

***STATEN ISLAND
INSTITUTE OF ARTS AND SCIENCES***

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
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JUNE 30, 2008 AND 2007

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Independent Auditor's Report

To The Board of Directors of
Staten Island Institute of Arts and Sciences

We have audited the accompanying statement of financial position of the Staten Island Institute of Arts and Sciences (a not-for-profit organization) (the "Institute") as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Staten Island Institute of Arts and Sciences as of June 30, 2007, were audited by other auditors whose report dated December 3, 2007, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Staten Island Institute of Arts and Sciences as of June 30, 2008, 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.



Staten Island, NY
December 19, 2008

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 528,601	\$ 305,296
Investments	2,039,919	2,089,041
Accounts receivable	213,614	160,895
Inventory	17,986	15,431
Prepaid expenses	9,658	18,297
Property and Equipment (net)	<u>324,569</u>	<u>141,996</u>
 TOTAL ASSETS	 <u>\$ 3,134,347</u>	 <u>\$ 2,730,956</u>

COLLECTIONS

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 210,477	\$ 128,941
Deferred revenue	<u>14,590</u>	<u>54,152</u>
 Total Liabilities	 <u>225,067</u>	 <u>183,093</u>
 Net Assets		
Unrestricted	863,740	721,971
Temporarily restricted	1,646,573	1,426,925
Permanently restricted	<u>398,967</u>	<u>398,967</u>
 Total Net Assets	 <u>2,909,280</u>	 <u>2,547,863</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,134,347</u>	 <u>\$ 2,730,956</u>

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

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Support					
Individual contributions	\$ 39,592	-	-	\$ 39,592	\$ 31,316
Foundations	271,500	\$ 314,500	-	586,000	258,525
Corporations	29,913	-	-	29,913	30,200
Bequests	1,507	-	-	1,507	10,000
Donated materials and services	23,489	-	-	23,489	67,412
NYC Dept. of Cultural Affairs	1,059,293	-	-	1,059,293	993,522
NYC Dept. of Youth Community					
Development	53,400	-	-	53,400	53,400
NYS grants	213,800	-	-	213,800	56,925
Federal grants	25,000	-	-	25,000	-
Total Support	<u>1,717,494</u>	<u>314,500</u>	<u>-</u>	<u>2,031,994</u>	<u>1,501,300</u>
Revenue					
Program income	195,345	-	-	195,345	165,851
Fundraising events	110,103	-	-	110,103	140,316
Museum gift shop	12,017	-	-	12,017	17,020
Membership dues	26,945	-	-	26,945	24,592
Admissions	6,396	-	-	6,396	4,578
Investment income	(10,099)	(73,102)	-	(83,201)	204,121
Deaccessioned Sales	36,163	-	-	36,163	4,550
Other income	9,750	-	-	9,750	5,848
Net assets released from restrictions	<u>121,750</u>	<u>(121,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>508,370</u>	<u>(194,852)</u>	<u>-</u>	<u>313,518</u>	<u>566,876</u>
Total Support and Revenue	<u>2,225,864</u>	<u>119,648</u>	<u>-</u>	<u>2,345,512</u>	<u>2,068,176</u>
Expenses					
Programs					
Collections and exhibitions	705,027	-	-	705,027	632,049
Visitor services, public					
affairs, and membership	337,962	-	-	337,962	319,129
Public programs and education	<u>478,525</u>	<u>-</u>	<u>-</u>	<u>478,525</u>	<u>472,975</u>
Total Programs	1,521,514	-	-	1,521,514	1,424,153
Management and support services	227,654	-	-	227,654	216,400
Fundraising	234,927	-	-	234,927	219,089
Total Expenses	<u>1,984,095</u>	<u>-</u>	<u>-</u>	<u>1,984,095</u>	<u>1,859,642</u>
Increase in Net Assets	241,769	119,648	-	361,417	208,534
Repayment of Interfund Loan	(100,000)	100,000	-	-	-
Net Assets-Beginning of Year	<u>721,971</u>	<u>1,426,925</u>	<u>\$ 398,967</u>	<u>2,547,863</u>	<u>2,339,329</u>
Net Assets-End of Year	<u>\$ 863,740</u>	<u>\$1,646,573</u>	<u>\$ 398,967</u>	<u>\$2,909,280</u>	<u>\$2,547,863</u>

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

**STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR JUNE 30, 2007**

	PROGRAMS					Total 2007
	Collections and Exhibitions	Visitor Services, Public Affairs, and Membership	Public Programs and Education	Management and General	Fundraising	
Salaries	\$ 331,116	\$ 160,287	\$ 271,724	\$ 146,994	\$ 110,292	\$ 1,004,238
Payroll Taxes	24,374	11,890	20,002	10,821	8,119	76,719
Employee Fringe Benefits	51,977	25,356	42,654	23,075	17,313	160,590
Pension	30,809	13,805	20,602	14,740	11,058	74,653
Insurance	9,996	4,996	4,996	2,998	1,998	28,164
Professional Fees	4,057	4,057	4,057	4,057	4,057	15,603
Occupancy	28,058	5,533	8,300	2,767	2,767	52,545
Utilities	12,256	-	12,256	-	-	25,380
Artists and Consultants	77,179	31,645	28,748	691	14,816	78,734
Special Programs and Promotions	-	-	13,431	-	-	13,431
Fundraising Events	-	-	-	-	20,720	23,709
Gift Shop - Cost of Sales	-	6,604	-	-	-	3,826
Postage and Shipping	4,097	3,916	2,226	974	2,307	13,671
Printing and Copying	2,189	24,730	4,345	-	14,186	40,257
Photography	4,526	-	1,021	-	1,648	7,195
Advertising	1,342	9,628	512	70	727	6,998
Telephone	3,523	3,523	3,523	2,114	1,409	8,079
Equipment Lease and Repair	33,696	17,050	10,439	5,529	3,686	12,747
Office Expense	1,438	1,377	1,377	826	550	59,721
Dues and Subscriptions	3,136	1,473	1,236	569	379	5,529
Supplies	30,034	2,625	16,937	2,182	3,489	7,249
Staff Development	36	3,250	-	-	3,250	47,803
Interest and Bank Charges	-	-	-	1,734	-	1,480
Depreciation	3,783	3,784	2,702	540	-	2,071
Collections Acquisition In-Kind	19,225	-	-	-	-	16,762
Collections Purchases and Conservation	25,840	-	-	-	-	67,281
Travel and Entertainment	2,340	2,433	5,452	931	931	2,284
Bad Debt	-	-	1,985	-	11,155	9,534
Miscellaneous	-	-	-	6,042	70	-
Total Expenses in 2008	\$ 705,027	\$ 337,962	\$ 478,525	\$ 227,654	\$ 234,927	\$ 1,984,095
Total Expenses in 2007	\$ 632,049	\$ 319,129	\$ 472,975	\$ 216,400	\$ 219,089	\$ 1,859,642

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

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 361,417	\$ 208,534
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,809	16,762
Unrealized loss (gain) on investments	237,974	(32,912)
Realized loss (gain) on sale of investments	10	(114,756)
Operating Assets:		
(Increase) decrease in accounts receivable	(52,719)	21,679
(Increase) in inventory	(2,555)	(7,349)
Decrease (increase) in prepaid expenses	8,639	(2,303)
Operating Liabilities:		
Increase (decrease) in accounts payable and accrued expenses	81,536	(12,764)
(Decrease) increase in deferred revenue	(39,562)	36,604
Total Cash Flow Provided by Operating Activities	<u>605,549</u>	<u>113,495</u>
 Cash Flows From Investing Activities:		
Purchases of investments	(224,110)	(2,342,567)
Proceeds from sale of marketable securities	35,248	1,992,071
Purchases of property and equipment	(193,382)	(4,441)
Total Cash Flow Used in Investing Activities	<u>(382,244)</u>	<u>(354,937)</u>
 Increase (Decrease) in Cash and Cash Equivalents	223,305	(241,442)
 Cash and Cash Equivalents-Beginning of Year	<u>305,296</u>	<u>546,738</u>
 Cash and Cash Equivalents-End of Year	<u>\$ 528,601</u>	<u>\$ 305,296</u>
 Supplementary Disclosure		
Interest paid	-	-
Income tax paid	-	-

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

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Note A-The Organization

The Staten Island Institute of Arts and Sciences (the “Institute”) is a non-profit organization. Its mission is to identify, collect, preserve, research, exhibit and interpret works of artistic, historical and scientific value, with emphasis on the Staten Island community. The mission includes specific work in the academic areas of cultural history, natural sciences and art.

The Institute’s museum building is located on land owned by the City of New York and assigned without cost to the Institute in perpetuity as long as the facility is utilized for museum purposes.

Major funding for the operation of the Institute is through government grants mostly from the City of New York.

Note B-Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the Institute have been prepared on the accrual basis.

Financial Statement Presentation

The Institute follows Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statement for Not-for-Profit Organizations.” Under SFAS No. 117, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Institute is required to present a statement of cash flows.

The Institute also follows SFAS No. 116, “Accounting for Contributions Received and Contributions Made.” In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Institute has received contributions with donor-imposed restrictions that result in temporarily and permanently restricted net assets.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

It is the Institute’s policy to report donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Institute considers all highly liquid debt instruments with maturity of three months or less, to be cash equivalents.

Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", the institute reflects investments at fair value in the statement of financial position.

Accounts Receivables

Accounts receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed.

The Institute uses the allowance method to account for uncollectible trade receivable balances. Under the allowance method, if needed, an estimate of uncollectible balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include credit quality and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding. When an account balance is past due and attempts have been made to collect the receivable through legal and other means, the amount may be deemed uncollectible and written off. For the period ended June 30, 2008, accounts receivables consisted of grants and other miscellaneous receivables and had balances in the amounts of \$213,614. All accounts were deemed collectible, and no allocation for uncollectible account was recorded.

Inventory

The Institute maintains inventory in its museum gift shops. Inventory is recorded at the lower of cost or market. Cost is determined under the specific identification method.

Property and Equipment

The Institute's museum building is located on land owned by the City of New York and assigned without cost to the Institute in perpetuity as long as the facility is utilized for museum purposes. The Institute is also involved in a capital improvement project to renovate and restore buildings located at Snug Harbor Cultural Center in Staten Island, New York (see Note L).

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

For fiscal years ending prior to July 1, 1989, the Institute did not capitalize or depreciate any property, plant and equipment used in its operation. Such items were charged to expense in the year of acquisition.

For all fiscal years beginning after June 30, 1989, the Institute changed its method of accounting for fixed asset additions. The Institute's policy is to capitalize all fixed assets with a cost in excess of \$1,000.

Fixed asset additions are capitalized as assets at cost if purchased or at their fair market value if donated and depreciated under the straight-line method over their estimated useful lives as follows:

Building improvements	30 Years
Programmatic equipment	5 Years
Office equipment	5 Years
Intangible assets	5 Years

Collections

The Institute's Collection is in three broad categories. The Science Collection includes many "type specimens," which are individual specimens used as the basis for determining the characteristics of a species. The Entomology Collection includes 60,000 cicadas representing 450 species, which is North America's largest cicada collection. In addition, the science collection includes the Herbarium, Zoology, Ornithology, Conchology, Marine Invertebrate, Geology, Archeology, and Wet Collections. The History Archives and Library contains important collections of historical photographs, documents and other material relating to the people and history of Staten Island. The Art Collection includes 19th and 20th century portraits of prominent Staten Islanders as well as landscapes by Staten Islanders. European and American artwork is present, including a portion of the Kress Collection of the Italian Renaissance. In addition, the collection includes African, Asian, and Native American Art from antiquity to the present.

In conformity with accounting policies generally followed by museums, collections acquired by purchases or donations are excluded from the statement of financial position and expensed in the statement of activities. Collections acquisition and maintenance costs amounted to \$45,065 and \$69,565 for the fiscal years ended June 30, 2008 and 2007, respectively.

Income Taxes

The Institute is a not-for-profit organization exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and is classified as an organization other than a private function.

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Institute that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Donated Materials and Services

The contributions of services are recognized in the financial statements if the services received: (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, contributions of materials and assets were received from various sources.

Donated materials are recorded based upon the estimated fair market value of the item contributed. The Institute recorded \$23,489 and \$67,412 of contributed services and donated materials for the years ended June 30, 2008 and 2007, respectively.

By arrangement with the Power Authority of the State of New York, the City of New York provides electricity to the Institute. This contribution, which was \$24,512 and \$25,380 for 2008 and 2007, respectively, is recorded as both government support and expense in the accompanying financial statements.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2007, from which the summarized information was derived. In addition, certain prior year amounts have been reclassified to conform to the current year presentation.

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Note C-Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets have been designated by donors to the following funds for the year ended June 30, 2008 and 2007, as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
<i>June 30, 2008</i>		
Weingartner Fund	\$ 502,738	\$ -
Auxiliary Fund	56,460	-
Joseph F. Burke Fund	551,101	-
John A. and Eileen F. Carr Fund	-	35,314
Robert J. O'Connor Fund	5,230	-
Nathaniel Lord Britton and Elizabeth Gertrude Britton Fund	142,081	54,591
Joseph J. Crook Fund	12,756	2,903
New York Community Trust	30,000	-
Natural Science Fund	124,207	306,159
Hudson River	7,500	-
JP Morgan	10,000	-
Time Warner	12,000	-
Staten Island Foundation	137,500	-
Deutsche Bank-New Spaces	50,000	-
Colgate Palmolive-Summer Camp Grant	<u>5,000</u>	<u>-</u>
Total 2008	<u>\$ 1,646,573</u>	<u>\$ 398,967</u>
<i>June 30, 2007</i>		
Weingartner Fund	\$ 511,124	\$ -
Auxiliary Fund	54,884	-
Joseph F. Burke Fund	559,482	-
John A. and Eileen F. Carr Fund	-	35,314
Robert J. O'Connor Fund	5,084	-
Nathaniel Lord Britton and Elizabeth Gertrude Britton Fund	140,194	54,591
Joseph J. Crooke Fund	12,511	2,903
Natural Science Fund	132,396	306,159
NY Metropolitan Ferryboats	2,250	-
Mastering Science Ed Program	<u>9,000</u>	<u>-</u>
Total 2007	<u>\$ 1,426,925</u>	<u>\$ 398,967</u>

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Note D-Investments

The fair value of investments in marketable equity and debt securities is based on quoted market prices.

Investment income is reported net of investment expense on the statement of activities for both unrestricted and temporarily restricted net assets.

Investment balances at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Marketable Securities	\$ 324,345	\$ 331,681
Corporate Bonds	493,270	461,718
U.S. Government and Agency obligation	243,815	236,768
Mutual Funds	<u>978,489</u>	<u>1,058,874</u>
	<u>\$ 2,039,919</u>	<u>\$ 2,089,041</u>

Investment income for the year ending June 30, 2008 is comprised of the following:

Interest	\$ 53,867
Dividends	100,896
Realized Gain	10
Unrealized loss	<u>(237,974)</u>
	<u>\$ (83,201)</u>

Note E-Public Support Appropriation from the City of New York

For the years ended June 30, 2008 and 2007, the City of New York, Department of Cultural Affairs made the following appropriations to the Institute that are included in unrestricted public support:

	<u>2008</u>	<u>2007</u>
Operational Support	\$ 848,760	\$ 790,440
Energy Appropriations	24,512	25,380
Pension Plan Appropriations	74,308	74,380
GHI/Health Plan	<u>111,713</u>	<u>103,322</u>
Total	<u>\$ 1,059,293</u>	<u>\$ 993,522</u>

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Note F-Property and Equipment

Property and equipment as of June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Snug Harbor-Capital Project	\$ 285,913	\$ 97,380
Building Improvements	121,353	121,353
Office Equipment	119,263	119,263
Website and Software	11,649	6,800
Program Equipment	23,170	23,170
Vehicles	9,069	9,069
Furniture and Fixtures	<u>59,512</u>	<u>59,512</u>
Subtotal	629,929	436,547
Less: Accumulated Depreciation	<u>305,360</u>	<u>294,551</u>
Property and Equipment (Net)	<u>\$ 324,569</u>	<u>\$ 141,996</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$10,809 and \$16,762, respectively.

Note G-Deferred Revenue

Deferred revenue represents monies received in the current fiscal year for activities taking place in the subsequent fiscal year. However, deferred revenue only pertains to monies received by individuals and groups for membership fees and program activities such as education classes, workshops and summer Earth camp. Deferred revenue for the years ended June 30, 2008 and 2007, was \$14,590 and \$54,152, respectively.

Note H-Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Note I-Pension Plan

All salaried employees who are employed a minimum of 21 hours a week are eligible to participate in the pension plan sponsored by the Cultural Institution Retirement System (CIRS) after they have completed three months of service and have reached age twenty-one. CIRS is a multi-employer plan administered by the City of New York. Pension expense for the years ended June 30, 2008 and 2007 was \$91,014 and \$74,653, respectively, which was financed mostly in part by an appropriation from the City of New York.

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

The Institute also maintains a 401 (k) retirement plan which allows employees to defer up to 100% of their salaries on a pre-tax basis up to a maximum of \$15,500, or \$20,500 for employees age 50 and older. The Institute is required to make an annual matching contribution of 1% - 3% of employee salaries. Employees are 100% vested in their accounts which include their contributions, employer matching contribution and investment gains, if any. The Institute's contribution to the savings plan during the fiscal year ended June 30, 2008 totaled \$7,743.

Benefits are normally paid upon retirement, death or termination and are calculated based upon years of creditable service and average salary.

Note J-Commitments

The Institute has entered into various lease agreements for various equipment. Such leases have been classified as operating leases and the future minimum rental payments required on these lease agreements are as follows:

June 30, 2009	\$ 15,256
2010	\$ 9,382
2011	\$ 6,555
2012	\$ 3,041
2013	<u>\$ 286</u>
Total	<u>\$ 34,520</u>

Rent for storage is on a month by month basis. The expense for the years ended June 30, 2008 and 2007 was \$42,818 and \$43,328, respectively.

Note K-Interfund Loan

In fiscal year 1998, the Temporarily Restricted Funds had loaned \$300,000 to the operating fund to be used for the completion of the design phase of the new museum. The loan was being used to cover costs not being paid by the New York City Capital Funds. This project was subsequently terminated, but interest, at the prime rate, is being charged until the loan is repaid. The balance owed to the Temporarily Restricted Fund at June 30, 2008 is calculated as follows:

Original loan balance	\$ 300,000
Interest accrued through 6/30/08	<u>176,773</u>
Subtotal	476,773
Less: Payment through 6/30/08	<u>(338,696)</u>
Total	<u>\$ 138,077</u>

STATEN ISLAND INSTITUTE OF ARTS AND SCIENCES
NOTES TO FINANCIAL STATEMENTS

Note L-Capital Improvements funded by the City of New York

The Institute is currently involved in a capital improvement project to renovate and restore buildings at the Snug Harbor Cultural Center in Staten Island, New York in order to relocate and expand its offices, activities and exhibits. During fiscal year 2005, renovations began to restore these landmark buildings, and the Institute has obtained preliminary funding from various organizations regarding this project.

The funds received for capital improvements are from the City of New York, Department of Cultural Affairs. The improvements made are to property owned by the City of New York with City appropriated funds, and these improvements are not recognized as assets on the Institute's financial statements.

The City of New York has paid \$147,649 and \$291,399 for capital expenses for the renovation of Snug Harbor Cultural Center in the fiscal years 2008 and 2007, respectively. Historically the City of New York has spent \$1,043,158 on capital expenses from 2005 to 2008.

In addition to amounts expended directly by The City of New York, the Institute also expended \$285,913 and \$97,380 at June 30, 2008 and 2007, respectively, related to the Snug Harbor capital improvement project.

Note M-Related Party Transactions

There is a family relationship between a board member and the advisor who manages the Institute's investments.

Note N-Significant Concentration of Credit Risk

At June 30, 2008, the Staten Island Institute of Arts and Sciences had funds with one financial institution that exceeded the maximum federal insurance level by \$347,744.

Note O-Significant Concentration of Funding

The Institute is dependent upon continued funding from government grants and other public and private sources. Failure to obtain continued funding from these sources in future periods would significantly affect the operation of the Institute.
