u>135,000</u>
Total Net Assets.....	<u>220,742</u>	<u>312,759</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 226,030</u>	<u>\$ 321,044</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Corporate, Foundation and Other Grants.....	\$ 6,000	\$ 141,375	\$ 147,375
Contributions.....	129,886	-	129,886
Membership Dues.....	755	-	755
In-Kind Contributions.....	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total Support and Revenue.....	138,441	141,375	279,816
Net Assets Released from Restrictions.....	<u>184,225</u>	<u>(184,225)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restrictions.....	<u>322,666</u>	<u>(42,850)</u>	<u>279,816</u>
<u>Expenses</u>			
Program Expenses.....	331,237	-	331,237
Management and General.....	29,443	-	29,443
Fundraising Expense.....	<u>11,153</u>	<u>-</u>	<u>11,153</u>
Total Expenses.....	<u>371,833</u>	<u>-</u>	<u>371,833</u>
Change in Net Assets.....	(49,167)	(42,850)	(92,017)
Net Assets - Beginning of Year.....	<u>177,759</u>	<u>135,000</u>	<u>312,759</u>
Net Assets - End of Year.....	<u>\$ 128,592</u>	<u>\$ 92,150</u>	<u>\$ 220,742</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Corporate, Foundation and Other Grants.....	\$ 345,000	\$ 135,000	\$ 480,000
Contributions.....	7,500	-	7,500
In-Kind Contributions.....	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Total Support and Revenue.....	357,900	135,000	492,900
Net Assets Released from Restrictions.....	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restrictions.....	<u>357,900</u>	<u>135,000</u>	<u>492,900</u>
<u>Expenses</u>			
Program Expenses.....	135,118	-	135,118
Management and General.....	36,290	-	36,290
Fundraising Expense.....	<u>8,733</u>	<u>-</u>	<u>8,733</u>
Total Expenses.....	<u>180,141</u>	<u>-</u>	<u>180,141</u>
Change in Net Assets.....	177,759	135,000	312,759
Net Assets - Beginning of Year.....	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets - End of Year.....	<u>\$ 177,759</u>	<u>\$ 135,000</u>	<u>\$ 312,759</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel</u>				
Salaries.....	\$ 130,345	\$ 15,040	\$ 7,519	\$ 152,904
Employee Benefits.....	7,199	847	423	8,469
Payroll Taxes.....	<u>9,122</u>	<u>1,073</u>	<u>537</u>	<u>10,732</u>
Total Personnel.....	<u>146,666</u>	<u>16,960</u>	<u>8,479</u>	<u>172,105</u>
<u>Operating Expenses</u>				
Outside Services.....	7,419	-	-	7,419
Depreciation.....	6,557	1,748	437	8,742
Dues and Subscriptions.....	1,423	2,643	1,295	5,361
Supplies.....	135	17	17	169
Office Expenses.....	2,218	277	277	2,772
Licenses and Fees.....	-	351	-	351
Postage.....	123	15	15	153
Professional Fees.....	-	6,000	-	6,000
Rent.....	4,725	1,260	315	6,300
Telephone.....	992	124	124	1,240
Travel.....	49,984	-	-	49,984
Conferences and Meetings.....	109,813	-	-	109,813
Printing.....	383	48	48	479
Website Expense.....	799	-	-	799
Fundraising Fees.....	<u>-</u>	<u>-</u>	<u>146</u>	<u>146</u>
Total Operating Expenses.....	<u>184,571</u>	<u>12,483</u>	<u>2,674</u>	<u>199,728</u>
Total Expenses.....	<u>\$ 331,237</u>	<u>\$ 29,443</u>	<u>\$ 11,153</u>	<u>\$ 371,833</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel</u>				
Salaries.....	\$ 95,192	\$ 25,385	\$ 6,346	\$ 126,923
Employee Benefits.....	4,050	1,079	270	5,399
Payroll Taxes.....	<u>2,171</u>	<u>579</u>	<u>145</u>	<u>2,895</u>
Total Personnel.....	<u>101,413</u>	<u>27,043</u>	<u>6,761</u>	<u>135,217</u>
<u>Operating Expenses</u>				
Outside Services.....	-	-	522	522
Dues and Subscriptions.....	1,120	2,434	1,313	4,867
Supplies.....	348	44	44	436
Miscellaneous.....	85	11	11	107
Office Expenses.....	48	6	6	60
Licenses and Permits.....	-	500	-	500
Payroll Service Charges.....	-	323	-	323
Postage.....	2	-	-	2
Professional Fees.....	-	453	-	453
Rent.....	-	5,400	-	5,400
Staff Development.....	285	-	-	285
Telephone.....	607	76	76	759
Travel.....	18,726	-	-	18,726
Conferences and Meetings.....	12,131	-	-	12,131
Website.....	<u>353</u>	<u>-</u>	<u>-</u>	<u>353</u>
Total Operating Expenses.....	<u>33,705</u>	<u>9,247</u>	<u>1,972</u>	<u>44,924</u>
Total Expenses.....	<u>\$ 135,118</u>	<u>\$ 36,290</u>	<u>\$ 8,733</u>	<u>\$ 180,141</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	<u>2011</u>	<u>2010</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Grants, Contracts and Others.....	\$ 347,196	\$ 357,900
Cash Paid to Suppliers and Employees.....	<u>(371,788)</u>	<u>(171,856)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>(24,592)</u>	<u>186,044</u>
Cash Flows from Investing Activities:		
Capital Expenditures.....	<u>(12,753)</u>	<u>(20,200)</u>
Net Cash Provided by (Used in) Investing Activities.....	<u>(12,753)</u>	<u>(20,200)</u>
(Decrease) Increase in Cash and Cash Equivalents.....	(37,345)	165,844
Cash and Cash Equivalents at Beginning of Year.....	<u>165,844</u>	<u>-</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 128,499</u>	<u>\$ 165,844</u>

Supplemental Disclosure:

There were no amounts paid for income taxes or interest for the years ended December 31, 2011 and 2010.

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY

STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in Net Assets.....	\$ (92,017)	\$ 312,759
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization.....	8,742	-
(Increase) Decrease in Support Receivable.....	69,180	(135,000)
(Increase) Decrease in Pledges Receivable - Long Term.....	(7,500)	-
Increase (Decrease) in Accrued Expenses.....	<u>(2,997)</u>	<u>8,285</u>
Total Adjustments.....	<u>67,425</u>	<u>(126,715)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ (24,592)</u>	<u>\$ 186,044</u>

The accompanying notes are an integral part of these financial statements.

THE ALEXANDER HAMILTON SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. Summary of Significant Accounting Policies

Operations:

The Alexander Hamilton Society (AHS) is an independent, non-partisan, not-for-profit organization dedicated to promoting constructive debate on basic principles and contemporary issues in foreign, economic, and national security policy. The Organization is supported primarily through contributions from foundations and individuals.

Financial Statement Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AHS and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of AHS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue and Support Recognition:

Contributions are recognized as revenue when they are received or unconditionally pledged.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grants receivable represent amounts committed by donors that have not been received by AHS.

THE ALEXANDER HAMILTON SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. Summary of Significant Accounting Policies (Cont'd)

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made.

Cash and Cash Equivalents:

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Property and Equipment:

AHS capitalizes all expenditures in excess of \$1,000 for property and equipment, at cost. The fair market value of donated fixed assets is similarly capitalized. Expenditures for maintenance and repairs are charged to operating expenditures. Donations are recorded as unrestricted support, unless the donor has restricted the donated assets to a specific purpose. Depreciation of furniture and equipment is capitalized using the straight-line method over the estimated useful lives of the assets.

Income Taxes:

AHS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes.

AHS is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax period in progress. AHS believes it is no longer subject to income tax examinations for years prior to 2010.

AHS's policy is to classify income tax related interest and penalties in interest expense and miscellaneous operating costs, respectively.

THE ALEXANDER HAMILTON SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. Summary of Significant Accounting Policies (Cont'd)

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program, supporting services, and fundraising events benefited.

Compensated Absences:

Employees of AHS are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. AHS's policy is to recognize the cost of compensated absences when actually paid to employees.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through February 21, 2013, the date on which the financial statements were available to be issued.

Note 2. Grants Receivable

Grants receivable, which are all due within one year, consist of the following:

	<u>2011</u>	<u>2010</u>
Temporarily restricted:		
Hertog foundation	\$ <u> -</u>	<u>\$135,000</u>

THE ALEXANDER HAMILTON SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 3. Pledges Receivable

Pledges receivable consist of the following at December 31, 2011:

Individual contributions	\$ 73,320
Less: unamortized discount	<u> -</u>
Net pledges receivable	<u>\$ 73,320</u>

The pledges receivable are due as follows:

Less than one year	\$ 65,820
One to five years.....	<u> 7,500</u>
Total pledges receivable	<u>\$ 73,320</u>

Management has determined that the pledge discount amortization is not material to the financial statements as a whole.

All pledges are expected to be collected.

Note 4. Property and Equipment

The following is a summary of property and equipment at December 31, 2011 and 2010:

	<u>Estimated useful lives in years</u>	<u>2011</u>	<u>2010</u>
Software	3	\$ 1,853	\$ -
Website	3	<u>31,100</u>	<u>20,200</u>
		32,953	20,200
Accumulated depreciation.....		<u>8,742</u>	<u> -</u>
		<u>\$ 24,211</u>	<u>\$ 20,200</u>

THE ALEXANDER HAMILTON SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 4. Property and Equipment (Cont'd)

Non-expendable property acquired with grant funds is considered to be owned by The Alexander Hamilton Society, while used in the program for which it was acquired, or in future authorized programs; however, the funding sources have a reversionary interest in the property. Its disposition, as well as the ownership of any proceeds therefrom, are subject to their regulations.

Depreciation expense was \$8,742 and \$-0- for the years ended December 31, 2011 and 2010, respectively.

Note 5. Net Assets - Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Expansion of campus program	\$ 64,894	\$ -
Educational activities	12,979	-
Program expenses in New York and New Jersey only	14,277	-
Other time restricted funds	<u>-</u>	<u>135,000</u>
	<u>\$ 92,150</u>	<u>\$135,000</u>

Note 6. Reclassifications

Certain reclassifications have been made to the 2010 financial statements to correspond to the current year's formats. Net assets and changes in net assets are unchanged due to these reclassifications.