

**NATIONAL SPACE SOCIETY**

**AUDITED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

**NATIONAL SPACE SOCIETY**  
**AUDITED FINANCIAL STATEMENTS**  
December 31, 2009

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**INDEPENDENT AUDITORS' REPORT**

August 9, 2010

Board of Directors  
**National Space Society**  
Washington, DC

We have audited the accompanying statement of financial position of the **National Space Society** (a non-profit organization) as of December 31, 2009, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 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 **National Space Society** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lydon Fetterolf Corydon, P.A.*

Rockville, Maryland

**NATIONAL SPACE SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2009

**ASSETS**

**CURRENT ASSETS**

2009

Cash and cash equivalents -- NOTES A, B and D	\$ 166,739
Accounts receivable, net -- NOTE A	27,201
Prepaid expenses	<u>2,456</u>

<b>TOTAL CURRENT ASSETS</b>	<u>196,396</u>
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**OTHER ASSETS**

Investments -- NOTES A, C, and D	<u>93,552</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 289,948</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable - trade	\$ 17,759
Accrued expenses	157
Deferred revenue -- NOTE A	<u>54,953</u>

<b>TOTAL CURRENT LIABILITIES</b>	<u>72,869</u>
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**COMMITMENTS AND CONTINGENCIES -- NOTES D and F**

**NET ASSETS -- NOTES A and E**

Unrestricted net assets	217,079
Temporarily restricted net assets	<u>0</u>

<b>TOTAL NET ASSETS</b>	<u>217,079</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 289,948</u></u>
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**NATIONAL SPACE SOCIETY**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2009

December 31, 2009

	Unrestricted	Temporarily Restricted	Total	%
<b>REVENUES -- NOTE A</b>				
Membership	\$ 416,803	\$ 0	\$ 416,803	50.1
Contributions and grants	271,633	0	271,633	32.6
Conference	107,145	0	107,145	12.9
Investment income	2,100	0	2,100	0.3
List rental, advertising and royalties	7,174	0	7,174	0.9
Publications	7,935	0	7,935	0.9
Other revenue	16,864	0	16,864	2.0
Realized/unrealized gain on investments -- NOTE C	2,598	0	2,598	0.3
Net assets released from restrictions:				
Satisfaction of program restrictions -- NOTES A and E	52,633	(52,633)	0	0.0
<b>TOTAL REVENUES</b>	<b>884,885</b>	<b>(52,633)</b>	<b>832,252</b>	<b>100.0</b>
<b>EXPENSES -- NOTE A</b>				
<b>PROGRAM EXPENSES</b>				
Education and communication	544,290	0	544,290	65.4
Policy and research	201,695	0	201,695	24.2
<b>TOTAL PROGRAM EXPENSES</b>	<b>745,985</b>	<b>0</b>	<b>745,985</b>	<b>89.6</b>
<b>SUPPORTING SERVICES</b>				
Management and general	81,194	0	81,194	9.8
Fundraising	14,688	0	14,688	1.8
<b>TOTAL SUPPORTING SERVICES</b>	<b>95,882</b>	<b>0</b>	<b>95,882</b>	<b>11.6</b>
<b>TOTAL EXPENSES</b>	<b>841,867</b>	<b>0</b>	<b>841,867</b>	<b>101.2</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>43,018</b>	<b>(52,633)</b>	<b>(9,615)</b>	<b>(1.2)</b>
<b>NET ASSETS AT BEGINNING OF YEAR -- NOTE A</b>				
	174,061	52,633	226,694	
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 217,079</b>	<b>\$ 0</b>	<b>\$ 217,079</b>	

See Notes to Financial Statements

**NATIONAL SPACE SOCIETY**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2009

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2009</u>
Increase (decrease) in net assets	\$ (9,615)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
(Gain) loss on disposal of fixed assets	700
Unrealized (gain) loss on investments -- NOTE C	(1,964)
(Increase) decrease in operating assets	
Accounts receivable	12,479
Prepaid expenses	9,796
Deposits	3,500
Increase (decrease) in operating liabilities	
Accounts payable	369
Accrued expenses	157
Deferred revenue	<u>19,265</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>34,687</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of marketable securities available for sale	<u>(36,052)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b><u>(36,052)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,365)</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>168,104</u>
<b>ENDING CASH AND CASH EQUIVALENTS -- NOTES A, B and D</b>	<b><u><u>\$ 166,739</u></u></b>

See Notes to Financial Statements

**NATIONAL SPACE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**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.

**NATIONAL SPACE SOCIETY**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**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 income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society has been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2), and qualifies for deductible contributions as provided in Section 170(b)(1)(A). Accordingly, no provision has been made for income taxes in the financial statements. However, income from activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. None of the Society's present activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements.

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 amounts as of December 31, 2009.

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, 2009.

Revenue Recognition and Deferred Revenue:

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

**NATIONAL SPACE SOCIETY**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2009. Temporarily restricted net assets contain donor-imposed use limits on contributed funds that relate to specific periods of time or specified purposes. The Society has no temporarily restricted net assets as of December 31, 2009. 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.

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.

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.

**NATIONAL SPACE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, 2009, consist of the following:

Demand deposits	\$ 95,930
Money market funds	<u>70,809</u>
Total cash and cash equivalents	<u>\$ 166,739</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, 2009 are comprised of the following:

	<u>Fair Value</u>
Bonds	\$ 23,143
Common stocks and options	<u>70,409</u>
Total investments	<u>\$ 93,552</u>

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

Net realized gain (loss) on sales of investments	\$ 634
Net unrealized gain (loss) on market changes in investments	<u>1,964</u>
	<u>\$ 2,598</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). The Society does not have any concentration of credit risk as of December 31, 2009.

**NATIONAL SPACE SOCIETY**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE D – COMMITMENTS AND CONTINGENCIES (Continued)**

Management Services and Headquarters:

On March 1 2009, the Society entered into a contract with Association Management Strategies (AMS), to provide management services and headquarters for a fee of \$12,467 and \$3,100 respectively, per month. For the year ended December 31, 2009, the Society paid AMS a total of \$138,553 under this agreement. This agreement was renewed in March of 2010, and will continue with monthly management service and headquarter fees of \$12,778 and \$3,255 respectively, through February 28, 2011, at which time the agreement will expire. The Society paid their previous management company a total of \$37,050 during January and February of 2009 before entering into the new management agreement with AMS.

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.

The Society estimates that the fair value of all financial instruments at December 31, 2009 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**NATIONAL SPACE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**NOTE D – COMMITMENTS AND CONTINGENCIES (Continued)**

**Fair Value Measurements on a Recurring Basis**  
**As of December 31, 2009**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 93,552	\$ 0	\$ 0	\$ 93,552

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

It is the Society’s policy to release temporarily restricted net assets in the period in which the restriction is satisfied. The following temporarily restricted net assets were released from donor restrictions by incurring expenses and meeting time stipulations which satisfies the restricted purposes specified by the donors:

Time Restricted	\$ 42,633
Education and Communication	<u>10,000</u>
Total	<u>\$ 52,633</u>

**NOTE F – SUBSEQUENT EVENT**

Employment Agreement:

The Society entered into an employment agreement (the “Agreement”) with the Executive Director (the “Employee”) of the Society on April 5, 2010. The Society agrees to pay the Employee an annual salary of Sixty Thousand dollars per year, payable on a semimonthly basis in exchange for part time management, administrative and program service activities. The Agreement is valid through April 30, 2011, or until the Employee’s earlier death. The Society may terminate the Employee’s employment under this Agreement for any reason with or without cause, with or without advance notice. If the Employee is terminated without cause, he shall receive a severance benefit equal to a fraction of his monthly salary. The severance benefit is adjusted each month based on the Employee’s without cause termination date. The benefit will increase monthly by one sixth of the Employee’s monthly salary, up to a maximum benefit of \$5,000 by sixth month of employment.

In preparing the financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through August 9, 2010, the date the financial statements were available to be issued.

NATIONAL SPACE SOCIETY  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2009

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Education and Communication	Policy and Research	Total Program Services	Management and General	Fundraising		
Accommodations and meals	\$ 2,187	\$ 303	\$ 2,490	\$ 16,566	\$ 2	\$ 16,568	\$ 19,058
Accounting and legal	13,472	5,774	19,246	1,650	1,100	2,750	21,996
Advertising	2,527	0	2,527	0	0	0	2,527
Association - management fee and facility expense - NOTE D	105,177	45,075	150,252	16,765	8,586	25,351	175,603
Authors and artwork	4,393	0	4,393	0	0	0	4,393
Bank charges	0	33	33	1,564	0	1,564	1,597
Building expense	1,019	0	1,019	2,622	0	2,622	3,641
Computer services	14,526	0	14,526	1,918	0	1,918	16,444
Conferences and registration expenses	115,527	2,168	117,695	549	0	549	118,244
Copy service	1,311	0	1,311	437	0	437	1,748
Courier	1,114	1,114	2,228	584	0	584	2,812
Credit card fees	0	0	0	9,022	0	9,022	9,022
Design and layout	21,095	0	21,095	300	0	300	21,395
Dues and subscriptions	0	0	0	159	0	159	159
Email list management	2,260	0	2,260	0	0	0	2,260
Employee recruiting	0	0	0	25	0	25	25
Express / overnight delivery	1,374	0	1,374	855	0	855	2,229
Insurance	5,086	2,180	7,266	623	415	1,038	8,304
Mailing services	4,061	4,924	8,985	0	0	0	8,985
Office supplies	44	0	44	3,247	0	3,247	3,291
Parking	14	0	14	54	0	54	68
PayPal expenses	2,268	0	2,268	0	0	0	2,268
Payroll and related taxes	43,425	18,611	62,036	6,934	3,544	10,478	72,514
Postage and delivery	41,185	36,754	77,939	1,725	0	1,725	79,664
Press/public relations	116	0	116	0	0	0	116
Printing and copying services	140,845	83,098	223,943	526	1,041	1,567	225,510
Projects	5,100	0	5,100	0	0	0	5,100
Recruitment incentives	2,373	0	2,373	1,127	0	1,127	3,500
Refunds	2,938	1,606	4,544	0	0	0	4,544
Shipping and handling	516	0	516	0	0	0	516
Scholarships	0	0	0	26	0	26	26
State registrations	0	55	55	3,815	0	3,815	3,870
Teleconference, telephone and telemarketing expense	0	0	0	5,000	0	5,000	5,000
Temporary help	0	0	0	200	0	200	200
Travel/transportation	10,337	0	10,337	4,901	0	4,901	15,238
<b>TOTAL</b>	<b>\$ 544,290</b>	<b>\$ 201,695</b>	<b>\$ 745,985</b>	<b>\$ 81,194</b>	<b>\$ 14,688</b>	<b>\$ 95,882</b>	<b>\$ 841,867</b>

See Independent Auditors' Report on Additional Information