

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

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)



*Navigating the Road
to
Financial Security*

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

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Independent Auditor's 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, 2017 and 2016, 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, 2017 and 2016, 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.

DeSantis, Ruffa, Shull & Sarcone, LLP

Staten Island, New York

April 26, 2018

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

Statements of Financial Position
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 302,791	\$ 203,849
Investments	490,178	580,856
Assets Held in Trust Under Split-Interest Agreement	1,477,349	1,487,445
Accounts Receivable	72,911	122,215
Investment Income Receivable	22,794	18,585
Inventory	11,059	9,586
Property and Equipment, Net	563,899	625,048
Temporarily Restricted Cash	<u>59,970</u>	<u>69,344</u>
 Total Assets	 <u>\$ 3,000,951</u>	 <u>\$ 3,116,928</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts Payable	\$ 64,964	\$ 85,356
Accrued Expenses	93,603	120,586
Deferred Income	<u>55,640</u>	<u>44,140</u>
 Total Liabilities	 <u>214,207</u>	 <u>250,082</u>
 Net Assets:		
Unrestricted		
Board Designated	199,228	104,169
Operating	<u>542,082</u>	<u>717,394</u>
 Total Unrestricted	 741,310	 821,563
Temporarily Restricted	370,264	360,017
Permanently Restricted	<u>1,675,170</u>	<u>1,685,266</u>
 Total Net Assets	 <u>2,786,744</u>	 <u>2,866,846</u>
 Total Liabilities and Net Assets	 <u>\$ 3,000,951</u>	 <u>\$ 3,116,928</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statements of Activities
for the Years Ended June 30, 2017 and 2016

	2017			2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:							
Support:							
Contributions	\$ 153,065	\$ 98,436	\$ 251,501	\$ 284,360	\$ 26,115	\$	\$ 310,475
Government Grants	984,391		984,391	1,029,913			1,029,913
Special Events Revenue							
Less: Direct Cost of Benefits to Donors	\$ 298,326						
Net Special Events Revenue	80,979						
Total Support	217,347	98,436	217,347	199,119	26,115		199,119
	1,354,803		1,453,239	1,513,392			1,539,507
Revenue:							
Memberships Dues	15,092		15,092	18,752			18,752
Admissions	325,839		325,839	259,606			259,606
Rental Income	41,860		41,860	36,332			36,332
Investment Income	18,461	42,192	60,653	24,407	43,483		67,890
Realized Gain/(Loss) on Investments	7,196		7,196	(1,543)			(1,543)
Unrealized Gain/(Loss) on Investments	15,471		5,375	(16,695)		(14,223)	(30,918)
Gift Shop and Other Retail Sales, Net							
Other Income	43,052		43,052	8,459			8,459
Gain on Involuntary Conversion	107,129		107,129	58,770			58,770
Net Assets Released from Restrictions		(130,381)			(203,148)		
Total Revenue	704,481	(88,189)	606,196	613,284	(159,665)	(14,223)	439,396
Total Support and Revenue	2,059,284	10,247	2,059,435	2,126,676	(133,550)	(14,223)	1,978,903
Expenses:							
Program Services:							
Restoration	251,078		251,078	188,153			188,153
Education	468,779		468,779	537,744			537,744
Curatorial	314,736		314,736	493,422			493,422
Special Program Events	322,876		322,876	273,726			273,726
Other Projects	131,814		131,814	33,761			33,761
Maintenance and Security	392,980		392,980	423,656			423,656
Supporting Services:							
Management and General Fund Raising	134,314		134,314	279,071			279,071
	122,960		122,960	98,009			98,009
	2,139,537		2,139,537	2,327,542			2,327,542
Total Expenses	(80,253)	10,247	(80,102)	(200,866)	(133,550)	(14,223)	(348,639)
Changes in Net Assets	821,563	360,017	2,866,846	1,022,429	493,567	1,699,489	3,215,485
Net Assets, Beginning of Year	\$ 741,310	\$ 370,264	\$ 1,675,170	\$ 821,563	\$ 360,017	\$ 1,685,266	\$ 2,866,846

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statements of Cash Flows
for the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	<u>\$ (80,102)</u>	<u>\$ (348,639)</u>
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	89,307	74,864
Unrealized (Gain)/Loss on Investment	(15,471)	16,695
Realized (Gain)/Loss on Investment	(7,196)	1,543
Change in Value of Split-Interest Agreement	10,096	14,223
Loss on Disposal of Equipment		37,177
(Increase) Decrease in Operating Assets:		
Accounts Receivable	49,304	(94,883)
Investment Income Receivable	(4,209)	355
Prepaid Expenses		2,554
Inventory	(1,473)	1,011
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(20,392)	43,551
Accrued Expenses	(26,983)	(948)
Deferred Income	11,500	(92,304)
Total Adjustments	<u>84,483</u>	<u>3,838</u>
Net Cash Provided By (Used In) Operating Activities	<u>4,381</u>	<u>(344,801)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(472,765)	(49,099)
Proceeds from Sale of Investments	586,110	479,693
Purchase of Property and Equipment	(28,158)	(195,146)
Decrease in Temporarily Restricted Cash	9,374	128,527
Net Cash Provided By Investing Activities	<u>94,561</u>	<u>363,975</u>
Cash Flows from Financing Activities:		
Payments on Loans		<u>(25,767)</u>
Net Cash Used In Financing Activities		<u>(25,767)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	98,942	(6,593)
Cash and Cash Equivalents, Beginning of Year	<u>203,849</u>	<u>210,442</u>
Cash and Cash Equivalents, End of Year	<u>\$ 302,791</u>	<u>\$ 203,849</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

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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, 2017

	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	\$ 174,189	\$ 273,721	\$ 117,513	\$ 134,286		\$ 177,197	\$ 876,906	\$ 10,845	\$ 40,791	\$ 51,636	\$ 928,542
Payroll Taxes and Benefits	44,264	70,733	26,949	4,733		62,879	209,558	2,703	13,516	16,219	225,777
Total Salaries and Benefits	218,453	344,454	144,462	139,019		240,076	1,086,464	13,548	54,307	67,855	1,154,319
Contracted Services	2,920	2,583		74,168		15,896	95,567	1,324	3,000	4,324	99,891
Communications, Mailing and Delivery Costs	924	3,933	3,697	2,369		6,989	17,912	253	6,202	6,455	24,367
Professional Fees	24,048	12,780	77,144	19,425	\$ 130,814	100	264,311	40,313	10,438	50,751	315,062
Office Supplies and Materials		193				5	198	8,434	189	8,623	8,821
Project Materials and Supplies		10,154	206	27,262	1,000	3,958	42,580		1,472	1,472	44,052
Property and Equipment - Collections, Repairs and Maintenance	1,788	4,394	31,053	4,378		31,273	72,886	12,319	7,347	19,666	92,552
Cost of Sales - M. Bennett Café									1,465	1,465	1,465
Marketing and Promotion		979		8,929			9,908	101	8,365	8,466	18,374
Utilities		27,641	14,685	14,685		20,731	77,742	8,637		8,637	86,379
Travel and Professional Development	1,390	307	89	26,466		360	28,612	8,920	7,049	15,969	44,581
Insurance	1,555	38,753	22,957	4,599		34,241	102,105	30,478	23,126	53,604	155,709
Depreciation		20,443	20,443			39,351	80,237	9,070		9,070	89,307
Other Expenses		2,165		1,576			3,741	917		917	4,658
Total Expenses	\$ 251,078	\$ 468,779	\$ 314,736	\$ 322,876	\$ 131,814	\$ 392,980	\$ 1,882,263	\$ 134,314	\$ 122,960	\$ 257,274	\$ 2,139,537

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statement of Functional Expenses
for the Year Ended June 30, 2016

	Program Services						Supporting Services			Total
	Restoration	Education	Curatorial	Special Program Events	Other Projects	Maintenance and Security	Total Program Services	Management and General	Fund Raising	
Salaries	\$ 157,017	\$ 322,851	\$ 109,450	\$ 99,750	\$ 193,617	\$ 86,310	\$ 882,685	\$ 86,310	\$ 48,822	\$ 1,017,817
Payroll Taxes and Benefits	29,211	68,265	62,961	14,411	62,679	52,224	237,527	52,224	3,557	293,308
Total Salaries and Benefits	186,228	391,116	172,411	114,161	256,296	138,534	1,120,212	138,534	52,379	1,311,125
Contracted Services	250	7,249	11,775	58,218	20,367	13,248	97,859	13,248		111,107
Communications, Mailing and Delivery Costs		4,089	4,023	1,718	4,023	10,434	13,853	10,434		24,287
Professional Fees		26,475	216,438	6,842	\$ 24,077	5,400	279,232	15,494	3,400	298,126
Office Supplies and Materials		1,915	1,972	2,518	500	306	7,211	19,393	1,013	27,617
Project Materials and Supplies	52	14,612	44	29,943	3,647	3,752	52,050	3,808	5,374	61,232
Property and Equipment - Collections, Repairs and Maintenance	691	9,346	34,794	4,113	34,480	10,715	87,241	10,715		97,956
Cost of Sales - M. Bennett Café		150		18,051		4,286	18,201	4,286	6,180	24,667
Marketing and Promotion		27,585	14,655	14,655	20,689	8,620	77,584	8,620	5,059	93,308
Utilities		5,046	80	8,125	649	17,488	15,620	17,488	3,057	36,165
Travel and Professional Development		33,024	20,093	13,382	44,707	26,519	112,138	26,519	21,547	160,204
Insurance	932	17,137	17,137	2,000	32,987	7,603	67,261	7,603		74,864
Depreciation						2,929	2,000	2,929		4,929
Other Expenses										
Total Expenses	\$ 188,153	\$ 537,744	\$ 493,422	\$ 273,726	\$ 33,761	\$ 423,656	\$ 1,950,462	\$ 279,071	\$ 98,009	\$ 2,327,542

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Notes to Financial Statements
June 30, 2017 and 2016

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

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.

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.

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

Notes to Financial Statements
June 30, 2017 and 2016

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.

Income 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.

The Society is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Society's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on its financial statements.

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

Notes to Financial Statements
June 30, 2017 and 2016

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.

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 \$15,148 and \$69,344 for the years ended June 30, 2017 and 2016, respectively, is cash provided by donors for specific projects (see Note 8).

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, 2017 and 2016, 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.

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

Notes to Financial Statements
June 30, 2017 and 2016

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.

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, 2017 and 2016.

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, 2017 and 2016

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 received by June 30 that relate to the annual County Fair held in September are recorded as deferred revenues. At June 30, 2017 and 2016, deferred revenues for the County Fair totaled \$55,640 and \$44,140, respectively.

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

Notes to Financial Statements
June 30, 2017 and 2016

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, 2017. 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, 2017 and 2016, this amounted to \$80,810 and \$75,753 respectively. The Society has also received pension funding amounting to \$18,483 and \$17,388 for the years ended June 30, 2017 and 2016, 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.

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

Notes to Financial Statements
June 30, 2017 and 2016

Marketing/Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs for the years ended June 30, 2017 and 2016 amounted to \$18,374 and \$27,546 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, 2017, the Society reported special events support of \$298,326 with direct expenses of \$80,979. For the year ended June 30, 2016, the Society reported special events support of \$302,680 with direct expenses of \$103,561. These events consisted of the Richmond County Fair, the Uncorked Festival and the Chili and Barbeque Cook-Off Festivals.

<u>2017</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$184,777	\$64,231	\$120,546
Uncorked Festival	53,616	0	53,616
Chili and Barbeque Cook-Off Festival	<u>59,933</u>	<u>16,748</u>	<u>43,185</u>
	<u>\$298,326</u>	<u>\$80,979</u>	<u>\$217,347</u>
<u>2016</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$201,394	\$88,786	\$112,608
Uncorked Festival	51,699	228	51,471
Chili and Barbeque Cook-Off Festival	<u>49,587</u>	<u>14,547</u>	<u>35,040</u>
	<u>\$302,680</u>	<u>\$103,561</u>	<u>\$199,119</u>

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

Notes to Financial Statements
June 30, 2017 and 2016

3. Investments

Investments held by the Society consist of short-term, equity, and fixed income mutual funds. Investments held at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short-Term Mutual Funds	\$123,717	\$125,201	\$182,416	\$205,358
Equity Mutual Funds	151,921	211,978	125,690	268,055
Fixed Income Mutual Funds	<u>47,214</u>	<u>152,999</u>	<u>74,931</u>	<u>107,443</u>
Total	<u>\$322,852</u>	<u>\$490,178</u>	<u>\$383,037</u>	<u>\$580,856</u>

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

	<u>2017</u>	<u>2016</u>
Fair Market Value – Beginning of Year	\$580,856	\$1,029,688
Investment Activity:		
Investment Income	18,461	24,407
Realized Gain/(Loss)	7,196	(1,543)
Unrealized Gain/(Loss)	15,471	(16,695)
Purchases	454,304	24,692
Sales (at Cost)	<u>(586,110)</u>	<u>(479,693)</u>
Fair Market Value – End of Year	<u>\$490,178</u>	<u>\$580,856</u>

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, 2017 and 2016:

<u>June 30, 2017</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term				
Mutual Funds	\$ 125,201	\$ 125,201		
Equity Mutual Funds	211,978	211,978		
Fixed Income				
Mutual Funds	<u>152,999</u>	<u>152,999</u>		
Total	490,178	490,178		
Assets of split- interest agreement	<u>1,477,349</u>			<u>\$1,477,349</u>
Total investments at Fair value	<u>\$1,967,527</u>	<u>\$490,178</u>		<u>\$1,477,349</u>
<u>June 30, 2016</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term				
Mutual Funds	\$ 205,358	\$ 205,358		
Equity Mutual Funds	268,055	268,055		
Fixed Income				
Mutual Funds	<u>107,443</u>	<u>107,443</u>		
Total	580,856	580,856		
Assets of split- Interest agreement	<u>1,487,445</u>			<u>\$1,487,445</u>
Total Investment at Fair Value	<u>\$2,068,301</u>	<u>\$580,856</u>		<u>\$1,487,445</u>

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Included in Level 3 is the interest in the perpetual trust held by a third party (see Note 10) 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, 2016	\$1,487,445
Change in value of split-interest	<u>(10,096)</u>
Fair Value, June 30, 2017	<u>\$1,477,349</u>

5. Property and Equipment

The following is a summary of property and equipment as of June 30, 2017:

	<u>2017</u>	<u>2016</u>
Office Furniture and Fixtures	\$ 124,710	\$ 124,710
Computers	56,367	56,367
Machinery and Equipment	410,425	410,425
Improvement to Land and Building	688,351	660,191
Vehicles	93,478	93,478
Museum Collection	<u>1</u>	<u>1</u>
	1,373,332	1,345,172
Less: Accumulated Depreciation	<u>(809,433)</u>	<u>(720,124)</u>
Property and Equipment - Net	<u>\$ 563,899</u>	<u>\$ 625,048</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$89,307 and \$74,864, respectively.

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6. Gain on Involuntary Conversion

During fiscal year 2016, equipment was stolen from the Society. The equipment asset was written down by \$96,982, along with associated accumulated depreciation of \$59,805, resulting in a net book value decrease of \$37,177. The Society purchased replacement equipment and recorded it as an asset on the statement of financial position.

Insurance proceeds received to reimburse the cost of the stolen equipment resulted in a gain on involuntary conversion of \$22,048.

7. 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. At June 30, 2015, the balance of the loan was \$25,767. The loan was paid in full on December 1, 2015.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Releases/ Expenditures</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Purpose Restricted:</u>				
Perrine House	\$ 46,954	\$ 267	(\$33,746)	\$13,475
Dr. Meryl Efron Grant	2,600			2,600
FW Smith Book Fund	12,159	31		12,190
Prehn Publication Fund	13,592	22	(6,275)	7,339
Collections Fund	65,981	29	(65,000)	1,010
Hood Fund II	26,767	21	(25,000)	1,788
Hall Estate	101,133	53,243		154,376
House Signs	653			653
Caroline Watson Fund	1,345	2		1,347
Save the Courthouse	613			613
Women's Auxiliary	2,198			2,198
Northfield Project Account	0	203,689	(158,868)	44,821
Margaret S. Robinson Trust	<u>86,022</u>	<u>42,192</u>	<u> </u>	<u>128,214</u>
Total Purpose Restricted	<u>\$360,017</u>	<u>\$299,496</u>	<u>(\$288,889)</u>	<u>\$370,264</u>

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

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9. Endowments

As of June 30, 2017 and 2016, the Society's permanently restricted net asset balance amounted to \$1,675,170 and \$1,685,266 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, 2017.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</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>1,477,349</u>	<u>1,487,445</u>
Total	<u>\$1,675,170</u>	<u>\$1,685,266</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.

10. 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, 2017 and 2016 was \$1,477,349 and \$1,487,445, respectively.

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11. 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, 2017 and 2016 \$18,483 and \$17,388, 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.

12. Concentrations

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash deposits. For the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

For the years ended June 30, 2017 and 2016, 63% and 62% of the total unrestricted grant and contribution revenue was from one agency.

13. 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.

14. Related Party Transaction

The wife of the former Executive Director was paid as a consultant for work on certain special events during fiscal year 2016. The Society paid \$17,141 for the year ended June 30, 2016, respectively, and the amount is included in Other Professional Fees on the Statement of Functional Expenses.

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15. Capital Expenditures

The City of New York has paid \$2,611,867 during fiscal year 2017 and \$5,997,696 during fiscal year 2016 for various building renovations and equipment at the Society. The buildings and equipment are owned by the City of New York.

16. Subsequent Events

The Society has evaluated events through April 26, 2018, which is the date the financial statements were available to be issued.