

OYSTERPONDS HISTORICAL SOCIETY, INC.  
ORIENT, NEW YORK

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

## **TABLE OF CONTENTS**

	Page(s)
<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
<b>Notes to the Financial Statements</b>	7 - 12

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**SKINNON AND FABER**  
Certified Public Accountants, P.C.

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**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Oysterponds Historical Society, Inc.  
Orient, New York

We have audited the accompanying financial statements of the Oysterponds Historical Society, Inc. (a nonprofit organization) which are comprised of the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and the 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.

**Auditors' Responsibility**

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 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.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oysterponds Historical Society, Inc., as of December 31, 2018, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of the Oysterponds Historical Society, Inc., as of December 31, 2017, were audited by other auditors whose report dated November 14, 2018, expressed an unmodified opinion on those statements.

*Skinnon and Faber, CPAs, P.C.*

SKINNON AND FABER, CPA'S P.C.  
Islandia, New York  
July 25, 2019

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31,**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 167,796	\$ 153,514
Accounts Receivable	9,730	14,371
Investments, at Fair Value	2,026,327	2,224,659
Inventory, at Cost	9,685	9,543
Prepaid Expenses	12,110	11,766
Cash and Cash Equivalents - Restricted	52,537	49,928
Investments, at Fair Value - Restricted	347,811	400,758
Fixed Assets, Net	1,103,943	1,154,892
Total Assets	\$ 3,729,939	\$ 4,019,431
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 7,537	\$ 6,088
Sales Tax Payable	1,134	1,280
Total Liabilities	8,671	7,368
 <b>NET ASSETS</b>		
With Donor Restrictions	400,348	450,686
Without Donor Restrictions	3,320,920	3,561,377
Total Net Assets	3,721,268	4,012,063
Total Liabilities and Net Assets	\$ 3,729,939	\$ 4,019,431

*See Notes to the Financial Statements*

**OYSTERPONDS HISTORICAL SOCIETY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31,  
(with summarized comparative totals for 2017)**

	<b>2018</b>			<b>2017</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>SUPPORT AND OPERATING REVENUE</b>				
Member Dues Income	\$ 35,650	\$ -	\$ 35,650	\$ 40,455
Contributions	36,880	79,679	116,559	104,114
Grants	5,000	-	5,000	15,971
Rental Income	-	-	-	9,500
Fundraising Income	267,311	-	267,311	224,844
Less: Fundraising Expenses	(87,457)	-	(87,457)	(71,563)
Mission	1,341	-	1,341	1,102
Total Support and Operating Revenue	<u>258,725</u>	<u>79,679</u>	<u>338,404</u>	<u>324,423</u>
Net Assets Released From Restrictions	<u>90,180</u>	<u>(90,180)</u>	<u>-</u>	<u>-</u>
Total Support and Operating Revenue and Net Assets Released From Restrictions	<u>348,905</u>	<u>(10,501)</u>	<u>338,404</u>	<u>324,423</u>
<b>OPERATING EXPENSES</b>				
Program Services	343,521	-	343,521	252,413
Management and General	85,839	-	85,839	74,977
Fundraising	45,499	-	45,499	122,070
Total Operating Expenses	<u>474,859</u>	<u>-</u>	<u>474,859</u>	<u>449,460</u>
Operating Loss	<u>(125,954)</u>	<u>(10,501)</u>	<u>(136,455)</u>	<u>(125,037)</u>
<b>NON-OPERATING ACTIVITY</b>				
Interest and Dividend Income	60,611	8,371	68,982	89,200
Realized Gains on Sale of Investments, net	51,759	30,332	82,091	105,056
Change in Unrealized Value of Investments	(226,873)	(78,540)	(305,413)	162,684
Total Non-Operating Activity	<u>(114,503)</u>	<u>(39,837)</u>	<u>(154,340)</u>	<u>356,940</u>
Change in Net Assets	(240,457)	(50,338)	(290,795)	231,903
Net Assets, Beginning of Year	<u>3,561,377</u>	<u>450,686</u>	<u>4,012,063</u>	<u>3,780,160</u>
Net Assets, End of Year	<u>\$ 3,320,920</u>	<u>\$ 400,348</u>	<u>\$ 3,721,268</u>	<u>\$ 4,012,063</u>

*See Notes to the Financial Statements*

**OYSTERPONDS HISTORICAL SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31,  
(with summarized comparative totals for 2017)**

	2018			2017	
	Supporting Services				
	Program Services	Management And General	Fundraising Services	Total	Total
<b>EXPENSES</b>					
Wages and Payroll Taxes	\$ 126,319	\$ 24,881	\$ 40,192	\$ 191,392	\$ 199,505
Depreciation Expense	54,539	5,073	3,805	63,417	53,241
Building and Grounds	56,377	-	-	56,377	20,138
Consultants	35,447	-	-	35,447	35,074
Utilities	18,387	3,245	-	21,632	12,126
Investment Fees	-	21,379	-	21,379	27,323
Collections and Conservation	17,801	-	-	17,801	17,714
Professional Fees	-	15,591	-	15,591	17,215
Equipment and Software	15,310	-	-	15,310	2,352
Insurance	11,994	2,285	-	14,279	13,750
Miscellaneous	-	9,305	-	9,305	15,392
Internet and Website	3,616	1,291	258	5,165	14,405
Advertising and Printing	3,731	-	1,244	4,975	8,452
Vail House Rental	-	-	-	-	4,682
NYS Filing Fees and Taxes	-	2,789	-	2,789	8,092
<b>Total Functional Expenses 2018</b>	<b>\$ 343,521</b>	<b>\$ 85,839</b>	<b>\$ 45,499</b>	<b>\$ 474,859</b>	
<b>Total Functional Expenses 2017</b>	<b>\$ 252,413</b>	<b>\$ 74,977</b>	<b>\$ 122,070</b>		<b>\$ 449,460</b>

*See Notes to the Financial Statements*

**OYSTERPONDS HISTORICAL SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (290,795)	\$ 231,903
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	63,417	53,399
Decrease in Accounts Receivable	4,641	(757)
Increase in Inventory	(142)	(5,403)
Increase (decrease) in security deposit	-	(2,000)
Increase in Prepaid Expenses	(344)	(8,106)
Increase in Accounts Payable	1,449	4,770
Decrease in Sales Tax Payable	(147)	11
Increase (decrease) in temporarily deferred income	-	9,252
Change in Unrealized Value of Investments	305,413	106,140
Net Cash Provided by Operating Activities	83,492	389,209
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds From Sale of Investments	82,531	-
Purchase of Investments	(30,525)	(233,618)
Fixed Asset Acquisitions	(12,467)	(34,337)
Net Cash Provided by Investing Activities	39,539	(267,955)
Net Increase in Cash and Cash Equivalents	123,031	121,254
Cash and Cash Equivalents, Beginning of Year	97,302	82,188
Cash and Cash Equivalents, End of Year	\$ 220,333	\$ 203,442

*See Notes to the Financial Statements*



**OYSTERPONDS HISTORICAL SOCIETY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**I. NATURE OF ORGANIZATION**

The Oysterponds Historical Society, Inc. (the “Organization”), a non-profit organization, was incorporated October 4, 1944 under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from federal tax under these provisions and is not a private foundation.

The Oysterponds Historical Society, Inc. encourages and advances local history in the community it serves. The mission of the Organization is to discover, procure, preserve, research and exhibit as appropriate that which relates to the natural, social, civil and military history of Orient and East Marion, (Formerly known as Oysterponds). The Organization offers programs of interest to its members and the public, operates a museum featuring changing exhibits, publishes appropriate publications, provides research facilities, initiates and supports local events of a historical nature.

The Oysterponds Historical Society, Inc. owns and is responsible for the preservation and maintenance of seven buildings and the property on which they sit. These include the Village House, built in 1799 on its present site and exhibited as the boarding house which it became in the mid 19<sup>th</sup> century; the Hallock Building, a 19<sup>th</sup> century cookhouse and dormitory which was transferred to the Oysterponds Historical Society property in the 1950’s and has been renovated and climate-controlled to contain the library of archival documents and photographs and the extensive painting and textile collections; the Old Point School House, which houses the Organization’s offices and the Janet T. Swanson Gallery, a venue for exhibitions of artifacts from the collections as well as work by local artists; Webb House, an eighteenth century former inn which was moved from Greenport to its present location in the 19<sup>th</sup> century and deeded to the Oysterponds Historical Society, Inc. together with Poquatuck Park which it overlooks, and which exhibits important examples of local 18<sup>th</sup> and 19<sup>th</sup> century furniture; a seine shed housing a collection of carriages; a small private school house, and the Director’s House.

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Net assets without donor restrictions – net assets that are used to account for the general activities of the Organization. They are separated into two categories: undesignated and board designated. Board designated consists of voluntary designations of net assets by the governing board.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Cash and Cash Equivalents**

The Organization considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

**Investments**

All marketable securities with a readily determinable fair value and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

**Inventory**

Inventories held for sale in the Beach Plum Shop are carried on the statement of financial position at the lower of cost or market.

**Donated Goods and Services**

No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of such services. However, the Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition have not been satisfied. No amounts have been reflected in the financial statements for donated goods because the amounts of such goods are not of material significance.

**Functional Allocation of Expenses**

The costs of providing the various programs have been summarized on a functional basis. Certain indirect costs have been allocated to programs and administration based upon ratios determined by management. These costs primarily include salaries, occupancy and other expenses.

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Use of Estimates in the Preparation of Financial Statements**

Management of the Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

**Fair Value Measurements**

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. All of the Organization's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

**Depreciation**

Beginning in 1993, depreciation is recorded for the Organization's fixed assets as promulgated by the financial standards accounting board, Opinion #93. The building and improvements capitalized in the general fund and in the Webb House fund are being depreciated using the MACRS method over a period of 31.5 years. Capital Improvements made to the Webb House Shed are being depreciated using the MACRS method over a period of 27.5 years. Equipment is depreciated using the MACRS method over a period of five or seven years. During the years ended December 31, 2018 and December 31, 2017, depreciation expense totaled \$63,417 and \$53,241, respectively.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization has evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for the year ended December 31, 2018.

**Other Assets**

The Organization has elected not to report collections, works of art, or similar assets in its financial statements.

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*:

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

*Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are intended to improve financial statement presentation by not-for-profit (NFP) organizations. The new guidance requires NFPs to improve their presentation and disclosures to provide more relevant information about their resources (and the changes in those resources) to their donors, grantors, creditors, and other users. The Organization has adjusted the presentation of these statements accordingly.

**III. FIXED ASSETS**

Fixed assets include buildings, improvements, and equipment. The fixed assets shown on the statement of financial position are reflected at historical cost, and do not represent current market values.

A summary of fixed assets are as follows:

	2018	2017
Buildings and Improvements	\$ 1,680,270	\$ 1,667,803
Equipment	65,774	65,774
Total Assets	1,746,044	1,733,577
Less: Accumulated Depreciation	(642,101)	(578,685)
Net Fixed Assets	<u>\$ 1,103,943</u>	<u>\$ 1,154,892</u>

**IV. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Board of Trustees has established investments to provide a source of funding for the future operations of the Organization.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2018, are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term Investments:				
Short-term Reserves	\$ 21,134	\$ 21,134	\$ -	\$ -
Mutual Funds	1,945,134	1,945,134	-	-
Stocks	407,870	407,870	-	-
	<u>\$ 2,374,138</u>	<u>\$ 2,374,138</u>	<u>\$ -</u>	<u>\$ -</u>

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**V. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has \$2,203,853 of financial assets available within one year of the balance sheet date to meet cash needs for general expenses. The Organization has a goal to maintain financial assets, which consist of cash, accounts receivable and investments to meet 60 days of normal operating expenses, which are approximately \$79,000.

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by donor restrictions.

Cash and Cash Equivalents	\$ 167,796
Cash and Cash Equivalents - Restricted	52,537
Accounts receivable	9,730
Investments	2,026,327
Investments - Restricted	347,811
Total Financial Assets	<u>2,604,201</u>
Donor Retriected Net Assets	<u>(400,348)</u>
Financial Assets Available to Meet Cash Needs	
For General Expenditures Within One Year	<u><u>\$ 2,203,853</u></u>

**VI. CONCENTRATIONS OF RISK**

The Organization maintains cash in three banks. There is a risk of loss of these funds, to the extent not covered by FDIC insurance coverage.

**VII. COMMITMENTS AND CONTINGENCIES**

There are no contingencies that the Organization is aware of that would have a material impact on the financial statements.

**OYSTERPONDS HISTORICAL SOCIETY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**VIII. RESTRICTED NET ASSETS**

In the fiscal year ended December 31, 2018, the Organization received \$79,679 of restricted contributions; \$53,330 to be spent on curatorial expenses and \$26,349 to be spent on special projects. The restrictions are considered to expire when payments are made for the restricted purpose. Amounts released from restriction in the current year totaled \$90,180. At the end of the year, the remaining net assets with donor restrictions were as follows:

	2018	2017
Subject to expenditure for specified purposes:		
Curatorial Project	\$ 21,083	\$ -
Gardiner Master	4,600	-
Maritime	14,255	-
South Fence	124	-
2018 Operations, Marketing and Membership	-	37,500
Webb House	360,286	413,186
Total Net Assets With Donor Restrictions	\$ 400,348	\$ 450,686

In order to preserve the restricted assets of the Webb House, the Society has elected to allocate a portion of the yearly operating budget plus capital expenses to the Webb House allocation. The amount transferred for the years ended December 31, 2018 and December 31, 2017 were \$13,063 and \$17,416, respectively, from the Webb House restricted assets to the unrestricted assets of the Oysterponds Historical Society, Inc.

**IX. RECLASIFICATION**

Certain items on the 2017 financial statements have been reclassified to conform to the current year's presentation. Net assets and the change in net assets are unchanged due to these reclassifications.

**X. SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 25, 2019, which is the date on which the financial statements were available to be issued.