

**Huntington Historical Society**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2015**

**LGK CPA, PLLC.**

Certified Public Accountant

# Huntington Historical Society

December 31, 2015

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Board of Trustees  
Huntington Historical Society  
Huntington, New York

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of Huntington Historical Society (the "Society"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huntington Historical Society as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

*LGK CPA, PLLC.*

LGK CPA, PLLC.  
Huntington, New York  
June 10, 2016

**HUNTINGTON HISTORICAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2015

	2015
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 283,416
Investments, at market value	157,187
Prepaid expenses	6,833
Contributions receivable	55,459
Total Current Assets	502,895
Property and equipment, at cost less accumulated depreciation of \$704,440	559,373
Trade school expansion in progress property and equipment at cost	1,116,047
Closing costs, at cost less accumulated amortization of \$15,248	5,864
<b>TOTAL ASSETS</b>	<b>\$ 2,184,179</b>
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 34,379
Sales tax payable	1,545
Salaries and payroll taxes payable	2,666
Tenant deposits payable	5,400
Deferred Revenue	2,635
<b>TOTAL CURRENT LIABILITIES</b>	46,625
 <b>NET ASSETS</b>	
Unrestricted	1,777,762
Temporarily restricted	53,649
Permanently restricted	306,143
<b>TOTAL NET ASSETS</b>	2,137,554
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,184,179</b>

*The accompanying notes are an integral part of these financial statements.*

**HUNTINGTON HISTORICAL SOCIETY**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2015

	UNRESTRICTED FUND	TEMPORARILY RESTRICTED FUND	PERMANENTLY RESTRICTED FUND	TOTAL
<b>SUPPORT AND REVENUE</b>				
Grants	\$ 58,250	\$ 244,375	\$ -	\$ 302,625
Contributions	5,066	141,708		146,774
Memberships	28,025			28,025
Annual appeal	12,480			12,480
Special Events (includes contribution portion)	97,518			97,518
Museum shop	28,187			28,187
Educational programs	57,245			57,245
Publications	793			793
Rental Income	55,875			55,875
Dividend, interest and investment income	7,318	730		8,048
Net gain (loss) on investments	(6,639)			(6,639)
	<u>344,118</u>	<u>386,813</u>	<u>-</u>	<u>730,931</u>
Net Assets Released from Restrictions:				-
Satisfaction of program restrictions	<u>567,424</u>	<u>(567,424)</u>		<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>911,542</u>	<u>(180,611)</u>	<u>-</u>	<u>730,931</u>
<b>EXPENSES</b>				
Programs				
Museum and buildings	134,838			134,838
Exhibit and museum conservation	953			953
Festival and educational outreach	58,749			58,749
Public and educational programs	34,004			34,004
Library and genealogy	46,991			46,991
Total Programs	<u>275,535</u>			<u>275,535</u>
General and administrative	62,646			62,646
Special events and fundraising	75,588			75,588
<b>TOTAL EXPENSES</b>	<u>413,769</u>	<u>-</u>	<u>-</u>	<u>413,769</u>
<b>CHANGES IN NET ASSETS</b>	497,773	(180,611)		317,162
Net assets - beginning of year	<u>1,279,989</u>	<u>234,260</u>	<u>306,143</u>	<u>1,820,392</u>
Net assets - end of year	<u>\$ 1,777,762</u>	<u>\$ 53,649</u>	<u>\$ 306,143</u>	<u>\$ 2,137,554</u>

*The accompanying notes are an integral part of these financial statements.*

**HUNTINGTON HISTORICAL SOCIETY**  
**STATEMENT OF CASH FLOWS**  
(Indirect Method)  
For the Year Ended December 31, 2015

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 317,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	40,694
Decrease in contributions receivable	44,158
Increase in prepaid expenses	(1,327)
Increase in accounts payable and accrued expenses	34,130
<b>Cash provided by operating activities</b>	<u>434,817</u>
<b>Cash flows from investing activities:</b>	
Net decrease in investments	56,850
Increase in property and equipment	(603,542)
<b>Cash used by investing activities</b>	<u>(546,692)</u>
<b>Net increase (decrease) in cash</b>	(111,875)
<b>Cash - beginning of year</b>	<u>395,291</u>
<b>Cash - end of year</b>	<u>\$ 283,416</u>

*The accompanying notes are an integral part of these financial statements.*

## Huntington Historical Society NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 - Organization and Purpose**

The Huntington Historical Society ( the "Society") is a New York not-for-profit corporation. The Society, founded in December 1903, was organized principally to collect, preserve and interpret the cultural heritage of the Town of Huntington since the Town's founding in 1653.

### **NOTE 2 - Summary of Significant Accounting Policies**

The accompanying financial statements include the assets, liabilities, revenues and expenses of all the funds of the Huntington Historical Society. The following is a summary of significant accounting policies followed by the Society:

#### Basis of accounting and financial statement presentation

The accompanying financial statements are presented under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. As required by the *Financial Statements for Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification, the Society is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The Society's net assets consist of the following:

Unrestricted - net assets of the Society which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Society. They include general operating fund, funds restricted by management for a specific purpose, and the general endowment fund, which are endowment type donations unrestricted by the donors.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire when the stipulated time has elapsed, the stipulated purpose for which the resource was restricted has been fulfilled, or both. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted assets include the Archives, Langhans and Soldiers and Sailors Memorial funds.

Permanently restricted - net assets of the Society which have been restricted by donors into perpetuity. Permanently restricted net assets include the Packard, Powell, Endowment, Joel H. Cohen, and Seymour J. Hirschfeld Memorial Fund. There were several smaller restricted donations received during the years, which are accounted for consistent with donor restrictions.

The Society follows U.S. generally accepted accounting principles with respect to endowments. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires 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, the Society classifies 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) accumulation to 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.

As required by U.S. generally accepted accounting principles, the Society has also presented a statement of cash flows for the year ended December 31, 2015.

#### Cash and cash equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for financial statement purposes.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market value. Fair market value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Society follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Unrealized gains and losses are included in the change in net assets. Investments donated to the Society are recorded at market value at date of contribution. Temporarily restricted investments include the Archives, Langhans, and Powell accounts. Permanently restricted investments include the Packard, Endowment, Joel H. Cohen, and Seymour J. Hirschfeld Memorial Fund accounts.

### Museum Artifacts

In accordance with industry practice, museum artifacts, photographs and books are not reflected as assets in the financial statements. The Society estimates their value to be in excess of \$9,651,247.

### Property and Equipment

Property and equipment is stated at appraised value through 1983, subsequent additions are capitalized at cost or, if donated, at fair market value as of the date of receipt. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally periods of 5,7,15 or 40 years). Certain buildings and improvements deemed to be "historic treasures" are not depreciated. Management's opinion is that an economic benefit or service potential amortized so slowly that estimated useful lives are extraordinarily long. Equipment is depreciated using the straight line method.

### Revenue and expense recognition

Contributions are generally recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. All donor restricted support is reported as an increase in temporarily or permanently restricted net 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 restriction.

Expenses are generally recognized when incurred.

The accompanying financial statements are prepared on a functional basis whereby expenses are allocated to program services, general administration and fundraising based on a combination of time sheets and estimates of the percentages of the expenses allocated to each program or service.

### Income taxes

The Society qualifies as a tax exempt not-for-profit organization under Section 501 (c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required. The Society has not taken an unsubstantiated tax position that would require provision of a liability under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, "Accounting for Uncertainty in Income Taxes". Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Society does not believe there are any material uncertain tax positions and accordingly has not recognized any liability for unrecognized tax benefits. The Society has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. The Society's information returns are subject to review by the appropriate authorities for a period of three years from the date of filing. Currently, the returns for the years ending December 31, 2012 and subsequent, are subject to review. For the year ended December 31, 2015, there was no interest or penalties recorded or included in the financial statements.



Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period presented. Actual results may differ from those estimates.

**NOTE 3 - Investments**

As of December 31, 2015, investments are comprised of the following:

	<u>Market Value</u> <u>Level 1</u>	<u>Cost</u>
Cash and Cash Equivalents	\$ 2,812	\$ 2,812
Mutual Funds	157,187	161,299
Total	<u>\$ 159,999</u>	<u>\$ 164,111</u>

As of December 31, 2015, The Society did not possess any level 2 or level 3 investments.

At December 31, 2015, gross realized losses on the investments in the portfolio were \$2,527 and unrealized losses were \$4,112.

**NOTE 4 - Concentration of Credit Risk**

The Society maintains cash balances at three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Society has not experienced any loss in such accounts. As of December 31, 2015, the Society had no uninsured cash balances. The Society believes it is not exposed to any significant credit risk on its cash balances.

**NOTE 5 - Contributions Receivable**

Contributions receivable represents amounts committed by grantors and donors that have not been received by the Society at year end. An allowance for doubtful accounts has not been provided as the Society expects to collect the receivable balance in full.

**NOTE 6 - Property and Equipment**

Major classes of property and equipment consist of the following at December 31, 2015:

		<u>Estimated</u> <u>Useful Life-Years</u>
Land	\$ 76,000	-
Building and improvements	1,110,697	40 & 15
Equipment	62,702	7
Furniture and fixtures	14,414	7
	<u>1,263,813</u>	
Less: accumulated depreciation	<u>704,440</u>	
	<u>\$ 559,373</u>	

Included in Building and Improvements is \$200,000 for the Soldiers and Sailors Memorial building, a permanently restricted gift, which is not subject to depreciation.

The depreciation and amortization expense for the year 2015 was \$26,619.

**NOTE 7 - Trade School Expansion**

During 2013, the Society started a project to renovate and expand its Trade School property. At December 31, 2015 construction in progress amounted to \$1,030,742. In addition, during 2015 furniture and equipment for the Trade School was purchased at a total cost of \$85,305. These assets were not depreciated in 2015 as the project is not yet complete.

**NOTE 8 - Prior Period Adjustment**

In the years 2013 and 2014 rent expense of \$44,283 for leased space during the Trade School expansion project was capitalized as an asset rather than being recognized as an operating expense. In 2015 an adjustment has been made to correct this. The effect of such adjustment was to decrease both opening net assets and the Trade School expansion asset in the amount of \$44,283.

Effective for fiscal year 2015 the board determined that all property and equipment, with the exception of the Soldiers and Sailors Memorial building, should be subject to a consistent depreciation policy. No depreciation had been recorded for the Kissam House, including all additions and improvements, in prior periods. An adjustment of \$23,285 has been made to increase accumulated depreciation as of January 1, 2015. The effect of this adjustment is to decrease net property and equipment and decrease opening unrestricted net assets by \$23,285.

**NOTE 9 - Reclassifications**

Certain reclassifications have been made to the 2015 financial statement presentation of opening unrestricted, temporarily restricted and permanently restricted net assets to correspond with donor-imposed restrictions or lack thereof. Total net assets are unchanged due to these reclassifications.

**NOTE 10 - Endowments**

The Society's endowment consists of multiple funds established for a variety of purposes. Its endowment only includes donor-restricted endowment funds. As required by generally accepted accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society's Board of Trustees has interpreted New York's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to 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 the Act. In accordance with UPMIFA, 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 effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources to the Society, and
7. The investment policies of the Society.

The following is a reconciliation of the activity in the Endowment funds for the year ended December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2015	\$ 90,249	\$ 75,143	\$ 165,392
Investment Income	6,725		6,725
Investment Expenses	(363)		(363)
Net Investment loss	(6,150)		(6,150)
Withdrawals from endowment	<u>(36,812)</u>		<u>(36,812)</u>
Balance, December 31, 2015	<u>\$ 53,649</u>	<u>\$ 75,143</u>	<u>\$ 128,792</u>

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or applicable law requires the Society to retain in perpetuity. There were no such deficiencies as of December 31, 2015.

**NOTE 11 - Line of Credit**

The Society secured a bank line of credit for any amount up to \$350,000 dated October 27, 2014. The line of credit is secured by the Society's property located at 2 High Street. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 150 basis points. The line of credit has an 18 month term. As of December 31, 2015 no funds were drawn from the line of credit. Until a draw is made, no payments are required on the credit line. In order to secure the credit line, closing expenses totaling \$21,112 were incurred. Closing expenses are being amortized over the life of the line of credit. Amortization expense for the year ended December 31, 2015 amounted to \$14,075.

**NOTE 12 - Contributed Services**

The Society receives a significant amount of donated services from unpaid volunteers who assist in fundraising, events and programs. No amounts have been recognized in the statement of activities because the nature of these volunteer services do not meet the criteria for recognition under SFAS No. 116.

The Society received donated services in the form of professional services totaling \$1,000 during the year ended December 31, 2015. These amounts have been recognized as both a revenue and an expense in the statement of activities in accordance with the recognition criteria established under Statement of Financial Accounting Standards (SFAS) No. 116.

**NOTE13 - Commitments and Contingencies**Contingent Liability

During 2013 the Society entered into a construction contract for the expansion of the Trade School. As of December 31, 2015 the Society is contingently liable for future payments of \$53,556 in relation to this project.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 10, 2016, which is the date the financial statements were available to be issued. No events requiring disclosure were noted.

**SUPPLEMENTARY INFORMATION**

**HUNTINGTON HISTORICAL SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended December 31, 2015

	Museum and Buildings	Exhibit and Museum Conservation	Festival and Educational Outreach	Public and Educational Programs	Library and Genealogy	Total Programs	General and Administrative	Special Events and Fundraising	Total
Advertising, public relations and website	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,584	\$ 600	\$ 4,184
Buildings and grounds	49,622	-	-	-	-	49,622	-	-	49,622
Depreciation and amortization	32,555	-	-	-	-	32,555	8,139	-	40,694
Education	-	-	15,210	10,680	-	25,890	-	-	25,890
Exhibits and conservation	-	953	-	-	-	953	-	-	953
Fundraising events	-	-	-	-	12,571	12,571	-	24,227	24,227
Genealogy	-	-	-	-	-	-	-	-	-
Insurance	19,059	-	-	-	-	19,059	4,765	-	23,824
Library/collections	-	-	-	-	9,540	9,540	-	-	9,540
Membership	-	-	-	-	-	-	-	2,470	2,470
Miscellaneous	-	-	-	-	-	-	2,825	-	2,825
Museum shop	11,666	-	-	-	-	11,666	-	-	11,666
Office printing and postage	-	-	-	-	-	-	15,617	2,352	17,969
Payroll taxes	-	-	3,899	2,089	2,228	8,216	1,811	3,899	13,926
Professional services	-	-	505	269	289	1,063	7,735	2,904	11,702
Salaries	-	-	38,811	20,792	22,178	81,781	18,019	38,812	138,612
Utilities	21,936	-	-	-	-	21,936	-	-	21,936
W/C and disability insurance	-	-	324	174	185	683	151	324	1,158
<b>Total expenses</b>	<b>\$ 134,838</b>	<b>\$ 953</b>	<b>\$ 58,749</b>	<b>\$ 34,004</b>	<b>\$ 46,991</b>	<b>\$ 275,535</b>	<b>\$ 62,646</b>	<b>\$ 75,588</b>	<b>\$ 413,769</b>

The accompanying notes to financial statements should be read in conjunction with this schedule.

LGK CPA, PLLC.