

Securities and Exchange Commission

HISTORICAL SOCIETY



April 3, 2018 – Roundtable of SEC Enforcement Directors

The History of U.S. Financial Regulation

2018 ANNUAL REPORT

2018 Annual Report

The 2018 Annual report includes the narrative of activities, list of donors and audited financial statements of the Securities and Exchange Commission Historical Society from January 1 through December 31, 2018.

Mission

The mission of the Securities and Exchange Commission Historical Society is to share, preserve and advance knowledge of the history of financial regulation. The Society is a 501(c)(3) not-for-profit organization independent of the U.S. Securities and Exchange Commission.

Securities and Exchange Commission Historical Society

1101 Pennsylvania Avenue NW, Suite 300
Washington, DC 20004

Phone: 202-756-5015

www.sechistorical.org



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Historical Society. Designed by Beth Elzer.

On the cover:

April 3, 2018 - SEC Enforcement
Directors Roundtable

(Left to Right - Steven Peikin, Andrew J. Ceresney, Stephen M. Cutler, Stanley Sporkin, William R. McLucas, Linda Chatman Thomsen, Richard H. Walker, Robert S. Khuzami, Gary G. Lynch, Stephanie Avakian)

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Letter from the President

Dear Friends,

On behalf of my fellow Trustees of the Securities and Exchange Commission Historical Society, I am pleased to share with you our 2018 Annual Report.

Over the course of the past year, we have made great strides in construction of three new galleries – one on Market Structure and Regulation, one on the history of the SEC’s Enforcement program, and a third on the PCAOB. We also have conducted more than 10 oral histories interviews in video format, versus the traditional audio, in an effort to enhance the visitor’s experience. You will also find four new programs in the Museum on a range of topics, from SEC enforcement, to market structure, to crypto-currencies. We also have begun sharing interesting items in the Museum’s collection through social media channels to reach new audiences.

In addition to progress on these and other important projects further outlined in the Executive Director’s report, the Society has been preparing to commemorate two important landmarks occurring in 2019.

First, June 6, 2019 marks the 85th anniversary of the U.S. Securities and Exchange Commission. Established by the Securities Exchange Act of 1934, this Act gave the SEC broad authority over all aspects of our securities markets, including the power to register, regulate, and oversee brokerage firms, transfer agents, clearing agencies, the nation’s securities exchanges, and related self-regulatory organizations.



▲ Thomas O. Gorman, 2018–19 President, Board of Trustees

On June 3, 2019, at the National Building Museum in Washington, D.C., we will take the opportunity to acknowledge the many men and women who have worked at the agency and its related entities to ensure the sound functioning of our securities markets.

In addition, 2019 marks the 20th anniversary of the Securities and Exchange Commission Historical Society. Twenty years ago, three individuals were tapped to explore founding an organization whose mission would be to preserve and share the history of our securities markets and regulatory structure. In 1999, David Ruder, Paul Gonson and Harvey Pitt — with the help of other key individuals — worked to establish the SEC Historical Society as a 501(c)(3) non-profit organization in Washington, D.C.

The Society accomplishes its mission by continuously growing its Virtual Museum of galleries, oral histories, and program discussions with experts straight from the front lines of corporate governance, auditing, market structure, investment management, compliance, enforcement, and all other areas of the SEC's jurisdiction.

The Virtual Museum is free and accessible to anyone with internet access. It provides a rich source of primary data for research and an understanding of how our securities markets operate, including from people directly involved and who speak to the dynamics driving decisions, actions, and change. Our Virtual Museum is special. Nowhere else will you find these unique materials.

On June 3, 2019, we invite all who are able to join us in commemorating the 85th anniversary of the SEC, to also join us in thanking the 3 founding Trustees of the Society, and the many others who, over the course of the past 20 years, have served on the Society's Board of Trustees and Board of Advisors, and volunteered their time and resources to support this important resource. We look forward to seeing you in June.

Sincerely,

Thomas O. Gorman

Report from the Executive Director

The Society's core mission is accomplished through the work we undertake to build, maintain, and make accessible, the unique history that resides in the Virtual Museum and Archive. Over the course of the past year, we launched a range of new projects to enhance the visitor experience, increase awareness of the Museum, and grow our unique collection of programs, oral histories, and galleries.

Enforcement Directors Roundtable

Last spring, we kicked off construction of a new gallery on the SEC's enforcement program with a roundtable featuring 10 current and former enforcement division directors. The event, held at Georgetown University Law Center, and moderated by Dr. Harwell Wells, was attended by scores of students, faculty, SEC staff, and alumni. The gathering allowed those who were a key part of the SEC's enforcement program from its early days on, to reflect on important cases and developments during their tenure.

At the Enforcement Roundtable, we also were privileged to have family members of the late Irving Pollack in attendance for the announcement of a special exhibit that will be constructed in honor of Pollack's role as "father" of the SEC's Enforcement Division.

PCAOB Gallery

In addition, we began construction on a gallery to document the history of the Public Company Accounting Oversight Board (PCAOB). With the help of a dedicated working group of volunteers advising the curator, we have already made headway in scoping out the parameters and key themes of the gallery essay.



▲ (Top) April 3, 2018 *Enforcement Directors Roundtable*
(Bottom) June 1, 2018 *Panel on Regulation and Market Structure from ATS to NMS*



Oral Histories Video Enhancement

Our Museum houses a collection of unique materials, and our oral histories are among our most valuable assets in this regard. The majority of our 230 oral histories were captured in audio format, supplemented with a written transcript. With today's technology, producing a high-quality video is more feasible.



▲ October 3, 2018 *Morgan Lewis Presents 2018: A Conversation with Stephanie Avakian and Steven Peikin*

Last year, in conjunction with other efforts to optimize our visitors' experience, we conducted 8 "introductory" videos and added them to the corresponding audio oral history. We hope these videos will give visitors a better sense of the subject and the topics covered in the full interview. We also conducted 10 new oral histories in full video format. We plan to continue both projects going forward.

Social Media Launch

In order to expand our visibility with current and potential visitors to the Virtual Museum beyond our email newsletters, last March the Society launched a social media presence on Twitter, LinkedIn and FaceBook. Almost every day, we take a moment to highlight and reflect on a historical event, figure, or item in the Museum's collection which impacted the securities markets in an interesting or significant way. While we recognize that our content appeals to a niche market, we still believe it is important in carrying out our mission, to make that content known and accessible through today's broader range of communication channels.

Regulation and Market Structure from ATS to NMS

Each June, the Society marks the anniversary of the SEC with a live audience and live broadcast program that becomes part of the permanent collection. Last June 1, as part of building the Market Structure Gallery, we brought together three former directors of the Division of Market Regulation in a discussion entitled, *Regulation and Market Structure from ATS to NMS*. The program, led by Dr. Ken Durr, included panelists Richard Ketchum, Richard Lindsey and Annette Nazareth, and explored the role of regulation, market innovation and chance, in driving market changes.

Morgan Lewis Presents 2018

With the generous support of Morgan, Lewis and Bockius LLP, a live broadcast of *Morgan Lewis Presents 2018: A Conversation with Stephanie Avakian and Steven Peikin* was conducted on October 3. In this program, moderators Susan Resley and Ben Indek examined SEC enforcement issues and approaches with the SEC's enforcement division co-directors.

Deloitte Fireside Chat XIV

In November, we broadcast *Deloitte Fireside Chat XIV – Blockchain & Crypto: A Rational Dialogue*. In our longest-running annual program, Deloitte's Dan Sunderland, Amy Steele and Will Bible examined how to separate fact from fiction when it comes to blockchain and digital assets and contemplated what these things are and what they're not.

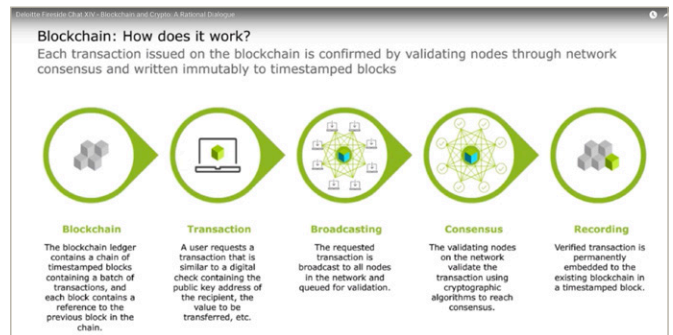
85th SEC Anniversary Planning

During the past year, we also began planning for the 85th anniversary of the U.S. Securities and Exchange Commission and the 20th anniversary of the founding of the SEC Historical Society, both of which we will commemorate with a dinner on Monday, June 3, 2019, at the National Building Museum in Washington, D.C. The two top-level sponsorships were filled soon after the event date was announced, providing tremendous momentum and enthusiasm for the event that has continued to build since then. We are very grateful to our 1934 Circle event sponsors, Kalorama Partners and DavisPolk, for their early show of support. Tickets for the anniversary dinner can be purchased on the Society's home page.

The successes of 2018 would not have been possible without the generosity of *all* donors and volunteers of the SEC Historical Society. Thanks to you, we have been able to strengthen our financial position in 2018 and continue growing the unique collection housed in the Virtual Museum. If you have not visited us in a while, I invite you to inspect the great things we have accomplished together at www.sechistorical.org.

Sincerely,

Jane Cobb
Executive Director



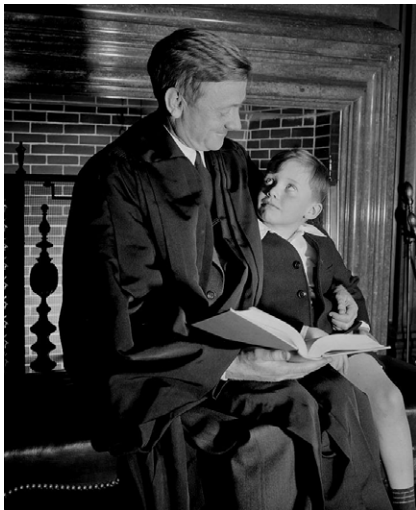
▲ November 29, 2018 *Deloitte Fireside Chat: Blockchain and Crypto: A Rational Dialogue* with Dan Sunderland, Will Bible and Amy Steele



▲ Both the 85th anniversary of the U.S. Securities and Exchange Commission and the 20th anniversary of the founding of the SEC Historical Society, will be commemorated with a dinner on Monday, June 3, 2019, at the National Building Museum in Washington, D.C.

In Support of the Society — 2018

The Securities and Exchange Commission Historical Society gratefully acknowledges the generosity of all those who donated to support our work in 2018.



▲ April 17, 1939, Associate Justice William O. Douglas, after his swearing-in to the U.S. Supreme Court, with William O. Douglas, Jr.

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► 1934, SEC Commission: Ferdinand Pecora, George C. Mathews, Joseph P. Kennedy, Robert E. Healy and James M. Landis.

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▲ September 23, 1935, SEC Commission with Senior Staff



▲ 1938-39, SEC Commission: (standing) Robert Healy and Edward Eicher; (seated) George Mathews, William O. Douglas and Jerome Frank



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

Securities and Exchange Commission
Historical Society

Washington, D.C.

We have audited the accompanying financial statements of the Securities and Exchange Commission Historical Society (the Society), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

Auditor's 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

INDEPENDENT AUDITOR'S REPORT *(continued)*

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman, Rosenberg & Freedman
March 21, 2019

Financial Statements

For the year ended December 31, 2018, with summarized financial information for 2017

Statement of Financial Position

As of December 31, 2018 with summarized financial information for 2017

| ASSETS | 2018 | 2017 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 693,143 | \$ 498,798 |
| Investments | 597,203 | 713,169 |
| Grants and contributions receivable | - | 55,250 |
| Accounts receivable | - | 7,632 |
| Prepaid expenses | 3,973 | 7,109 |
| Total current assets | \$ 1,294,319 | \$ 1,281,958 |
| EQUIPMENT AND SOFTWARE | | |
| Equipment | 4,250 | 4,250 |
| Computer software | 14,743 | 14,743 |
| Less: Accumulated depreciation and amortization | (18,993) | (18,993) |
| Net equipment and software | - | - |
| OTHER ASSETS | | |
| Virtual Museum and Archive collections | 2,234,966 | 2,158,568 |
| Donated artwork | 25,000 | 25,000 |
| Security deposit | 3,636 | 3,636 |
| Total other assets | \$ 2,263,602 | \$ 2,187,204 |
| TOTAL ASSETS | \$ 3,557,921 | \$ 3,469,162 |

| LIABILITIES AND NET ASSETS | 2018 | 2017 |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 15,363 | \$ 15,918 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 335,873 | 292,798 |
| Investment in Virtual Museum and Archive Collections | 2,234,966 | 2,158,568 |
| Board designated reserve fund | 941,719 | 926,878 |
| Total unrestricted net assets | 3,512,558 | 3,378,244 |
| With donor restrictions: | 30,000 | 75,000 |
| Total net assets | 3,542,558 | 3,453,244 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,557,921 | \$ 3,469,162 |

Statement of Activities and Change in Net Assets

For the year ended December 31, 2018 with summarized financial information for 2017

| | 2018 | | | 2017 |
|---|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE | | | | |
| Grants and contributions | \$ 638,644 | \$ 30,000 | 668,644 | 489,346 |
| Interest and investment (loss) income | (1,463) | — | (1,463) | 48,577 |
| Net assets released from donor restrictions | 75,000 | (75,000) | — | — |
| Total revenue | \$ 712,181 | \$ (45,000) | 667,181 | 537,923 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Virtual Museum and Archive | \$ 360,134 | — | 360,134 | \$ 411,711 |
| Supporting Services: | | | | |
| General and Administrative | 158,426 | — | 158,426 | 130,449 |
| Development and Fundraising | 59,307 | — | 59,307 | 108,355 |
| Total supporting services | \$ 217,733 | — | 217,733 | \$ 238,804 |
| Total expenses | 577,867 | — | 577,867 | 650,515 |
| Change in net assets | 134,314 | (45,000) | 89,314 | (112,592) |
| Net assets at beginning of year | 3,378,244 | 75,000 | 3,453,244 | 3,565,836 |
| NET ASSETS AT END OF YEAR | \$ 3,512,558 | \$ 30,000 | \$ 3,542,558 | \$ 3,453,244 |

Statement of Functional Expenses

For the year ended December 31, 2018 with summarized financial information for 2017

| | 2018 | | | | 2017 | |
|--|----------------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------------------|
| | Virtual Museum and Archive | General and Administrative | Development and Fundraising | Total Supporting Services | Total Expenses | Total Expenses |
| Salaries | \$ 203,615 | \$ 102,776 | \$ 20,127 | \$ 122,903 | \$ 326,518 | \$ 348,122 |
| Benefits and payroll taxes | 45,844 | 23,140 | 4,532 | 27,6720 | 73,516 | 87,901 |
| Printing and production | 70 | 287 | — | 287 | 357 | 9,834 |
| Professional fees | — | 59,019 | 2,750 | 61,769 | 61,769 | 41,675 |
| Occupancy | — | 21,324 | — | 21,324 | 21,324 | 43,604 |
| Telephone | 4,243 | 5,532 | — | 5,532 | 9,775 | 12,883 |
| Travel | 595 | 447 | — | 447 | 1,042 | 8,734 |
| Postage and delivery | 316 | 2,199 | 53 | 2,252 | 2,568 | 3,215 |
| Repairs and maintenance | — | 798 | — | 798 | 798 | — |
| Supplies | 773 | 1,547 | 78 | 1,625 | 2,398 | 1,804 |
| Events and meetings | 9,819 | — | — | — | 9,819 | 14,877 |
| Museum maintenance | 30,449 | — | — | — | 30,449 | 9,473 |
| Subscriptions and other fees | — | 12,134 | — | 12,134 | 12,134 | 68,393 |
| Commemoration events | — | — | 25,400 | 25,400 | 25,400 | — |
| Sub-total | 295,724 | 229,203 | 86,387 | 282,143 | 577,867 | 650,515 |
| Allocation of general and administrative | 64,410 | (70,777) | 21,968 | (64,410) | — | — |
| TOTAL | \$ 360,134 | \$ 158,426 | \$ 108,355 | \$ 217,733 | \$ 577,867 | \$ 650,515 |

Statement of Cash Flows

For the year ended December 31, 2017 with summarized financial information for 2016

| | 2018 | 2017 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 89,314 | \$ (112,592) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Realized loss on investments | 2,905 | — |
| Unrealized gain on investments | 16,758 | (18,087) |
| Decrease (increase) in: | | |
| Grants and contributions receivable | 55,250 | (16,520) |
| Accounts receivable | 7,632 | (7,632) |
| Prepaid expenses | 3,136 | 12,101 |
| Security deposit | — | 3,364 |
| (Decrease) in: | | |
| Accounts payable and accrued liabilities | (555) | (11,840) |
| Deferred rent abatement | — | (3,888) |
| Net cash provided (used) by operating activities | 174,440 | (155,094) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (5,447) | (10,574) |
| Proceeds from maturity of investments | 101,750 | 251,130 |
| Accession of Virtual Museum and Archive collections | (76,398) | (87,244) |
| Net cash provided (used) by investing activities | 19,905 | 153,312 |
| Net increase (decrease) in cash and cash equivalents | 194,345 | (1,782) |
| Cash and cash equivalents at beginning of year | 498,798 | 500,580 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 693,143 | \$ 498,798 |

Report on Summarized Comparative Information

We have previously audited the Society's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization

The Securities and Exchange Commission Historical Society (the Society) is a 501(c)(3) nonprofit organization, incorporated in the District of Columbia. The Society shares, preserves and advances knowledge of the history of financial regulation through its Virtual Museum and Archive at www.sechistorical.org. The Society is independent of the U.S. Securities and Exchange Commission and receives no funding from the public sector. Significant accounting policies followed by the Society are presented below.

The Society operated the Virtual Museum and Archive program in 2018. The Virtual Museum and Archive is the preeminent online authority of trusted and verified information and material on the regulation of the capital markets. The Museum is free and accessible worldwide at all times, and is built and exhibited independent of the U.S. Securities and Exchange Commission.

Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Society maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Statement of Activities and Change in Net Assets.

Receivables

Receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Equipment and software

Equipment and software in excess of \$1,500, which have been purchased, are stated at cost. Donated equipment and software are valued at their appraised value at the time of the gift.

Equipment and software are depreciated using the straight-line method. Provisions for depreciation and amortization are based on estimated useful lives of three years for software, five years for computer equipment and seven years for all other equipment. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

Uncertain tax positions

For the year ended December 31, 2018, the Society has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor

restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions

Grants and contributions received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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 and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of employee time and effort

Risks and uncertainties

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Risks and uncertainties

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Fair value measurement

The Society adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Society has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Society has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018. In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption

is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Society plans to adopt the new ASUs at the respective required implementation dates.

2 • INVESTMENTS

Investments, at their readily determinable fair value, consisted of the following at December 31, 2018:

| | COST | FAIR VALUE |
|--------------------------|------------------|------------------|
| Certificates of Deposit | \$100,000 | \$99,787 |
| Corporate Bonds | 295,014 | 290,777 |
| Exchange-Traded Funds | 170,850 | 206,639 |
| Total Investments | \$565,864 | \$597,203 |

Included in interest and investment loss for the year ended December 31, 2018, are the following:

| | |
|---|------------------|
| Interest and dividends | \$18,200 |
| Realized loss | (2,905) |
| Unrealized loss | (16,758) |
| Total Interest and Investment Loss | \$(1,463) |

3 • NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

| | |
|--|-----------------|
| Federal Bar Association | 25,000 |
| Meredith B Cross | 5,000 |
| Total Temporarily Restricted Net Assets | \$30,000 |

4 • NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors or the passage of time:

| | |
|--|-----------------|
| Morgan Lewis & Bockius LLP | \$25,000 |
| Federal Bar Association | 25,000 |
| Deloitte LLP | 25,000 |
| Total Net Assets Released from Restrictions | \$75,000 |

5 • LIQUIDITY

Financial assets available for use within one year of the statement of financial position, comprise the following:

| | |
|--|------------------|
| Cash and cash equivalents | \$693,143 |
| Investments | 597,203 |
| Subtract: donor restrictions for specific purposes | (30,000) |
| Subtract: board designated net assets | (941,719) |
| Total Temporarily Restricted Net Assets | \$318,627 |

The Society has a policy to structure its financial assets to be available and liquid as its obligations become due. In general, cash is available to meet the upcoming year's needs for general expenditures.

6 • LEASE COMMITMENT

In March 2017, the Society entered into an agreement with its landlord to reduce its physical space in D.C. and open a satellite location in Maryland. The Society's base rent is \$1,818 per month, and extends through September 30, 2019.

Occupancy expense for the year ended December 31, 2018 totaled \$21,324.

Total future minimum payments under the lease commitment are as follows:

| | |
|--------------------------------------|-----------------|
| Year Ending December 31, 2019 | \$35,496 |
|--------------------------------------|-----------------|

7 • VIRTUAL MUSEUM AND ARCHIVE COLLECTION

The Society has capitalized the collection of the Virtual Museum and Archive since the Museum's inception in March 2002.

On December 31, 2018, the Museum collection totaled 8,606 primary materials: papers, photos, oral histories, programs, film, radio and television media, Timeline developments, Gallery essays and exhibits. No materials were de-acquisitioned from the collection in 2018.

For the year ended December 31, 2018, the costs to utilize outside vendors in building the collection of the Virtual Museum and Archive totaled \$76,398. As of December 31, 2018, the accumulated costs incurred in building the Virtual Museum and Archive totaled \$2,234,966.

8 • SAVINGS PLAN

The Society maintains a Savings Plan (the Plan) under Section 403(b) of the Internal Revenue Code for its employees. The Society makes matching contributions of 100% of elected employee deferrals up to the maximum limits as stipulated by the Internal Revenue Code. Matching contributions start on the anniversary date after the first year of continuous employment.

Employees are 100% vested upon entry into the Plan. For the year ended December 31, 2018, contributions to the Plan totaled \$30,839.

9 • BOARD DESIGNATED NET ASSETS

In 2009, the Board of Trustees of the Society established a \$500,000 Board designated fund to assure continuation of the Society. During 2017, the Society decreased the appropriation by \$100,000 for use in operations. The value of this fund as of December 31, 2018 was \$414,640.

In 2016, the Board of Trustees of the Society established a \$500,000 Board designated fund restricted for the Virtual Museum and Archive. The value of this fund as of December 31, 2018 was \$527,079.

The funds are comprised of cash totaling \$150,000, certificates of deposit, corporate bonds and exchange-traded funds totaling \$597,203 and money market funds totaling \$194,516, which are included in investments and cash and cash equivalents, in the accompanying Statement of Financial Position.

10 • FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Society has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018:

- **Certificates of Deposit** - Generally valued at original cost plus accrued interest, which approximates fair value.
- **Corporate Bonds** - Valued at the closing price reported on the active market in which the individual securities are traded.
- **Exchange-Traded Funds** - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Society's investments as of December 31, 2018:

| Asset Class - Investments: | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|--------------------------------|-------------------|------------------|-------------|-------------------|
| <i>Certificates of Deposit</i> | \$ — | \$ 99,787 | \$ — | \$ 99,787 |
| <i>Corporate Bonds</i> | 290,777 | | | 290,777 |
| <i>Exchange-Traded Funds</i> | 206,639 | | | 219,444 |
| Total | \$ 497,416 | \$ 99,787 | \$ — | \$ 597,203 |

10 • SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

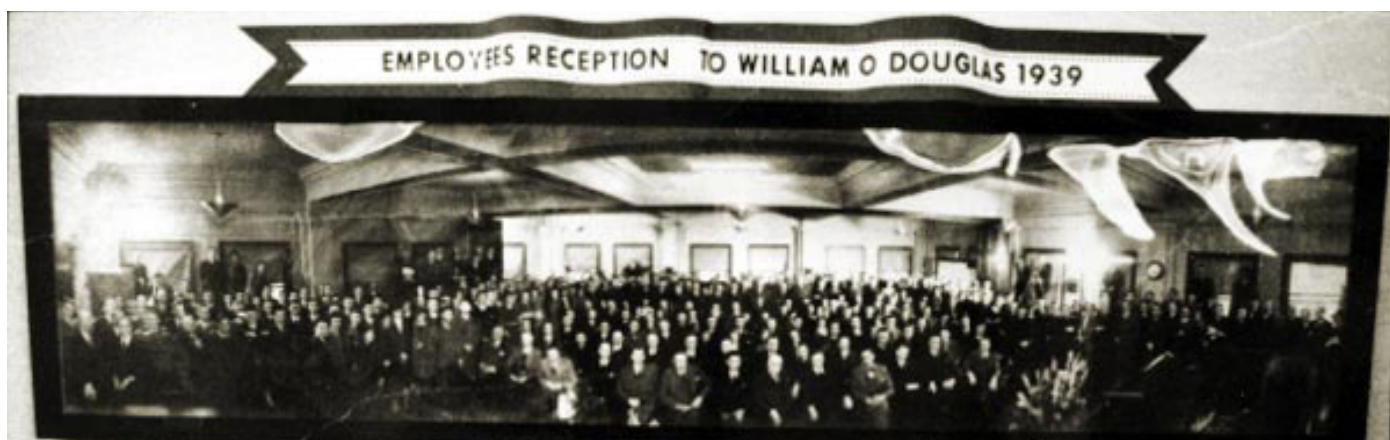
Thank you

The SEC Historical Society thanks the following donors of material in 2018 — papers, oral histories, photos, videos, live programs— which are now a part of the permanent collection of the Virtual Museum.

Donating to the collection

The online museum and archive of the SEC Historical Society welcomes donations and accepts material that relates directly to its mission. Interested donors are encouraged to contact the Society to discuss their items proposed for donation to the Museum's permanent collections.

- Stephanie Avakian
- William Bible
- Timothy P. Burke
- Andrew J. Ceresney
- Chicago Board Options Exchange
- Christopher R. Conte
- Meredith B. Cross
- Stephen M. Cutler
- Dechert LLP
- Deloitte & Touche LLP
- Kenneth D. Durr
- FINRA
- Mark D. Fitterman
- Georgetown University Law Center
- Daniel L. Goelzer
- Paul Gonson
- Edward F. Greene
- Lawrence E. Harris
- Robert W. Helm
- Ben A. Indek
- Stuart J. Kaswell
- Richard G. Ketchum
- Robert S. Khuzami
- Donald C. Langevoort
- Dr. Richard R. Lindsey
- William A. Lupien
- Gary G. Lynch
- William R. McLucas
- Library of Congress
- Municipal Securities Rulemaking Board
- National Archives and Records Administration
- Annette L. Nazareth
- Steven Peikin
- Harvey L. Pitt
- John Ramsay
- Susan D. Resley
- Eugene Rotberg
- David S. Ruder
- Mary L. Schapiro
- Amy Steele
- Chester S. Spatt
- Stanley Sporkin
- Dan Sunderland
- Linda Chatman Thomsen
- Richard H. Walker
- Harwell Wells



▲ March 20, 1939, SEC Staff Reception for William O. Douglas

Building the Museum Collection

NEW ORAL HISTORIES VIDEO INTRODUCTIONS



Meredith B. Cross



Daniel L. Goelzer



Paul Gonson



Edward F. Greene



William R. McLucas



Harvey L. Pitt



David S. Ruder



Mary L. Schapiro