

**Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town**

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



*Navigating the Road  
to  
Financial Security*

**Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town**

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**Independent Auditors' Report**

Board of Directors  
Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town

**Report on the Financial Statements**

We have audited the accompanying financial statements of Staten Island Historical Society, Inc. d/b/a Historic Richmond Town which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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.

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Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staten Island Historical Society, Inc. d/b/a Historic Richmond Town as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*De Santis, Keefe, Hull & Sarcine, LLP*

Staten Island, New York

November 12, 2015

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Statement of Financial Position  
June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 210,442	\$ 509,637
Investments	1,029,688	1,016,824
Assets Held in Trust Under Split-Interest Agreement	1,501,668	1,548,735
Accounts Receivable	27,332	
Investment Income Receivable	18,940	
Grants Receivable		1,700
Prepaid Expenses	2,554	1,798
Inventory	10,597	16,776
Property and Equipment, Net	541,943	404,608
Temporarily Restricted Cash	<u>197,871</u>	<u>274,795</u>
Total Assets	<u>\$ 3,541,035</u>	<u>\$ 3,774,873</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts Payable	\$ 41,805	\$ 80,732
Accrued Expenses	121,534	101,312
Loan Payable	25,767	25,767
Deferred Income	<u>136,444</u>	<u>165,465</u>
Total Liabilities	<u>325,550</u>	<u>373,276</u>
Net Assets:		
Unrestricted		
Board Designated	509,235	480,115
Operating	<u>513,194</u>	<u>561,662</u>
Total Unrestricted	1,022,429	1,041,777
Temporarily Restricted	493,567	613,264
Permanently Restricted	<u>1,699,489</u>	<u>1,746,556</u>
Total Net Assets	<u>3,215,485</u>	<u>3,401,597</u>
Total Liabilities and Net Assets	<u>\$ 3,541,035</u>	<u>\$ 3,774,873</u>

The Accompanying Notes are an Integral Part of this Statement.

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**Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town**

Statement of Activities  
for the Years Ended June 30, 2015 and 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>								
<b>Support:</b>								
Contributions	\$ 143,715	\$ 108,239	\$ 251,954	\$ 171,600	\$ 8,600	\$ 1,542,260	\$ 1,722,460	
Government Grants	910,852		910,852	819,271			819,271	
Special Events, Net	211,536		211,536	186,746			186,746	
<b>Total Support</b>	<b>1,266,103</b>	<b>108,239</b>	<b>1,374,342</b>	<b>1,177,617</b>	<b>8,600</b>	<b>1,542,260</b>	<b>2,728,477</b>	
<b>Revenue:</b>								
Membership Dues	18,493		18,493	22,450			22,450	
Admissions	272,168		272,168	256,243			256,243	
Rental Income	33,030		33,030	33,055			33,055	
Investment Income	29,109	42,734	71,843	46,685	56		46,741	
Realized Gain on Investments	32,659		32,659	56,959			56,959	
Unrealized (Loss) Gain on Investments	(52,081)		(99,148)	27,120		6,475	33,595	
Gift Shop and Other Retail Sales, Net	35,837		35,837	44,336			44,336	
Other Income	63,471		63,471	21,635			21,635	
Gain on Involuntary Conversion				28,676			28,676	
<b>Net Assets Released   from Restrictions</b>	<b>270,670</b>	<b>(270,670)</b>		<b>13</b>	<b>(13)</b>			
<b>Total Revenue</b>	<b>703,356</b>	<b>(227,936)</b>	<b>428,353</b>	<b>537,172</b>	<b>43</b>	<b>6,475</b>	<b>543,690</b>	
<b>Total Support and Revenue</b>	<b>1,969,459</b>	<b>(119,697)</b>	<b>1,802,695</b>	<b>1,714,789</b>	<b>8,643</b>	<b>1,548,735</b>	<b>3,272,167</b>	
<b>Expenses:</b>								
<b>Program Services:</b>								
Restoration	35,303		35,303	13,536			13,536	
Education	527,928		527,928	483,566			483,566	
Curatorial	293,481		293,481	245,764			245,764	
Special Program Events	288,045		288,045	90,496			90,496	
Other Projects	7,694		7,694	69,569			69,569	
Maintenance and Security	622,058		622,058	542,870			542,870	
<b>Supporting Services:</b>								
Management and General	161,643		161,643	317,046			317,046	
Fund Raising	52,655		52,655	104,342			104,342	
<b>Total Expenses</b>	<b>1,988,807</b>		<b>1,988,807</b>	<b>1,867,189</b>			<b>1,867,189</b>	
<b>Changes in Net Assets</b>	<b>(19,348)</b>	<b>(119,697)</b>	<b>(149,045)</b>	<b>(152,400)</b>	<b>8,643</b>	<b>1,548,735</b>	<b>1,404,978</b>	
<b>Reclassification of Net Assets</b>				<b>(26,493)</b>	<b>26,493</b>			
<b>Net Assets, Beginning of Year</b>	<b>1,041,777</b>	<b>613,264</b>	<b>3,401,597</b>	<b>1,220,670</b>	<b>578,128</b>	<b>197,821</b>	<b>1,996,619</b>	
<b>Net Assets, End of Year</b>	<b>\$ 1,022,429</b>	<b>\$ 493,567</b>	<b>\$ 3,215,485</b>	<b>\$ 1,041,777</b>	<b>\$ 613,264</b>	<b>\$ 1,746,556</b>	<b>\$ 3,401,597</b>	

The Accompanying Notes are an Integral Part of this Statement.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Statement of Cash Flows  
for the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (186,112)	\$ 1,404,978
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	84,405	53,849
Unrealized Loss (Gain) on Investment	52,081	(33,595)
Realized Gain on Investment	(32,659)	(56,959)
Contribution of Assets Held in Trust Under Split-Interest Agreement		(1,542,260)
Change in Value of Split-Interest Agreement	47,067	(6,475)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(27,332)	
Investment Income Receivable	(18,940)	
Grant Receivables	1,700	37,533
Prepaid Expenses	(756)	247
Inventory	6,179	6,670
Temporarily Restricted Cash	76,924	(257,846)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(38,927)	20,208
Accrued Expenses	20,222	675
Deferred Income	(29,021)	158,989
Net Cash Provided By (Used In) Operating Activities	<u>140,943</u>	<u>(1,618,964)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	230,723	(362,998)
Proceeds from Sale of Investments	(263,009)	648,262
Purchase of Property and Equipment	(221,740)	(144,021)
Net Cash (Used In) Provided By Investing Activities	<u>(254,026)</u>	<u>141,243</u>
Cash Flows from Financing Activities:		
Proceeds from Loans		50,000
Payments on Loans		(24,233)
Payments on Capital Lease		(6,612)
Net Cash Provided By Financing Activities	<u>0</u>	<u>19,155</u>
Net Decrease in Cash and Cash Equivalents	(299,195)	(53,588)
Cash and Cash Equivalents, Beginning of Year	<u>509,637</u>	<u>563,225</u>
Cash and Cash Equivalents, End of Year	<u>\$ 210,442</u>	<u>\$ 509,637</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 0</u>	<u>\$ 1,152</u>

The Accompanying Notes are an Integral Part of this Statement.

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**Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town**

Statement of Functional Expenses  
for the Year Ended June 30, 2015

	Program Services						Supporting Services			Total	
	Restoration	Education	Curatorial	Special Program Events	Other Projects	Maintenance and Security	Total Program Services	Management and General	Fund Raising		Total Supporting Services
Salaries	\$ 16,203	\$ 313,827	\$ 147,891	\$ 90,070		\$ 351,237	\$ 919,228	\$ 32,403	\$ 13,079	\$ 45,482	\$ 964,710
Payroll Taxes and Benefits	14,140	52,308	69,096	16,922		76,270	228,736	24,563	1,814	26,377	255,113
Total Salaries and Benefits	30,343	366,135	216,987	106,992		427,507	1,147,964	56,966	14,893	71,859	1,219,823
Contracted Services		11,934	8,469	68,833	\$ 234	26,640	116,110	6,006	631	6,637	122,747
Communications, Mailing and Delivery Costs		5,199	4,876	84	17	8,218	18,394	6,093	1,639	7,732	26,126
Professional Fees		16,310	2,326	15,832	6,400	6,060	46,928	15,620	2,064	17,684	64,612
Office Supplies and Materials		6,901	2,473	3,931		368	13,673	14,979	1,342	16,321	29,994
Project Materials and Supplies		13,305	30	30,915	462	5,587	50,299	7,923	7,191	15,114	65,413
Property and Equipment - Repairs and Maintenance	4,496	576		1,124		28,957	35,153	2,431	2,114	4,545	39,698
Cost of Sales - M. Bennett Café									5,720	5,720	5,720
Marketing and Promotion		3,045	80	19,403			22,528	4,105	1,971	6,076	28,604
Utilities		31,341	16,977	16,977		23,478	88,773	8,489		8,489	97,262
Travel and Professional Development		2,606	246	6,994	222	716	10,784	11,069	11,258	22,327	33,111
Insurance	464	37,247	23,523	11,187		58,235	130,656	13,442	1,409	14,851	145,507
Depreciation		25,298	16,865			33,730	75,893	8,512		8,512	84,405
Other Expenses		8,031	629	5,773	359	2,562	17,354	6,008	2,423	8,431	25,785
Total Expenses	\$ 35,303	\$ 527,928	\$ 293,481	\$ 288,045	\$ 7,694	\$ 622,058	\$ 1,774,509	\$ 161,643	\$ 52,655	\$ 214,298	\$ 1,988,807

The Accompanying Notes are an Integral Part of this Statement.



**Staten Island Historical Society, Inc.  
d/b/a Historic Richmond Town**

Statement of Functional Expenses  
for the Year Ended June 30, 2014

	Program Services						Supporting Services			Total	
	Restoration	Education	Curatorial	Special Program Events	Other Projects	Maintenance and Security	Total Program Services	Management and General	Fund Raising		Supporting Services
Salaries	\$ 4,628	\$ 280,794	\$ 128,721	\$ 8,536		\$ 253,815	\$ 676,494	\$ 114,918	\$ 59,996	\$ 174,914	\$ 851,408
Payroll Taxes and Benefits	5,314	52,672	69,753	4,688		67,921	200,348	76,532	14,880	91,412	291,760
Total Salaries and Benefits	9,942	333,466	198,474	13,224		321,736	876,842	191,450	74,876	266,326	1,143,168
Contracted Services	3,200	1,225	3,724	23,747	\$ 13,500	28,147	73,543	16,107	832	16,939	90,482
Communications, Mailing and Delivery Costs		1,030			19	5,207	6,256	21,727	753	22,480	28,736
Professional Fees		12,557	5,928		28,898	7,001	54,384	22,770	443	23,213	77,597
Office Supplies and Materials		1,131	6,083	670	1,274	1,878	11,036	6,783	352	7,135	18,171
Project Materials and Supplies		22,975	1,437	16,564	2,576	6,247	49,799	5,019	12,601	17,620	67,419
Property and Equipment - Repairs and Maintenance		1,446	2,180	3,648		51,679	58,953		1,273	1,273	60,226
Cost of Sales - M. Bennett Café		3,831		15,188	16,400		35,419	5,752	4,153	4,153	4,153
Marketing and Promotion		49,417	9,503		2,458	43,038	104,416	4,817	1,856	7,608	43,027
Utilities		5,112		5,596	481	9,458	20,647	1,917	3,193	4,817	109,233
Travel and Entertainment								1,920	365	5,110	25,757
Professional Development		34,189	7,676	8,464	3,080	46,324	99,733	21,869	1,601	2,285	2,285
Insurance		16,143	10,759			21,523	48,425	5,424		23,470	123,203
Depreciation						632				5,424	53,849
Other Expenses	394	1,044		3,395	883		6,348	11,491	2,044	13,535	19,883
<b>Total Expenses</b>	<b>\$ 13,536</b>	<b>\$ 483,566</b>	<b>\$ 245,764</b>	<b>\$ 90,496</b>	<b>\$ 69,569</b>	<b>\$ 542,870</b>	<b>\$ 1,445,801</b>	<b>\$ 317,046</b>	<b>\$ 104,342</b>	<b>\$ 421,388</b>	<b>\$ 1,867,189</b>

The Accompanying Notes are an Integral Part of this Statement.

# **Staten Island Historical Society, Inc. d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

## **1. Nature of Activities**

The Staten Island Historical Society, Inc. d/b/a Historic Richmond town, hereinafter referred to as "The Society" was incorporated in 1856 as a not-for-profit corporation under the Laws of New York State. The Society collects and preserves items related to the history and culture of Staten Island, in accordance with its statement of purpose. The collection includes 33 historic buildings dating from 1696 to 1907. These structures include residential, commercial, and government buildings, which are local interpretations of styles including Dutch Colonial, Federal, Greek Revival, Gothic Revival, and Victorian. The 70,000-object artifact collection (amassed primarily through donations) includes household items, furniture, textiles, clothing and accessories, tools and equipment, toys and dolls, firearms, horse-and-hand-drawn vehicles, and archaeological specimens; 610 cubic feet of historic manuscripts and archival material including family history records, civic and social organization records, church records, business records, industrial and manufacturing records, local government records, and institutional archives; a 15,000-volume research library containing mostly rare or out-of-print items: and more than 50,000 historic photographs.

## **2. Summary of Significant Accounting Policies**

### ***Reclassifications***

Certain reclassifications were made to the prior year's financial information in order to conform with the current year's presentation. Total net assets remain unchanged due to these reclassifications.

### ***Tax Status***

The Society is organized under the Not-For-Profit Corporation Law of the State of New York (the "State") and is qualified as exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code.

### ***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

***Net Assets Presentation***

The Society reports its financial position and operating activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted – net assets, generally of an endowment nature, results from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient.

Temporarily Restricted – net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted net assets received and released within the same year are reported as unrestricted net assets.

Unrestricted – unexpended net assets that are neither permanently nor temporarily restricted are classified as unrestricted net assets.

Unrestricted Board Designated – Included in unrestricted net assets are Board designated funds that have been set aside from current operating funds by the Society's Board of Directors to fund projects deemed prudent and necessary by the Society. Frequently, these projects relate to the restoration and preservation of historical buildings located on the Society premises.

***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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

***Cash and Cash Equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include dollar denominated money market funds. Temporarily restricted cash, totaling \$197,871 and \$274,795 for the years ended June 30, 2015 and 2014, respectively, is cash provided by donors for specific projects (see Note 7).

For financial statement purposes, the Society considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

***Receivables***

Receivables have been adjusted for all known uncollectible accounts. Management reviews accounts receivable to determine if any allowance is necessary. For the years ended June 30, 2015 and 2014, no allowance was necessary because the receivable balance was determined to be fully collectable. The allowance is based on historical experience and management's analysis of the current status of amounts receivable. All receivables are due within one year.

***Investments***

Investments in debt and equity securities are carried at their fair values based on quoted market prices as of the statement of financial position.

Unrealized gains and losses are reflected in unrestricted net assets unless restricted by the donor. Realized gains and losses are recognized when investments are sold based on the specific identification method. All other investment income, such as interest and dividends is reflected in investment income as unrestricted net assets unless restricted by the donor.

***Property and Equipment***

Equipment is carried at cost less accumulated depreciation, which is provided on the straight-line method over the estimated useful lives of the respective assets. It is the Society's policy to capitalize property and equipment in excess of \$1,000. Expenditures for repairs and maintenance are expensed as incurred.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

The Society owns vehicles included within machinery and equipment and reported as part of property and equipment in the accompanying statement of financial position. The vehicles have been designated as security in the form of a lien authorizing the New York City Department of Design and Construction as the lien holder in accordance with their respective terms of agreement.

Costs related to planned major maintenance projects are expensed as incurred.

The Society reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Society recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2015 and 2014.

The Society is located on certain parcels of land that are owned by the City of New York. In addition, various assets used in the Society's operations were purchased by the City of New York on the Society's behalf. Furthermore, all personal property, including equipment, purchased with funds provided by the New York State Council on the Arts is held in trust for the Council and upon written demand, such property is due back to the City. Certain assets do not appear on the Society's financial statements as title to those assets remains with the city of New York.

***Historical Treasures***

The Society has title to certain other parcels of land and buildings (including Decker Farm) whose value is not determinable as they have been deemed historical treasures. Accordingly, these properties are not reflected in the accompanying statement of financial position. It is the Society's policy to continue to own and use these properties in accordance with the Society's charter and as required by the contracts.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

***Collections***

The Society collects, preserves, and presents buildings and artifacts relating to the history and culture of Staten Island. Collections are held for public exhibition, education, research and preservation. As further described below, collections have not been valued in the accompanying statement of financial position.

Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are expensed and recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. Costs for the conservation, restoration and other expenditures for collections are expensed when incurred.

Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

***Inventory***

Inventory consists of merchandise for sale in the Gift Shop and is valued at lower of cost or market, using the first-in, first-out method.

***Deferred Income***

All cash receipts as of June 2015 and 2014 that relate to the annual County Fair held in September are recorded as deferred revenues. At June 30, 2015 and 2014, deferred revenues for the County Fair totaled \$50,839 and \$12,645 respectively.

In fiscal year 2014, the Society received proceeds from its insurance company to cover repairs to the Kruser-Finley house. Repairs that are made will be offset by these insurance funds. At June 30, 2015 and 2014, deferred revenue from insurance was \$85,605 and \$152,820, respectively.

**Staten Island Historical Society, Inc.**  
**d/b/a Historic Richmond Town**

Notes to Financial Statements  
June 30, 2015 and 2014

***Revenue and Support***

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized as revenues in the period the unconditional promise is given. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue recognition depends on the contract. The disbursements received from government agencies are subject to audit by those agencies. The government agencies may request return of funds as a result of noncompliance by the Society with the terms of the grants and contracts. All amounts contained within the financial statements have been adjusted accordingly. There is no provision contained within these financial statements for any possible contingent liability which may result should any governmental agency audit any year(s) through June 30, 2015. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

Gifts of cash and other noncapital assets are reported as temporarily restricted operating revenue if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as unrestricted.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts for donated non-cash assets or services have been recognized within these financial statements because the criteria for recognition have not been satisfied.

The City of New York Department of Cultural Affairs has made payments on behalf of the Society for energy expenses for all of the buildings maintained by the Society. For the years ended June 30, 2015 and 2014, this amounted to \$84,887 and \$93,887 respectively. The Society has also received pension funding amounting to \$13,404 and \$43,009 for the years ended June 30, 2015 and 2014, respectively. These amounts are reflected within these financial statements in their respective expense accounts and included in public support from the New York City Department of Cultural Affairs.

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***Marketing/Promotion***

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs for the years ended June 30, 2015 and 2014 amounted to \$28,604 and \$43,027 respectively.

***Statement of Functional Expenses***

The costs of providing for the Society's programs are summarized on the Statements of Functional Expenses. Accordingly, certain costs are allocated among the program services and the programs' supporting services. Expenses have been allocated based on benefits received.

***Special Events***

The Society conducts special events in which a portion of gross proceeds paid by the participants represents payments for direct costs of the benefits received by the participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Society. All proceeds received in excess of the direct costs are recorded as special events support in the accompanying Statement of Activities. For the year ended June 30, 2015, the Society reported special events support of \$305,264 with direct expenses of \$93,728. For the year ended June 30, 2014, the Society reported special events support of \$271,500 with direct expenses of \$84,754. These events consisted of the Richmond County Fair, the Uncorked Festival and the Chili and Barbeque Cook-Off Festivals.

<u>2015</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$194,098	\$82,054	\$112,044
Uncorked Festival	42,081	0	42,081
Chili and Barbeque Cook-Off Festival	<u>69,085</u>	<u>11,674</u>	<u>57,411</u>
	<u>\$305,264</u>	<u>\$93,728</u>	<u>\$211,536</u>
<u>2014</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$174,077	\$73,104	\$100,973
Uncorked Festival	47,010	0	47,010
Chili and Barbeque Cook-Off Festival	<u>50,413</u>	<u>11,650</u>	<u>38,763</u>
	<u>\$271,500</u>	<u>\$84,754</u>	<u>\$186,746</u>



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**3. Investments**

Investments held by the Society consist of short-term, equity, and fixed income mutual funds. Investments held at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short-Term Mutual Funds	\$ 250,843	\$ 278,252	\$244,333	\$ 239,760
Equity Mutual Funds	352,081	357,850	452,073	555,577
Fixed Income Mutual Funds	<u>397,869</u>	<u>393,586</u>	<u>221,741</u>	<u>221,487</u>
<b>Total</b>	<b><u>\$1,000,793</u></b>	<b><u>\$1,029,688</u></b>	<b><u>\$918,147</u></b>	<b><u>\$1,016,824</u></b>

The table below provides detail of the total portfolio balance as follows:

	<u>2015</u>	<u>2014</u>
Fair Market Value – Beginning of Year	\$1,016,824	\$1,211,534
Investment Activity:		
Investment Income	29,179	45,412
Realized Gain	32,659	56,959
Unrealized (Loss) Gain	(52,081)	27,120
Purchases	3,107	
Sales (at Cost)	<u>                    </u>	<u>(324,201)</u>
<b>Fair Market Value – End of Year</b>	<b><u>\$1,029,688</u></b>	<b><u>\$1,016,824</u></b>

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Society's investments and the amounts reported in the statement of financial position and the statement of activities and changes in net assets.

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**4. Fair Value Measurements**

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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The following table sets forth by level, within the fair value hierarchy, the Society's fair value measurements at June 30, 2015 and 2014:

<u>June 30, 2015</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Short-Term				
Mutual Funds	\$ 278,252	\$ 278,252		
Equity Mutual Funds	357,850	357,850		
Fixed Income Mutual Funds	<u>393,586</u>	<u>393,586</u>		
Total	1,029,688	1,029,688		
Assets of split- interest agreement	<u>1,501,668</u>			<u>\$1,501,668</u>
Total investments at Fair value	<u>\$2,531,356</u>	<u>\$1,029,688</u>		<u>\$1,501,668</u>
<u>June 30, 2014</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Short-Term				
Mutual Funds	\$ 239,760	\$ 239,760		
Equity Mutual Funds	555,577	555,577		
Fixed Income Mutual Funds	<u>221,487</u>	<u>221,487</u>		
Total	1,016,824	1,016,824		
Assets of split- Interest agreement	<u>1,548,735</u>			<u>\$1,548,735</u>
Total Investment at Fair Value	<u>\$2,565,559</u>	<u>\$1,016,824</u>		<u>\$1,548,735</u>

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Included in Level 3 is the interest in the perpetual trust held by a third party (see Note 9) of which the Society is not the trustee. The fair value consists of the market values of assets as reported by the trustee. Market price data is generally available for the assets held in the trust. However, because the Society will never have the ability to redeem its investment in the net asset value per share (or equivalent), the fair value measurement is categorized as Level 3.

The following is a roll forward of the statement of financial position amounts for the Society's split-interest agreement which is classified as Level 3 within the fair value hierarchy as defined above:

Fair Value, June 30, 2014	\$1,548,735
Change in value of split-interest	<u>(47,067)</u>
Fair Value, June 30, 2015	<u>\$1,501,668</u>

**5. Property and Equipment**

The following is a summary of property and equipment as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Office Furniture and Fixtures	\$ 116,452	\$ 112,016
Computers	56,367	56,367
Machinery and Equipment	428,183	401,839
Improvement to Land and Building	552,529	361,569
Vehicles	93,478	93,478
Museum Collection	<u>1</u>	<u>1</u>
	1,247,010	1,025,270
Less: Accumulated Depreciation	<u>(705,067)</u>	<u>(620,662)</u>
Property and Equipment - Net	<u>\$ 541,943</u>	<u>\$ 404,608</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$84,405 and \$53,849 respectively.

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**6. Loan Payable**

The Society received an interest free Non-Profit Recovery loan from The Fund for the City of New York in August 2013 for damages related to Super Storm Sandy. The original amount of the loan was \$50,000. The loan must be paid in full by December 30, 2015, and any reimbursements the Society receives from private insurance, SBA loans, and/or FEMA monies must be used to repay this loan.

In January 2014, the Society received FEMA funds of \$24,233 which were used to repay a portion of the loan. The balance of the loan is \$25,767 at both June 30, 2015 and 2014.

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Releases/ Expenditures</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Purpose Restricted:</u>				
Perrine House	\$ 26,493	\$ 75,451		\$101,944
Dr. Meryl Efron Grant	8,600			8,600
FW Smith Book Fund	12,154	1		12,155
Prehn Publication Fund	13,587	1		13,588
Collections Fund	65,956	7		65,963
Hood Fund II	26,758	2		26,760
Decker Farm Renovation and New Building	71,653	7	\$(71,660)	0
Hall Estate	190,087	19	(19,010)	171,096
House Signs	16,649			16,649
Caroline Watson Fund	181,327	18	(180,000)	1,345
Save the Courthouse		21,940		21,940
Women's Auxiliary		10,918		10,918
Margaret S. Robinson Trust	_____	<u>42,609</u>	_____	<u>42,609</u>
<b>Total Purpose Restricted</b>	<u>\$613,264</u>	<u>\$150,973</u>	<u>(\$270,670)</u>	<u>\$493,567</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

A correction was required to be made the prior year's financial statements in order to reflect the correct amount of temporarily restricted net assets for that period. Temporarily restricted net assets were reported as \$578,128 and were increased to \$613,264 due to the correction.

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**8. Endowments**

As of June 30, 2015 and 2014, the Society's permanently restricted net asset balance amounted to \$1,699,489 and \$1,746,556, respectively. Permanently restricted net assets reside within the balance of the investment account of which the income generated is apportioned between unrestricted and temporarily restricted, in accordance with their respective donors' request.

***Endowment Assets***

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA updates and broadens standards against which not-for-profit organizations are to manage investment decisions and endowments. NYPMIFA provides specific guidance on appropriations from Institutional funds and eliminates the requirement to preserve the "historic dollar value" of an endowment gift. These revisions were designed to promote a "total return approach" to spending, similar to the "total return approach" to investing. Additionally, NYPMIFA furthers the documentation requirements within the not-for-profit organization as well as disclosures on its financial statements.

The Society's Board of Directors has interpreted state laws to include preservation of an endowment gift's historic value measured as of the gift date, absent explicit donor stipulations to the contrary. The policy for valuing the Society's investments is described further in Note 2. In accordance with accounting principles generally accepted in the United States of America, any deterioration of the fair value of assets associated with donor restricted endowment funds that falls below the level the donor requires the Society to retain in perpetuity is to be reported in unrestricted net assets. The Society has not incurred such deficiencies in its endowment funds as of June 30, 2015.

***Interpretation of Relevant Law***

The Board of Directors of the Society has interpreted the New York State Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Society and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Society.
7. The investment policies of the Society.

The following are considered endowment funds at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Stanley Fund	\$ 50,000	\$ 50,000
Decker Fund	10,000	10,000
WT Davis Fund	25,000	25,000
John A. Borin Fund	90,071	90,071
JA Carr Fund	22,750	22,750
Interest in Perpetual Trust	<u>1,501,668</u>	<u>1,548,735</u>
Total	<u>\$1,699,489</u>	<u>\$1,746,556</u>

***Investment Objectives and Risk Parameters***

The Society's objectives in establishing an endowment were to create a revenue source with substantial income and growth potential, to tap into for operating purposes.

**9. Split-Interest Agreement – Interest in Perpetual Trust**

The Society is the beneficiary of an annual payment in perpetuity from the Margaret S. Robinson Trust. The annual payment to the Society is 90% of the trust's income and is recognized annually as temporarily restricted investment income. The income is to be used solely for the restoration of the Society's existing buildings or to finance the purchase and rescue of other endangered historical buildings on Staten Island. The Society's interest in the trust is recorded at the fair value of the assets held by the trust and is permanently restricted. The value at June 30, 2015 and 2014 was \$1,501,668 and \$1,548,735, respectively.

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**10. Pension Plan**

Society employees that meet the eligibility requirements are members of the Cultural Institutions Retirement System (CIRS) pension plan. Pension expense for the years ended June 30, 2015 and 2014 was \$13,404 and \$43,009 respectively.

All full-time employees are eligible to participate in the plan after they have completed three months of service and have reached age twenty-one.

Benefits are normally paid by New York City upon retirement, death or termination and are calculated based upon years of creditable service, average salary and primary social security benefits.

**11. Concentrations**

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash deposits. For the years ended June 30, 2015 and 2014, accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. There were no uninsured cash balances as of June 30, 2015 and 2014.

For the years ended June 30, 2015 and 2014, 63% and 65% of the total unrestricted grant and contribution revenue was from one agency.

**12. Commitments and Contingencies**

*Contingencies*

All personal property, including equipment, purchased with funds provided by the New York State Council on the Arts are held in trust for the Council and upon written demand, such property is due back to the City.

**13. Related Party Transaction**

The wife of the Executive Director was paid as a consultant for work on certain special events during fiscal year 2015. The amounts paid are included in Other Professional Fees on the Statement of Functional Expenses.



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**14. Capital Expenditures**

The City of New York has paid \$427,122 during fiscal year 2015 for various building renovations and equipment at the Society. The buildings and equipment are owned by the City of New York.

**15. Gain Related to Insurance Settlement for Fire Damage**

In August 2013, the historic Kruser-Finley house was severely damaged by fire. After settling with the insurance company, the Society recognized an extraordinary gain of \$28,676 for the year ended June 30, 2014 for collections of tools that were destroyed by the fire. The balance of the insurance proceeds will be used to pay for repairs to the building.

**16. Subsequent Events**

The Society has evaluated events through November 12, 2015, which is the date the financial statements were available to be issued.