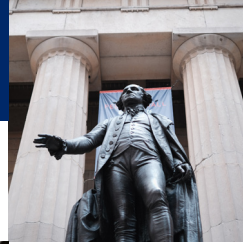


# Securities and Exchange Commission HISTORICAL SOCIETY



## 2020 Annual Report



## 2020 Annual Report

The 2020 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, 2020.

## 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.

## On the cover

1st Photo – Left to Right:  
Irving Pollack, Manuel Cohen, 1967

2nd Photo – Left to Right:  
Stanley Sporkin, Ray Garrett, Jr., 1974

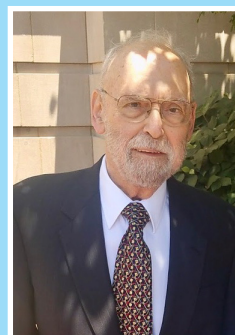
Irving Pollack and Stanley Sporkin were the first two — and arguably the most renowned — Directors of the SEC's Enforcement Division, the subject of the 2020 Gallery, "The Enforcement Division: A History."

## Securities and Exchange Commission Historical Society

1101 Pennsylvania Avenue NW, Suite 300  
Washington, DC 20004

Phone: 202-756-5015

[www.sechistorical.org](http://www.sechistorical.org)



AUGUST 1931 – APRIL 2020

## *This report is dedicated to Paul Gonson*

The Board and staff of the Securities and Exchange Commission Historical Society dedicate this Annual Report to the organization's co-founder, Paul Gonson, who passed away on April 12, 2020 at 88 years old.

Paul served on the staff of the U.S. Securities and Exchange Commission for 37 years — from 1961 to 1999 — the last 20 as the Commission's Solicitor. After his retirement from the SEC in 1999, he re-joined the law firm of Kirkpatrick and Lockhart (now K&L Gates). He helped establish the Society the same year and served as its first Secretary and eventually President.

Paul and his wife, Joan, attended our 20th anniversary celebration in 2019, where we paid tribute to him for his dedication and invaluable service to the Society. We remember Paul with great fondness and admiration, and extend our heartfelt condolences to his family for their loss.

# Letter from the Chair



Dear Friends,

The extraordinary events of the past year left no individual, organization or community untouched, and were profound in some ways only future researchers, scientists and historians will be able to help us understand. We do know, however, that it is through the crucible of significant challenge that there is healing, growth and opportunity. It is in this context that I present the Society's 2020 Annual Report and audited financial statements.

This time last year, our scheduled in-person events and oral history interviews had to be postponed or cancelled due to the COVID-19 pandemic, but we learned to keep key museum projects moving by being open to non-traditional (for the Society) "remote" audio and video technology platforms. We also learned valuable lessons related to fundraising and development during a year that started off with the uncertainties related to the pandemic, but were increasingly complicated by social, economic and political unrest – lessons that we have taken to heart as we begin a new year.

More than ever, the unprecedented challenges of the past year left us exceptionally grateful for the 2020 annual campaign donors who answered our calls for support during such difficult and uncertain times. You will find these individuals and organizations listed on pp. 10–12 in this report, and on behalf of the entire Board of Trustees, I pass along our heartfelt appreciation for your support in 2020.

Finally, I note that we are dedicating this annual report to Society co-founder, Paul Gonson, who passed away last April at age 88. Paul's remarkable 37-year career at the SEC, and the impact he had on the securities bar, is extensively referenced in the virtual museum, and is a wonderful reminder of the value of the Society's mission. We will remember Paul with great admiration and affection.

Thank you for taking time to share in these and other reflections of the past year highlighted in this report.

Sincerely,  
Joan E. McKown



# Governance

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## 2020 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.

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- Urska Velikonja

# Report from the Executive Director



**Dear Friends:**

**While the COVID-19 pandemic presented challenges and delays to our planned in-person projects during 2020, with the guidance and support of our many generous and loyal Trustees, Advisors and donors, we were able to move forward successfully through the use of on-line platforms to continue our mission to expand the Society’s Virtual Museum and Archive and make accessible the unique history of our securities markets.**

## **New Oral Histories**

Just prior to COVID-19 hitting America’s shores, we completed four new oral history interviews. Three of them related to construction of the PCAOB Gallery: former SEC Chief Accountant Lynn Turner; former U.S. Comptroller General Charles Bowsher; and former Deputy CEO, Vice Chairman, and Senior Partner of Global Regulatory & Public Policy for Deloitte, Robert Kueppers. We also completed an in-person oral history with Donald Langevoort, SEC Special Counsel from 1978–1981.

## **New Exhibit — 20th Anniversary of Regulation Fair Disclosure**

In August we opened an exhibit on Regulation Fair Disclosure (Reg FD), a rule aimed at preventing the selective disclosure of material nonpublic information to market participants. This exhibit is part of a larger gallery on corporate disclosure being curated by Dave Lynn, former Chief Counsel in the SEC’s Division of Corporation Finance (Corp Fin). We are thankful to Dave Lynn, Morrison Foerster LLP, Meredith Cross, and primary gallery sponsor Deloitte & Touche, LLP for their generous support.



The exhibit features Dave’s essay on the history of Reg FD, and is highlighted by four podcast interviews with the following securities law experts: Thomas Kim, former Chief Counsel of Corp Fin, Steven Bochner, former member of the SEC’s advisory committee on smaller

▲ Dave Lynn, Curator, Gallery on Corporate Disclosure, Exhibit on Regulation Fair Disclosure

public companies, Joan McKown, former Chief Counsel in the Division of Enforcement, and Lona Nallengara, former Deputy Director and Acting Director of Corp Fin.

The exhibit also includes a webcast of experts discussing their first-hand experience with the evolution of Reg FD from concept and drafting, to industry concerns and adoption, to implementation and enforcement. Participants include Linda Thomsen, former Director of the SEC's Division of Enforcement; Stuart Kaswell, capital markets expert with former experience at the SEC, on Capitol Hill, the Securities Industry Association (now SIFMA), Managed Fund Association and Dechert LLP; Richard Levine, former SEC Associate General Counsel for Legal Policy; and Donald Langevoort, former Special Counsel in the SEC's Office of the General Counsel. Dozens of related papers, photos and other resources are also made readily available in the exhibit.



▲ **Regulation Fair Disclosure Exhibit Podcasts**  
(clockwise):

- Steven Bochner, *Wilson, Sonsini, Goodrich and Rosati LLP*
- Joan McKown, *Jones Day*
- Lona Nallengara, *Shearman & Sterling*
- Tom Kim, *Gibson, Dunn & Crutcher LLP*



◀ **The Development and Implementation of Regulation Fair Disclosure Webcast:**

- Linda Chatman Thomsen, *Davis Polk & Wardwell LLP*
- Stuart Kaswell
- Richard Levine, *Labaton & Sucharow LLP*
- Donald Langevoort, *Thomas Aquinas Reynolds Professor of Law, Georgetown University Law Center*





## New Gallery — The Enforcement Division: A History

On September 30, the Society launched its newest gallery on the history of the SEC's Enforcement Division. In the introduction to his essay, curator Dr. Harwell Wells explains that the gallery "tells the story of the Division since its founding in 1972, as its attorneys were confronted again and again not only with the fraudsters who seem constantly to plague the securities markets, but with new schemes and stratagems made possible by political, economic, and technological change. Through aggressive investigation and innovative lawyering, the Division has fought to uphold the laws."

The gallery is supported by new oral history interviews with key SEC enforcement staff: former Division Directors, Steve Cutler, Andrew Ceresney and Rob Khuzami; former Deputy Directors, Wallace Timmeny and Colleen Mahoney; former Associate Directors, Paul Berger, Thomas Newkirk, and Chris Conte; and former Chief Counsel, Joan McKown. The gallery also features several new exhibits, including one honoring the Division's first Director, Irving M. Pollack.

The Society is grateful for the generosity of the Enforcement Division Gallery's sponsors: Linda Chatman Thomsen, Susan G. Markel, and Thomas O. Gorman.



▲ (Left to right) Irving Pollack and Stanley Sporkin; Richard 'Dick' Walker; Gary Lynch, Stanley Sporkin and Bill McLucas; Bill McLucas ; John Fedders; Andrew Ceresney (left); Linda Chatman Thomsen; Robert Khuzami; Steve Cutler; and Gary Lynch.

## Insider Trading: Honoring the Past – A Program Commemorating the 40th Anniversary of *Chiarella v. United States*

In commemoration of the 40th anniversary of the Supreme Court’s landmark decision in *Chiarella*, the SEC Historical Society, New York University Pollack Center for Law & Business, and Indiana University Maurer School of Law co-sponsored a live webcast program in November that explored the fascinating backstories of the *Chiarella* prosecution and the Supreme Court argument as well as the SEC’s and DOJ’s insider trading enforcement strategies in the wake of the Court’s ruling.

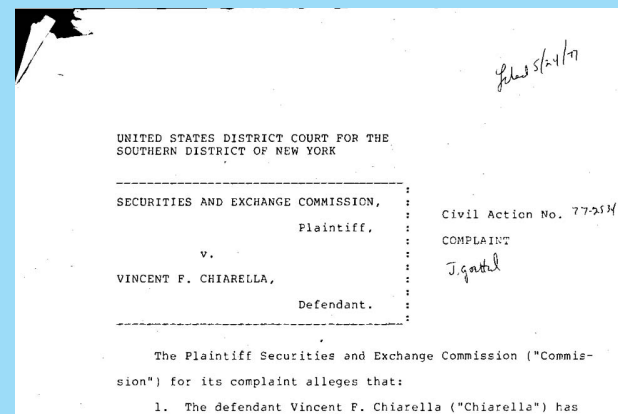
The first panel, moderated by Donna Nagy, C. Ben Dutton Professor of Law at Indiana University Maurer School of Law, featured the following key figures: John S. Siffert, former Assistant US Attorney in the SDNY (1974–1979) who prosecuted the *Chiarella* case and argued the 2nd Circuit appeal; John “Rusty” Wing, former Chief of the Securities and Business Fraud Unit for the SDNY’s U.S. Attorney’s Office (1971–1978); the Hon. Judge Jed S. Rakoff, former Chief of the Securities and Business Fraud Unit for the SDNY’s U.S. Attorney’s Office (1978–1980), and; Stanley S. Arkin, who represented Vincent Chiarella at his criminal trial, 2nd Circuit appeal, and argument before the Supreme Court.

The second panel, moderated by Robert B. Thompson, the Peter P. Weidenbruch, Jr. Professor of Business Law at Georgetown University Law Center, included those with central roles in the SEC and DOJ’s response to the Supreme Court’s *Chiarella* decision: Donald C. Langevoort, former Special Counsel, SEC Office of General Counsel (1978–1981); Lee S. Richards III, former Assistant US Attorney in the SDNY (1977–1983) who prosecuted *US v. Newman* based on the misappropriation theory advanced in, but left undecided by the Court’s *Chiarella* ruling, and; Hon. Judge Jed S. Rakoff, former SDNY Fraud Unit Chief during the *Newman* investigation.

The Society is thankful to Donna Nagy, who spearheaded this project and donated a number of materials to the virtual museum related to the *Chiarella* and *Newman* insider-trading cases.



▲ Donna M. Nagy, C. Ben Dutton Professor of Law, Indiana University Maurer School of Law



▲ On November 5, 2020 the Society partnered with NYU Pollack Center for Law and Business and the Indiana University Maurer School of Law to sponsor a virtual symposium commemorating the 40th anniversary of *Chiarella v. United States*.



## Morgan Lewis Presents 2020

On October 21, we held the Society's 11th annual Morgan Lewis Presents (formerly Bingham Presents) program featuring a virtual roundtable of current and former SEC Regional Office Directors. The panel included Richard R. Best, Director of the New York Regional Office; Marc P. Berger, Deputy Director of Enforcement and former Director of New York's Regional Office; and Kelly L. Gibson, Director of the Philadelphia Regional Office. Morgan Lewis partner and former Regional Director of the SEC's Philadelphia office, Jeff Boujoukos, led the discussion around current topics including how the COVID-19 pandemic has impacted operations.

## On-Going Projects

This report outlines work completed in 2020 on excellent projects now in the virtual museum, but we are also excited about our upcoming plans to open a new gallery on the Public Company Accounting Oversight Board; continue work on a gallery of the SEC's regional offices; open more exhibits related to the regulatory history of corporate disclosure, and; document the story of the SEC Solicitor's office, focusing on the work of Dave Ferber, Paul Gonson, and Jake Stillman.

In our efforts to continually grow the virtual museum's unique collection of galleries, programs, exhibits and oral histories, I am grateful to our Trustees, Advisors and other volunteers for their thought leadership and guidance, and to our donors for their meaningful financial gifts.

Thank you for your continued interest and support.

Sincerely,  
Jane Cobb



▲ Clockwise: Richard R. Best, Marc P. Berger, Kelly L. Gibson, Jeff Boujoukos



▲ July 5, 1977 President Carter appointed Roberta Karmel as the first female Securities & Exchange Commissioner.

# In Support of the Society — 2020

We gratefully acknowledge the generosity all those who made a financial commitment to the mission of the Society in 2020.



▲ OCTOBER 28, 1975 Swearing-in ceremony for SEC Chairman Roderick M. Hills (starting second from left) Vice President Nelson Rockefeller, retired U.S. Supreme Court Justice Stanley Reed, the Honorable Carla Hills, SEC Chairman Roderick M. Hills and President Gerald R. Ford, outside the White House. *(Courtesy of Roderick M. Hills)*

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## Support (continued)

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▲ Benjamin Cohen and Thomas Corcoran  
(Courtesy of the Library of Congress)

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- Peter H. Schwartz
- Marc Steinberg
- Roberto Tercero
- Robert Werbel
- Kathleen Whatley

► Award Presentation at SEC New York Regional Office in the 1950s. Shown here are F. Bourne Upham, James C. Sargent, Paul Windels, Jr. and Esther Antell



# We Honor / We Remember

The following individuals are honored and/or remembered by our 2020 donors:

---

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- Richard Leisner

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- William R. Baker III

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- Marc B. Dorfman

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## LINDA C. QUINN

- Kimberly S. Drexler
- Richard G. Ketchum



## 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, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit





## INDEPENDENT AUDITOR'S REPORT *(continued)*

to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRF CPAs & Advisors  
March 1, 2021

# Financial Statements

For the year ended December 31, 2020, with summarized financial information for 2019

## Statement of Financial Position

As of December 31, 2020 with summarized financial information for 2019

| <b>ASSETS</b>                                   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                           |                     |                     |
| Cash and cash equivalents                       | \$ 388,622          | \$ 693,143          |
| Investments                                     | 1,062,426           | 597,203             |
| Accounts receivable                             | 7,500               | -                   |
| Prepaid expenses                                | 3,613               | 3,973               |
| <b>Total current assets</b>                     | <b>\$ 1,462,161</b> | <b>\$ 1,294,319</b> |
| <b>EQUIPMENT AND SOFTWARE</b>                   |                     |                     |
| Equipment                                       | 4,250               | 4,250               |
| Computer software                               | 14,743              | 14,743              |
| Less: Accumulated depreciation and amortization | (18,993)            | (18,993)            |
| <b>Net equipment and software</b>               | <b>-</b>            | <b>-</b>            |
| <b>OTHER ASSETS</b>                             |                     |                     |
| Virtual Museum and Archive collections          | 2,340,286           | 2,234,966           |
| Donated artwork                                 | 25,000              | 25,000              |
| Security deposit                                | 3,636               | 3,636               |
| <b>Total other assets</b>                       | <b>\$ 2,368,922</b> | <b>\$ 2,263,602</b> |
| <b>TOTAL ASSETS</b>                             | <b>\$ 3,831,083</b> | <b>\$ 3,557,921</b> |

| <b>LIABILITIES AND NET ASSETS</b>                    | <b>2020</b>         | <b>2019</b>         |
|--|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                           |                     |                     |
| Accounts payable and accrued liabilities             | \$ 57,172           | \$ 15,363           |
| <b>NET ASSETS</b>                                    |                     |                     |
| Without donor restrictions:                          |                     |                     |
| Undesignated   | 160,012             | 335,873             |
| Investment in Virtual Museum and Archive Collections | 2,340,286           | 2,234,966           |
| Board designated reserve fund                        | 1,228,613           | 941,719             |
| Total unrestricted net assets                        | 3,728,911           | 3,512,558           |
| With donor restrictions:                             | 45,000              | 30,000              |
| Total net assets                                     | 3,773,911           | 3,542,558           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>              | <b>\$ 3,831,083</b> | <b>\$ 3,557,921</b> |

## Statement of Activities and Change in Net Assets

For the year ended December 31, 2020 with summarized financial information for 2019

|   | 2020                       |                         |                     | 2019                |
|---|----------------------------|-------------------------|---------------------|---------------------|
|   | Without Donor Restrictions | With Donor Restrictions | Total               | Total               |
| <b>SUPPORT AND REVENUE</b>                  |                            |                         |                     |                     |
| Grants and contributions                    | \$ 358,751                 | \$ 31,000               | 389,751             | \$ 300,408          |
| Investment income, net                      | 32,336                     | —                       | 32,336              | 69,184              |
| Contributed services                        | 52,500                     | —                       | 52,500              | —                   |
| 85th Anniversary event, net                 | —                          | —                       | —                   | 305,706             |
| Other income                                | 674                        | —                       | 674                 | —                   |
| Net assets released from donor restrictions | 57,500                     | (57,500)                | —                   | —                   |
| <b>Total revenue</b>                        | <b>\$ 501,761</b>          | <b>\$ (26,500)</b>      | <b>475,261</b>      | <b>\$ 675,298</b>   |
| <b>EXPENSES</b>                             |                            |                         |                     |                     |
| Program Services:                           |                            |                         |                     |                     |
| Virtual Museum and Archive                  | \$ 223,980                 | —                       | 223,980             | \$ 238,313          |
| Supporting Services:                        |                            |                         |                     |                     |
| General and Administrative                  | 136,625                    | —                       | 136,625             | 130,422             |
| Development and Fundraising                 | 25,341                     | —                       | 25,341              | 75,210              |
| <b>Total supporting services</b>            | <b>\$ 161,966</b>          | <b>—</b>                | <b>161,966</b>      | <b>\$ 205,632</b>   |
| <b>Total expenses</b>                       | <b>385,946</b>             | <b>—</b>                | <b>385,946</b>      | <b>443,945</b>      |
| Change in net assets                        | 115,815                    | (26,500)                | 89,315              | 231,353             |
| Net assets at beginning of year             | 3,728,911                  | 45,000                  | 3,773,911           | 3,542,558           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b>\$ 3,844,726</b>        | <b>\$ 18,500</b>        | <b>\$ 3,863,226</b> | <b>\$ 3,773,911</b> |

## Statement of Functional Expenses

For the year ended December 31, 2020 with summarized financial information for 2019

|                                      | 2020                       |                            |                             |                           | 2019              |                   |
|--------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------------------|
|                                      | Virtual Museum and Archive | General and Administrative | Development and Fundraising | Total Supporting Services | Total Expenses    | Total Expenses    |
| Salaries                             | \$ 136,871                 | \$ 53,417                  | \$ 21,030                   | \$ 74,447                 | \$ 211,318        | \$ 230,500        |
| Benefits and payroll taxes           | 12,174                     | 3,898                      | 1,870                       | 5,768                     | 17,942            | 54,564            |
| 85th Anniversary event expense       | -                          | -                          | -                           | -                         | -                 | 255,639           |
| Printing and production              | -                          | 100                        | -                           | 100                       | 100               | -                 |
| Professional fees                    | 2,825                      | 55,951                     | -                           | 55,951                    | 58,776            | 85,792            |
| Occupancy                            | 14,420                     | 5,545                      | 2,216                       | 7,761                     | 22,181            | 24,040            |
| Telephone                            | —                          | —                          | —                           | —                         | —                 | 1,676             |
| Travel                               | —                          | —                          | —                           | —                         | —                 | 46                |
| Postage and delivery                 | 298                        | 1,092                      | —                           | 1,092                     | 1,390             | 2,097             |
| Supplies                             | -                          | 728                        | —                           | 728                       | 728               | 3,391             |
| Museum maintenance                   | 4,892                      | -                          | —                           | -                         | 4,892             | 24,449            |
| Subscriptions and other fees         | —                          | 15,894                     | —                           | 15,894                    | 15,894            | 13,995            |
| Commissioners dinner event           | —                          | —                          | 225                         | 225                       | 225               | 3,395             |
| Contributed services                 | 52,500                     | —                          | —                           | —                         | 52,500            | —                 |
| Sub-total                            | 223,980                    | 136,625                    | 25,341                      | 161,966                   | 385,946           | 699,584           |
| Less: 85th Anniversary event expense | —                          | —                          | —                           | —                         | —                 | (255,639)         |
| <b>TOTAL</b>                         | <b>\$ 223,980</b>          | <b>\$ 136,625</b>          | <b>\$ 25,341</b>            | <b>\$ 161,966</b>         | <b>\$ 385,946</b> | <b>\$ 443,945</b> |



## Statement of Cash Flows

For the year ended December 31, 2020 with summarized financial information for 2019

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Change in net assets   | \$ 89,315         | \$ 231,353        |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: |                   |                   |
| Realized gain on investments   | (959)             | (1,854)           |
| Unrealized gain on investments   | (14,494)          | (49,672)          |
| (Increase) decrease in:  |                   |                   |
| Accounts receivable  | (48,776)          | (7,500)           |
| Prepaid expenses   | (99)              | 360               |
| (Decrease) increase in:  |                   |                   |
| Accounts payable and accrued liabilities   | (36,596)          | 41,809            |
| Net cash provided by operating activities  | (11,609)          | 214,496           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Purchase of investments  | (13,040)          | (513,772)         |
| Proceeds from maturity of investments  | 596,027           | 100,075           |
| Accession of Virtual Museum and Archive collections  | (84,583)          | (105,320)         |
| Net cash provided (used) by investing activities   | 498,404           | (519,017)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |                   |
| Proceeds from loan payable   | 23,000            |                   |
| Net cash provided by financing activities  | 23,000            |                   |
| Net increase (decrease) in cash and cash equivalents   | 509,795           | (304,521)         |
| Cash and cash equivalents at beginning of year   | 388,622           | 693,143           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>\$ 898,417</b> | <b>\$ 388,622</b> |

# 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](http://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 2020. 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished)

in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2019, 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, which is presented net of associated investment expenses in the Statement of Activities and Change in Net Assets.

### Receivables

Receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. 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 capitalized and stated at cost. Donated equipment and software are valued at their appraised value at the time of the gift.

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

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**Impairment of long-lived assets**

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

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**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.

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**Uncertain tax positions**

For the year ended December 31, 2020, 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.

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**Grants and contributions**

The majority of the Society's revenue is received through grants and contributions from individuals and private organizations. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Society performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

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**Grants and contributions (continued)**

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Nonreciprocal grants and contributions are classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the Society recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Society has no unrecognized conditional grants or contributions as of December 31, 2020.

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**Contributed services**

Contributed services consist of museum curator time. Contributed services are recorded at their fair value as of the date of the gift.

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**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.

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**Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Society are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

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**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.

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**Fair value measurement**

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

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**Economic uncertainties**

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Society's operations. The overall potential impact is unknown at this time.



## New accounting pronouncement (not yet adopted)

FASB issued ASU 2019-01, 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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Society plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

## 2 • INVESTMENTS

Investments, at their readily determinable fair value, consisted of the following at December 31, 2020:

|                          | COST             | FAIR VALUE       |
|--------------------------|------------------|------------------|
| Certificates of Deposit  | \$217,000        | \$219,364        |
| Exchange-Traded Funds    | 179,447          | 275,528          |
| <b>Total Investments</b> | <b>\$396,447</b> | <b>\$494,892</b> |

Included in interest and investment income for the year ended December 31, 2020, are the following:

|   |                 |
|---|-----------------|
| Interest and dividends                    | \$16,883        |
| Realized gain                             | 959             |
| Unrealized gain                           | 14,494          |
| <b>Total Interest and Investment Loss</b> | <b>\$32,336</b> |

## 3 • 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.

As of December 31, 2020, the Museum collection totaled 9,719 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 2020.

For the year ended December 31, 2020, the costs to utilize outside vendors in building the collection of the Virtual Museum and Archive totaled \$84,583. As of December 31, 2020, the accumulated costs incurred in building the Virtual Museum and Archive totaled \$2,424,869.

## 4 • LOAN PAYABLE

On April 16, 2020, the Society received loan proceeds in the amount of \$23,000 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Society used the proceeds for purposes consistent with the Paycheck Protection Program. The Society applied for forgiveness, which was granted in full, including accrued interest, subsequent to December 31, 2020. The Society will record revenue from debt extinguishments during the year ending December 31, 2021, which is the period when forgiveness was granted.

## 5 • 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, 2020 was \$438,579.

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, 2020 was \$684,569.

The funds are comprised of certificates of deposit and exchange-traded funds totaling \$494,892 and money market funds totaling \$628,256, which are included in investments and cash and cash equivalents, in the accompanying Statement of Financial Position.

## 6 • NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020:

|   |                 |
|---|-----------------|
| Corporate Disclosure Gallery                    | 12,500          |
| Oral History Program                            | 6,000           |
| <b>Total Net Assets with Donor Restrictions</b> | <b>\$18,500</b> |

## 7 • NET ASSETS RELEASED FROM RESTRICTIONS

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

|   |                 |
|---|-----------------|
| Corporate Disclosure Gallery                    | 52,500          |
| Passage of time                                 | 5,000           |
| <b>Total Net Assets with Donor Restrictions</b> | <b>\$57,500</b> |

## 8 • LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following:

|  |             |
|--|-------------|
| Cash and cash equivalents                          | \$898,417   |
| Investments  | 494,892     |
| Accounts receivable                                | 56,276      |
| Subtotal   | 1,449,585   |
| Subtract: Donor restrictions for specific purposes | (18,500)    |
| Subtract: Board designated net assets              | (1,123,148) |

**Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year** **\$307,937**

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

## 9 • LEASE COMMITMENT

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

In June 2019, the lease was amended for a base rent of \$1,605 per month and was extended through March 2022. Occupancy expense for the year ended December 31, 2020 totaled \$22,181.

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

| YEAR ENDING DECEMBER 31,      |                 |
|-------------------------------|-----------------|
| 2021                          | 19,260          |
| 2022                          | 4,815           |
| <b>Total Lease Commitment</b> | <b>\$24,075</b> |

## 10 • 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 a maximum of \$10,000. 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, 2020, contributions to the Plan totaled \$10,000.

## 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.

For the year ended December 31, 2020, there were no transfers between levels. Transfers between levels are recorded at the end of the reporting period, if applicable.

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, 2020:

- **Certificates of Deposit** - Generally valued at original cost plus accrued interest, which approximates fair value.
- **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, 2020:

| Asset Class - Investments:     | LEVEL 1          | LEVEL 2          | LEVEL 3     | TOTAL               |
|--------------------------------|------------------|------------------|-------------|---------------------|
| <i>Certificates of Deposit</i> | \$ —             | \$ 219,364       | \$ —        | \$ 219,364          |
| <i>Exchange-Traded Funds</i>   | 275,528          | —                | —           | 275,528             |
| <b>Total</b>                   | <b>\$275,528</b> | <b>\$219,364</b> | <b>\$ —</b> | <b>\$ 1,062,426</b> |

## 12 • SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 1, 2021, the date the financial statements were issued.

Subsequent to year-end, the Society received full forgiveness of the SBA loan payable. See Note 4 for further details.

# Thank you

**The SEC Historical Society thanks the following donors of material in 2020 — papers, oral histories, photos, expert programming — which becomes part of the permanent collection of the Virtual Museum.**

## **Donating to the collection**

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

## **Program Participants**

- Stanley S. Arkin
- Marc P. Berger
- Richard R. Best
- Steven E. Bochner
- G. Jeffrey Boujoukos
- Stephen J. Choi
- Kelly L. Gibson
- Stuart J. Kaswell
- Thomas J. Kim
- Robert J. Kueppers
- Richard A. Levine
- Joan E. McKown
- Donna M. Nagy
- Lona Nallengara
- Hon. Judge Jed S. Rakoff
- Lee S. Richards III
- John S. Siffert
- Robert B. Thompson
- Linda Chatman Thomsen
- John “Rusty” Wing

## **Museum Project Sponsors**

- Morrison & Foerster LLP
- Meredith B. Cross
- Deloitte & Touche, LLP
- Thomas O. Gorman
- Indiana University Maurer School of Law
- David M. Lynn
- Susan G. Markel
- Morgan, Lewis & Bockius, LLP
- NYU Pollack Center for Law & Business
- Linda Chatman Thomsen

## **Curators**

- Kenneth Durr
- Lucy Harvey
- David M. Lynn
- Harwell Wells

## **Technical Experts**

- John J. Bogley
- Beth Elzer
- Martyn A. Green
- Elise Perkins
- Oscar Sodani

## **Donated Materials**

- FINRA
- Stephen Kroll
- David M. Lynn
- Elizabeth Krentzman
- Donna M. Nagy