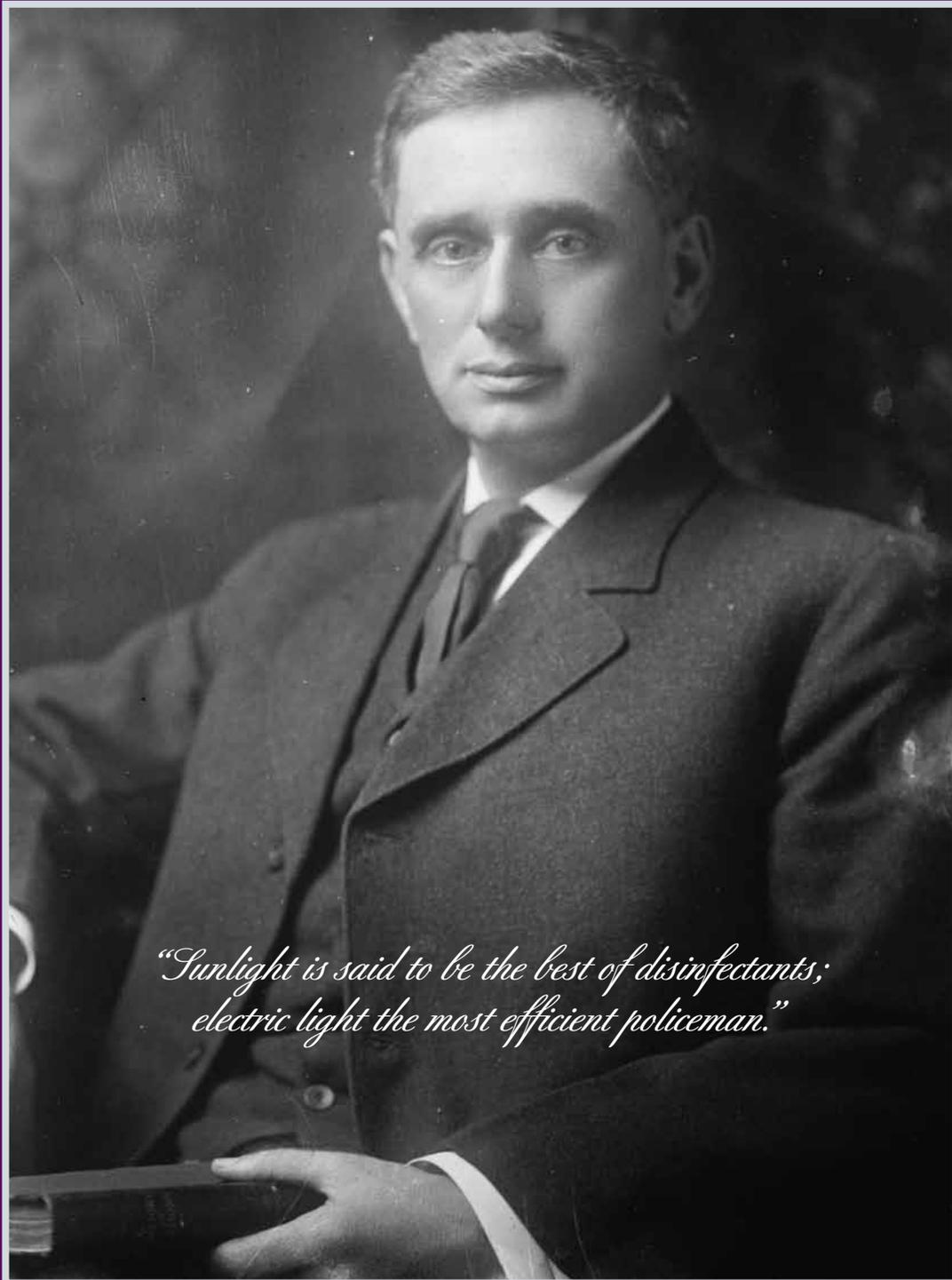


SECURITIES AND EXCHANGE COMMISSION HISTORICAL SOCIETY

www.sechistorical.org

The Virtual Museum and Archive of the History of Financial Regulation



*"Sunlight is said to be the best of disinfectants;
electric light the most efficient policeman."*

2016

ANNUAL REPORT

2016 Annual Report

The 2016 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, 2016.

Carla L. Rosati, CFRE, *Editor*

Donald Norwood Design, *Design and Publication*

Photos by Scavone Photography and from the virtual museum and archive at www.sechistorical.org

Securities and Exchange Commission Historical Society

The Securities and Exchange Commission Historical Society, through its virtual museum and archive at www.sechistorical.org, shares, preserves and advances knowledge of the history of financial regulation. The Society is a 501(c)(3) non-profit organization, independent of the U.S. Securities and Exchange Commission.

1101 Pennsylvania Avenue NW, Suite 300
Washington, D.C. 20004
202-756-5015

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VISIT THE VIRTUAL MUSEUM AND ARCHIVE AT WWW.SECHISTORICAL.ORG.

ON THE COVER: November 9, 1913 Louis D. Brandeis; quote from December 20, 1913 Louis D. Brandeis "What Publicity Can Do," Harper's Weekly; both from the collection of the virtual museum and archive at www.sechistorical.org.



June 2, 2016 David Lynn (right) with former SEC Chairman Richard Breeden, prior to the broadcast of "At the Crossroads of the White House and the SEC"

Statement from the President

David M. Lynn, 2016–17 President, Board of Trustees

On behalf of my fellow trustees of the SEC Historical Society, it is a privilege to share with you the 2016 Annual Report.

This report recognizes and thanks the many people who make possible our work in sharing, preserving and advancing knowledge of the history of financial regulation through our virtual museum and archive at www.sechistorical.org. Those who visit the museum and utilize its many resources, those who generously give to ensure its building and outreach, those who advocate for its use, and those who ensure quality and fiduciary responsibility for the organization are all key contributors to the Society's continued success.

During my tenure as Board President, I have been grateful to work with outstanding leaders among my fellow trustees, the Board of Advisors and the Trustees Emeritus. I can attest that this 2016-17 Board has shared with me and with you great dedication to ensure the long-term growth of our work.

In the midst of on-going financial challenges for many non-profit organizations, the Society continues to grow and thrive, thanks in large part to the continued generosity of the many individuals and organizations whose gifts and grants are acknowledged in this Annual Report. The audited financial statements are a witness to the care we take in stewardship of the funds we receive.

This year has been a time of transition for the Society, as we prepare for the departure of Carla Rosati, our founding Executive Director, next year. The Board of Trustees and I have worked with a professional consultant to identify and invite a qualified candidate to begin service as the next Executive Director in early 2017, and we look forward to that person joining with us. The trustees join with me in expressing our deepest gratitude to Carla for her extraordinary efforts in creating, building and maintaining our virtual museum and archive, as well as making the Society a great success. We all recognize that, without her unwavering efforts, none of this would be possible.

Next year, the Society will mark the 15th anniversary of the founding of the virtual museum and archive. The progress that we have achieved in advancing our mission over this decade and a half has been tremendous. It would not have been possible without the sustained and generous gifts of time, energy, ideas and monies from so many over the years.

My fellow trustees and I are grateful for your participation and support, and encourage you to continue with us in our important work.



June 3, 2004 Doris Kearns Goodwin and Theodore Levine, prior to the broadcast of "Joseph P. Kennedy – First Chairman of the U.S. Securities and Exchange Commission"

Remembrance

Theodore A. Levine, 2002–04, President, Board of Trustees

"What have I gotten myself into?" That was my initial reaction when Paul Gonson asked me to step up to serve as President of the SEC Historical Society Board of Trustees in March 2002.

The situation facing the Society looked dire. The work of the Board of Trustees had come to a halt. A joint conference with the U.S. Securities and Exchange Commission, which the Board had voted to postpone due to lack of registration, had proceeded at the insistence of the SEC, but had resulted in a deficit to the Society exceeding \$100,000. The Society's first audit had just ended, with the auditors issuing a going concern, as only \$73,000 was left in the Society's bank account.

So why did I agree to take on governance and fiduciary responsibility for a non-profit in serious distress? First, I continued to have faith in the Society's original mission to preserve and share the history of the SEC and other financial regulatory agencies. Second, I was heartened that ten of my fellow founding trustees were willing to continue to serve with me on behalf of the Society. Most of all, I had confidence in Carla Rosati, the founding Executive Director. Although she had been told by the officers in late February to close down the office and get out, she created – prior to Paul's call to me – the prototype of what has become our unique virtual museum and archive of the history of financial regulation. Even better, she secured a \$25,000 grant from the New York Stock Exchange to ensure the museum's opening that June.

The following two years were both challenging and wonderful. The trustees responded with me in building

new relationships for the Society, including the creation of the Advisory Council (now Board of Advisors) to attract the next generation of volunteer leaders. I took the lead with Carla in securing the funds needed to make the Society and the museum viable. It is a tribute that many of the donors who gave in 2002 continue as contributors today, and I'm delighted that they are given special recognition in this Annual Report. Just as important, I had Carla's back as she built the museum from what many at the time deemed just a website to what it is today: the preeminent and trusted online source of authoritative primary and original material on the history of financial regulation.

The photo at the top reflects the extraordinary progress we made during those early years. Who would have believed that, by June 2004, we would broadcast a live program on www.sechistorical.org with Pulitzer Prize-winning author Doris Kearns Goodwin, and that both Senator Edward Kennedy and Eunice Kennedy Shriver would be in attendance? Their presence made possible one of the first sponsored gifts to the museum, with the Joseph P. Kennedy, Jr. Foundation granting funds to help build one of the museum's inaugural Galleries, highlighting Joseph Kennedy and the founding of the SEC.

I treasure my time serving as President, and commend all who have followed and will follow as volunteer leaders in sharing their time, talents and treasure to advance the Society's mission. I would like to give special recognition to Carla, who singlehandedly deserves credit for the lasting achievements of the Society. My best wishes to you all.



June 7, 2012 George Fritz, Robert Kueppers, A. Clarence Sampson, Richard Adkerson, Carla Rosati, Dennis Beresford and Edmund Jenkins, prior to the broadcast of "A Creative Irritant: The Relationship Between the SEC and Accounting Standard Setters"

Farewell

Carla L. Rosati, CFRE, Founding Executive Director

"We would like to thank Carla L. Rosati, CFRE, the founding Executive Director of the SEC Historical Society, who conceived of the virtual museum and archive in the Society's most critical hour, who has created the online infrastructure and has accessioned each material into the collection, and whose vision for the virtual museum continues to inspire us."

— June 1, 2007 Richard Rowe, Proskauer Rose LLP and 2006-7
Vice President-Museum, Board of Trustees

This is my final report on behalf of the SEC Historical Society and the virtual museum and archive of the history of financial regulation at www.sechistorical.org. Sixteen years after I joined the Society as its first Executive Director, and fifteen years after founding the virtual museum and archive, it is time for farewell. It was my choice to remain in 2002, when ordered by the officers to leave; it is now my decision to go.

The aspirations of the founding Board of Trustees to build a sound 501(c)(3) non-profit organization have been fulfilled. I have made possible an inclusive volunteer leader corps, a diverse donor base, and professional financial reporting and disclosure. Thanks to generous contributors who have sustained the Society and the museum with gifts and grants totaling over \$11 million, the Society today has savings and investments exceeding \$1.4 million.

But I have done so much more, for it was my inspiration – and mine alone – to create and build the virtual museum and archive of the history of financial regulation at www.sechistorical.org. Having never served in a regulatory agency, nor worked as a practitioner, I was the only one within the Society who was able to envision and develop a museum on the regulation of the capital markets that is and will be of use and quality for all.

The virtual museum and archive has been inclusive since its founding, bringing together information and materials from those who regulate and those who are regulated. The mission of the museum has never been solely about the history of the U.S. Securities and Exchange Commission. Federal, state, municipal, international and self-regulatory organizations, as well as practitioners in law, accounting and auditing, and economics – all are welcome and have a place in www.sechistorical.org.

SEC Historical Society and the Virtual Museum and Archive: 1999 – 2016

1999

- SEC Chairman Arthur Levitt encourages former SEC Chairman David Ruder to start a historical society for the U.S. Securities and Exchange Commission. Mr. Ruder recruits Harvey Pitt (then at Fried Frank Harris Shriver & Jacobson LLP) and Paul Gonson (then at Kirkpatrick & Lockhart LLP) to serve with him as founding officers: Mr. Ruder as Chairman, Mr. Pitt as President, and Mr. Gonson as Secretary-Treasurer.
- **September 15th:** The Securities and Exchange Commission Historical Society incorporates as a non-profit organization in the District of Columbia. Its aim is to preserve SEC history through a museum and library in Washington, open on a fee basis.

2000

- The officers recruit the founding trustees, forming an inaugural 26-member Board of Trustees.
- **April 13th:** The IRS grants temporary 501(c)(3) status to the Society.

2001

- **March 19th:** Carla Rosati begins as Executive Director.
- **Summer:** Harvey Pitt is named SEC Chairman and resigns from the Society Board. Paul Gonson becomes President, and Robert Kueppers Secretary-Treasurer.
- **September 13th:** The first oral histories interview is conducted with Milton Kroll.
- **October 4th:** The first recorded program – Roundtable of the 1963 Special Study – takes place.
- **October 24th:** The Society trustees vote not to proceed with the Securities Regulation in the Global Economy major issues conference, to be held in partnership with the SEC, in light of minimal registration. The SEC prevails and the conference takes place November 14th and 15th. The conference ends with the Society responsible for a deficit in excess of \$100,000.

2002

- **Winter:** The Society conducts its first audit. The auditors inform the officers that there is a going concern, due to insufficient funds to maintain operations.
- **February 26th:** In light of the auditors' report, the officers dismiss Carla Rosati as of May 11th, the date of the Society's Annual Meeting.
- **March 5th:** Carla Rosati secures a commitment of \$25,000 from the New York Stock Exchange to fund the creation of a virtual museum at www.sechistorical.org. She had envisioned the museum's prototype between March 3rd and 4th.
- **May 11th:** Paul Gonson resigns as President; Theodore Levine succeeds him. David Ruder remains Chairman; Robert Kueppers continues as Treasurer; Stanley Keller becomes Secretary. The Board re-forms with 11 trustees.
- **June 1st:** The virtual museum opens with the Papers, Photos and Oral Histories sections. 213 persons visit the first month.

2003

- **January:** "What's New" in the museum debuts as a monthly postcard.
- **June 4th:** Current Issues in Enforcement, with Stephen Cutler and Eliot Spitzer, is the museum's first online program.

The quote from Louis Brandeis on the cover of the Annual Report – "sunlight is said to be the best of disinfectants; electric light the most efficient policeman" – exemplifies my vision for the virtual museum and archive. The museum makes available primary information and material heretofore accessible only to a few. Its collection is a rich tapestry of knowledge, giving visitors the opportunity to read the words, see the images and hear the voices of persons from throughout the financial regulatory spectrum. All are able to draw their own findings and opinions from the materials and information presented.

Opened at the birth of the digital age, the virtual museum and archive harnesses the power of the Internet to break the boundaries of time and place, initially available on desktop computers and now on tablets and smartphones. Thanks to your support, www.sechistorical.org has always been free and accessible worldwide at all times. Today, over 3,000 visitors daily come to the museum, accessing the more than 8,300 materials currently in the collection over 6 million times annually. Their use is evidence that the museum provides a vital service of which we were not aware when it was founded.

The 2012 fair market value study of the virtual museum and archive – the only independent appraisal of the museum to date – praised the museum for providing visitors with access to authentic and relevant information and materials easily, at any time and at no cost. The study also noted that, while a significant portion of my time and responsibilities has been devoted to the building and growth of the museum, the commensurate worth of my work and vision has never been incorporated in the museum's value.

Since its opening, the virtual museum and archive has witnessed one of the most volatile periods in financial regulation. Its collection now includes information and material on regulatory agencies and actions that did not exist in 2002. As financial regulation evolves, the resources of the museum in preserving and sharing regulation on the federal, state, municipal and international levels, along with self-regulation, will be even more vital. With the museum's infinite virtual platform, it is my vision that www.sechistorical.org will continue to expand to serve as the preeminent source for trusted and verified information and material on the regulation of the capital markets from the 20th century into the 21st century and beyond.

The virtual museum and archive is a portal that can now never be closed. It exemplifies the best of financial regulation, providing transparency, disclosure and common ground for – in the words of William O. Douglas – "the little fellow and the big shot alike." My thanks for all that you have done over the years to ensure the lasting integrity and independence of www.sechistorical.org.

"Not many people can say that they singlehandedly built something out of nothing by relying entirely on their wits and hard work. You should be proud to count yourself among them."

— January 21, 2009 Shane Ham, Osborn Maledon

- **October 15th:** The Society receives permanent 501(c)(3) status from the IRS.
- **October 31st:** The virtual museum receives more than 1,000 visitors in a month for the first time.
- **November 11th:** The museum begins partnership with the A.A. Sommer, Jr. Corporate, Securities and Financial Law Lecture at Fordham Law School.
- **November 18th:** The virtual museum is copyrighted.

2004

- **February 26th:** The first Fireside Chat is broadcast, with Joel Seligman discussing *The Transformation of Wall Street*.
- **March 1st:** The Timeline opens in the museum.
- **April 15th:** Self-Regulation and the Exchanges, the museum's first live and online program outside of Washington, broadcasts from New York City.
- The museum commemorates the 70th anniversary of the SEC with the Roundtable of SEC Chairmen on **June 2nd**, and a program featuring Doris Kearns Goodwin discussing Joseph P. Kennedy as the first SEC Chairman on **June 3rd**, with U.S. Senator Edward M. Kennedy and Eunice Kennedy Shriver in attendance.
- **June 18th:** The Museum Committee holds its inaugural meeting and proposes that the museum be retitled "virtual museum and archive." The committee also proposes that the museum build subject-specific search functions, the genesis of the Galleries. Later that year, the Joseph P. Kennedy, Jr. Foundation provides funding for a Gallery on Joseph P. Kennedy.
- **July 27th:** The inaugural The Best of NERA program is broadcast, launching the museum's first program series.

2005

- **April 19th:** The SEC authorizes the dissemination of "What's New" on the SEC "The Insider" Intranet.
- **December 1st:** The two inaugural Galleries – 431 Days: Joseph P. Kennedy and the Creation of the SEC, and William O. Douglas and the Growing Power of the SEC – open.

2006

- **January 1st:** The museum collection exceeds 1,000 materials.
- **February 1st:** "What's New" moves to email format.
- **June 6th:** The Society debuts an Ice Cream Social following the Annual Meeting, in recognition of the anniversary of the SEC's founding.

2007

- **January 1st:** Programs in the museum collection are mp3 compatible, with the support of the New York Stock Exchange Foundation.
- **April 1st:** The museum collection exceeds 2,000 materials.
- **May 16th:** The Board of Trustees votes to commemorate the 75th anniversary of the U.S. Securities and Exchange Commission through 2009.
- **August 1st:** Oral Histories are mp3 compatible.
- **November 1st:** The museum's commemoration of the SEC's 75th anniversary begins with the broadcast of Keeping the Market Open: Lessons Learned from the 1987 Market Break, and the opening of the historic photo display in the SEC visitors center.
- **December 31st:** The monthly number of museum visitors exceeds 10,000 for the first time.

In Support of the Museum and Society in 2016

The SEC Historical Society thanks the following donors for their generous support of our work from January 1, 2016 through December 31, 2016. Donors with § designated their contributions for the virtual museum and archive at www.sechistorical.org. Donors with ♡ recognize those giving each and every year from 2002 through 2016.

1934 CIRCLE

GIFTS AND GRANTS OF \$25,000 AND MORE

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2008

- **March 1st:** The Society begins the sale of tables for the June 25, 2009 celebration dinner honoring the SEC's 75th anniversary.
- **March 13th:** The Society hosts the first SEC Regional office 75th anniversary event in Atlanta. Similar events are held for SEC Regional Office staff in Boston (**April 8th**), Denver (**May 8th**), Philadelphia (**June 17th**), Chicago (**September 25th**), Los Angeles (**October 30th**) and Miami (**November 18th**), with support from ASECA – Association of SEC Alumni, Inc.
- **November 1st:** The Timeline is rebuilt and expands with the support of the Municipal Securities Rulemaking Board, honoring Christopher Taylor.
- **December 1st:** The museum collection exceeds 3,000 materials.

2009

- **January 1st:** Individual tickets go on sale for the June 25th SEC 75th anniversary celebration dinner. The dinner is sold out on April 9th.
- **May 19th:** The SEC Regional office 75th celebrations conclude in New York, with the continued support of ASECA, preceded by events for the SEC Regional offices in Fort Worth (**March 26th**), San Francisco (**April 14th**) and Salt Lake City (**April 28th**).
- **June 4th:** The museum broadcasts The Future of the U.S. Securities and Exchange Commission, culminating its recognition of the SEC's 75th anniversary.
- **June 25th:** The Society hosts the celebration dinner honoring the SEC's 75th anniversary at the National Building Museum in Washington, with 1,000 guests in attendance.
- **July 15th:** The Board of Trustees resolves that the organization's mission is "to share, preserve and advance knowledge of the history of financial regulation through the virtual museum and archive at www.sechistorical.org."
- **August 1st:** The museum adds the first dedicated section within Programs for The Best of NERA series.
- **September 1st:** The interview with John Huber is the 100th oral histories accessioned into the museum.
- **September 15th:** The Society marks its 10th anniversary.
- **September 24th:** The museum broadcasts Bingham Presents 2009: New World of Financial Regulation as the inaugural Bingham Presents program series on current issues in financial regulation of interest to the legal profession, in partnership with Bingham McCutchen LLP.
- **October 22nd:** The museum broadcasts the inaugural Deloitte Fireside Chat, on the role of professional judgment in accounting and auditing, to begin a series in partnership with Deloitte LLP on current issues in financial regulation of interest to the accounting and auditing professions.

2010

- **January:** "What's New" is renamed "Check It Out."
- **May 1st:** The museum expands with the Film, Radio and Television section.
- **June 3rd:** Self-Regulation in the Securities Industry is the first Annual Meeting program to focus on the subject of an upcoming Gallery, in conjunction with The Institution of Experience Gallery.
- **July 1st:** The museum collection exceeds 4,000 materials.
- **July 8th:** The virtual museum and archive exceeds 100,000 annual visitors for the first time.

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John W. White
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JUNE 6TH CIRCLE

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Chicago Board Options Exchange
Stacy P. Chittick †

- **November 1st:** Programs adds dedicated sections for the Bingham Presents and Deloitte Fireside Chats series, joining The Best of NERA section.

2011

- **January 1st:** The museum debuts a double Feature on the front page of www.sechistorical.org, expanding the opportunity to promote significant and timely materials and events.
- **February 1st:** The Timeline expansion is the first to be linked to the opening of a Gallery, in conjunction with the 2010 The Institution of Experience Gallery.
- **June 1st:** The Society letterhead is redesigned to utilize the museum's URL and incorporate both the Society and the virtual museum and archive.
- **July 5th:** The museum receives the largest single gift since its founding, when Richard C. Adkerson, with the Freeport-McMoRan Foundation, commits \$150,000 as sole sponsor of the 2012 Gallery on the SEC role in accounting standards setting.
- **August 1st:** The museum inaugurates the Back to School Feature, highlighting museum materials for the teaching and study of business, economics and law. The museum collection exceeds 5,000 materials.
- **November 1st:** An expanded search function debuts within the museum to facilitate visitor access to and use of the collection.

2012

- **January 12th:** The For Academics quarterly e-newsletter debuts, featuring use of the museum collection in the teaching of business, economics and law.
- **March 23rd:** The first sponsored oral histories interview is conducted with William O'Brien, made possible through the support of Direct Edge.
- **April 9th:** The museum welcomes its 1,000,000 visitor overall.
- **June 1st:** The virtual museum and archive celebrates its 10th anniversary.
- **June 30th:** The fair market value of the museum is established by independent appraisal.
- **December 1st:** The Richard C. Adkerson Gallery on the SEC Role in Accounting Standards Setting opens as the first Gallery on an accounting or auditing subject.

2013

- **January 1st:** The virtual museum and archive is re-designed to facilitate use on tablet computers. The museum collection exceeds 6,000 materials.
- **February 1st:** "The Source" debuts as a bi-monthly e-newsletter in conjunction with the Federal Bar Association Securities Law Section, highlighting museum materials as a guide to securities lawyers nationwide.
- **May 1st:** Wrestling with Reform: Financial Scandals and the Legislation They Inspired opens as the museum's 10th Gallery.
- **August 27th:** NERA Economic Consulting ends its sponsorship of The Best of NERA series after ten years.
- **Fall:** Morrison & Foerster LLP becomes the first sponsor of a Feature by committing to support the Back to School Feature. FTI Consulting and Compass Lexecon agree to sponsor The Experts Forum series on cutting edge issues at the intersection of finance, economics and regulation. Both Bingham McCutchen LLP and Deloitte LLP make multi-year commitments to renew sponsorship of their respective program series. Sidley Austin LLP agrees to a multi-year commitment to sponsor oral histories interviews.

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 Phillip L. Stern ¶
 Consuela Washington
 Martin S. Wilczynski

CONTRIBUTOR

GIFTS OF \$100 TO \$249

Clifford J. Alexander ¶
 Bradley J. Bondi
 Christine A. Bruenn
 David A. Covington
 Dewey B. Crawford ¶
 Jackson M. Day ¶
 Louis Dempsey
 Howard Dicker
 James J. Draddy
 Paul R. Eckert
 Michael D. Foley
 Lawrence A. Friend
 Andrew Z. Glickman
 Eugene I. Goldman In memory of the
 Honorable John R. Evans
 Karl A. Groskaufmanis
 Brian Neil Hoffman
 Victoria P. Hulick
 Lawrence S. Jones
 Jonathan G. Katz
 Nelson Kibler
 Justin P. Klein
 David L. Kornblau
 Paul T. Kraft
 Ezra G. Levin
 Albert Lilienfeld In memory of
 Alan B. Levenson
 Charles W. Lutter, Jr. ¶
 Donald N. Malawsky
 Paul J. Mason ¶

- **December 1st:** The Mechanics of Legislation: Congress, the SEC and Financial Regulation Gallery opens. This is the first time since 2005 that more than one Gallery has opened during a year.
- **December 31st:** The museum welcomes more than 100,000 monthly visitors for the first time.

2014

- **July 15th:** The inaugural Sidley Austin LLP-sponsored oral histories interview – with James Brigagliano – is conducted. Subsequent sponsored interviews are conducted with David Bergers in 2015 and Thomas Kim in 2016.
- **November 6th:** The inaugural The Experts Forum, examining Dodd-Frank, derivatives and structured finance, is broadcast.
- **December 1st:** The museum collection exceeds 7,000 materials.
- **December 10th:** Morgan Lewis & Bockius LLP, which has acquired Bingham McCutchen LLP, confirms its sponsorship of the law program series, which is retitled Morgan Lewis Presents.
- **During the year:** On **March 3rd**, the virtual museum and archive exceeds 5,000 daily visitors for the first time; on **November 3rd**, the museum sets a new daily visitor record of 8,458. On **August 25th**, the museum welcomes 1 million visitors within a calendar year for the first time, ending the year with a total of 1.6 million visitors.

2015

- **April 16th:** COSO at Thirty Years broadcasts, commemorating the 30th anniversary of and sponsored by the Committee of Sponsoring Organizations of the Treadway Commission.
- **August 1st:** The interview with Mauri Osheroff is the 200th oral histories accessioned.
- **December 1st:** The virtual museum and archive is re-adapted to optimize use on mobile devices.

2016

- **July 1st:** The museum collection exceeds 8,000 materials.
- **September 1st:** “Presidents and Securities Regulation” is published in *The Federal Lawyer*, the periodical of the Federal Bar Association. The article, utilizing materials from the virtual museum and archive, is among the outreach actions the Society conducts in partnership with the FBA Securities Law Section during the year, including the resumption of “The Source” as a quarterly e-newsletter.
- **October 19th:** Deloitte Fireside Chat XII: Financial Reporting of Non-GAAP Measures broadcasts, making the Deloitte Fireside Chat series the longest continuous-running program series in the museum.
- **November 16th:** The Experts Forum: Too Big to Fail – Central Counterparties is the 100th program broadcast on www.sechistorical.org.
- **December 1st:** Regulating the Regulators: The Executive Branch and the SEC, 1981-2008 opens as the museum’s 15th Gallery. With 990 linked materials, it is the largest Gallery to date.
- **December 31st:** The virtual museum and archive’s permanent collection totals 8,310 primary materials, both material obtained from verified sources, and original material created for the museum. www.sechistorical.org has welcomed to date over 5.9 million visitors, who have accessed and used over 17.6 million times the material in the collection.

Kathryn B. McGrath
James McKinney
Robert E. McLaughlin In memory of

Terry Quinn
John J. McNally
Pete Michaels
Herbert E. Milstein
Allan S. Mostoff
James J. Moylan
Robert H. Mundheim
Donna M. Nagy
Donald T. Nicolaisen
Mauri Osheroff
William D. Ostrow
Jesse P. Overall
Deborah E. Patton In memory of
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David Paulukaitis
James H. Perry ♣
Irving H. Picard
Alan C. Porter
Thomas L. Riesenber
Richard L. Rodgers
George K. Schuler
Jayne L. Seidman
Dean V. Shahinian
Fred Siesel In memory of David Silver
David A. Sirignano
Erik Sirri
Joseph E. Smith
Ira L. Sorkin
Kenneth S. Spirer ♣ In memory of John
B. Manning, Jr.
Cecile Srodes
Andrew P. Steffan
Marc I. Steinberg In honor of
Stanley Sporkin
Michael J. Stewart In honor of
David Ferber
Mary B. Tokar ♣ In memory of
Linda Quinn
Paul B. Uhlenhop
Peter Unger
Robert H. Werbel In memory of
Alan Levenson and Neal McCoy
Gerald L. Werner ♣
Charles S. Whitman III ♣

DONOR

GIFTS OF \$50 TO \$99

Carol Der Garry
Paul M. Helms
Michael L. Hermsen
Carl Hoecker
Richard R. Howe ♣
Ronald F. Hunt In honor of
Peter Romeo
Michael P. Jamroz
Jean M. Javorski
Richard S. Kraut In memory of
Arthur F. Mathews
Edward Labaton
Donald C. Langevoort
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James M. McConnell
Bart J. McDonald
E. Marlee Mitchell
David T. Mittelman
William E. Morley
Christopher S. Petito
Brice D. Prince
Joseph Radovsky
Anne Reed In memory of David N. Reed
and Norman M. Reed
Peter H. Schwartz
Marshall L. Small ♣
Karl C. Smeltzer In memory of
Dr. Charles E. and Mary Smeltzer,
my parents
Philip N. Smith, Jr.
Debra G. Speyer
Stanley Sporkin ♣
John H. Sturc
Roberto A. Tercero
Theodore W. Urban
Rhonda L. Wilson ♣

GIFTS

Mary S. Podesta

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, 2016, 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 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman, Rosenberg & Freedman
 March 15, 2017

FINANCIAL STATEMENTS

Securities And Exchange Commission Historical Society

FOR THE YEAR ENDED DECEMBER 31, 2016

Statement of Financial Position

as of December 31, 2016 with summarized financial information for 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 500,580	\$ 835,768
Investments	935,638	626,567
Grants and contributions receivable	14,575	72,500
Prepaid expenses	19,210	23,366
Total current assets	1,470,003	1,558,201
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	2,071,324	1,959,344
Donated artwork	25,000	25,000
Security deposit	7,000	7,000
Grants and contributions receivable, net of current portion	24,155	13,646
Total other assets	2,127,479	2,004,990
TOTAL ASSETS	\$ 3,597,482	\$ 3,563,191
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 27,758	\$ 26,962
Deferred rent abatement	3,888	2,524
Total current liabilities	31,646	29,486
LONG-TERM LIABILITIES		
Long-term portion of deferred rent abatement	—	3,888
Total liabilities	31,646	33,374
NET ASSETS		
Unrestricted:		
Undesignated	315,791	713,282
Investment in virtual museum and archive collections	2,071,324	1,959,344
Board designated reserve fund	1,089,991	723,545
Total unrestricted net assets	3,477,106	3,396,171
Temporarily restricted	88,730	133,646
Total net assets	3,565,836	3,529,817
TOTAL LIABILITIES AND NET ASSETS	\$ 3,597,482	\$ 3,563,191

Statement of Activities and Change in Net Assets

For the year ended December 31, 2016 with summarized financial information for 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Total	Total	
REVENUE					
Grants and contributions	\$ 523,534	\$ 75,084	\$ 598,618	\$ 577,559	
Interest and investment income	25,803	—	25,803	4,723	
Net assets released from donor restrictions	120,000	(120,000)	—	—	
Total revenue	669,337	(44,916)	624,421	582,282	
EXPENSES					
Program Services:					
Virtual Museum and Archive	515,826	—	515,826	480,405	
Supporting Services:					
General and Administrative	66,410	—	66,410	69,967	
Development and Fundraising	6,166	—	6,166	6,161	
Total supporting services	72,576	—	72,576	76,128	
Total expenses	588,402	—	588,402	556,533	
Change in net assets	80,935	(44,916)	36,019	25,749	
Net assets at beginning of year	3,396,171	133,646	3,529,817	3,504,068	
NET ASSETS AT END OF YEAR	\$ 3,477,106	\$ 88,730	\$3,565,836	\$ 3,529,817	

Statement of Functional Expenses

For the year ended December 31, 2016 with summarized financial information for 2015

	2016				2015	
	Virtual Museum and Archive	Supporting Services General and Administrative	Development and Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 237,000	\$ 32,777	\$ —	\$ 32,777	\$ 269,777	\$ 266,156
Benefits and payroll taxes	100,210	13,859	—	13,859	114,069	108,955
Printing and production	7,449	3,894	—	3,894	11,343	9,511
Professional fees	—	41,400	2,745	44,145	44,145	22,065
Occupancy	—	87,995	—	87,995	87,995	88,425
Depreciation and amortization	—	—	—	—	—	911
Telephone	7,383	5,784	716	6,500	13,883	17,550
Travel	3,286	—	—	—	3,286	3,246
Postage and delivery	892	4,736	1,073	5,809	6,701	6,373
Repairs and maintenance	—	345	—	345	345	—
Supplies	1,358	2,440	12	2,452	3,810	4,242
Events and meetings	5,707	—	—	—	5,707	3,999
Museum maintenance	9,557	—	—	—	9,557	9,316
Subscriptions and other fees	—	16,164	1,620	17,784	17,784	15,784
Sub-total	372,842	209,394	6,166	215,560	588,402	556,533
Allocation of general and administrative	142,984	(142,984)	—	(142,984)	—	—
TOTAL	\$ 515,826	\$ 66,410	\$ 6,166	\$ 72,576	\$ 588,402	\$ 556,533

Statement of Cash Flows

For the year ended December 31, 2016 with summarized financial information for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 36,019	\$ 25,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	—	911
Unrealized (gain) loss on investments	(8,107)	7,975
(Increase) decrease in:		
Grants and contributions receivable	47,416	145,454
Prepaid expenses	4,156	372
Increase (decrease) in:		
Accounts payable and accrued liabilities	796	921
Deferred rent abatement	(2,524)	919
Net cash provided by operating activities	77,756	182,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(501,960)	(762,434)
Proceeds from maturity of investments	200,996	861,639
Accession of virtual museum and archive collections	(111,980)	(135,857)
Net cash used by investing activities	(412,944)	(36,652)
Net (decrease) increase in cash and cash equivalents	(335,188)	145,649
Cash and cash equivalents at beginning of year	835,768	690,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 500,580	\$ 835,768

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 2016. 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 FASB ASC 958, *Not-for-Profit Entities*.

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, 2015, 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.

Grants and contributions receivable —

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All grants and contributions receivable are expected to be collected within two years.

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. 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, 2016, 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 —

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted grants and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include grants and contributions subject to donor-imposed stipulations that will be met by the actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions —

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions 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. If the donor stipulation for temporarily restricted grants and contributions are met in the year notification is received, grants and contributions are shown as unrestricted net assets in the accompanying financial statements. Funds in excess of expenses incurred are shown as temporarily restricted net assets 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.

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.

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.

2. INVESTMENTS

Investments, at their readily determinable fair value, consisted of the following at December 31, 2016:

	COST	FAIR VALUE
Certificates of Deposit	\$ 300,071	\$ 300,056
Corporate Bonds	403,372	399,846
Exchange-Traded Funds	202,185	235,736
TOTAL INVESTMENTS	\$ 905,628	\$ 935,638

Included in interest and investment income for the year ended December 31, 2016 are the following:

Interest and dividends	\$ 17,696
Unrealized gain	8,107
TOTAL INTEREST AND INVESTMENT INCOME	\$ 25,803

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2016, contributors to the Society have made written promises to give totaling \$39,575.

Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.50%.

Grants are due as follows at December 31, 2016:

Less than one year	\$ 14,575
One to five years	25,000
Total	39,575
Less: Allowance to discount balance to present value	(845)
GRANTS RECEIVABLE	\$ 38,730

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Morgan Lewis & Bockius LLP	\$ 49,155
Federal Bar Association	25,000
W. Hardy Callcott	14,575
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 88,730

5. NET ASSETS RELEASED FROM RESTRICTIONS

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

Federal Bar Association	\$ 25,000
Deloitte LLP	25,000
FTI Consulting and Compass Lexecon	25,000
W. Hardy Callcott	15,000
Sidley Austin LLP	10,000
Other	15,000
Passage of time	5,000

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 120,000
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6. LEASE COMMITMENT

The Society entered into a 36-month lease that began on October 1, 2010, with a base rent of \$5,630 per month. The lease includes a pro-rata share of operating expenses and any increase in real estate taxes and assessments over amounts stipulated in the lease agreement, increasing by a factor of 8% per year. On June 17, 2013, the Society extended the lease for another 48 months, with a base rent of \$6,830 per month, increasing by a factor of 4% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as deferred rent abatement in the Statement of Financial Position. Occupancy expense for the year ended December 31, 2016 totaled \$87,995. Total future minimum payments under the lease commitment are as follows:

Year Ending December 31, 2017	\$ 69,145
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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, 2016, the museum collection totaled 8,310 primary materials: papers, photos, oral histories, programs, film, radio and television media, Timeline developments and Gallery essays. No materials were de-accessioned from the collection in 2016.

For the year ended December 31, 2016, the costs to utilize outside vendors in building the collection of the virtual museum and archive totaled \$111,980. As of December 31, 2016, the accumulated costs incurred in building the virtual museum and archive totaled \$2,071,324.

The fair market value of the virtual museum and archive, as of June 30, 2012, was in excess of the carrying value at December 31, 2016.

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. Employees are 100% vested upon entry into the Plan. For the year ended December 31, 2016, contributions to the Plan totaled \$40,900.

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. The value of this fund as of December 31, 2016 was \$584,100.

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, 2016 was \$505,891.

The funds are comprised of certificates of deposit, corporate bonds, exchange-traded funds and equity totaling \$935,638 and money market funds totaling \$154,353, which are included in investments and cash and cash equivalents, respectively, in the accompanying Statement of Financial Position.

10. EXECUTIVE DIRECTOR'S ACCRUED TIME

The Executive Director currently has an accrued time balance of 350 hours, including 240 vacation hours carried over from previous years, and 110 hours granted by the Board of Trustees in 2009.

For the year ended December 31, 2016, the value of the Executive Director's accrued time was \$27,367 and is included in the accompanying financial statements in accounts payable and accrued liabilities.

11. 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, 2016:

- *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, 2016:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Asset Class — Investments:				
Certificates of Deposit	\$ —	\$ 300,056	\$ —	\$ 300,056
Corporate Bonds	399,846	—	—	399,846
Exchange-Traded Funds	235,736	—	—	235,736
TOTAL	\$ 635,582	\$ 300,056	\$ —	\$ 935,638

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 15, 2017, the date the financial statements were issued.



Virtual Museum at www.sechistorical.org, 2002



Virtual Museum and Archive at www.sechistorical.org, 2016

Building the Museum Collection

The SEC Historical Society thanks the following donors of material to the collection of the virtual museum and archive at www.sechistorical.org in 2016:

- | | |
|--|------------------------------------|
| Barry Barbash | Edward Bennett Williams |
| Richard Breeden | Law Library, Georgetown University |
| George Bush Presidential Library and Museum | Joel Goldberg |
| George W. Bush Presidential Library and Museum | Kurt Hohenstein |
| Christopher Culp | Investment Company Institute |
| Christine Davine | Thomas Kim |
| FINRA | Brian Lane |
| | Theodore Levine |

- | | |
|---|--|
| Arthur Levitt Papers, Rare Book & Manuscript Library, Columbia University in the City of New York | National Archives and Records Administration |
| Craig Lewis | Patrick Parkinson |
| Library of Congress | Mark Peecher |
| Jon Lukomnik | Robert Plaze |
| Martin Lybecker | Eric Roiter |
| Municipal Securities Rulemaking Board | Paul Roye |
| | David Ruder |
| | Paul Schott Stevens |
| | Peter Wallison |
| | Susan Wyderko |