

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

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

Certified Public Accountants



DeSantis
Kiefer
Shall &
Sarcone
LLP

*Navigating the Road
to
Financial Security*

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position For the years ended June 30, 2013 and 2012	3
Statements of Activities For the Years ended June 30, 2013 and 2012	4
Statements of Cash Flows For the Years ended June 30, 2013 and 2012	5
Statement of Functional Expenses For the Year ended June 30, 2013	6
Statement of Functional Expenses For the Year ended June 30, 2012	7
Notes to Financial Statements	8 - 24



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, 2013 and 2012, 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.

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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

De Santis, Kefer, Shull & Sarcuse LLP

Staten Island, New York

December 5, 2013

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

Statement of Financial Position
June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 563,225	\$ 549,543
Investments	1,211,534	1,262,184
Grants Receivable	39,233	184,941
Accounts Receivable		13,400
Prepaid Expenses	2,045	1,000
Inventory	23,446	22,566
Property and Equipment, Net	314,436	359,212
Temporarily Restricted Cash	<u>16,949</u>	<u>16,949</u>
Total Assets	<u><u>\$ 2,170,868</u></u>	<u><u>\$ 2,409,795</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts Payable	\$ 60,524	\$ 34,967
Accrued Expenses	100,637	111,009
Lines of Credit		188,000
Capital Lease Payable	6,612	13,341
Deferred Income	<u>6,476</u>	<u>5,500</u>
Total Liabilities	<u>174,249</u>	<u>352,817</u>
Net Assets:		
Unrestricted		
Board Designated	651,154	720,181
Operating	<u>569,516</u>	<u>551,412</u>
Total Unrestricted	1,220,670	1,271,593
Temporarily Restricted	578,128	587,564
Permanently Restricted	<u>197,821</u>	<u>197,821</u>
Total Net Assets	<u>1,996,619</u>	<u>2,056,978</u>
Total Liabilities and Net Assets	<u><u>\$ 2,170,868</u></u>	<u><u>\$ 2,409,795</u></u>

The Accompanying Notes are an Integral Part of this Statement.

(3)

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

Statement of Activities
for the Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Support:								
Contributions	\$ 313,358			\$ 313,358	\$ 152,077			\$ 152,077
Government Grants	833,712			833,712	838,271			838,271
Special Events, Net	202,250			202,250	206,289			206,289
Total Support	<u>1,349,320</u>			<u>1,349,320</u>	<u>1,196,637</u>			<u>1,196,637</u>
Revenue:								
Membership Dues	23,243			23,243	27,535			27,535
Admissions	271,910			271,910	261,490			261,490
Rental Income	31,526			31,526	40,432			40,432
Investment Income	28,393	\$ 58		28,451	42,136	\$ 108		42,244
Realized Gain on Investments	47,417			47,417	14,249			14,249
Unrealized Gain (Loss) on Investments	20,778			20,778	(85,733)			(85,733)
Gift Shop and Other Retail Sales, Net	43,511			43,511	35,189			35,189
Other Income	65,908			65,908	156,884			156,884
Net Assets Released from Restrictions	9,494	(9,494)			43,865	(43,865)		
Total Revenue	<u>542,180</u>	<u>(9,436)</u>		<u>532,744</u>	<u>536,047</u>	<u>(43,757)</u>		<u>492,290</u>
Total Support and Revenue	<u>1,891,500</u>	<u>(9,436)</u>		<u>1,882,064</u>	<u>1,732,684</u>	<u>(43,757)</u>		<u>1,688,927</u>
Expenses:								
Program Services:								
Restoration	31,021			31,021	148,798			148,798
Education	546,298			546,298	428,049			428,049
Curatorial	221,280			221,280	195,644			195,644
Other Projects	19,394			19,394				
Maintenance and Security	510,553			510,553	501,590			501,590
Supporting Services:								
Management and General	454,191			454,191	698,900			698,900
Fund Raising	159,686			159,686	119,827			119,827
Total Expenses	<u>1,942,423</u>			<u>1,942,423</u>	<u>2,092,808</u>			<u>2,092,808</u>
Changes in Net Assets	<u>(50,923)</u>	<u>(9,436)</u>		<u>(60,359)</u>	<u>(360,124)</u>	<u>(43,757)</u>		<u>(403,881)</u>
Net Assets, Beginning of Year	1,271,593	587,564	\$ 197,821	2,056,978	1,486,847	631,321	\$ 157,750	2,275,918
Add: Prior Period Adjustment					144,870		40,071	184,941
Beginning Net Assets - Restated	<u>1,271,593</u>	<u>587,564</u>	<u>197,821</u>	<u>2,056,978</u>	<u>1,631,717</u>	<u>631,321</u>	<u>197,821</u>	<u>2,460,859</u>
Net Assets, End of Year	<u>\$ 1,220,670</u>	<u>\$ 578,128</u>	<u>\$ 197,821</u>	<u>\$ 1,996,619</u>	<u>\$ 1,271,593</u>	<u>\$ 587,564</u>	<u>\$ 197,821</u>	<u>\$ 2,056,978</u>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in Net Assets	<u>\$ (60,359)</u>	<u>\$ (403,881)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	54,456	43,162
Unrealized Loss (Gain) on Investment	20,778	85,733
Realized Gains on Investment	47,417	(14,249)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	13,400	(13,400)
Contributions Receivables		6,616
Grant Receivables	145,708	9,250
Prepaid Expenses	(1,045)	(1,000)
Inventory	(880)	(1,720)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	25,557	(16,096)
Accrued Expenses	(10,372)	(35,150)
Deferred Income	976	(21,300)
Net Cash Provided By (Used In) Operating Activities	<u>295,995</u>	<u>41,846</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(164,733)	(31,840)
Proceeds from Sale of Investments	147,188	259,776
Purchase of Property and Equipment	(9,680)	(66,504)
Net Cash (Used In) Provided By Investing Activities	<u>(27,225)</u>	<u>161,432</u>
Cash Flows from Financing Activities:		
Proceeds from Line of Credit		75,000
Payments on Line of Credit	(188,000)	
Restricted Cash - Temporary Restriction		3,064
Payments on Capital Lease Loan	(6,729)	(8,645)
Net Cash (Used In) Provided By Investing Activities	<u>(194,729)</u>	<u>69,419</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,682	(131,184)
Cash and Cash Equivalents, Beginning of Year	<u>549,543</u>	<u>680,727</u>
Cash and Cash Equivalents, End of Year	<u>\$ 563,225</u>	<u>\$ 549,543</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 6,714</u>	<u>\$ 11,375</u>

The Accompanying Notes are an Integral Part of this Statement.

(5)

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

**Statement of Functional Expenses
for the Year Ended June 30, 2013**

	Program Services					Supporting Services				Total
	Restoration	Education	Curatorial	Other Projects	Maintenance and Security	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 14,509	\$ 339,756	\$ 125,085		\$ 232,277	\$ 711,627	\$ 185,867	\$ 51,592	\$ 237,459	\$ 949,086
Payroll Taxes and Benefits	16,512	47,231	58,391		93,028	215,162	97,260	1,286	98,546	313,708
Total Salaries and Benefits	31,021	386,987	183,476		325,305	926,789	283,127	52,878	336,005	1,262,794
Contracted Services		10,573	5,787	\$ 5,833	31,181	53,374	9,390	23,587	32,977	86,351
Communications, Mailing and Delivery Costs		6,527	5,591		9,856	21,974	3,377	7,005	10,382	32,356
Professional Fees		6,667	5,175	5,200	6,667	23,709	37,311	130	37,441	61,150
Printing and Reproduction		996		717	43	1,756	13,819		13,819	15,575
Office Supplies and Materials		1,368	1,137	87	1,137	3,729	4,761	766	5,527	9,256
Project Materials and Supplies		27,809		930	7,515	36,254	1,396	20,136	21,532	57,786
Property Materials and Supplies		4,663			13,406	18,069		1,639	1,639	19,708
Vehicle Repairs and Maintenance		446			5,835	6,281				6,281
Cost of Sales - M. Bennett Café								7,405	7,405	7,405
Marketing and Promotion							2,096	11,215	13,311	13,311
Utilities		50,586	9,775	2,517	44,050	106,928	4,887		4,887	111,815
Travel and Entertainment		4,149	124		3,394	7,667	4,731	16,824	21,555	29,222
Professional Development							4,268	674	4,942	4,942
Insurance		45,527	10,215	4,110	61,701	121,553	29,128	13,407	42,535	164,088
Depreciation							54,456		54,456	54,456
Other Expenses					463	463	1,444	4,020	5,464	5,927
Total Expenses	\$ 31,021	\$ 546,298	\$ 221,280	\$ 19,394	\$ 510,553	\$ 1,328,546	\$ 454,191	\$ 159,686	\$ 613,877	\$ 1,942,423

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

Statement of Functional Expenses
for the Year Ended June 30, 2012

	<u>Program Services</u>				<u>Supporting Services</u>				<u>Total</u>
	<u>Restoration</u>	<u>Education</u>	<u>Curatorial</u>	<u>Maintenance and Security</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 101,110	\$ 254,800	\$ 91,130	\$ 218,713	\$ 665,753	\$ 276,219	\$ 20,757	\$ 296,976	\$ 962,729
Payroll Taxes and Benefits	19,804	37,612	57,858	97,890	213,164	102,267	1,588	103,855	317,019
Total Salaries and Benefits	120,914	292,412	148,988	316,603	878,917	378,486	22,345	400,831	1,279,748
Contracted Services	272	6,681	6,838	57,463	71,254	61,337	21,544	82,881	154,135
Communications, Mailing and Delivery Costs		842	421	3,818	5,081	20,976	841	21,817	26,898
Professional Fees		7,500	6,924	1,100	15,524	67,628		67,628	83,152
Printing and Reproduction		610			610	13,353	7,440	20,793	21,403
Office Supplies and Materials			917	3,531	4,448	12,581	1,837	14,418	18,866
Project Materials and Supplies		61,017	6,649	6,909	74,575	5,289	3,962	9,251	83,826
Property Materials and Supplies		252	326	26,336	26,914	5	5,941	5,946	32,860
Vehicle Repairs and Maintenance		38		8,001	8,039	379		379	8,418
Cost of Sales - M. Bennett Café							10,276	10,276	10,276
Marketing and Promotion		306			306	3,900	6,817	10,717	11,023
Utilities	11,423	23,046	10,294	36,079	80,842	41,226		41,226	122,068
Travel and Entertainment	41	4,926	58	1,927	6,952	5,485	14,212	19,697	26,649
Professional Development			113		113	5,036	169	5,205	5,318
Insurance	11,427	21,117	10,300	24,720	67,564	41,247	17,510	58,757	126,321
Depreciation	4,696	8,218	3,816	12,621	29,351	8,609	5,202	13,811	43,162
Other Expenses	25	1,084		2,482	3,591	33,363	1,731	35,094	38,685
Total Expenses	\$ 148,798	\$ 428,049	\$ 195,644	\$ 501,590	\$ 1,274,081	\$ 698,900	\$ 119,827	\$ 818,727	\$ 2,092,808

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, 2013 and 2012

1. Nature of Activities

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

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.

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, 2013 and 2012

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, 2013 and 2012

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 \$16,949 for the years ended June 30, 2013 and 2012 is cash provided by one donor that is intended for name boards on Society's buildings.

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, 2013 and 2012, 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 balance sheet date.

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 are 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, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012

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 2013 and 2012 that relate to the annual County Fair held in September are recorded as deferred revenues. At June 30, 2013 and 2012, deferred revenues totaled \$6,476 and \$5,500 respectively.

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

Notes to Financial Statements
June 30, 2013 and 2012

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, 2013. 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, 2013 and 2012, this amounted to \$103,866 and \$108,754, respectively. The Society has also received pension funding amounting to \$46,440 and \$51,377 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012

Marketing/Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs for the years ended June 30, 2013 and 2012 amounted to \$16,524 and \$11,023, 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, 2013, the Society reported special events support of \$296,608 with direct expenses of \$94,358. For the year ended June 30, 2012, the Society reported special events support of \$297,279 with direct expenses of \$90,990. These events consisted of a County Fair, the Uncorked Festival and the Chili and Barbeque Cook-Off Festivals.

<u>2013</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$246,948	\$80,115	\$166,833
Uncorked Festival	12,364	0	12,364
Chili and Barbeque Cook-Off Festival	<u>37,296</u>	<u>14,243</u>	<u>23,053</u>
	<u>\$296,608</u>	<u>\$94,358</u>	<u>\$202,250</u>
<u>2012</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$224,599	\$77,399	\$147,200
Uncorked Festival	25,579	112	25,467
Chili and Barbeque Cook-Off Festival	<u>47,101</u>	<u>13,479</u>	<u>33,622</u>
	<u>\$297,279</u>	<u>\$90,990</u>	<u>\$206,289</u>

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

Notes to Financial Statements
June 30, 2013 and 2012

3. Investments

Investments held by the Society consist of short-term, equity, and fixed income mutual funds. Investments held at June 30, 2013 and 2012 were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short-Term Mutual Funds	\$253,118	\$ 253,118	\$ 273,427	\$ 273,427
Equity Mutual Funds	425,543	630,567	632,779	683,788
Fixed Income Mutual Funds	<u>306,875</u>	<u>327,849</u>	<u>291,525</u>	<u>304,969</u>
Total	<u>\$985,536</u>	<u>\$1,211,534</u>	<u>\$1,197,731</u>	<u>\$1,262,184</u>

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

	<u>2013</u>	<u>2012</u>
Fair Market Value – Beginning of Year	\$1,262,184	\$1,561,604
Investment Activity:		
Investment Income	28,343	42,136
Realized Gain	47,417	14,249
Unrealized Gain (Loss)	20,778	(85,733)
Sales (at Cost)	<u>(147,188)</u>	<u>(270,072)</u>
Fair Market Value – End of Year	<u>\$1,211,534</u>	<u>\$1,262,184</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.

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

Notes to Financial Statements
June 30, 2013 and 2012

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.

Mutual funds of the Society are valued at the quoted market price of shares held by the Society at the Society's year end.

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

Notes to Financial Statements
June 30, 2013 and 2012

The following table sets forth by level, within the fair value hierarchy, the Society's fair value measurements at June 30, 2013 and 2012:

<u>June 30, 2013</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	\$ 253,118	\$ 253,118		
Equity Mutual Funds	630,567	630,567		
Fixed Income Mutual Funds	<u>327,849</u>	<u>327,849</u>		
Total	<u>\$1,211,534</u>	<u>\$1,211,534</u>		
<u>June 30, 2012</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	\$ 273,427	\$ 273,427		
Equity Mutual Funds	683,788	683,788		
Fixed Income Mutual Funds	<u>304,969</u>	<u>304,969</u>		
Total	<u>\$1,262,184</u>	<u>\$1,262,184</u>		

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

Notes to Financial Statements
June 30, 2013 and 2012

5. Property and Equipment

The following is a summary of property and equipment as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Office Furniture and Fixtures	\$112,015	\$103,874
Computers (including cost of \$6,725 for Asset Under Capital Lease)	49,997	49,997
Machinery and Equipment (including Cost of \$23,378 for Asset Under Capital Lease)	393,852	392,313
Improvement to Land and Building	231,906	231,906
Vehicles	93,478	93,478
Museum Collection	<u>1</u>	<u>1</u>
	881,249	871,569
Less: Accumulated Depreciation (including Accumulated Depreciation of \$12,047 for Asset Under Capital Lease)	<u>(566,813)</u>	<u>(512,357)</u>
Property and Equipment - Net	<u>\$314,436</u>	<u>\$359,212</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$54,456 and \$43,162, respectively.

6. Lines of Credit

The Society maintains a revolving loan at a financial institution for short term working capital purposes that allows for a maximum of \$100,000 to be drawn down with an interest rate of one percent over prime (4.25% at June 30, 2012) and due on demand. As of June 30, 2013 and 2012 there was \$-0- and \$98,000 outstanding, respectively. This line of credit was closed in December 2012.

The Society maintains an additional revolving loan at a financial institution that allows for a maximum of \$100,000 to be drawn down with an interest rate of 0.55 percent plus the prime rate (3.80% at June 30, 2012) and is due on demand. As of June 30, 2013 and 2012, there was \$-0- and \$90,000 outstanding, respectively. This line of credit was closed in November 2012.

The assets of the Society have been pledged as collateral. Furthermore, the executive director has guaranteed the lines of credit on behalf of the Society, in accordance with the terms of the agreements.

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

Notes to Financial Statements
June 30, 2013 and 2012

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

<u>Purpose Restricted:</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Releases/ Expenditures</u>	<u>Balance June 30, 2013</u>
FW Smith Book Fund	\$ 12,152	\$ 1		\$ 12,153
Prehn Publication Fund	23,077	2	\$ (9,494)	13,585
Collections Fund	65,943	7		65,950
Hood Fund II	26,765	3		26,768
Decker Farm Renovation and New Building	71,638	8		71,646
Hall Estate	190,049	19		190,068
House Signs	16,649			16,649
Caroline Watson Fund	<u>181,291</u>	<u>18</u>	<u> </u>	<u>181,309</u>
Total Purpose Restricted	<u>\$587,564</u>	<u>\$58</u>	<u>\$(9,494)</u>	<u>\$578,128</u>

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

8. Permanently Restricted Net Assets

As of June 30, 2013 and 2012, the Society's permanently restricted net asset balance amounted to \$197,821. As indicated by the donor, income generated by these funds is deemed unrestricted funds. 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.

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

Notes to Financial Statements
June 30, 2013 and 2012

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, 2013.

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.

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

Notes to Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012:

	<u>2013</u>	<u>2012</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	<u>22,750</u>	<u>22,750</u>
Total	<u>\$197,821</u>	<u>\$197,821</u>

See Note 14 which details a prior period adjustment to the John A. Borin Fund.

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. 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, 2013 and 2012 was \$46,440 and \$51,337, 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.

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

Notes to Financial Statements
June 30, 2013 and 2012

10. Concentrations

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash deposits. For the year ended June 30, 2013, accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. For the year ended June 30, 2012, interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 and non-interest bearing accounts are fully insured. There were no uninsured cash balances as of June 30, 2013 and 2012.

For both years ended June 30, 2013 and 2012, 67% of the total grant and contribution revenue was from one agency.

11. Related Party Transaction

During fiscal year 2012, the Society paid an executive director as a consultant, when needed. Payments amounted to approximately \$43,269. There were no related party payments in fiscal year 2013.

12. Commitments and Contingencies

Operating Lease Commitment

In December 2007, the Society entered into an operating lease with Ricoh for a period of 5 years. This lease called for 60 monthly payments of \$729. This lease ended in December 2012.

Capital Lease Commitments

In November 2009, the Society entered into a capital lease for computer equipment with a value of \$6,725. This lease called for 36 monthly payments of \$236, including principal and interest.

In August 2010, the Society entered into another capital lease for equipment with a value of \$23,378. This lease called for 48 monthly payments of \$583, including principal and interest, with a \$1 buy-out option at the end of the lease.

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

Notes to Financial Statements
June 30, 2013 and 2012

The Society's future minimum payments on these capital leases are as follows:

For the Years Ending June 30,

2014	\$6,996
2015	<u>584</u>
Total Minimum Lease Payment	7,580
Less: Amounts Represent Interest	<u>968</u>
	 <u>\$6,612</u>

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. Capital Expenditures

The City of New York has paid \$406,796 during fiscal year 2013 for various building renovations and equipment at the Society. The buildings and equipment are owned by the City of New York.

14. Prior Period Adjustment

An adjustment was recorded to correct an error to the prior period. Amounts given to the Society to pay for an equipment purchase should have been recognized as grants receivable and grant income during June 30, 2011. As a result of this prior period adjustment, grants receivable, grant income and net assets have increased by \$184,941.

An adjustment was also made in order to reclassify \$40,071 of net assets from unrestricted to permanently restricted. During the current fiscal year, JPMorgan Chase Bank, N.A., the custodian of the John A. Borin Fund, informed the Society that the permanently restricted amount is \$90,071. The permanently restricted portion of this fund was previously reported at \$50,000.

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

Notes to Financial Statements
June 30, 2013 and 2012

15. Subsequent Events

The Society has evaluated events through December 5, 2013, which is the date the financial statements were available to be issued.