

**SOCIETY OF AMERICAN
MILITARY ENGINEERS
DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Direction
Society of American Military Engineers
Alexandria, Virginia

We have audited the accompanying financial statements of the Society of American Military Engineers ("SAME"), which comprise of the statements of financial position as of December 31, 2013 and 2012, 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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Society of American Military Engineers as of December 31, 2013 and 2012, 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.

Sarfino and Rhoades LLP

March 3, 2014

SOCIETY OF AMERICAN MILITARY ENGINEERS
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2013	2012
Cash and cash equivalents (Notes 1 and 4):		
Cash and money market funds	\$ 1,041,873	\$ 1,746,754
Certificates of deposit	621,000	801,000
Total cash and cash equivalents	\$ 1,662,873	\$ 2,547,754
Accounts receivable, net of allowance for uncollectible accounts of \$3,000 and \$6,000, respectively (Note 1)	49,835	78,772
Prepaid expenses and deposits	137,832	285,926
Investments (Notes 1, 3 and 4)	4,675,147	3,879,319
Property and equipment, net (Notes 1 and 5)	978,176	897,928
TOTAL ASSETS	\$ 7,503,863	\$ 7,689,699
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 90,361	\$ 442,873
Accrued payroll liabilities	190,224	185,348
Deferred compensation (Note 6)	93,499	77,197
Deferred revenues (Note 1):		
Membership	995,673	1,101,720
Events	349,375	381,495
Advertising	57,467	90,478
TOTAL LIABILITIES	\$ 1,776,599	\$ 2,279,111
COMMITMENTS (Note 7)		
NET ASSETS (Notes 1, 8 and 9):		
Unrestricted:		
Undesignated	\$ 4,865,257	\$ 4,633,143
Board-designated	503,652	448,700
Subtotals	\$ 5,368,909	\$ 5,081,843
Temporarily restricted	86,879	108,745
Permanently restricted	271,476	220,000
TOTAL NET ASSETS	\$ 5,727,264	\$ 5,410,588
TOTAL LIABILITIES AND NET ASSETS	\$ 7,503,863	\$ 7,689,699

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

SOCIETY OF AMERICAN MILITARY ENGINEERS
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:								
Conference registrations and income	\$ 2,843,884	\$ -	\$ 7,500	\$ 2,851,384	\$ 3,737,092	\$ -	\$ 10,000	\$ 3,747,092
Dues	2,203,289	-	-	2,203,289	2,345,292	-	-	2,345,292
Advertising	907,444	-	-	907,444	1,070,965	-	-	1,070,965
Investment income (Note 3)	377,396	24,647	-	402,043	343,072	25,702	-	368,774
Continuing education	132,342	-	-	132,342	185,517	-	-	185,517
Donations	-	37,170	43,976	81,146	-	69,550	-	69,550
TISP dues and events	47,630	-	-	47,630	62,225	-	-	62,225
Other income	34,715	-	-	34,715	36,227	-	-	36,227
Net assets released from restrictions	83,683	(83,683)	-	-	97,435	(97,435)	-	-
TOTAL REVENUES	<u>\$ 6,630,383</u>	<u>\$ (21,866)</u>	<u>\$ 51,476</u>	<u>\$ 6,659,993</u>	<u>\$ 7,877,825</u>	<u>\$ (2,183)</u>	<u>\$ 10,000</u>	<u>\$ 7,885,642</u>
EXPENSES:								
Program services:								
Meetings and conferences	\$ 2,973,594	\$ -	\$ -	\$ 2,973,594	\$ 3,457,757	\$ -	\$ -	\$ 3,457,757
Society publications	861,482	-	-	861,482	1,032,985	-	-	1,032,985
Post operations	650,261	-	-	650,261	772,709	-	-	772,709
Membership activities	467,623	-	-	467,623	502,231	-	-	502,231
Continuing education	356,418	-	-	356,418	352,053	-	-	352,053
TISP	308,542	-	-	308,542	317,816	-	-	317,816
Total program services	\$ 5,617,920	\$ -	\$ -	\$ 5,617,920	\$ 6,435,551	\$ -	\$ -	\$ 6,435,551
Management and general	724,190	-	-	724,190	739,733	-	-	739,733
Fundraising	1,207	-	-	1,207	1,386	-	-	1,386
TOTAL EXPENSES	<u>\$ 6,343,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,343,317</u>	<u>\$ 7,176,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,176,670</u>
CHANGES IN NET ASSETS	\$ 287,066	\$ (21,866)	\$ 51,476	\$ 316,676	\$ 701,155	\$ (2,183)	\$ 10,000	\$ 708,972
NET ASSETS, BEGINNING OF YEAR	<u>5,081,843</u>	<u>108,745</u>	<u>220,000</u>	<u>5,410,588</u>	<u>4,380,688</u>	<u>110,928</u>	<u>210,000</u>	<u>4,701,616</u>
NET ASSETS, END OF YEAR	<u>\$ 5,368,909</u>	<u>\$ 86,879</u>	<u>\$ 271,476</u>	<u>\$ 5,727,264</u>	<u>\$ 5,081,843</u>	<u>\$ 108,745</u>	<u>\$ 220,000</u>	<u>\$ 5,410,588</u>

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

SOCIETY OF AMERICAN MILITARY ENGINEERS
STATEMENTS OF CASH FLOWS

	DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 316,676	\$ 708,972
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	79,155	79,369
Realized and unrealized gain on investments	(197,373)	(198,135)
Loss on disposition of fixed assets	1,274	1,121
Bad debt expense	8,270	650
Changes in assets and liabilities:		
Accounts receivable	20,667	(38,392)
Prepaid expenses and deposits	148,094	(126,248)
Accounts payable and accrued expenses	(352,512)	(158,602)
Accrued payroll liabilities	4,876	12,839
Deferred compensation	16,302	7,505
Deferred revenues	(171,178)	(264,727)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (125,749)	\$ 24,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	\$ 603,248	\$ 749,718
Purchases of property and equipment	(160,677)	(284,458)
Purchases of investments	(1,201,703)	(1,783,162)
NET CASH USED IN INVESTING ACTIVITIES	\$ (759,132)	\$ (1,317,902)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (884,881)	\$ (1,293,550)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,547,754	3,841,304
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,662,873	\$ 2,547,754
SUPPLEMENTAL DISCLOSURE:		
Income taxes paid	\$ 123,847	\$ 181,598

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

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - Society of American Military Engineers (“SAME”) was founded in 1920 and incorporated in Washington, D.C. Its mission is to promote and facilitate engineering support for national security by developing and enhancing relationships and competencies among uniformed services, public and private sector engineers and related professionals, and by developing future engineers through outreach and mentoring.

Basis of Accounting - The financial statements of SAME are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recognized and recorded when earned or incurred.

Basis of Presentation - SAME reports 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 are recognized at the earlier of when they are received or when the donor makes a promise to give to SAME that is, in substance, unconditional. 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. All other net assets, including board-designated or appropriated amounts are reported as part of the unrestricted class.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities, at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statements of cash flows, SAME considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Money market funds and certificates of deposit held with investment brokers are considered cash equivalents.

Concentration of Credit Risk - SAME maintains its cash in banks, brokerage firms and credit unions. Bank balances in excess of certain limits per banking institution and money market funds held at brokerage firms are not covered by the Federal Deposit Insurance Corporation. Credit union balances which exceed certain limits are not covered by the National Credit Union Administration.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. SAME does not require collateral on its accounts receivable.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

Investments - Investments in marketable debt and equity securities with readily determinable fair values are stated at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities.

Property and Equipment - Property and equipment costing \$1,000 or more are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from five to twenty five years. Repairs which materially add to the value or extend the useful life of assets are capitalized. All other repair and maintenance costs are expensed in the year incurred. The cost and accumulated depreciation of property sold or retired are removed from the related asset and accumulated depreciation accounts and any resulting gains or losses are included in the statements of activities.

Revenue Recognition - Revenue from members' dues is recognized during the period for which the membership covers. Dues received in advance are recorded as deferred revenue and recognized over the membership period. Revenue from conferences, advertising and other activities is recognized when it is earned. Deferred revenue represents unearned funds collected in advance which are to be recognized in the future period when they are earned.

Income Tax Status - SAME is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Advertising revenue and sales of promotional items are considered unrelated business income. SAME believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

SAME's federal information returns (Form 990) and unrelated business income tax returns (Form 990-T) are not subject to examination by the IRS for the years ended December 31, 2009 and prior.

Endowment - SAME's permanently restricted net assets for the Education and Mentoring (E&M) Fund meet the definition of endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or by the designation of the Board of Direction. The Board of Direction of SAME requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. These requirements are in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by Virginia.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

Endowment - (Continued)

SAME classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the UPMIFA.

SAME has approved investment and spending policies for the endowment portion of the E&M Fund that attempt to provide a predictable stream of funding to the program supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Assets are invested conservatively in certificate of deposits and in a managed portfolio with investment grade corporate bonds and stocks with emphasis on preserving capital. Investment income for this fund is temporarily restricted for E&M Fund activities.

A portion of the E&M Fund was created from unrestricted board designations, and consists of cumulative transfers from the net proceeds of certain SAME events including (a) annual national conferences, (b) Golden Eagle dinners, (c) Small Business Conferences, and (d) other miscellaneous sources.

Functional Allocation of Expenses - The costs of providing programs and other supporting activities have been summarized on a functional basis in the supplemental schedule of functional expenses. Certain costs have been allocated among the programs, management and general and fundraising based on salaries, number of employees and other criteria.

Note 2. **Related Party Transactions** - During the years ended December 31, 2013 and 2012, SAME paid \$61,488 and \$221,203 to a local design company for goods and services provided in connection with the Century House Renovation Project. The owner of the design company is a relative of an officer of SAME. At December 31, 2013 and 2012, \$979 and \$9,186, respectively, of the accounts payable balance was due to this company.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 3. **Investments** - Investments are recorded at fair value and consisted of the following as of December 31:

	2013	2012
Fixed - income securities:		
Corporate bonds	\$ 983,090	\$ 878,630
Mutual funds	930,167	716,504
Government obligations	352,600	491,587
Total fixed - income securities	\$ 2,265,857	\$ 2,086,721
Equities:		
Mutual funds	\$ 1,392,878	\$ 1,132,919
Common Stocks	842,096	500,368
Preferred stocks	174,316	159,311
Total equity	\$ 2,409,290	\$ 1,792,598
Total investments	\$ 4,675,147	\$ 3,879,319
Aggregate cost of investments	\$ 4,158,482	\$ 3,560,034

The following summarizes investment income for the years ended December 31:

	2013	2012
Interest and dividends	\$ 204,670	\$ 170,639
Net realized and unrealized gains	197,373	198,135
Totals	\$ 402,043	\$ 368,774

Note 4. **Fair Value Measurement** - SAME measures its investments and money market funds at fair value as required by the Fair Value Measurements Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (FASB). The inputs to valuation techniques are prioritized in a hierarchy and are described as follows: level 1 inputs are based on quoted prices in active markets for identical assets; level 2 inputs are based on observable market data, generally other than quoted prices; level 3 inputs are based on significant unobservable data. There were no level 3 valued investments for the years ended December 31, 2013 and 2012.

Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 4. **Fair Value Measurement** - (Continued)

The following methods and assumptions were used to estimate fair value of each class of assets:

Money market funds - Money Market funds are presented as cash in the statement of financial position. The fund is valued by the institutional fund management at the stated price of the fund which generally approximates the original cost and the value of the underlying assets.

Government Obligations and Corporate Bonds - Valued at the closing price reported in the active market in which the individual security is traded.

Mutual funds and stocks - Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the year.

The following table sets forth by level SAME's investments at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government obligations	\$ -	\$ 352,600	\$ 352,600
Corporate bonds	-	983,090	983,090
Fixed income mutual funds	930,167	-	930,167
Equity mutual funds	1,392,878	-	1,392,878
Common stocks	842,096	-	842,096
Preferred stocks	174,316	-	174,316
Totals	<u>\$ 3,339,457</u>	<u>\$ 1,335,690</u>	<u>\$ 4,675,147</u>

The following table sets forth by level, SAME's investments at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government obligations	\$ -	\$ 491,587	\$ 491,587
Corporate bonds	-	878,630	878,630
Fixed income mutual funds	716,504	-	716,504
Equity mutual funds	1,132,919	-	1,132,919
Common stocks	500,368	-	500,368
Preferred stocks	159,311	-	159,311
Totals	<u>\$ 2,509,102</u>	<u>\$ 1,370,217</u>	<u>\$ 3,879,319</u>

Money market funds held by brokers totaling \$180,819 and \$268,050 at December 31, 2013 and 2012, respectively, were reported with level 2 fair value measurements.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 5. **Property and Equipment** - The following is a summary of property and equipment as of December 31:

	2013	2012
Building and improvements	\$ 1,191,647	\$ 1,069,374
Furniture and equipment	442,565	413,965
AMS software	284,461	284,461
Land	219,970	219,970
Subtotal	\$ 2,138,643	\$ 1,987,770
Less, Accumulated depreciation	1,160,467	1,089,842
Totals	\$ 978,176	\$ 897,928

Depreciation expense for the years ended December 31, 2013 and 2012 was \$79,155 and \$79,369, respectively.

Note 6. **Retirement Plan** - SAME established a 401(k) plan for its employees. Employees may elect to make voluntary pre-tax contributions under a salary deferral agreement. Employees are immediately vested in all contributions made by SAME. Employer contributions to the plan in 2013 were \$119,025. Prior to January 1, 2013, SAME had a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employer contributions to the 403(b) plan in 2012 were \$90,673.

SAME maintains a deferred compensation plan under Internal Revenue Service Code Section 457(b) for SAME's highly compensated employees. SAME's matching contributions to the plan for the years ended December 31, 2013 and 2012 were \$10,754 and \$9,986, respectively.

Note 7. **Commitments** - SAME leases office equipment under several operating leases. Approximate minimum future lease payments are as follows:

<u>Year ending</u> <u>December 31,</u>	
2014	\$ 15,318
2015	14,676
2016	14,676
2017	14,676
2018	11,007
Total	\$ 70,353

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 7. **Commitments** - (Continued)

Total operating lease expenses for the years ended December 31, 2013 and 2012 were \$26,249 and \$22,760, respectively.

SAME has also entered into certain agreements with facilities relating to conferences. Such agreements generally contain provisions which obligate SAME to book a minimum number of room nights and to spend certain minimums for food and beverages. Should these minimums not be achieved, the agreements obligate SAME to pay certain specified amounts.

Note 8. **Restricted Net Assets** - Restricted net assets are comprised of temporarily restricted net assets and permanently restricted net assets.

The restricted net assets composition as of December 31, 2013 was as follows:

	Temporarily Restricted	Permanently Restricted
Education and Mentoring Fund	\$ 74,494	\$ 271,476
Wounded Warriors Fund	12,385	-
Totals	<u>\$ 86,879</u>	<u>\$ 271,476</u>

The restricted net assets composition as of December 31, 2012 was as follows:

	Temporarily Restricted	Permanently Restricted
Education and Mentoring Fund	\$ 82,380	\$ 220,000
Wounded Warriors Fund	26,365	-
Totals	<u>\$ 108,745</u>	<u>\$ 220,000</u>

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 9. **Endowment Fund** - Changes in net assets of the Education and Mentoring Fund for the year ended December 31, 2013 were as follows:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 448,700	\$ 82,380	\$ 220,000	\$ 751,080
Contributions and transfers	54,952	13,269	51,476	119,697
Interest income	-	24,647	-	24,647
Expenditures	-	(45,802)	-	(45,802)
Endowment net assets, end of year	<u>\$ 503,652</u>	<u>\$ 74,494</u>	<u>\$ 271,476</u>	<u>\$ 849,622</u>

Changes in net assets of the Education and Mentoring Fund for the year ended December 31, 2012 were as follows:

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 379,700	\$ 84,657	\$ 210,000	\$ 674,357
Contributions and transfers	69,000	16,844	10,000	95,844
Interest income	-	25,701	-	25,701
Expenditures	-	(44,822)	-	(44,822)
Endowment net assets, end of year	<u>\$ 448,700</u>	<u>\$ 82,380</u>	<u>\$ 220,000</u>	<u>\$ 751,080</u>

Note 10. **Income Tax** - The components of the provision for income taxes for the years ended December 31, were as follows:

	<u>2013</u>	<u>2012</u>
Federal	\$ 86,289	\$ 117,017
State	16,888	22,002
	<u>\$ 103,177</u>	<u>\$ 139,019</u>

Note 11. **Subsequent Events** - In preparation of these financial statements, SAME has evaluated events and transactions for potential recognition or disclosure through March 3, 2014, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Direction
Society of American Military Engineers
Alexandria, Virginia

We have audited the financial statements of the Society of American Military Engineers as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated March 3, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended December 31, 2013 is presented for the purpose of additional analysis and is 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 audits 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.

Sarfino and Rhoades LLP

March 3, 2014

SOCIETY OF AMERICAN MILITARY ENGINEERS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(with comparative totals for 2012)

	Program Services										
	Membership Activities	Society Publications	Meetings and Conferences	Continuing Education	Post Operations	TISP	Program Services	Management and General	Fundraising	2013 Total	2012 Total
Salaries and wages	\$ 251,001	\$ 329,166	\$ 516,419	\$ 217,335	\$ 129,886	\$ 179,473	\$ 1,623,280	\$ 395,956	\$ 371	\$ 2,019,607	\$ 1,910,930
Payroll tax expense	17,968	23,564	36,202	15,558	9,298	12,848	115,438	27,500	27	142,965	134,336
Retirement (Note 6)	16,312	21,390	32,863	14,123	8,441	11,663	104,792	24,963	24	129,779	100,659
Other employee benefits	32,880	43,120	66,248	28,471	17,015	24,721	212,455	50,323	49	262,827	252,619
Subtotal	\$ 318,161	\$ 417,240	\$ 651,732	\$ 275,487	\$ 164,640	\$ 228,705	\$ 2,085,965	\$ 498,742	\$ 471	\$ 2,555,178	\$ 2,398,544
Professional fees	18,119	35,979	54,358	31,663	4,471	11,294	155,884	82,631	-	238,515	309,663
Dues to Posts	-	-	-	-	225,310	-	225,310	-	-	225,310	333,117
Meeting expense:											
Facilities rental	-	-	129,995	200	(7,696)	1,730	124,229	-	-	124,229	85,737
Catering	-	-	964,960	3,775	51,053	15,040	1,034,828	-	-	1,034,828	1,357,881
Audio-visual	-	-	220,629	1,702	8,767	3,139	234,237	-	-	234,237	256,840
Exhibit costs	-	-	169,800	-	-	-	169,800	-	-	169,800	168,451
Revenue sharing	-	-	193,800	-	-	-	193,800	-	-	193,800	311,200
Other meeting expense	-	-	292,879	73	15,525	45	308,522	-	-	308,522	401,761
Travel	-	-	62,806	397	60,263	5,962	129,428	7,559	-	136,987	170,430
Production and printing	2,405	141,972	21,657	-	-	1,844	167,878	479	-	168,357	263,807
Advertising commissions and other	5,314	8,287	34,293	-	-	474	48,368	-	-	48,368	88,587
Postage and delivery	14,388	41,373	4,353	228	1,723	228	62,293	3,426	228	65,947	100,190
Awards	-	-	77,471	-	102,287	-	179,758	-	-	179,758	190,435
Cost of promotion items	12,208	-	-	-	10,139	-	22,347	-	-	22,347	24,243
Repairs and maintenance	11,748	16,173	10,299	7,324	2,899	7,324	55,767	34,492	-	90,259	135,727
Utilities	6,085	8,379	5,335	18,084	1,513	7,593	46,989	10,643	-	57,632	48,890
Computer expense	14,673	49,840	7,124	445	1,336	3,357	76,775	14,693	-	91,468	91,853
Office supplies and expense	5,505	7,219	11,090	4,766	2,848	11,666	43,094	8,424	508	52,026	66,775
Insurance - general	3,907	5,382	17,011	2,437	2,442	2,437	33,616	8,306	-	41,922	47,130
Credit card and bank fees	38,139	10,897	25,687	2,335	-	778	77,836	-	-	77,836	78,898
Taxes and licenses (Notes 1 and 10)	-	103,177	-	-	-	-	103,177	34,115	-	137,292	166,498
Depreciation (Note 5)	16,971	15,294	10,315	7,502	2,741	6,926	59,749	19,406	-	79,155	79,369
Miscellaneous	-	270	8,000	-	-	-	8,270	1,274	-	9,544	644
Total expenses	\$ 467,623	\$ 861,482	\$ 2,973,594	\$ 356,418	\$ 650,261	\$ 308,542	\$ 5,617,920	\$ 724,190	\$ 1,207	\$ 6,343,317	\$ 7,176,670