



THE NEW-YORK HISTORICAL SOCIETY

Financial Statements and Schedule

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The New-York Historical Society:

We have audited the accompanying financial statements of The New-York Historical Society (the Society), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of activities and cash flows 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 U.S. generally accepted accounting principles; 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 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 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New-York Historical Society as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 as a whole.

KPMG LLP

December 17, 2014

THE NEW-YORK HISTORICAL SOCIETY

Balance Sheets

June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 18,508,399	6,802,193
Prepaid expenses	2,470,858	2,408,177
Other assets	627,256	1,124,047
Contributions and grants receivable (note 8)	8,785,609	8,267,199
Investments (note 4)	51,940,194	40,193,940
Fixed assets, net (note 5)	77,656,544	80,772,308
Collections (note 2 (d))	—	—
Total assets	\$ 159,988,860	139,567,864
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,107,389	2,933,501
Deferred revenue	1,469,055	596,220
Asset retirement obligation (note 10)	2,763,373	2,646,373
Total liabilities	7,339,817	6,176,094
Commitments (notes 6, 11 and 13)		
Net assets:		
Unrestricted (note 12):		
Available for operations	354,736	314,044
Available for nonoperating projects	7,348,282	6,739,098
Designated for fixed assets	72,304,415	77,533,097
Total unrestricted	80,007,433	84,586,239
Temporarily restricted (notes 9 and 12)	42,893,836	23,184,292
Permanently restricted (notes 9 and 12)	29,747,774	25,621,239
Total net assets	152,649,043	133,391,770
Total liabilities and net assets	\$ 159,988,860	139,567,864

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2014

(with comparative summarized totals for the year ended June 30, 2013)

	2014						
	Unrestricted						
	Available for	nonoperating	Total	Temporarily	Permanently	Total	Total
	operations	projects and		restricted	restricted		2013
		designated for					
		fixed assets					
Revenue, gains, and other support:							
Private contributions and grants	\$ 4,838,660	—	4,838,660	20,086,862	4,126,535	29,052,057	13,238,625
Government grants	247,485	—	247,485	1,071,518	—	1,319,003	987,443
Special events, net of expenses of \$666,667	4,966,100	—	4,966,100	—	—	4,966,100	4,406,089
Membership	917,107	—	917,107	—	—	917,107	801,819
Admissions	1,729,324	—	1,729,324	—	—	1,729,324	1,338,259
Fees and other	2,386,646	66,437	2,453,083	—	—	2,453,083	2,844,745
Auxiliary activities	2,461,120	—	2,461,120	—	—	2,461,120	2,202,849
Net investment return (note 4)	2,277,454	416,721	2,694,175	4,373,481	—	7,067,656	2,558,417
	<u>19,823,896</u>	<u>483,158</u>	<u>20,307,054</u>	<u>25,531,861</u>	<u>4,126,535</u>	<u>49,965,450</u>	<u>28,378,246</u>
Net assets released from restrictions	3,814,328	2,007,989	5,822,317	(5,822,317)	—	—	—
Total revenue, gains, and other support	<u>23,638,224</u>	<u>2,491,147</u>	<u>26,129,371</u>	<u>19,709,544</u>	<u>4,126,535</u>	<u>49,965,450</u>	<u>28,378,246</u>
Expenses:							
Program services:							
Library services	4,368,418	775,449	5,143,867	—	—	5,143,867	4,921,182
Museum programs and exhibitions	9,456,187	3,634,531	13,090,718	—	—	13,090,718	12,113,858
Public and education programs	3,846,144	1,134,269	4,980,413	—	—	4,980,413	4,724,241
Auxiliary activities	1,971,077	1,298,981	3,270,058	—	—	3,270,058	3,034,307
Total program services	<u>19,641,826</u>	<u>6,843,230</u>	<u>26,485,056</u>	<u>—</u>	<u>—</u>	<u>26,485,056</u>	<u>24,793,588</u>
Supporting services:							
Management and general	2,712,637	75,721	2,788,358	—	—	2,788,358	2,727,606
Development	1,243,069	191,694	1,434,763	—	—	1,434,763	1,213,665
Total supporting services	<u>3,955,706</u>	<u>267,415</u>	<u>4,223,121</u>	<u>—</u>	<u>—</u>	<u>4,223,121</u>	<u>3,941,271</u>
Total expenses	<u>23,597,532</u>	<u>7,110,645</u>	<u>30,708,177</u>	<u>—</u>	<u>—</u>	<u>30,708,177</u>	<u>28,734,859</u>
Increase (decrease) in net assets	40,692	(4,619,498)	(4,578,806)	19,709,544	4,126,535	19,257,273	(356,613)
Net assets at beginning of year	314,044	84,272,195	84,586,239	23,184,292	25,621,239	133,391,770	133,748,383
Net assets at end of year	\$ <u>354,736</u>	<u>79,652,697</u>	<u>80,007,433</u>	<u>42,893,836</u>	<u>29,747,774</u>	<u>152,649,043</u>	<u>133,391,770</u>

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2013

2013

	Available for operations	Unrestricted Available for nonoperating projects and designated for fixed assets	Total	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:						
Private contributions and grants	\$ 5,069,355	—	5,069,355	7,954,270	215,000	13,238,625
Government grants	249,525	—	249,525	687,918	50,000	987,443
Special events, net of expenses of \$612,817	4,406,089	—	4,406,089	—	—	4,406,089
Membership	801,819	—	801,819	—	—	801,819
Admissions	1,338,259	—	1,338,259	—	—	1,338,259
Fees and other	2,228,562	616,183	2,844,745	—	—	2,844,745
Auxiliary activities	2,202,849	—	2,202,849	—	—	2,202,849
Net investment return (note 4)	2,067,438	105,292	2,172,730	385,687	—	2,558,417
	<u>18,363,896</u>	<u>721,475</u>	<u>19,085,371</u>	<u>9,027,875</u>	<u>265,000</u>	<u>28,378,246</u>
Net assets released from restrictions	3,557,838	1,138,425	4,696,263	(4,696,263)	—	—
Total revenue, gains, and other support	<u>21,921,734</u>	<u>1,859,900</u>	<u>23,781,634</u>	<u>4,331,612</u>	<u>265,000</u>	<u>28,378,246</u>
Expenses:						
Program services:						
Library services	4,187,960	733,222	4,921,182	—	—	4,921,182
Museum programs and exhibitions	8,464,928	3,648,930	12,113,858	—	—	12,113,858
Public and education programs	3,675,882	1,048,359	4,724,241	—	—	4,724,241
Auxiliary activities	1,741,030	1,293,277	3,034,307	—	—	3,034,307
Total program services	<u>18,069,800</u>	<u>6,723,788</u>	<u>24,793,588</u>	<u>—</u>	<u>—</u>	<u>24,793,588</u>
Supporting services:						
Management and general	2,633,120	94,486	2,727,606	—	—	2,727,606
Development	1,177,657	36,008	1,213,665	—	—	1,213,665
Total supporting services	<u>3,810,777</u>	<u>130,494</u>	<u>3,941,271</u>	<u>—</u>	<u>—</u>	<u>3,941,271</u>
Total expenses	<u>21,880,577</u>	<u>6,854,282</u>	<u>28,734,859</u>	<u>—</u>	<u>—</u>	<u>28,734,859</u>
Increase (decrease) in net assets	41,157	(4,994,382)	(4,953,225)	4,331,612	265,000	(356,613)
Net assets at beginning of year	272,887	89,266,577	89,539,464	18,852,680	25,356,239	133,748,383
Net assets at end of year	\$ <u>314,044</u>	<u>84,272,195</u>	<u>84,586,239</u>	<u>23,184,292</u>	<u>25,621,239</u>	<u>133,391,770</u>

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 19,257,273	(356,613)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Contributions and grants restricted for collection acquisitions, net of collection acquisitions	(10,182,035)	(2,508,559)
Contributions and grants restricted for capital expenditures	(3,119,616)	(769,117)
Contributions and grants restricted for permanently restricted endowment	(4,126,535)	(265,000)
Depreciation and amortization	5,833,495	5,712,300
Accretion of asset retirement obligation	117,000	114,000
Net realized and unrealized gains on investments	(6,905,871)	(2,401,157)
Changes in operating assets and liabilities:		
Prepaid expenses	(62,681)	(272,253)
Contributions and grants receivable, net of amounts classified as financing activities	(2,358,628)	(566,781)
Other assets	496,791	(532,429)
Accounts payable and accrued expenses	106,356	134,126
Deferred revenue	872,835	200,321
Net cash used in operating activities	(71,616)	(1,511,162)
Cash flows from investing activities:		
Proceeds from sales of investments	17,190,854	18,888,277
Purchases of investments	(22,031,237)	(19,123,801)
Contributed investments	—	(267,779)
Change in accounts payable related to construction	67,532	(3,640,831)
Collection acquisitions	(54,965)	(569,441)
Fixed asset additions	(2,717,731)	(1,629,177)
Net cash used in investing activities	(7,545,547)	(6,342,752)
Cash flows from financing activities:		
Proceeds from line of credit	—	1,500,000
Repayments on line of credit	—	(1,500,000)
Collection of contributions restricted for collection acquisitions	10,237,000	3,078,000
Collection of contributions restricted for capital expenditures	4,118,334	6,432,102
Collection of contributions and grants restricted for permanently restricted endowment	4,968,035	2,427,000
Net cash provided by financing activities	19,323,369	11,937,102
Net increase in cash and cash equivalents	11,706,206	4,083,188
Cash and cash equivalents at beginning of year	6,802,193	2,719,005
Cash and cash equivalents at end of year	\$ 18,508,399	6,802,193

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization

The New-York Historical Society (the Society), founded in 1804, is organized as a not-for-profit institution to collect, preserve, and interpret historical artifacts, American art and other materials documenting the history of the United States as seen through the prism of New York City and State. The Society's mission is to make its library and museum collections accessible to the broadest possible public through exhibitions, student and teacher education programs, adult public programs, and scholar research. For more information, see the Society's web site at www.nyhistory.org.

(2) Summary of Significant Accounting Policies

The Society's financial statements have been prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. All contributions are considered to be available for unrestricted use unless specifically restricted by donor or by law. Other significant accounting policies are as follows:

(a) Basis of Presentation

The Society's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations or law.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations or law that will be met either by actions of the Society and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, except gains and losses on investments of temporarily restricted net assets, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

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Notes to Financial Statements

June 30, 2014 and 2013

(b) Depreciation and Amortization of Fixed Assets

Fixed assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 100 years.

	<u>Years</u>
Buildings (fully depreciated)	50–100
Building improvements	5–35
Equipment, furniture, and fixtures	5–10
Long-term exhibitions	10–50

(c) Exhibitions

The Society’s museum presents both short-term and long-term exhibitions. The Society reports all costs of creating and building short-term exhibitions as prepaid expenses until the exhibitions open for public viewing. At that time all accumulated costs are recognized as operating expenses. Additional costs of maintaining and dismantling these exhibitions are recognized as operating expenses as incurred.

For long-term exhibitions, the Society capitalizes the costs of creating and building the exhibitions as fixed assets and depreciates the accumulated costs over the estimated lives of the exhibitions. Periodic costs of maintaining long-term exhibitions are treated as operating costs as incurred.

(d) Collections

Collections are not capitalized in the Society’s financial statements. Collections, including library holdings, are held for public exhibition, education, and research. The Society’s Board of Trustees (the Board) has adopted a policy whereby any proceeds from the sale of collection items can be utilized only for acquisitions, direct care (e.g. conservation, preservation, rehousing or storage) processing and/or cataloging of the collections and collections management.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value with cost determined on a weighted average basis.

(f) Investments

Investments in publically traded securities and mutual funds are stated at fair value based upon quoted market prices. The reported values of investments in limited partnerships are based on net asset values provided by the fund managers based upon the underlying net assets of the funds as a practical expedient in determining fair value. These values are reviewed and evaluated by management.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2014 and 2013

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy is used for measuring fair value measurements based on the observable inputs to the valuation of an asset and liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving 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 that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2 Inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, as well as any alternative investments (measured at net asset value) that are redeemable at or near the balance sheet date.
- Level 3 Inputs that are unobservable. These prices are supported by little or no market activity and the unobservable inputs are significant to the fair value of the asset or liabilities, as well as any alternative investments (measured at net asset value) that are not redeemable at or near the balance sheet date.

At June 30, 2014 and 2013, the carrying amount of the Society's contribution and grants receivable, accounts payable and accrued expenses, and asset retirement obligation approximates fair value. The estimated fair values involve unobservable inputs considerable to be level 3 in the fair value hierarchy. The fair value and hierarchy of the Society's investment are disclosed in note 4.

(h) Cash and Cash Equivalents

The Society considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents, except for those short-term instruments included in the endowment. In addition, donor-restricted funds of approximately \$324,000 and \$563,000 are held in separate accounts at June 30, 2014 and 2013, respectively.

(i) Use of Estimates

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 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 estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the valuation of fixed assets, inventory, investments, contributions receivable, and asset retirement obligation; and reserves for other contingencies.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2014 and 2013

(j) Tax Status

The Society is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the Code for related activities. Contributions to it are tax deductible by donors as prescribed by the Code. In addition, the Society is tax-exempt from state and local income tax for related activities, property taxes, and sales tax. During the years ended June 30, 2014 and 2013, the Society was not subject to unrelated business income taxes. The Society recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Society has evaluated its tax positions and has determined that it is more likely than not that there are no significant uncertain tax positions and that it will continue to be exempt from taxes.

(k) Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

(3) Unrestricted Statement of Activities

The statement of activities distinguishes between revenues and expenses available for operations and designated for fixed assets and nonoperating projects. Operating activities are those designated by management for standard mission activities of the Society and are monitored by the annual operating-budget process. Nonoperating projects include, but are not limited to, unrestricted net assets invested in fixed assets, activity related to collection acquisitions funded through contributions and/or restricted endowment earnings, insurance proceeds and damages related to unusual situations and unrestricted contributions and grants designated by the Board for special projects, net of any deficit of earnings on the Society's endowment.

(4) Investments and Investment Returns

The cost and fair value of the Society's investments at June 30, 2014 and 2013 consist of the following:

	2014		2013	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 6,525,142	6,525,142	2,330,810	2,330,810
Equity securities:				
Domestic	6,859,122	9,451,938	6,499,888	8,209,822
International	503,207	629,498	1,218,808	1,192,965
Publically traded mutual funds:				
Equity – global/international	2,783,083	1,652,987	2,783,083	1,291,580
Fixed income	8,174,368	8,672,211	7,459,189	7,324,179
Alternative investments	16,650,000	25,008,418	14,350,000	19,844,584
	<u>\$ 41,494,922</u>	<u>51,940,194</u>	<u>34,641,778</u>	<u>40,193,940</u>

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Notes to Financial Statements

June 30, 2014 and 2013

The following table presents the Society's fair value hierarchy for those assets measured at fair value as of June 30, 2014:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 6,525,142	6,525,142	—	—
Equity securities:				
Domestic	9,451,938	9,451,938	—	—
International	629,498	629,498	—	—
Mutual funds:				
Equity – global international	1,652,987	1,652,987	—	—
Fixed income	8,672,211	8,672,211	—	—
Alternative investments	25,008,418	—	13,050,389	11,958,029
	<u>\$ 51,940,194</u>	<u>26,931,776</u>	<u>13,050,389</u>	<u>11,958,029</u>

The following table presents the Society's fair value hierarchy for those assets measured at fair value as of June 30, 2013:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,330,810	2,330,810	—	—
Equity securities:				
Domestic	8,209,822	8,209,822	—	—
International	1,192,965	1,192,965	—	—
Mutual funds:				
Equity – global international	1,291,580	1,291,580	—	—
Fixed income	7,324,179	7,324,179	—	—
Alternative investments (a)	19,844,584	—	12,385,401	7,459,183
	<u>\$ 40,193,940</u>	<u>20,349,356</u>	<u>12,385,401</u>	<u>7,459,183</u>

(a) Includes domestic and international hedge funds

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Notes to Financial Statements

June 30, 2014 and 2013

The following table presents the Society's activity for the years ended June 30, 2013 to 2014 for the investments classified as Level 3 within the fair value hierarchy:

	Level 3 assets
	<u> </u>
Balance, June 30, 2012	\$ 6,956,085
Investment purchase	900,000
Investment withdrawal	(1,333,200)
Net appreciation in fair value	<u>936,298</u>
Balance, June 30, 2013	7,459,183
Investment purchase	3,000,000
Net appreciation in fair value	<u>1,498,846</u>
Balance, June 30, 2014	\$ <u><u>11,958,029</u></u>

As of June 30, 2014, the estimated fair value of the Society's alternative investments totaled \$25,008,418. The limitations and restrictions on the Society's ability to redeem or sell these investments vary by investment and ranges from required notice periods to specified terms at inception. Based on the terms and conditions in effect at June 30, 2014, the Society's alternative investments can be redeemed or sold as follows:

Quarterly redemption with 30 days' notice	\$ 9,864,491
On September 30 with 45 days' notice	3,185,898
Payout over 3 quarters after 87 days' notice	1,568,520
Payout over 3 quarters after 60 days' notice	1,597,537
Biannual redemption with 90 days' notice	3,014,701
Redemption in 1-2 years	3,596,771
Redemption in 1-3 years	<u>2,180,500</u>
	\$ <u><u>25,008,418</u></u>

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Notes to Financial Statements

June 30, 2014 and 2013

For the years ended June 30, 2014 and 2013, net investment returns consist of returns as follows:

	2014	2013
Returns by fund category:		
On nonendowment cash and cash equivalents:		
Interest and dividends	\$ 6,013	2,632
Realized gains	—	41,781
	6,013	44,413
On endowment investments:		
Interest and dividends	298,969	289,362
Net realized gains	2,012,761	964,982
Net unrealized gains	4,893,110	1,394,394
	7,204,840	2,648,738
Less investment management fees	(143,197)	(134,734)
	7,061,643	2,514,004
Net investment return	\$ 7,067,656	2,558,417

(5) Fixed Assets

At June 30, 2014 and 2013, fixed assets, at cost, consist of the following:

	2014	2013
Land	\$ 684,664	684,664
Building and building improvements	82,589,948	82,473,337
Long-term exhibitions	23,477,461	23,474,948
Equipment, furniture, and fixtures	7,422,593	6,830,619
Leasehold improvements	482,644	482,644
	114,657,310	113,946,212
Less accumulated depreciation and amortization	(39,544,880)	(33,711,385)
	75,112,430	80,234,827
Construction in progress	2,544,114	537,481
	\$ 77,656,544	80,772,308

Fixed assets include the costs of creating several long-term exhibitions or projects. These include the Society's fourth floor open-storage exhibition space completed in 2001 and a children's museum, history film, and main lobby installations opened in November 2011.

The Society has begun a new capital project to revise its fourth-floor open storage exhibition space. Included in construction in progress as of June 30, 2014 is \$2,503,536 relating to this project.

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Notes to Financial Statements

June 30, 2014 and 2013

Included in fixed assets are \$18.8 million of expenditures before accumulated depreciation funded by the City of New York (the City) under four completed construction contracts over the period from 1996 to 2006 and approximately \$20.8 million of expenditures funded by the City under additional construction contracts which started in 2009. The remaining balances under these additional construction contracts aggregate approximately \$247,000 and are included in contributions and grants receivable (note 8). In fiscal 2014 and fiscal 2013 the City reported making \$324,162 and \$1,591,151 of expenditures for these contracts, respectively. The undepreciated balances of fixed assets supported by the City funding at June 30, 2014 and 2013 were \$28.7 million and \$30.7 million, respectively. These amounts are reported as unrestricted net assets designated for fixed assets.

In connection with funding under the City contracts, the Society entered into a mortgage (the Mortgage) with the City in 1996 which was amended in 1998 and 2009. The Mortgage, as amended, requires the Society to complete the improvements within the terms and conditions of the contracts, and requires that for periods as specified in the Mortgage, as amended, the Society continue to own and use its premises for a historical society, museum, gallery, and library or other ancillary uses as otherwise permitted under the Mortgage. During the Mortgage term, the Society shall not sell, assign, lease, license, or otherwise convey all or any portion of the premises, except as otherwise permitted under the Mortgage. It is management's intention to comply with all of the Society's obligations under the Mortgage, after which the Mortgage will, by its terms, be discharged and satisfied without any payment by the Society to the City.

(6) Operating Leases

The Society leases warehouse storage space under an operating lease in New Jersey, which will expire on December 1, 2014. Lease payments for base rent were \$73,000 for the each of the years ended June 30, 2014 and 2013.

Future minimum rentals under the noncancelable operating lease as of June 30, 2014 are as follows:

	<u>Amount</u>
Year ending June 30, 2015	\$ 30,500

(7) Pension Plans

After one year and having completed 1,000 hours of continuous service and attaining age 21, all employees, except union security guards (see below) are covered by the Society's defined contribution, noncontributory, single-employer pension plan administered by TIAA/CREF. Contributions for eligible nonunion employees were 7.5% of compensation paid under the Social Security cap and 10% of compensation paid over the Social Security cap. Employees covered by a union contract with United Auto Workers received 7.5% of an employee's compensation. Pension costs are funded as accrued and the employee is immediately vested. Total costs for the Society's TIAA/CREF plan were \$632,792 and \$564,097 for the years ended June 30, 2014 and 2013, respectively. The Society filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2013 and 2012.

Most of the Society's security guards are members of the Allied International Union and are covered by a defined benefit, noncontributory, multiemployer pension plan administered by the Allied International Union – Allied Security Pension Fund, EID # 11-2528660, Plan # 001. Based on information received

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Notes to Financial Statements

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from the union's staff, the plan's Pension Protection Act zone status was green and the liabilities were fully funded at December 31, 2013. The Society contributed \$75 per month until March 31, 2012 and \$85 per month thereafter for each covered employee. Total costs for the Allied pension plan were \$11,910 and \$14,185 for the years ended June 30, 2014 and 2013, respectively. The union filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2013 and 2012.

(8) Contributions and Grants Receivable

At June 30, 2014 and 2013, contributions and grants receivable consist of the following:

	<u>2014</u>	<u>2013</u>
For non-operating projects	\$ 3,515,106	4,408,824
For permanently restricted endowments	460,000	1,402,000
For operating projects	<u>5,924,003</u>	<u>3,501,875</u>
Total contributions and grants receivable	9,899,109	9,312,699
Less:		
Discount to present value (at discount rates ranging from 0.15% to 0.88%)	(63,500)	(20,500)
Allowance for doubtful accounts	<u>(1,050,000)</u>	<u>(1,025,000)</u>
	<u>\$ 8,785,609</u>	<u>8,267,199</u>

Contributions and grants receivable at June 30, 2014 are expected to be collected in the following fiscal years:

2015	\$ 7,515,532
2016	1,708,577
2017	<u>675,000</u>
Total	<u>\$ 9,899,109</u>

As of June 30, 2014 and 2013, approximately 58% and 57% of gross contributions and grants receivable were due from five donors.

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Notes to Financial Statements

June 30, 2014 and 2013

(9) Temporarily Restricted and Permanently Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Library services	\$ 2,078,204	1,380,943
Museum programs and exhibitions	2,232,703	2,270,488
Public and education programs	2,026,128	1,106,657
Collection acquisition	12,828,662	2,639,508
Capital projects (a)	3,895,843	186,133
2010 fund (note 12)	17,223,715	15,451,429
Future periods	<u>2,608,581</u>	<u>149,134</u>
Total	<u>\$ 42,893,836</u>	<u>23,184,292</u>

(a) Temporarily restricted net assets for renovation projects at June 30, 2014 included \$2,503,536 capitalized as construction in progress.

The investment income earned on the balances of the permanently restricted net assets is restricted to the following uses as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Library services	\$ 1,007,805	1,007,805
Museum programs and exhibitions	4,715,500	4,715,500
Public and education programs	8,542,374	8,240,839
Collection acquisition	230,100	230,100
General operating	<u>15,251,995</u>	<u>11,426,995</u>
Total	<u>\$ 29,747,774</u>	<u>25,621,239</u>

(10) Asset Retirement Obligation

In accordance with the FASB guidance on Accounting for Conditional Asset Retirement Obligations, organizations must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. In 2006, management identified asbestos abatement as a conditional asset retirement obligation and estimated that the cost of remediation was \$2,750,000 and, since that time, has increased the liability by current inflation rates. In keeping with this policy, the liability was increased \$117,000 and \$114,000 during the years ended June 30, 2014 and 2013, representing inflation factors of 4.4% and 4.5%, respectively.

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Notes to Financial Statements

June 30, 2014 and 2013

(11) Line of Credit

During the years ended June 30, 2014 and 2013, the Society had a \$2 million line of credit (the LOC) available with a financial institution. Borrowings under the LOC can be used for the normal short-term working capital needs of the Society and bear interest at LIBOR. The LOC in effect on June 30, 2014 expires on March 6, 2016. During the year ended June 30, 2013, the Society drew funds on the line incurring \$12,227 of interest expense. The Society did not borrow on the line in the year ended June 30, 2014. As of June 30, 2014 and 2013, there were no outstanding borrowings on the line.

(12) Endowment

At June 30, 2014, the Society's endowment fund consists of approximately 40 individual donor-restricted funds, a fund established by agreements with the Attorney General of the State of New York, a Board-Designated fund and the accumulated, unused returns on the fund's investment assets, net of any deficit of these returns.

The endowment fund net assets as of June 30, 2014 and 2013 were as follows:

	June 30	
	2014	2013
Contributions and grants receivable, net	\$ 459,500	1,301,000
Investments	51,940,194	40,193,940
Total	<u>\$ 52,399,694</u>	<u>41,494,940</u>

The Society manages its endowment in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Society has interpreted NYPMIFA as requiring the preservation of the fair value of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Society and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of investments
- other resources of the Society
- where appropriate and the circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Society
- the investment policies of the Society

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Notes to Financial Statements

June 30, 2014 and 2013

In compliance with NYPMIFA, the Investment Committee adopted a revised statement of investment policies for its endowment investments in May 2011. The Statement provides the Investment Committee with a framework to prudently manage and invest the Society's investment assets in order to further the Society's goals and mission. To this end, the Society has established the following as its key investment objectives:

- manage the Society's assets with the objective of earning a "real" total rate of return averaging at least five percent per annum,
- follow prudent standards for preservation of capital and maintenance of liquidity, and
- achieve the highest possible rate of return consistent with the Fund's tolerance for risk as determined by the Investment Committee in its role as fiduciary.

In accordance with accounting guidance issued with the adoption of NYPMIFA, the fair value of each donor-restricted endowment is reported in various net asset classifications for financial reporting purposes. The portion representing the historic value of original gifts (and any subsequent donations) are reported as permanently restricted net assets. The difference between the fair value of a donor-restricted endowment fund and the historic value is classified as one of the following net assets as of the balance sheet dates:

- temporarily restricted if the fair value of the fund is higher than the historic value
- unrestricted if the fair value is below the fund's historic value

At June 30, 2013 certain donor-restricted funds were below their historic value. The aggregate amount of this deficiency was \$355,175. At June 30, 2014 there were no such deficiencies.

In March 2010, the Society and the Attorney General of the State of New York entered into a letter agreement vacating a previously existing agreement from 1994. The 1994 agreement had created a permanently restricted fund from the proceeds of the deaccession of certain assets. Under the 2010 agreement, the balance of the assets created by the 1994 agreement were to be transferred and maintained in a new fund restricted solely for the acquisition, direct care and management of the Society's collections. The initial value of the 2010 fund was \$14,202,262, and in September 2010, the Board of Trustees formally designated that it be treated as endowment by amending the Society's By-Laws. The value of the 2010 fund at June 30, 2014 and 2013 was \$17,223,715 and \$15,451,429, respectively. This fund is classified as temporarily restricted net assets due to the restricted purpose of the fund's principal balance.

In March 2014, the Society transferred \$2,000,000 of unrestricted funds to the endowment fund. The value of the fund at June 30, 2014 was \$2,051,425 and is reported in unrestricted net assets available for nonoperating projects.

In accordance with NYPMIFA and the Investment Policy Guidelines, the Investment Committee and the Board of Trustees establish an annual endowment draw as part of the budget process based on a trailing 12-quarter average of the market value of the endowment's investments.

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Notes to Financial Statements

June 30, 2014 and 2013

The components of endowment net assets, including contributions receivables, as of June 30, 2014 and 2013 were as follows:

		2014			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	3,376,780	29,747,774	33,124,554
Fund established by 2010 AG Agreement		—	17,223,715	—	17,223,715
Board-designated fund		2,051,425	—	—	2,051,425
Total endowment net assets	\$	<u>2,051,425</u>	<u>20,600,495</u>	<u>29,747,774</u>	<u>52,399,694</u>

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	(355,175)	777,447	25,621,239	26,043,511
Fund established by 2010 AG Agreement		—	15,451,429	—	15,451,429
Total endowment net assets	\$	<u>(355,175)</u>	<u>16,228,876</u>	<u>25,621,239</u>	<u>41,494,940</u>

The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2014:

	Unrestricted other	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2013	\$ (355,175)	16,228,876	25,621,239	41,494,940
Contributions	—	—	4,126,535	4,126,535
Transfer to Board-designated fund	2,000,000	—	—	2,000,000
Appropriation of endowment assets for expenditure in operating fund	—	(2,283,424)	—	(2,283,424)
Investment net gains, net of expenses	406,600	6,655,043	—	7,061,643
Endowment net assets at June 30, 2014	\$ <u>2,051,425</u>	<u>20,600,495</u>	<u>29,747,774</u>	<u>52,399,694</u>

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Notes to Financial Statements

June 30, 2014 and 2013

The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2013:

	<u>Unrestricted other</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2012	\$ (413,853)	15,810,094	25,356,239	40,752,480
Contributions	—	—	265,000	265,000
Appropriation of endowment assets for expenditure in operating fund	—	(2,036,544)	—	(2,036,544)
Investment net gains, net of expenses	58,678	2,455,326	—	2,514,004
Endowment net assets at June 30, 2013	<u>\$ (355,175)</u>	<u>16,228,876</u>	<u>25,621,239</u>	<u>41,494,940</u>

(13) Commitments and Contingencies

The Society is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, all claims have been accrued or will be covered by insurance.

(14) Subsequent Events

In connection with the preparation of the financial statements, the Society evaluated events after the balance sheet date of June 30, 2014 and through December 17, 2014, which was the date the financial statements were available to be issued and noted no additional items that would require adjustment to or disclosure in the 2014 financial statements.

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Schedule of Functional Expenses

Year ended June 30, 2014

(with comparative summarized totals for the year ended June 30, 2013)

	Library services	Museum programs and exhibitions	Public and education programs	Auxiliary activities	Total program services	Management and general	Development	Total supporting services	2014 Total expenses	2013 Total expenses
Available for operations:										
Salaries, benefits, and payroll taxes	\$ 2,838,772	4,548,350	2,338,555	1,053,190	10,778,867	1,959,412	670,869	2,630,281	13,409,148	12,676,860
Fees for services:										
Accounting	—	—	—	—	—	159,177	—	159,177	159,177	165,000
Legal	7,113	15,397	6,263	3,209	31,982	4,558	2,024	6,582	38,564	103,826
Other	192,355	474,096	327,251	15,310	1,009,012	145,442	87,108	232,550	1,241,562	955,029
Advertising and promotion	—	573,502	31,277	5,675	610,454	76,638	—	76,638	687,092	669,898
Office expenses	22,342	129,952	128,162	54,261	334,717	83,529	78,396	161,925	496,642	421,168
Information technology	73,874	40,698	70,187	7,476	192,235	15,379	26,573	41,952	234,187	269,768
Occupancy:										
Space rentals	—	232,467	6,564	1,167	240,198	—	1,000	1,000	241,198	229,241
Utilities	600,000	552,632	236,842	94,737	1,484,211	63,157	31,579	94,736	1,578,947	1,745,795
Property insurance	44,205	40,715	17,449	6,979	109,348	4,653	2,327	6,980	116,328	122,120
Travel and meals	10,309	136,859	59,812	12,187	219,167	18,557	3,505	22,062	241,229	140,204
Conferences and meetings	1,129	4,936	4,728	—	10,793	314	47	361	11,154	13,993
Interest	—	—	—	—	—	—	—	—	—	12,227
Insurance (other than property)	68,443	382,176	17,449	6,980	475,048	4,653	2,327	6,980	482,028	169,241
Cost of sales	—	—	—	495,069	495,069	—	—	—	495,069	428,821
Other:										
Exhibition costs	—	954,239	—	—	954,239	—	—	—	954,239	1,382,310
Equipment rental and repair	205,239	324,583	94,494	32,311	656,627	53,356	17,531	70,887	727,514	696,490
Printing and publication	6,632	205,047	174,081	3,339	389,099	42,125	81,916	124,041	513,140	363,004
Other supplies (other than office)	39,526	111,961	175,160	37,323	363,970	52,631	218,468	271,099	635,069	651,864
Agency temporary staff	156,533	622,803	95,654	109,197	984,187	17,637	12,381	30,018	1,014,205	386,740
Other	101,946	105,774	62,216	32,667	302,603	11,419	7,018	18,437	321,040	276,978
	<u>4,368,418</u>	<u>9,456,187</u>	<u>3,846,144</u>	<u>1,971,077</u>	<u>19,641,826</u>	<u>2,712,637</u>	<u>1,243,069</u>	<u>3,955,706</u>	<u>23,597,532</u>	<u>21,880,577</u>
Available for nonoperating projects and designated for fixed assets:										
Salaries, benefits, and payroll taxes	—	192,476	—	1,242	193,718	—	54,387	54,387	248,105	159,059
Fees for services	77,593	326,347	77,593	25,864	507,397	—	93,578	93,578	600,975	116,720
Collection acquisitions	38,585	26,500	—	—	65,085	—	—	—	65,085	642,119
Depreciation of fixed assets	614,811	2,809,418	1,039,126	1,263,799	5,727,154	71,041	35,300	106,341	5,833,495	5,712,300
Accretion of asset retirement obligation	44,460	40,950	17,550	7,020	109,980	4,680	2,340	7,020	117,000	114,000
Other	—	238,840	—	1,056	239,896	—	6,089	6,089	245,985	110,084
	<u>775,449</u>	<u>3,634,531</u>	<u>1,134,269</u>	<u>1,298,981</u>	<u>6,843,230</u>	<u>75,721</u>	<u>191,694</u>	<u>267,415</u>	<u>7,110,645</u>	<u>6,854,282</u>
Total	\$ <u>5,143,867</u>	<u>13,090,718</u>	<u>4,980,413</u>	<u>3,270,058</u>	<u>26,485,056</u>	<u>2,788,358</u>	<u>1,434,763</u>	<u>4,223,121</u>	<u>30,708,177</u>	<u>28,734,859</u>

See accompanying independent auditors' report.