

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

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



*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, 2014 and 2013	3
Statements of Activities For the Years ended June 30, 2014 and 2013	4
Statements of Cash Flows For the Years ended June 30, 2014 and 2013	5
Statement of Functional Expenses For the Year ended June 30, 2014	6
Statement of Functional Expenses For the Year ended June 30, 2013	7
Notes to Financial Statements	8 - 23

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 Balance Sheets as of June 30, 2014 and 2013, and the related Statements of Financial Position, 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, 2014 and 2013, 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, Kufu, Hull & Sarcone, LLP

Staten Island, New York

January 21, 2015

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

Statement of Financial Position
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 767,483	\$ 563,225
Investments	1,016,824	1,211,534
Assets Held in Trust Under Split-Interest Agreement	1,548,735	
Grants Receivable	1,700	39,233
Prepaid Expenses	1,798	2,045
Inventory	16,776	23,446
Property and Equipment, Net	404,608	314,436
Temporarily Restricted Cash	16,949	16,949
	<hr/>	<hr/>
Total Assets	<u>\$ 3,774,873</u>	<u>\$ 2,170,868</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts Payable	\$ 80,732	\$ 60,524
Accrued Expenses	101,312	100,637
Loan Payable	25,767	
Capital Lease Payable		6,612
Deferred Income	165,465	6,476
	<hr/>	<hr/>
Total Liabilities	<u>373,276</u>	<u>174,249</u>
Net Assets:		
Unrestricted		
Board Designated	480,115	651,154
Operating	596,755	569,516
	<hr/>	<hr/>
Total Unrestricted	1,076,870	1,220,670
Temporarily Restricted	578,171	578,128
Permanently Restricted	1,746,556	197,821
	<hr/>	<hr/>
Total Net Assets	<u>3,401,597</u>	<u>1,996,619</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 3,774,873</u>	<u>\$ 2,170,868</u>

The Accompanying Notes are an Integral Part of this Statement.

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

Statement of Activities
for the Years Ended June 30, 2014 and 2013

	2014				2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:								
Support:								
Contributions	\$ 180,200		\$ 1,542,260	\$ 1,722,460	\$ 313,358			\$ 313,358
Government Grants	819,271			819,271	833,712			833,712
Special Events, Net	186,746			186,746	202,250			202,250
Total Support	<u>1,186,217</u>		<u>1,542,260</u>	<u>2,728,477</u>	<u>1,349,320</u>			<u>1,349,320</u>
Revenue:								
Membership Dues	22,450			22,450	23,243			23,243
Admissions	256,243			256,243	271,910			271,910
Rental Income	33,055			33,055	31,526			31,526
Investment Income	46,685	\$ 56		46,741	28,393	\$ 58		28,451
Realized Gain on Investments	56,959			56,959	47,417			47,417
Unrealized Gain on Investments	27,120		6,475	33,595	20,778			20,778
Gift Shop and								
Other Retail Sales, Net	44,336			44,336	43,511			43,511
Other Income	21,635			21,635	65,908			65,908
Gain on Involuntary Conversion	28,676			28,676				
Net Assets Released								
from Restrictions	13	(13)			9,494	(9,494)		
Total Revenue	<u>537,172</u>	<u>43</u>	<u>6,475</u>	<u>543,690</u>	<u>542,180</u>	<u>(9,436)</u>		<u>532,744</u>
Total Support and Revenue	<u>1,723,389</u>	<u>43</u>	<u>1,548,735</u>	<u>3,272,167</u>	<u>1,891,500</u>	<u>(9,436)</u>		<u>1,882,064</u>
Expenses:								
Program Services:								
Restoration	13,536			13,536	31,021			31,021
Education	467,423			467,423	546,298			546,298
Curatorial	235,005			235,005	221,280			221,280
Other Projects	69,569			69,569	19,394			19,394
Maintenance and Security	521,347			521,347	510,553			510,553
Supporting Services:								
Management and General	365,471			365,471	454,191			454,191
Fund Raising	194,838			194,838	159,686			159,686
Total Expenses	<u>1,867,189</u>			<u>1,867,189</u>	<u>1,942,423</u>			<u>1,942,423</u>
Changes in Net Assets	(143,800)	43	1,548,735	1,404,978	(50,923)	(9,436)		(60,359)
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 1,076,870</u>	<u>\$ 578,171</u>	<u>\$ 1,746,556</u>	<u>\$ 3,401,597</u>	<u>\$ 1,220,670</u>	<u>\$ 578,128</u>	<u>\$ 197,821</u>	<u>\$ 1,996,619</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,404,978	\$ (60,359)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By Operating Activities:		
Depreciation	53,849	54,456
Unrealized Gain on Investment	(33,595)	20,778
Realized Gain on Investment	(56,959)	47,417
Contribution of Assets Held in Trust Under		
Split-Interest Agreement	(1,542,260)	
Change in Value of Split-Interest Agreement	(6,475)	
(Increase) Decrease in Operating Assets:		
Accounts Receivable		13,400
Grant Receivables	37,533	145,708
Prepaid Expenses	247	(1,045)
Inventory	6,670	(880)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	20,208	25,557
Accrued Expenses	675	(10,372)
Deferred Income	158,989	976
Net Cash Provided By Operating Activities	<u>(1,361,118)</u>	<u>295,995</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(362,998)	(164,733)
Proceeds from Sale of Investments	648,262	147,188
Purchase of Property and Equipment	(144,021)	(9,680)
Net Cash Used In Investing Activities	<u>141,243</u>	<u>(27,225)</u>
Cash Flows from Financing Activities:		
Proceeds from Loans	50,000	
Payments on Loans	(24,233)	
Payments on Line of Credit		(188,000)
Payments on Capital Lease	(6,612)	(6,729)
Net Cash Provided By (Used In) Financing Activities	<u>19,155</u>	<u>(194,729)</u>
Net Increase in Cash and Cash Equivalents	204,258	13,682
Cash and Cash Equivalents, Beginning of Year	563,225	549,543
Cash and Cash Equivalents, End of Year	<u>\$ 767,483</u>	<u>\$ 563,225</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ 1,152	\$ 6,714

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, 2014

	Program Services					Supporting Services				
	<u>Restoration</u>	<u>Education</u>	<u>Curatorial</u>	<u>Other Projects</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>	<u>Total</u>
Salaries	\$ 4,628	\$ 280,794	\$ 128,721		\$ 253,815	\$ 667,958	\$ 114,918	\$ 68,532	\$ 183,450	\$ 851,408
Payroll Taxes and Benefits	5,314	52,672	69,753		67,921	195,660	76,532	19,568	96,100	291,760
 Total Salaries and Benefits	9,942	333,466	198,474		321,736	863,618	191,450	88,100	279,550	1,143,168
Contracted Services	3,200	1,225	3,724	\$ 13,500	28,147	49,796	16,107	24,579	40,686	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
Printing and Reproduction		2,131		16,390		18,521	4,830	8,366	13,196	31,717
Office Supplies and Materials		1,130	6,083	1,274	1,878	10,365	6,783	1,022	7,805	18,170
Project Materials and Supplies		22,975	1,437	2,576	6,247	33,235	5,019	29,165	34,184	67,419
Property Materials and Supplies		424	2,180		45,316	47,920		4,846	4,846	52,766
Vehicle Repairs and Maintenance		1,023			6,363	7,386		75	75	7,461
Cost of Sales - M. Bennett Café								4,153	4,153	4,153
Marketing and Promotion		1,700		10		1,710	922	8,678	9,600	11,310
Utilities		49,417	9,503	2,458	43,038	104,416	4,817		4,817	109,233
Travel and Entertainment		5,112		481	9,458	15,051	1,917	8,789	10,706	25,757
Professional Development							1,920	365	2,285	2,285
Insurance		34,189	7,676	3,080	46,324	91,269	21,869	10,065	31,934	123,203
Depreciation							53,849		53,849	53,849
Other Expenses	394	1,044		883	632	2,953	11,491	5,439	16,930	19,883
 Total Expenses	<u>\$ 13,536</u>	<u>\$ 467,423</u>	<u>\$ 235,005</u>	<u>\$ 69,569</u>	<u>\$ 521,347</u>	<u>\$ 1,306,880</u>	<u>\$ 365,471</u>	<u>\$ 194,838</u>	<u>\$ 560,309</u>	<u>\$ 1,867,189</u>

**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				
	<u>Restoration</u>	<u>Education</u>	<u>Curatorial</u>	<u>Other Projects</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>	<u>Total</u>
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

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, 2014 and 2013

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

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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013 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, 2014 and 2013, 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 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, 2014 and 2013

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, 2014 and 2013.

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, 2014 and 2013

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 2014 and 2013 that relate to the annual County Fair held in September are recorded as deferred revenues. At June 30, 2014 and 2013, deferred revenues for the County Fair totaled \$12,645 and \$6,476 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, 2014, deferred revenue from insurance was \$152,820.

Staten Island Historical Society, Inc.

d/b/a Historic Richmond Town

Notes to Financial Statements June 30, 2014 and 2013

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, 2014. 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, 2014 and 2013, this amounted to \$93,187 and \$103,866 respectively. The Society has also received pension funding amounting to \$43,009 and \$46,440 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013

Marketing/Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs for the years ended June 30, 2014 and 2013 amounted to \$11,310 and \$13,111, 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, 2014, the Society reported special events support of \$271,500 with direct expenses of \$84,754. For the year ended June 30, 2013, the Society reported special events support of \$296,608 with direct expenses of \$94,358. These events consisted of the Richmond County Fair, the Uncorked Festival and the Chili and Barbeque Cook-Off Festivals.

<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>
 <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>

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

Notes to Financial Statements
June 30, 2014 and 2013

3. Investments

Investments held by the Society consist of short-term, equity, and fixed income mutual funds. Investments held at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short-Term Mutual Funds	\$244,333	\$ 239,760	\$ 253,118	\$ 253,118
Equity Mutual Funds	452,073	555,577	425,543	630,567
Fixed Income Mutual Funds	<u>221,741</u>	<u>221,487</u>	<u>306,875</u>	<u>327,849</u>
Total	<u>\$918,147</u>	<u>\$1,016,824</u>	<u>\$985,536</u>	<u>\$1,211,534</u>

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

	<u>2014</u>	<u>2013</u>
Fair Market Value – Beginning of Year	\$1,211,534	\$1,262,184
Investment Activity:		
Investment Income	45,412	28,343
Realized Gain	56,959	47,417
Unrealized Gain (Loss)	27,120	20,778
Sales (at Cost)	<u>(324,201)</u>	<u>(147,188)</u>
Fair Market Value – End of Year	<u>\$1,016,824</u>	<u>\$1,211,534</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, 2014 and 2013

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.

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

Notes to Financial Statements
June 30, 2014 and 2013

The following table sets forth by level, within the fair value hierarchy, the Society's fair value measurements at June 30, 2014 and 2013:

<u>June 30, 2014</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	\$ 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 investments at Fair value	<u>\$2,565,559</u>	<u>\$1,016,824</u>		<u>\$1,548,735</u>
<u>June 30, 2013</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	\$ 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>		

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

Notes to Financial Statements June 30, 2014 and 2013

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 18, 2014	\$1,542,260
Change in value of split-interest	<u>6,475</u>
Fair Value, June 30, 2014	<u>\$1,548,735</u>

5. **Property and Equipment**

The following is a summary of property and equipment as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Office Furniture and Fixtures	\$112,016	\$112,015
Computers (including cost of \$6,725 for Asset Under Capital Lease)	56,367	49,997
Machinery and Equipment (including Cost of \$23,378 for Asset Under Capital Lease)	401,839	393,852
Improvement to Land and Building	361,569	231,906
Vehicles	93,478	93,478
Museum Collection	<u>1</u>	<u>1</u>
	1,025,270	881,249
Less: Accumulated Depreciation (including Accumulated Depreciation of \$12,047 for Asset Under Capital Lease)	<u>(620,662)</u>	<u>(566,813)</u>
Property and Equipment - Net	<u>\$404,608</u>	<u>\$314,436</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$53,849 and \$54,456, respectively.

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

Notes to Financial Statements June 30, 2014 and 2013

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 at June 30, 2014 is \$25,767.

7. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Releases/ Expenditures</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Purpose Restricted:</u>				
FW Smith Book Fund	\$ 12,153	\$ 1		\$ 12,154
Prehn Publication Fund	13,585	2		13,587
Collections Fund	65,950	6		65,956
Hood Fund II	26,768	3	\$(13)	26,758
Decker Farm Renovation and New Building	71,646	7		71,653
Hall Estate	190,068	19		190,087
House Signs	16,649			16,649
Caroline Watson Fund	<u>181,309</u>	<u>18</u>	<u> </u>	<u>181,327</u>
Total Purpose Restricted	<u>\$578,128</u>	<u>\$56</u>	<u>\$(13)</u>	<u>\$578,171</u>

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

8. **Endowments**

As of June 30, 2014 and 2013, the Society's permanently restricted net asset balance amounted to \$197,821. 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, 2014 and 2013

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, 2014.

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, 2014 and 2013

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, 2014 and 2013:

	<u>2014</u>	<u>2013</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>

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, 2014 was \$1,548,735.

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

Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013 was \$43,009 and \$46,440, 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 year ended June 30, 2014, accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. For the year ended June 30, 2013, 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, 2014 and 2013.

For the years ended June 30, 2014 and 2013, 65% and 67% of the total unrestricted grant and contribution revenue was from one agency.

12. Commitments and Contingencies

Capital Lease Commitments

In August 2010, the Society entered into a 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. The balance due on this lease at June 30, 2014 and 2013 was \$-0- and \$6,612, respectively.

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

Notes to Financial Statements
June 30, 2014 and 2013

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 \$262,458 during fiscal year 2014 for various building renovations and equipment at the Society. The buildings and equipment are owned by the City of New York.

14. 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 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.

15. Subsequent Events

The Society has evaluated events through January 21, 2015, which is the date the financial statements were available to be issued.