

Securities and Exchange Commission

HISTORICAL SOCIETY



Annual Report | 2017

2017-18 BOARD OF TRUSTEES

Class of 2018

- Timothy P. Burke
- Melanie F. Dolan
- Robert W. Helm
- Lisa Beth Lentini
- Richard Y. Roberts
- Linda Chatman Thomsen
- John W. White

Class of 2019

- Michael J. Gallagher
- David A. Lipton, *Vice-President, Museum*
- David M. Lynn, *Chairman*
- Susan G. Markel, *Treasurer*
- John J. Okray
- Barry W. Rashkover
- Claudius O. Sokenu

Class of 2020

- David P. Bergers
- Mark D. Cahn, *Secretary*
- Daniel L. Goelzer, *President*
- Thomas O. Gorman, *President-Elect*
- David B. Harms
- Roberta S. Karmel
- Arthur B. Laby
- Joan E. McKown
- Joseph B. Ucuzoglu

On the cover:

A.A. Sommer, Jr. and Harold Williams,
November 1977

2016-17 BOARD OF ADVISORS

The Board of Advisors is a corps of committed volunteer leaders who, while not subject to the governance and fiduciary responsibilities of the Board of Trustees, work to advance the mission and work of the Society.

Class of 2018

- Paul R. Berger
- David W. Blass
- Samuel L. Burke
- James R. Burns
- James H. Cheek
- Bruce S. Foerster
- Sydney K. Garmong
- Dixie L. Johnson
- Stuart J. Kaswell
- Philip E. Kruse
- Donald C. Langevoort
- James McKinney
- Kristofer K. Swanson
- Michael D. Trager
- Martin S. Wilczynski

Class of 2019

- Bradley J. Bondi
- Robert L.D. Colby
- Peter Derby
- Daniel M. Gallagher
- Parveen P. Gupta
- Michael J. Halloran
- Brian Neil Hoffman
- Robert S. Khuzami
- Elizabeth R. Krentzman
- Marc A. Leaf
- Joshua E. Levine
- Thomas J. McGonigle
- Barry C. Melancon
- Susan L. Merrill
- Carlos M. Morales
- Brian P. Murphy
- John F. Olson
- Sheldon L. Ray
- Herbert S. Wander

Class of 2020

- William R. Baker III
- J. Bradley Bennett
- Andrew J. Ceresney
- James F. Clark
- Marc J. Fagel
- Lisa M. Fairfax
- K. Susan Grafton
- Keith F. Higgins
- Chris Holmes
- Hope Jarkowski
- Ronald C. Long
- Michael D. Mann
- Annette Nazareth
- Robert E. Plaze
- Lori Richards
- Peter J. Romeo
- Brian L. Rubin
- Michael Ryan
- Joel Seligman
- William J. Williams, Jr.



▲ SEC Women's Bowling League, 1939
(Courtesy of Francis J. Trainor)

2017 Annual Report

The 2017 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, 2017.

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.

©2018 Securities and Exchange Commission Historical Society. Designed by Beth Elzer.

Securities and Exchange Commission Historical Society

1101 Pennsylvania Avenue NW, Suite 300
Washington, DC 20004

Phone: 202-756-5015

www.sechistorical.org



Letter from the President

Dear Friends,

On behalf of my fellow trustees of the SEC Historical Society, I am pleased to share with you our 2017 Annual Report.

This past year was a time of transition for the Society. At the end of March, long-time executive director, Carla Rosati, departed after 16 years, and we welcomed Jane Cobb as her successor. In May, the Board of Trustees took advantage of Jane's arrival to step back and think about what the Society is today, what it can be in the future, and where we should be devoting our time and resources.

The Society's core mission is accomplished through the work we do to build, maintain and make accessible the unique history that resides in the virtual museum and archive. As 2017 marked the museum's 15th birthday, my fellow trustees and I determined that one of our highest strategic priorities would be to make the visitor experience as optimal as possible.

In my opening remarks for our June 'Rulemaking Under the '40 Act' program, I reported that visitors to the virtual museum tend to stay about 30 minutes. This data point remains consistent today, and is significant compared to a 30-second stay for the average website visitor. We know the museum's collection is exceptional, and we want others to know it as well, so we are taking steps to make sure that visiting the museum is as rewarding an experience as possible.

To this end, we have made video and sound improvements, and we are optimizing our search function so visitors will be able to conduct more targeted and effective research of the museum's collection. We have made it easier for our donors to make gifts in honor and remembrance of colleagues. We also have undertaken a project to augment our existing oral histories with short video introductions that will give visitors a better sense of who the subject is and the topics covered in the full interview. Also, we recognize that, to broaden the museum's reach, we must be accessible and visible through today's technology and communications channels. Accordingly, we have embarked on project that soon will make our unique collection and programs more widely known through social media.

We are excited about the potential benefits of these on-going projects and look forward to sharing measures of success as they are implemented.

Most importantly, we recognize that such efforts to enhance the visitor experience take an investment in resources, and simply would not be possible without the many people who donate their time, energy, ideas and financial support to the Society's mission. My fellow trustees and I recognize and thank you for your incredible generosity, and look forward to receiving feedback from you and other visitors on the strides we are taking to fulfill our mission to share, preserve and advance knowledge of the history of our Nation's financial markets.

Sincerely,

Daniel L. Goelzer



▲ Daniel L. Goelzer,
2017-18 President,
SEC Historical Society
Board of Trustees

Report from the Executive Director

I am honored and pleased to have been selected by the Board of Trustees to serve as the Historical Society's second Executive Director. In the months since assuming my new role, I have been singularly impressed by the sustained, long-term dedication by so many of our donors, trustees and advisors to the mission of the Society. It is truly remarkable.

This past year marked the 15th anniversary of the Society's virtual museum and archive, which opened on June 1, 2002 and today is visited by over a million guests each year. Our goal is to continually grow the museum's collection of unique and primary materials by adding papers, photos, programs, oral histories and other items of historical significance related to our securities markets.

To this end, in June we broadcast "Rulemaking Under the '40 Act" as part of building the gallery on investment company regulation. Three former directors of the SEC's Division of Investment Management – Paul Roye, Buddy Donohue and Norm Champ – came together with moderator Kenneth Durr to discuss the critical challenges each director faced during his tenure. The program provided unique perspectives on the how regulatory responses to those challenges shaped the world of investing as we know it today.

In July, we added a new feature to the museum – the exhibit. Less extensive than a gallery, an exhibit takes a focused look at a person or event and highlights related content in the museum's collection. A grant from Jenner & Block LLP enabled us to open our first exhibit on the 15-year anniversary of the Sarbanes-Oxley Act. Along with related items pulled from the collection, this exhibit includes a series of video interviews donated by the Center for Audit Quality. The interviews explore the Act's impact on investor confidence, audit quality, and financial reporting, among other topics.

Since July, two additional exhibits have been built. One is a retrospective on former SEC Chairman Harold M. Williams, thanks in part to contributions from Amy Goodman and Daniel and Angela Goelzer. The other features a series of 1970's-era SEC "training" videos on the 1940 Investment Company Act. The recorded video sessions were moderated by then-Investment Management Division Director, Sydney Mendelsohn, and included various division staff experts depending on the topic. The videos were preserved and donated to the Society by James H. Perry, former Assistant District Administrator in the Fort Worth Regional Office.



◀ Norm Champ, Buddy Donohue, Paul Roye and Kenneth Durr at Annual Program: Rulemaking Under the '40 Act, June 1, 2017.

▼ Joel Reidenberg, Susan Axelrod, Michael Pieciak, Timothy Burke, and Meredith Cross at Morgan Lewis Presents 2017: "Understanding Cybersecurity Regulation – Perspectives from Federal and State Regulators," September 28, 2017.



With the generous support of Morgan, Lewis and Bockius LLP, *Morgan Lewis Presents 2017: "Understanding Cybersecurity Regulation – Perspectives from Federal and State Regulators"* was broadcast on September 28. In this program, moderator Joel Reidenberg examines the history and evolution of cybersecurity regulation at the state and federal levels with Susan Axelrod, Michael Pieciak, Meredith Cross and Timothy Burke.

In November, we broadcast the 13th in the *Deloitte Fireside Chat* series with Tom Davenport of Babson College moderating an on-line discussion with Deloitte's Dan Sunderland and Will Bible as they examined how today's rapid changes in data analytics, machine learning and artificial intelligence impact internal controls, financial reporting and the role of the auditor.

Rounding out the year, thanks to the generous support of W. Hardy Callcott, among others, we opened the Investment Company Regulation gallery on December 1. This gallery tells how investment companies and their financial products – a cornerstone of American finance – have evolved over the last 75 years. According to curator Kenneth Durr, "at the heart of that story is a case study of one of our nation's most effective regulatory regimes; one that allowed for near revolutionary change, yet for the most part, ensured continued security for middle class Americans."

As 2018 gets under way, we are continuing construction of two new galleries – one on market structure and regulation, and the other on the history of the SEC's enforcement program. These galleries give us opportunities for conducting new oral history interviews, accessioning additional letters, memos and other items into the collection, and presenting expert programming. We also will be planning events for 2019 to mark the 85th anniversary of the U.S. Securities and Exchange Commission, and the 20th anniversary of the founding of the SEC Historical Society.

I am excited about our on-going and new projects and their potential for continuing the 15-year tradition of growing the museum's historical collection with high-quality, unique and primary information. We would not have come so far, nor can we continue in our mission, without the loyal and kind support of you, our donors. Thank you for your generosity.

Sincerely,

Jane Cobb, Executive Director

In Support of the Society — 2017

The Securities and Exchange Commission Historical Society, gratefully acknowledges the generosity of all those who donated to support our work in 2017.

1934 CIRCLE

GIFTS AND GRANTS OF \$25,000 AND MORE

- Center for Audit Quality
- Deloitte LLP
- Federal Bar Association
- Morgan, Lewis & Bockius LLP
- Linda Chatman Thomsen

FDR CIRCLE

GIFTS AND GRANTS OF \$10,000 TO \$24,999

- W. Hardy Callcott
- FINRA
- Freeport McMoRan Foundation
- Daniel L. and Angela C. Goelzer
- Investment Company Institute
- David M. Lynn
- PricewaterhouseCoopers LLP
- Securities Industry and Financial Markets Association
- Shearman & Sterling LLP
- The Sidley Austin Foundation
- Wilmer Cutler Pickering Hale & Dorr LLP

CHAIRMEN CIRCLE

GIFTS AND GRANTS OF \$5,000 TO \$9,999

- Association of International CPAs
- David P. Bergers
- Mark D. Cahn, Cahn/Frankfurt Gift Fund
- James F. Clark
- The Comcast Foundation
- Covington & Burling LLP

- Cravath Swaine & Moore LLP
- Davis Polk & Wardwell LLP
- Debevoise & Plimpton LLP
- Melanie F. Dolan
- Eversheds Sutherland (US) LLP
- Michael J. Gallagher
- Jenner & Block LLP
- Jones Day
- Katten Muchin Rosenman Foundation, Inc.
- K&L Gates LLP
- Kramer Levin Naftalis & Frankel LLP
- Latham & Watkins LLP
- Susan G. Markel
- William R. McLucas
- PNC Foundation
- Barry W. Rashkover
- Richard Y. Roberts
- RSM US LLP
- Timothy Ryan
- Skadden Arps Slate Meagher & Flom LLP
- Claudius O. Sokenu
- Sullivan & Cromwell LLP
- Wachtell, Lipton, Rosen & Katz
- Harry J. Weiss
- John W. White
- Wilson, Sonsini, Goodrich & Rosati

JUNE 6TH CIRCLE

GIFTS AND GRANTS OF \$2,500 TO \$4,999

- Arnold & Porter Kaye Scholer LLP
- Timothy P. and Joanne Burke, Burke Charitable Fund
- The Dorsey & Whitney Foundation
- Robert W. Helm
- Hogan Lovells LLP
- Richard G. Ketchum
- Locke Lord LLP
- Annette Nazareth, Ferguson/Nazareth Family Charitable Fund
- Richard M. and Elda M. Phillips

► Placing Orders, Early 1920s
(Courtesy of the Library of Congress)

COMMISSIONERS CIRCLE

GIFTS AND GRANTS OF \$1,000 TO \$2,499

- William R. Baker, III
- Alan L. Beller
- Kenneth J. Berman
- Chevron
- Mark D. Cahn
- Robert L.D. Colby
- Meredith B. Cross
- Peter Derby
- Kimberley S. Drexler (In Memory of Linda C. Quinn)
- Federated Investors Foundation, Inc.
- Cynthia A. Glassman
- Paul Gonson
- Thomas O. Gorman
- K. Susan Grafton
- David B. Harms
- Keith F. Higgins
- Christopher Holmes
- Roberta S. Karmel
- Elizabeth R. Krentzman
- Robert J. Kueppers
- Lisa Beth Lentini
- Theodore A. Levine
- Matthew J. Mallow
- Murphy & McGonigle P.C.
- George C. McKann
- Joan E. McKown
- Susan L. Merrill
- John J. and Kelly Okray
- David S. Ruder
- Richard H. Rowe
- Larry Sonsini
- Michael D. Trager
- Joseph B. Ucuzoglu
- Elisse B. Walter
- The Winston Foundation, Inc
- John A. Zecca



Support (continued)

DIRECTORS CIRCLE

GIFTS AND GRANTS OF \$500 TO \$999

- Alan J. Berkeley (In Memory of Richard M. "Dick" Phillips)
- Samuel L. Burke
- James H. Cheek, III
- Chicago Board Options Exchange
- Stacy P. Chittick
- Susan S. Coffey
- Paul Dudek
- Marc J. Fagel
- Bruce S. Foerster
- Marc S. Firestone
- Linda L. Griggs and William J. Swedish
- Parveen P. Gupta
- History Associates, Inc.
- Philip E. Kruse
- Arthur B. Laby
- David A. Lipton
- Ronald C. Long
- Catherine Collins McCoy
- Brian P. Murphy
- Harvey L. Pitt
- Robert E. Plaze
- John M. Ramsay
- Sheldon L. Ray
- Michael Ryan, Jr., The Michael J. Ryan Charitable Fund
- Craig Stewart
- Mary L. Schapiro
- Michael H. Sutton, The Sutton Family Fund
- Kristofer K. Swanson
- Richard H. Walker
- Jennifer A. Zepralka

SUSTAINER

GIFTS OF \$250 TO \$499

- Kenneth J. Bialkin
- Roel Campos
- Andrew S. Carron, The Andrew & Cathy Carron Family Fund (In Honor of Carla Rosati)
- Catherine T. Dixon
- Daniel M. Gallagher
- Amy L. Goodman
- Consuelo J. Hitchcock
- Lawrence S. Jones
- Stuart J. Kaswell, The Sherry and Stuart Kaswell Charitable Fund
- David A. Katz (In Honor of James Cheek)
- Michael D. Mann



▲ Early 1970's SEC Hearing on Corporate Governance
(Front row: Peter Romeo, Ann Glickman, Janet Zimmer, Richard Nesson, Barbara Lucas)
Courtesy of Richard Nesson

- Carlos M. Morales
- John Polanin, Jr.
- Robert M. Romano
- Peter J. Romeo
- Storror C. Sommer
- Phillip L. Stern
- Consuela Washington
- Martin S. Wilczynski

CONTRIBUTOR

GIFTS OF \$100 TO \$249

- Clifford J. Alexander
- Christopher Cox
- Louis Dempsey
- Howard Dicker
- William H. Donaldson
- Andrew 'Buddy' J. Donohue
- Paul R. Eckert
- Andrew Z. Glickman
- Edward H. Fleischman
- Stephen J. Friedman
- John F. Hogan, Jr.
- Jesse P. Kanach
- Nelson Kibler
- David L. Kornblau
- Richard M. Leisner
- Ezra G. Levin
- Paul J. Mason
- Bart J. McDonald
- Kathryn B. McGrath
- Robert E. McLaughlin
- John M. McNally
- Pete Michaels
- Herbert E. Millstein
- James J. Moylan
- Robert H. Mundheim
- Donald T. Nicolaisen
- Mauri Osheroff
- Deborah E. Patton
- David Paulukaitis
- James H. Perry
- Irving H. Picard
- George K. Schuler

- Jayne Seidman
- Erik Sirri
- Ira L. Sorkin
- Kenneth S. Spirer
- Andrew P. Steffan
- Marc I. Steinberg
- John H. Sturc
- Mary B. Tokar
- Paul B. Uhlenhop
- Laura S. Unger
- Peter Unger
- Theodore W. Urban
- Robert H. Werbel
- Gerald L. Werner

DONOR

GIFTS OF \$50 TO \$99

- Christine A. Bruenn
- Carol Der Garry
- Paul M. Helms
- Michael L. Hermsen
- Carl Hoecker
- Richard R. Howe
- Ronald F. Hunt
- Michael P. Jamroz
- Jean M. Javorski
- Albert Lilienfeld
- E. Marlee Mitchell
- David T. Mittelman
- William E. Morley
- Christopher Petito
- Mary S. Podesta
- Joseph Radovsky
- Anne Reed
- Jacob Russell
- Peter H. Schwartz
- Stephen J. Shore
- Marshall L. Small
- Phillip N. Smith, Jr.
- Stanley Sporkin
- Roberto A. Tercero
- Charles S. Whitman
- Rhonda L. Wilson



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, 2017, 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, 2017, 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 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.

Gelman, Rosenberg & Freedman
March 28, 2018

Financial Statements

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

Statement of Financial Position

As of December 31, 2017 with summarized financial information for 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 498,798	\$ 500,580
Investments	713,169	935,638
Grants and contributions receivable	55,250	14,575
Accounts receivable	7,632	19,210
Prepaid expenses	7,109	—
Total current assets	\$ 1,281,958	\$ 1,470,003
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	2,158,568	2,071,324
Donated artwork	25,000	25,000
Security deposit	3,636	7,000
Grants and contributions receivable, net of current portion	—	24,155
Total other assets	\$ 2,187,204	\$ 2,127,479
TOTAL ASSETS	\$ 3,469,162	\$ 3,597,482
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 15,918	\$ 27,758
Deferred rent abatement	—	3,888
Total current liabilities	\$ 15,918	\$ 31,646
NET ASSETS		
Unrestricted:		
Undesignated	292,798	315,791
Investment in Virtual Museum and Archive Collections	2,158,568	2,071,324
Board designated reserve fund	926,878	1,089,991
Total unrestricted net assets	3,378,244	3,477,106
Temporarily restricted:		
Total net assets	3,453,244	3,565,836
TOTAL LIABILITIES AND NET ASSETS	\$ 3,469,162	\$ 3,597,482

Statement of Activities and Change in Net Assets

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

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 438,076	\$ 51,270	489,346	598,618
Interest and investment income	48,577	—	48,577	25,803
Net assets released from donor restrictions	65,000	(65,000)	—	—
Total revenue	\$ 551,653	\$ (13,730)	537,923	624,421
EXPENSES				
Program Services:				
Virtual Museum and Archive	\$ 411,711	—	411,711	515,826
Supporting Services:				
General and Administrative	130,449	—	130,449	66,410
Development and Fundraising	108,355	—	108,355	6,166
Total supporting services	\$ 238,804	—	238,804	72,576
Total expenses	650,515	—	650,515	588,402
Change in net (deficit) assets	(98,862)	(13,730)	(112,592)	36,019
Net assets at beginning of year	3,477,106	88,730	3,565,836	3,529,817
NET ASSETS AT END OF YEAR	\$ 3,378,244	\$ 75,000	\$ 3,453,244	\$ 3,565,836

Statement of Functional Expenses

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

	2017				2016	
	Virtual Museum and Archive	General and Administrative	Development and Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 220,399	\$ 77,280	\$ 50,443	\$ 127,723	\$ 348,122	\$ 269,777
Benefits and payroll taxes	55,651	19,513	12,737	32,250	87,901	114,069
Printing and production		9,152	682	9,834	9,834	11,343
Professional fees		19,475	22,200	41,675	41,675	44,145
Occupancy		43,604		43,604	43,604	87,995
Telephone	5,572	7,311		7,311	12,883	13,883
Travel	8,734				8,734	3,286
Postage and delivery	442	2,500	273	2,773	3,215	6,701
Repairs and maintenance						345
Supplies	579	1,225		1,225	1,804	3,810
Events and meetings	14,877				14,877	5,707
Museum maintenance	9,473				9,473	9,557
Subscriptions and other fees		68,341	52	68,393	68,393	17,784
Sub-total	315,727	248,401	86,387	334,788	650,515	588,402
Allocation of general and administrative	95,984	(117,952)	21,968	(95,984)	—	—
TOTAL	\$ 411,711	\$ 130,449	\$ 108,355	\$ 238,804	\$ 650,515	\$ 588,402

Statement of Cash Flows

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (112,592)	\$ 36,019
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Unrealized gain on investments	(18,087)	(8,107)
(Increase) decrease in:		
Grants and contributions receivable	(16,520)	47,416
Accounts receivable	(7,632)	
Prepaid expenses	12,101	4,156
Security deposit	3,364	
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,840)	796
Deferred rent abatement	(3,888)	(2,524)
Net cash provided (used) by operating activities	(155,094)	77,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,574)	(501,960)
Proceeds from maturity of investments	251,130	200,996
Accession of Virtual Museum and Archive collections	(87,244)	(111,980)
Net cash provided (used) by investing activities	153,312	(412,944)
Net decrease in cash and cash equivalents	(1,782)	(335,188)
Cash and cash equivalents at beginning of year	500,580	835,768
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 498,798	\$ 500,580

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) non-profit 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 2017. 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) 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, 2016, 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. 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. 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.

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, 2017, 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.

New accounting pronouncements (not yet adopted)

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Society's financial statements, it is not expected to alter the Society's reported financial position.

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 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, 2017:

	COST	FAIR VALUE
Certificates of Deposit	\$150,000	\$149,644
Corporate Bonds	347,908	344,081
Exchange-Traded Funds	167,164	219,444
Total Investments	\$665,072	\$713,169

Included in interest and investment income for the year ended December 31, 2017, are the following:

Interest and dividends	\$30,490
Unrealized gain	18,087
Total Interest and Investment Income	\$48,577

3 • TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Morgan Lewis & Bockius LLP	\$25,000
Federal Bar Association	25,000
Deloitte LLP	25,000
Total Temporarily Restricted Net Assets	\$75,000

4 • 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:

Morgan Lewis & Bockius LLP	\$25,000
Federal Bar Association	25,000
W. Hardy Callcott	15,000
Total Net Assets Released from Restrictions	\$65,000

5 • 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.

In March 2017, the Society terminated its existing office lease. In order to fulfill the remaining financial obligation of the office lease, the Society entered into an agreement with its landlord to reduce its physical space in D.C. and open a satellite location in Maryland. This reduced the Society's base rent beginning in June 2017 to \$1,818 per month, and extended the lease through September 30, 2019.

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, 2017 totaled \$43,604.

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

Year Ending December 31	
2018	\$20,475
2019	15,021
	\$35,496

6 • 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, 2017, the Museum collection totaled 8,504 primary materials: papers, photos, oral histories, programs, film, radio and television media, Timeline developments, Gallery essays and exhibits. No materials were de-accessioned from the collection in 2017.

For the year ended December 31, 2017, the costs to utilize outside vendors in building the collection of the Virtual Museum and Archive totaled \$87,244. As of December 31, 2017, the accumulated costs incurred in building the Virtual Museum and Archive totaled \$2,158,568.

7 • 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, 2017, contributions to the Plan totaled \$28,991.

8 • 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, 2017 was \$401,297.

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, 2017 was \$525,581.

The funds are comprised of certificates of deposit, corporate bonds and exchange-traded funds totaling \$713,169 and money market funds totaling \$213,709, which are included in investments and cash and cash equivalents, in the accompanying Statement of Financial Position.

9 • 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, 2017:

- **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, 2017:

Asset Class - Investments:	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<i>Certificates of Deposit</i>	\$ —	\$ 149,644	\$ —	\$ 149,644
<i>Corporate Bonds</i>	344,081			344,081
<i>Exchange-Traded Funds</i>	219,444			219,444
Total	\$ 563,525	\$ 149,644	\$ —	\$ 713,169

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.



15TH Anniversary of the Sarbanes-Oxley Act — Video Perspectives and Highlights from the Museum, July 30, 2017

Retrospective: Harold M. Williams Exhibit. September, 2017



The Investment Company Act of 1940 and Investment Company Compliance Course — A 24-videotape “compliance course” produced by the U.S. Securities and Exchange Commission during August 20 - 24, 1979

Thank you

The SEC Historical Society thanks the following donors of material to the collection of the virtual museum and archive in 2017:

- Susan Axelrod
- Will Bible
- Timothy P. Burke
- W. Hardy Callcott
- Center for Audit Quality
- Norm Champ
- Meredith B. Cross
- Tom Davenport
- Deloitte LLP
- Buddy Donohue
- Kenneth Durr
- Bruce S. Foerster
- Tamar Frankel
- K. Susan Grafton
- Larry Harris
- Robert Helm
- Investment Company Institute
- Jenner & Block LLP
- Jeff Koeppel (for Morton Koeppel)
- Vicki Levin
- Library of Congress
- William A. Lupien
- Morgan, Lewis & Bockius LLP
- National Archives and Records Administration
- James H. Perry
- Michael Pieciak
- John Ramsay
- Joel Reidenberg
- Paul Roye
- David Ruder
- Chester Spatt
- Dan Sunderland
- Alan M. Weinberger

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.