

NATIONAL SPACE SOCIETY

AUDITED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

NATIONAL SPACE SOCIETY
AUDITED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Space Society
Reston, VA

Report on the Financial Statements

We have audited the accompanying financial statements of the **National Space Society** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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. Accordingly, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
National Space Society
Reston, VA

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **National Space Society** as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 18-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sydney Rutledge Corydon, P.A.

Rockville, Maryland
July 20, 2018

NATIONAL SPACE SOCIETY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

CURRENT ASSETS	2017	2016 (restated)
Cash and cash equivalents -- NOTES A, B and D	\$ 30,923	\$ 66,893
Accounts receivable - unrestricted, net -- NOTE A	56,371	59,404
Prepaid expenses and deposits	6,192	18,373
TOTAL CURRENT ASSETS	93,486	144,670
 PROPERTY AND EQUIPMENT -- NOTE A		
Computers and office equipment	0	0
Less: Accumulated depreciation	0	0
TOTAL PROPERTY AND EQUIPMENT	0	0
 OTHER ASSETS AND INVESTMENTS		
Cash and cash equivalents - board designated - NOTES A, B, and D	2,771	5,771
Cash and cash equivalents - temporarily restricted - NOTES A, B, and D	0	26,847
Accounts receivable - temporarily restricted, net -- NOTE A	0	10,000
Investments -- NOTES A, C, and D	160,178	134,852
TOTAL OTHER ASSETS AND INVESTMENTS	162,949	177,470
TOTAL ASSETS	\$ 256,435	\$ 322,140

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 31,205	\$ 65,528
Deferred revenue -- NOTE A	77,187	51,206
Other current liabilities	11,500	11,500
TOTAL CURRENT LIABILITIES	119,892	128,234

COMMITMENTS AND CONTINGENCIES -- NOTES A, D, H, I and J

NET ASSETS -- NOTES A, E and F

Unrestricted net assets:		
Undesignated, (As Restated) - NOTES E and F	133,772	151,288
Board designated	2,771	5,771
UNRESTRICTED NET ASSETS	136,543	157,059
Temporarily restricted - NOTE A	0	36,847
TEMPORARILY RESTRICTED NET ASSETS	0	36,847
TOTAL NET ASSETS	136,543	193,906
TOTAL LIABILITIES AND NET ASSETS	\$ 256,435	\$ 322,140

See Notes to Financial Statements

NATIONAL SPACE SOCIETY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	December 31, 2017			
	Unrestricted	Temporarily Restricted	Total	%
REVENUES -- NOTE A				
Membership	\$ 278,239	\$ 0	\$ 278,239	33.8
Contributions and grants	147,978	0	147,978	17.9
Conference	162,756	0	162,756	19.7
Investment income	2,584	0	2,584	0.3
List rental, advertising and royalties	90,226	0	90,226	10.9
Publications	0	0	0	0.0
Bequests	67,034	0	67,034	8.1
Projects	54,502	0	54,502	6.6
Reimbursements	0	0	0	0.0
Other revenue	236	0	236	0.0
Realized/unrealized gain on investments -- NOTE C	22,045	0	22,045	2.7
<u>Net assets released from restrictions:</u>				
Satisfaction of program restrictions -- NOTE A	36,847	(36,847)	0	0.0
TOTAL REVENUES	<u>862,447</u>	<u>(36,847)</u>	<u>825,600</u>	<u>100.0</u>
EXPENSES -- NOTE A				
PROGRAM EXPENSES				
Education and communication	564,291	0	564,291	68.4
Policy and research	186,809	0	186,809	22.6
TOTAL PROGRAM EXPENSES	<u>751,100</u>	<u>0</u>	<u>751,100</u>	<u>91.0</u>
SUPPORTING SERVICES				
Management and general	80,346	0	80,346	9.8
Fundraising	51,517	0	51,517	6.2
TOTAL SUPPORTING SERVICES	<u>131,863</u>	<u>0</u>	<u>131,863</u>	<u>16.0</u>
TOTAL EXPENSES	<u>882,963</u>	<u>0</u>	<u>882,963</u>	<u>107.0</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(20,516)</u>	<u>(36,847)</u>	<u>(57,363)</u>	<u>(7.0)</u>
NET ASSETS AT BEGINNING OF YEAR				
(As Restated) - NOTE F	<u>157,059</u>	<u>36,847</u>	<u>193,906</u>	
NET ASSETS AT END OF YEAR	<u>\$ 136,543</u>	<u>\$ 0</u>	<u>\$ 136,543</u>	

See Notes to Financial Statements

NATIONAL SPACE SOCIETY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	December 31, 2016 (restated)			
	Unrestricted	Temporarily Restricted	Total	%
REVENUES -- NOTE A				
Membership	\$ 281,047	\$ 0	\$ 281,047	35.7
Contributions and grants	191,253	25,000	216,253	27.5
Conference	75,799	0	75,799	9.6
Investment income	2,109	0	2,109	0.3
List rental, advertising and royalties	117,261	0	117,261	14.9
Publications	0	0	0	0.0
Bequests	0	0	0	0.0
Projects	68,703	11,847	80,550	10.2
Reimbursements	576	0	576	0.1
Other revenue	4,714	0	4,714	0.6
Realized/unrealized gain on investments -- NOTE C	8,921	0	8,921	1.1
<u>Net assets released from restrictions:</u>				
Satisfaction of program restrictions -- NOTES A and E	0	0	0	0.0
TOTAL REVENUES	<u>750,383</u>	<u>36,847</u>	<u>787,230</u>	<u>100.0</u>
EXPENSES -- NOTE A				
PROGRAM EXPENSES				
Education and communication	505,653	0	505,653	64.2
Policy and research	148,402	0	148,402	18.9
TOTAL PROGRAM EXPENSES	<u>654,055</u>	<u>0</u>	<u>654,055</u>	<u>83.1</u>
SUPPORTING SERVICES				
Management and general	73,413	0	73,413	9.3
Fundraising	19,690	0	19,690	2.5
TOTAL SUPPORTING SERVICES	<u>93,103</u>	<u>0</u>	<u>93,103</u>	<u>11.8</u>
TOTAL EXPENSES	<u>747,158</u>	<u>0</u>	<u>747,158</u>	<u>94.9</u>
INCREASE (DECREASE) IN NET ASSETS	3,225	36,847	40,072	<u>5.1</u>
NET ASSETS AT BEGINNING OF YEAR				
	<u>153,834</u>	<u>0</u>	<u>153,834</u>	
NET ASSETS AT END OF YEAR				
(As Restated) - NOTE F	<u>\$ 157,059</u>	<u>\$ 36,847</u>	<u>\$ 193,906</u>	

See Notes to Financial Statements

NATIONAL SPACE SOCIETY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016 (restated)</u>
Increase (decrease) in net assets	\$ (57,363)	\$ 40,072
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation expense	0	0
Realized and unrealized (gain) loss on investments -- NOTE C	(22,045)	(8,921)
Board designated cash	3,000	5,000
(Increase) decrease in operating assets		
Accounts receivable	3,033	(38,523)
Prepaid expenses and deposits	12,181	(14,620)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(34,323)	7,659
Deferred revenue	25,981	15,957
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(69,536)</u>	<u>6,624</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable securities	13,552	10,573
Purchases of marketable securities available for sale	(16,833)	(12,629)
Purchases of property and equipment	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,281)</u>	<u>(2,056)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in restricted cash balances	36,847	(26,847)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>36,847</u>	<u>(26,847)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(35,970)</u>	<u>(22,279)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>66,893</u>	<u>89,172</u>
ENDING CASH AND CASH EQUIVALENTS -- NOTES A, B and D	<u>\$ 30,923</u>	<u>\$ 66,893</u>

See Note G for supplemental cash flows statements disclosures

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the National Space Society (the "Society") is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America, and have been consistently applied in the preparation of the financial statements.

Purpose of the Society:

The Society is an educational, non-profit membership organization dedicated to the creation of a space faring civilization. The Society was formed under the laws of the District of Columbia on June 13, 1974. The Society's vision is of "People living and working in thriving communities beyond the Earth, and the use of the vast resources of space for the dramatic betterment of humanity." To meet this vision, the Society has as its mission statement, "to promote social, economic, technological, and political change in order to expand civilization beyond Earth, to settle space and to use the resulting resources to build a hopeful and prosperous future for humanity."

The Society's significant accounting policies are as follows:

Basis of Accounting:

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

ASC Codification:

During June 2009, the FASB issued SFAS No. 168 "*The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles - A Replacement of FASB Statement No. 162,*" (now codified within ASC No. 105, Generally Accepted Accounting Principles (GAAP) (ASC No. 105)). ASC No. 105 establishes the Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. Following this statement, FASB will not issue new standards in the form of statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve only to: (1) update the Codification; (2) provide background information about the guidance; and (3) provide the bases for conclusions on the change(s) in the Codification. ASC No. 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASC No. 105 did not have any impact on the results of operations or financial position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation:

Financial statement presentation follows the recommendations of the FASB ASC 958-205-55, *Not-for-Profit Entities—Presentation of Financial Statements—Implementation Guidance and Illustrations*. Under FASB ASC 958-205-55, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Support that is temporarily restricted by the donor is reclassified to unrestricted net assets when the time restriction, if any expires and/or the purpose of the restriction is accomplished.

Income Tax Status:

The Society is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

During the year ended December 31, 2009, the Society adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The Society performed an evaluation of uncertain tax positions for the year ended December 31, 2017, and determined that there were no material matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status.

As of December 31, 2017, the statute of limitations for the Form 990 for years 2014-2016 remains open with the Internal Revenue Service. It is the Society's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash and cash equivalents balance consists of unrestricted demand deposits, money market funds, and undeposited funds on hand.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Dues and Other Receivables:

Member dues and other accounts receivable from members are stated at net realizable value. Management considers all accounts to be essentially collectible, and therefore no allowance for doubtful accounts has been established as of December 31, 2017.

Revenue Recognition and Deferred Revenue:

Revenues are recognized during the period to which they relate. Therefore revenues collected in advance are reflected as deferred revenue on the statements of financial position.

Net Asset Classification:

The Society has elected to adopt Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets contain donor-imposed restrictions that require that contributed funds be maintained by the Society in perpetuity. The Society has no permanently restricted net assets as of December 31, 2017 and 2016. Temporarily restricted net assets contain donor-imposed use limits on contributed funds that relate to specific periods of time or specified purposes. As of December 31, 2017 and December 31, 2016, the Society's temporarily restricted net assets were \$0 and \$36,847, respectively. Unrestricted net assets are funds received that do not include any restriction as to the use by the donor. The Society's Board may subsequently designate unrestricted net assets for a specified purpose. As of December 31, 2017 and December 31, 2016, \$2,771 and \$5,771, respectively, of the unrestricted net assets was designated by the board for the Bruce Clark Scholarship Award program.

Contributions and Grants:

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year the notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Property, Equipment and Depreciation:

The Society capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets for financial reporting purposes, while accelerated methods are used for income tax reporting purposes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments:

The Society has adopted Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Under FASB ASC 958-320, investments in marketable equity securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Use of 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 and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses:

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

Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Recent Accounting Pronouncements:

During January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, "Investments – Equity Securities (Topic 321)." ASU No. 2016-01 eliminates the cost method for reporting the fair value of equity securities that are not traded in active markets and don't have readily determinable fair values by superseding the guidance for cost method investments in FASB ASC 958-325. Unless an entity elects to use the new measurement alternative offered in the ASU, equity securities without readily determinable fair values will need to be reported at fair value just like other equity securities. However, because developing a fair value estimate for this type of investment can be time consuming, entities may elect to measure these investments at cost, adjusted for changes resulting from observable price changes, minus any impairment. **The amendments in ASU 2016-01 generally are effective for fiscal years beginning December 15, 2018, and interim periods within fiscal years beginning December 15, 2019.** Early adoption is permitted. National Space Society is currently assessing the effect that ASU No. 2016-01 will have on its results of operations, financial position and cash flows.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued):

During August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (“ASU 2016-14”). ASU 2016-14 makes improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. Entities will present on the face of their financial statements two classes of net assets, rather than the three classes currently required. In addition, entities will be required to present expenses by both their natural classification and functional classification, present investment returns net of external and direct internal investment expenses, and provide enhanced disclosures regarding the entity’s available resources and liquidity, among other changes. **ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early application permitted.** The amendments should be applied on a retrospective basis in the year of adoption, with certain limited exceptions in the case of comparative financial statements, with disclosure of the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each period presented. National Space Society is currently evaluating the effect that ASU 2016-14 will have on its statement of financial position, statement of activities, and cash flows.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Demand deposits	\$ 21,981	\$ 62,266
Undeposited funds on hand	7,941	0
Money market funds	<u>1,001</u>	<u>4,627</u>
Total unrestricted cash and cash equivalents	<u>\$ 30,923</u>	<u>\$ 66,893</u>
Restricted:		
Demand deposits	<u>\$ 2,771</u>	<u>\$ 32,618</u>
Total cash and cash equivalents (Unrestricted and Restricted)	<u>\$ 33,694</u>	<u>\$ 99,511</u>

NOTE C – INVESTMENTS

The Society invests in equity securities, debt securities (bond funds), and corporate debt securities. Primary emphasis is placed on long-term growth of income and principal through the use of equities. Secondary emphasis is placed on the generation of a high level of income and the preservation of capital through fixed income investments. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions (all level 1 measurements).

Investments at December 31, 2017 are comprised of the following:

	<u>Fair Value</u>
Bonds and corporate debt	\$ 35,351
Common stocks (equities)	<u>124,827</u>
Total investments	<u>\$ 160,178</u>

Net gain (loss) on market value of securities is summarized as follows:

Net realized gain (loss) on sales of investments	\$ 1,821
Net unrealized gain (loss) on market changes in investments	<u>20,224</u>
	<u>\$ 22,045</u>

Investments at December 31, 2016 are comprised of the following:

	<u>Fair Value</u>
Bonds and corporate debt	\$ 34,819
Common stocks (equities)	<u>100,033</u>
Total investments	<u>\$ 134,852</u>

Net gain (loss) on market value of securities is summarized as follows:

Net realized gain (loss) on sales of investments	\$ 58
Net unrealized gain (loss) on market changes in investments	<u>8,863</u>
	<u>\$ 8,921</u>

NOTE D – COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk:

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash held with banks and brokers in excess of the insurance limitations of the Federal Deposit Insurance Corporation (FDIC) and/or the Securities Investor Protection Corporation (SIPC). At December 31, 2017 the Society's uninsured cash balance totaled \$2,611.

Management Services and Headquarters – Drohan Management Group, Inc.:

Effective February 1, 2015, the Society entered into a new contract agreement with Drohan Management Group, Inc. (DMG) to provide management services for a fixed monthly fee, plus additional costs and expenses incurred by DMG on behalf of the NSS. This agreement automatically renews annually. The Society's Account Manager and Staff Accountant were paid employees of Drohan Management Group, Inc. during the fiscal years ended December 31, 2017 and 2016. Total management fees paid to Drohan Management Group, Inc. during the years ended December 31, 2017 and December 31, 2016, amounted to \$100,990 and \$97,408, respectively (see **Subsequent Events – NOTE J**).

Fair Value of Financial Instruments:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – These inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access.

Level 2 – These are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, default rates and other similar data.

Level 3 – These are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Society's own data.

NOTE D – COMMITMENTS AND CONTINGENCIES (Continued)

The Society estimates that the fair value of all financial instruments at December 31, 2017 and 2016 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

**Fair Value Measurements on a Recurring Basis
 As of December 31, 2017**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 160,178</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,178</u>

**Fair Value Measurements on a Recurring Basis
 As of December 31, 2016**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 134,852</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,852</u>

NOTE E - NET ASSETS

Net assets at December 31, 2016 and 2017 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Balance at December 31, 2016, (As previously reported)	\$114,364	\$36,847	\$0	\$151,211
Prior period adjustment (NOTE F)	<u>42,695</u>	<u>0</u>	<u>0</u>	<u>42,695</u>
Balance at December 31, 2016, (As restated)	157,059	36,847	0	193,906
2017 Increase (decrease) in net assets	<u>(20,516)</u>	<u>(36,847)</u>	<u>0</u>	<u>(57,363)</u>
Balance at December 31, 2017	<u>\$136,543</u>	<u>\$0</u>	<u>\$0</u>	<u>\$136,543</u>

NATIONAL SPACE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE F – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2017, the Society discovered that an adjustment should have been made during the year ended December 31, 2016 to include additional revenue in the amount of \$42,695 which incorrectly was recorded in 2017. Based on Generally Accepted Accounting Principles, revenue related to the 2016 revenue should be recorded in the 2016 year based on the “matching principle.” To correct this error, the Society has restated the December 31, 2016 balances to reflect the increase in the revenue in accordance with FASB ASC 250, *Accounting Changes and Error Corrections*.

The following financial statement line items as of and for the year ended December 31, 2016 were affected by the correction of this error.

	As Previously Stated	As Restated	Effect of Correction
<u>Statement of Financial Position at December 31, 2016:</u>			
Accounts receivable – unrestricted, net	\$ 16,709	\$ 59,404	\$ 42,695
Unrestricted net assets	114,364	157,059	42,695
Total net assets	151,211	193,906	42,695
<u>Statement of Activities at December 31, 2016:</u>			
List, rental, advertising and royalties	74,566	117,261	42,695
Increase (decrease) in net assets	(2,623)	40,072	42,695

NOTE G – SUPPLEMENTAL CASH FLOWS STATEMENTS DISCLOSURES

Supplemental disclosure of cash flows information:

Cash paid during year ended December 31, 2017 for:

Interest	\$ 0
Income taxes	\$ 0
Disposal of Fixed Assets during year ended December 31, 2017	\$ 0

**NOTE G – SUPPLEMENTAL CASH FLOWS STATEMENTS DISCLOSURES
 (Continued)**

Cash paid during year ended December 31, 2016 for:

Interest	\$	0
Income taxes	\$	0
Disposal of Fixed Assets during year ended December 31, 2016	\$	0

NOTE H – JOINT COSTS ALLOCATION

Consistent with Generally Accepted Accounting Principles, the Society follows *ASC 958-720-50-2, Not-for-Profit Entities – Other Expenses – Disclosure – Accounting for Costs of Activities That Include Fundraising* (formerly *SOP 98-2, Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*) to report a portion of its specific joint costs from combined educational campaigns and fundraising solicitations as program costs. As of December 31, 2017 and December 31, 2016, aggregate joint costs amounted to \$53,009 and \$76,749, respectively.

Aggregate joint costs as of December 31, 2017 and December 31, 2016, were allocated to the following functional expense categories:

	<u>2017</u>	<u>2016</u>
Program expenses	\$ 42,407	\$ 61,399
Management and general	0	0
Fundraising	<u>10,602</u>	<u>15,350</u>
Total joint costs	<u>\$ 53,009</u>	<u>\$ 76,749</u>

NOTE I – RELATED PARTY TRANSACTIONS

The Society's Board executed various mutually beneficial agreements with CEC Global Events (CEC) during the year ended December 31, 2016 for event management services of Society's annual conferences and other conference events during the time period covering 2015-2018. The President of CEC Global Events was a Director of National Space Society during the year ended December 31, 2016. Payments made to CEC for event management services related to the year ended December 31, 2016 amount to \$26,122. In addition, the agreements call for the sales revenue on exhibitor and/or sponsorship sales facilitated by CEC and hotel room sales revenue to be shared between the Society and CEC.

NOTE I – RELATED PARTY TRANSACTIONS (Continued)

The Society's Board contracted with Barnhard Associates, LLC during the years ended December 31, 2017 and 2016 for information systems consulting services for the Society. The President of Barnhard Associates, LLC was a Director of National Space Society during the years ended December 31, 2017 and 2016. Payments made to Barnhard Associates, LLC for information systems services related to the years ended December 31, 2017 and 2016 amount to \$6,000 and \$6,000.

NOTE J – SUBSEQUENT EVENTS

In preparing the financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through July 20, 2018, the date the audit report was available to be issued.

Drohan Management Group, Inc. – Purchased:

During 2018, Drohan Management Group, Inc. was purchased by a third party association management company, Virtual, Inc. Effective July 2018, Drohan Management Group, Inc. will operate under the name of Virtual, Inc.

Management Services and Headquarters – Drohan Management Group, Inc.:

Effective February 1, 2018, the Society automatically renewed its contract agreement with Drohan Management Group, Inc. (DMG) to provide management services for a fee of \$8,488 per month, plus additional costs and expenses incurred by DMG on behalf of the NSS. This agreement will continue through January 31, 2019 (effective July 2018 agreement will be taken over by Virtual, Inc), at which time it can automatically be renewed for a successive additional period of one year. The Society's Account Manager and Staff Accountant are paid employees of Drohan Management Group, Inc.

Bequest Revenue – Estate of Herman Rubin:

Effective April 23, 2018, National Space Society was named ¼ beneficiary in the Estate of Herman Rubin. The Society is the beneficiary of certain investment accounts which are included in the Estate. NSS estimated the value of the bequest at over \$1,000,000 and expects to receive full distributions from these accounts during 2018. As of July 20, 2018, the Society received a partial distribution of \$475,424 related to this bequest.

NATIONAL SPACE SOCIETY
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services			Supporting Services			Total Expenses
	Education and Communication	Policy and Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Accounting and legal	\$ 14,204	\$ 6,087	\$ 20,291	\$ 1,739	\$ 1,160	\$ 2,899	\$ 23,190
Advertising	250	0	250	0	0	0	250
Association - management fee and facility expense - NOTE D	61,856	26,510	88,366	7,574	5,050	12,624	100,990
Rent- DC Office	0	0	0	1,383	0	1,383	1,383
Authors and artwork	13,950	0	13,950	0	0	0	13,950
Bad debt expense	0	0	0	0	0	0	0
Bank charges	0	0	0	626	0	626	626
Building expense	10,932	0	10,932	3,644	0	3,644	14,576
Computer services	32,481	0	32,481	11,389	1,686	13,075	45,556
Conferences and registration expenses	146,979	48,993	195,972	0	0	0	195,972
Contract services	40,072	0	40,072	13,357	0	13,357	53,429
Courier	0	0	0	3,389	0	3,389	3,389
Credit card fees	0	0	0	11,149	3,716	14,865	14,865
EIS Credit card fees	0	0	0	573	190	763	763
Design and layout	53,009	0	53,009	0	0	0	53,009
Email list management	0	0	0	0	0	0	0
Education and Training	5,495	0	5,495	0	0	0	5,495
Express / overnight delivery	817	350	1,167	100	67	167	1,334
Insurance	3,591	1,539	5,130	440	293	733	5,863
Interest expense	0	0	0	142	0	142	142
Investment Advisory Fees	0	0	0	2,877	0	2,877	2,877
Licenses	700	0	700	0	0	0	700
Mailing services	0	51,301	51,301	0	11,424	11,424	62,725
Meals	1,514	0	1,514	505	0	505	2,019
Miscellaneous	0	0	0	0	0	0	0
Office supplies	694	231	925	1,128	0	1,128	2,053
PayPal expenses	132	0	132	0	0	0	132
Postage and delivery	8,040	29,161	37,201	3,703	4,071	7,774	44,975
Press/Public Relations	373	125	498	0	0	0	498
Printing and copying services	66,786	16,228	83,014	11,541	10,803	22,344	105,358
Projects	66,872	0	66,872	0	0	0	66,872
Recruitment incentives	0	1,238	1,238	0	0	0	1,238
Shipping & Handling	13,792	0	13,792	3,448	0	3,448	17,240
Scholarships	3,350	0	3,350	0	0	0	3,350
State registrations	3,264	0	3,264	0	13,057	13,057	16,321
Teleconference, telephone and telemarketing expense	0	0	0	1,639	0	1,639	1,639
Travel/transportation	13,263	4,421	17,684	0	0	0	17,684
Video	1,875	625	2,500	0	0	0	2,500
TOTAL	\$ 564,291	\$ 186,809	\$ 751,100	\$ 80,346	\$ 51,517	\$ 131,863	\$ 882,963

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NATIONAL SPACE SOCIETY
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services			Supporting Services			Total Expenses
	Education and Communication	Policy and Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Accounting and legal	\$ 12,311	\$ 5,276	\$ 17,587	\$ 1,507	\$ 1,005	\$ 2,512	\$ 20,099
Advertising	755	0	755	0	0	0	755
Association - management fee and facility expense - NOTE D	59,662	25,570	85,232	7,306	4,870	12,176	97,408
Rent- DC Office	0	0	0	1,499	0	1,499	1,499
Authors and artwork	8,625	0	8,625	0	0	0	8,625
Bad debt expense	0	0	0	0	0	0	0
Bank charges	0	0	0	498	0	498	498
Building expense	12,183	0	12,183	4,061	0	4,061	16,244
Computer services	16,715	0	16,715	4,698	0	4,698	21,413
Conferences and registration expenses	123,435	0	123,435	0	0	0	123,435
Contract services	33,914	0	33,914	11,305	0	11,305	45,219
Courier	0	0	0	5,142	0	5,142	5,142
Credit card fees	0	0	0	13,715	0	13,715	13,715
EIS Credit card fees	0	0	0	429	0	429	429
Design and layout	48,451	0	48,451	0	0	0	48,451
Email list management	4,035	0	4,035	0	0	0	4,035
Education and Training	0	0	0	0	0	0	0
Express / overnight delivery	485	208	693	59	40	99	792
Insurance	3,219	1,379	4,598	394	263	657	5,255
Interest expense	0	0	0	46	0	46	46
Investment Advisory Fees	0	0	0	2,553	0	2,553	2,553
Licenses	75	0	75	0	0	0	75
Mailing services	0	56,045	56,045	0	0	0	56,045
Meals	1,925	0	1,925	641	0	641	2,566
Miscellaneous	0	0	0	4,670	0	4,670	4,670
Office supplies	0	0	0	1,845	0	1,845	1,845
PayPal expenses	0	0	0	0	0	0	0
Postage and delivery	27,668	22,948	50,616	4,547	0	4,547	55,163
Press/Public Relations	5,374	0	5,374	0	0	0	5,374
Printing and copying services	47,507	25,546	73,053	241	2,595	2,836	75,889
Projects	66,746	0	66,746	0	0	0	66,746
Recruitment incentives	0	11,430	11,430	0	0	0	11,430
Shipping & Handling	9,125	0	9,125	0	0	0	9,125
Scholarships	5,000	0	5,000	0	0	0	5,000
State registrations	2,729	0	2,729	0	10,917	10,917	13,646
Teleconference, telephone and telemarketing expense	0	0	0	3,019	0	3,019	3,019
Travel/transportation	15,664	0	15,664	5,221	0	5,221	20,885
Video	50	0	50	17	0	17	67
TOTAL	\$ 505,653	\$ 148,402	\$ 654,055	\$ 73,413	\$ 19,690	\$ 93,103	\$ 747,158

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