

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

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



*Navigating the Road
to
Financial Security*

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Staten Island Historical Society, Inc. d/b/a Historic Richmond Town which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

De Santis, Kiefer, Shall & Saurine, LLP

Staten Island, New York

June 14, 2017

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

Statement of Financial Position
June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 203,849	\$ 210,442
Investments	580,856	1,029,688
Assets Held in Trust Under Split-Interest Agreement	1,487,445	1,501,668
Accounts Receivable	122,215	27,332
Investment Income Receivable	18,585	18,940
Prepaid Expenses		2,554
Inventory	9,586	10,597
Property and Equipment, Net	625,048	541,943
Temporarily Restricted Cash	<u>69,344</u>	<u>197,871</u>
 Total Assets	 <u>\$ 3,116,928</u>	 <u>\$ 3,541,035</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts Payable	\$ 85,356	\$ 41,805
Accrued Expenses	120,586	121,534
Loan Payable		25,767
Deferred Income	<u>44,140</u>	<u>136,444</u>
 Total Liabilities	 <u>250,082</u>	 <u>325,550</u>
Net Assets:		
Unrestricted		
Board Designated	104,169	509,235
Operating	<u>717,394</u>	<u>513,194</u>
Total Unrestricted	821,563	1,022,429
Temporarily Restricted	360,017	493,567
Permanently Restricted	<u>1,685,266</u>	<u>1,699,489</u>
 Total Net Assets	 <u>2,866,846</u>	 <u>3,215,485</u>
 Total Liabilities and Net Assets	 <u>\$ 3,116,928</u>	 <u>\$ 3,541,035</u>

The Accompanying Notes are an Integral Part of this Statement.

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

Statement of Activities
for the Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Support:								
Contributions	\$ 284,360	\$ 26,115	\$	\$ 310,475	\$ 143,715	\$ 108,239	\$	\$ 251,954
Government Grants	1,029,913			1,029,913	910,852			910,852
Special Events Revenue			\$ 302,680					
Less: Direct Cost of Benefits to Donors			103,561					
Net Special Events Revenue	199,119			199,119	211,536			211,536
Total Support	1,513,392	26,115		1,539,507	1,266,103	108,239		1,374,342
Revenue:								
Membership Dues	18,752			18,752	18,493			18,493
Admissions	259,606			259,606	272,168			272,168
Rental Income	36,332			36,332	33,030			33,030
Investment Income	24,407	43,483		67,890	29,109	42,734		71,843
Realized (Loss) Gain on Investments	(1,543)			(1,543)	32,659			32,659
Unrealized Loss on Investments	(16,695)			(30,918)	(52,081)		\$ (47,067)	(99,148)
Gift Shop and Other Retail Sales, Net	8,459			8,459	35,837			35,837
Other Income	58,770			58,770	63,471			63,471
Gain on Involuntary Conversion	22,048			22,048				
Net Assets Released from Restrictions	203,148	(203,148)			270,670	(270,670)		
Total Revenue	613,284	(159,665)		439,396	703,356	(227,936)	(47,067)	428,353
Total Support and Revenue	2,126,676	(133,550)		1,978,903	1,969,459	(119,697)	(47,067)	1,802,695
Expenses:								
Program Services:								
Restoration	188,153			188,153	35,303			35,303
Education	537,744			537,744	527,928			527,928
Curatorial	493,422			493,422	293,481			293,481
Special Program Events	273,726			273,726	288,045			288,045
Other Projects	33,761			33,761	7,694			7,694
Maintenance and Security	423,656			423,656	622,058			622,058
Supporting Services:								
Management and General Fund Raising	279,071			279,071	161,643			161,643
	98,009			98,009	52,655			52,655
Total Expenses	2,327,542			2,327,542	1,988,807			1,988,807
Changes in Net Assets	(200,866)	(133,550)		(348,639)	(19,348)	(119,697)	(47,067)	(186,112)
Net Assets, Beginning of Year	1,022,429	493,567		1,699,489	1,041,777	613,264	1,746,556	3,401,597
Net Assets, End of Year	\$ 821,563	\$ 360,017		\$ 1,685,266	\$ 1,022,429	\$ 493,567	\$ 1,699,489	\$ 3,215,485

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 Cash Flows
for the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (348,639)	\$ (186,112)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	74,864	84,405
Unrealized Loss on Investment	16,695	52,081
Realized Loss (Gain) on Investment	1,543	(32,659)
Change in Value of Split-Interest Agreement	14,223	47,067
Loss on Disposal of Equipment	37,177	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(94,883)	(27,332)
Investment Income Receivable	355	(18,940)
Grant Receivables		1,700
Prepaid Expenses	2,554	(756)
Inventory	1,011	6,179
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	43,551	(38,927)
Accrued Expenses	(948)	20,222
Deferred Income	(92,304)	(29,021)
Net Cash Provided By Operating Activities	<u>3,838</u>	<u>64,019</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(49,099)	(263,009)
Proceeds from Sale of Investments	479,693	230,723
Purchase of Property and Equipment	(195,146)	(221,740)
Decrease in Temporarily Restricted Cash	128,527	76,924
Net Cash Provided By (Used In) Investing Activities	<u>363,975</u>	<u>(177,102)</u>
Cash Flows from Financing Activities:		
Payments on Loans	(25,767)	
Net Cash Used In Financing Activities	<u>(25,767)</u>	
Net Decrease in Cash and Cash Equivalents	(6,593)	(299,195)
Cash and Cash Equivalents, Beginning of Year	<u>210,442</u>	<u>509,637</u>
Cash and Cash Equivalents, End of Year	<u>\$ 203,849</u>	<u>\$ 210,442</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 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, 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	\$ 882,685	\$ 86,310	\$ 48,822	\$ 1,017,817
Payroll Taxes and Benefits	29,211	68,265	62,961	14,411		62,679	237,527	52,224	3,557	293,308
Total Salaries and Benefits	186,228	391,116	172,411	114,161		256,296	1,120,212	138,534	52,379	1,311,125
Contracted Services	250	7,249	11,775	58,218		20,367	97,859	13,248		111,107
Communications, Mailing and Delivery Costs		4,089	4,023	1,718		4,023	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	3,817	34,480	87,241	10,715		97,956
Cost of Sales - M. Bennett Café		150		18,051			18,201	4,286	6,180	6,180
Marketing and Promotion		27,585	14,655	14,655		20,689	77,584	8,620	5,059	27,546
Utilities		5,046	80	8,125	1,720	649	15,620	17,488	3,057	86,204
Travel and Professional Development		33,024	20,093	13,382		44,707	112,138	26,519	21,547	36,165
Insurance	932	17,137	17,137			32,987	67,261	7,603		160,204
Depreciation				2,000			2,000	2,929		74,864
Other Expenses										4,929
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 this Statement.

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

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

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

The Accompanying Notes are an Integral Part of this Statement.

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

Notes to Financial Statements
June 30, 2016 and 2015

1. Nature of Activities

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

2. Summary of Significant Accounting Policies

Reclassifications

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

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, 2016 and 2015

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.

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.

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

Notes to Financial Statements
June 30, 2016 and 2015

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 \$69,344 and \$197,871 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 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.

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

Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015

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, 2016 and 2015, deferred revenues for the County Fair totaled \$44,140 and \$50,839 respectively.

In fiscal year 2014, the Society received proceeds from its insurance company to cover repairs to the Kruser-Finley house. Repairs made were offset by these insurance funds. At June 30, 2016 and 2015, deferred revenue from insurance was \$0 and \$85,605, respectively.

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

Notes to Financial Statements
June 30, 2016 and 2015

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, 2016. 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 the buildings maintained by the Society. For the years ended June 30, 2016 and 2015, this amounted to \$75,753 and \$84,887 respectively. The Society has also received pension funding amounting to \$17,388 and \$13,404 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015

Marketing/Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs for the years ended June 30, 2016 and 2015 amounted to \$27,546 and \$28,604 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, 2016, the Society reported special events support of \$302,680 with direct expenses of \$103,561. For the year ended June 30, 2015, the Society reported special events support of \$305,264 with direct expenses of \$93,728. These events consisted of the Richmond County Fair, the Uncorked Festival and the Chili and Barbeque Cook-Off Festivals.

<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>
<u>2015</u>	<u>Gross Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
County Fair	\$194,098	\$82,054	\$112,044
Uncorked Festival	42,081	0	42,081
Chili and Barbeque Cook-Off Festival	<u>69,085</u>	<u>11,674</u>	<u>57,411</u>
	<u>\$305,264</u>	<u>\$93,728</u>	<u>\$211,536</u>

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New Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments change the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes; investment returns; expenses; liquidity and availability of resources; and presentation of operating cash flows.

ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those transferred goods and services. ASU 2014-09 establishes a five-step process to achieve this core principle and may require more judgment and estimates within the revenue recognition process than are necessary under existing U.S. GAAP.

ASU 2014-09 is effective for annual periods beginning after December 15, 2018, and interim periods therein using one of the following transition methods: (i) a full retrospective approach reflecting the standard's application for each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption. The Society will evaluate the impact adopting the standard will have on the financial statements and has not yet determined which method will be used to adopt the standard.

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3. Investments

Investments held by the Society consist of short-term, equity, and fixed income mutual funds. Investments held at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short-Term Mutual Funds	\$182,416	\$205,358	\$250,843	\$ 278,252
Equity Mutual Funds	125,690	268,055	352,081	357,850
Fixed Income Mutual Funds	<u>74,931</u>	<u>107,443</u>	<u>397,869</u>	<u>393,586</u>
Total	<u>\$383,037</u>	<u>\$580,856</u>	<u>\$1,000,793</u>	<u>\$1,029,688</u>

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

	<u>2016</u>	<u>2015</u>
Fair Market Value – Beginning of Year	\$1,029,688	\$1,016,824
Investment Activity:		
Investment Income	24,407	29,109
Realized (Loss) Gain	(1,543)	32,659
Unrealized Loss	(16,695)	(52,081)
Purchases	24,692	3,177
Sales (at Cost)	<u>(479,693)</u>	<u> </u>
Fair Market Value – End of Year	<u>\$580,856</u>	<u>\$1,029,688</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, 2016 and 2015:

<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 investments at Fair value	<u>\$2,068,301</u>	<u>\$580,856</u>		<u>\$1,487,445</u>
<u>June 30, 2015</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	\$ 278,252	\$ 278,252		
Equity Mutual Funds	357,850	357,850		
Fixed Income Mutual Funds	<u>393,856</u>	<u>393,586</u>		
Total	1,029,688	1,029,688		
Assets of split- Interest agreement	<u>1,501,668</u>	_____		<u>\$1,501,668</u>
Total Investment at Fair Value	<u>\$2,531,356</u>	<u>\$1,029,688</u>		<u>\$1,501,668</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, 2015	\$1,501,668
Change in value of split-interest	<u>(14,223)</u>
Fair Value, June 30, 2016	<u>\$1,487,445</u>

5. Property and Equipment

The following is a summary of property and equipment as of June 30, 2016:

	<u>2016</u>	<u>2015</u>
Office Furniture and Fixtures	\$ 124,710	\$ 116,452
Computers	56,367	56,367
Machinery and Equipment	410,425	428,183
Improvement to Land and Building	660,191	552,529
Vehicles	93,478	93,478
Museum Collection	<u>1</u>	<u>1</u>
	1,345,172	1,247,010
Less: Accumulated Depreciation	<u>(720,124)</u>	<u>(705,067)</u>
Property and Equipment - Net	<u>\$ 625,048</u>	<u>\$ 541,943</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$74,864 and \$84,405 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, 2016 and 2015:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Releases/ Expenditures</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Purpose Restricted:</u>				
Perrine House	\$ 101,944	\$ 906	(\$55,896)	\$46,954
Dr. Meryl Efron Grant	8,600	2,000	(8,000)	2,600
FW Smith Book Fund	12,155	4		12,159
Prehn Publication Fund	13,588	4		13,592
Collections Fund	65,963	18		65,981
Hood Fund II	26,760	7		26,767
Hall Estate	171,096	37	(70,000)	101,133
House Signs	16,649	904	(16,900)	653
Caroline Watson Fund	1,345			1,345
Save the Courthouse	21,940	10,305	(31,632)	613
Women's Auxiliary	10,918	12,000	(20,720)	2,198
Margaret S. Robinson Trust	<u>42,609</u>	<u>43,413</u>	<u> </u>	<u>86,022</u>
Total Purpose Restricted	<u>\$493,567</u>	<u>\$69,598</u>	<u>(\$203,148)</u>	<u>\$360,017</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, 2016 and 2015, the Society's permanently restricted net asset balance amounted to \$1,685,266 and \$1,699,489 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, 2016.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</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>1,487,445</u>	<u>1,501,668</u>
Total	<u>\$1,685,266</u>	<u>\$1,699,489</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, 2016 and 2015 was \$1,487,445 and \$1,501,668 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, 2016 and 2015 \$17,388 and \$13,404 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, 2016 and 2015, 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, 2016 and 2015.

For the years ended June 30, 2016 and 2015, 62% and 63% 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.

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14. Related Party Transaction

The Society paid Moving Pictures Inc., a corporation whose shareholders are the Executive Director and his spouse, as a consultant for work on certain special events during fiscal years 2016 and 2015. The amounts paid were \$19,000 and \$16,300 for the years ended June 30, 2016 and 2015, respectively, and are included in Other Professional Fees on the Statement of Functional Expenses.

15. Capital Expenditures

The City of New York has paid \$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 June 14, 2017, which is the date the financial statements were available to be issued.