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25th Anniversary Year

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THE SOCIETY FOR THE PRESERVATION OF NATURAL HISTORY COLLECTIONS

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2013 AND 2012

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2013 AND 2012

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
The Society for the Preservation of Natural History Collections
New York, New York

We have reviewed the accompanying statements of financial position of The Society for the Preservation of Natural History Collections (a non-profit organization) as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Society personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Fairfax, Virginia
March 27, 2014

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

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(REVIEWED)

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 121,363	\$ 96,006
Inventory	28,885	28,586
Total Current Assets	<u>150,248</u>	<u>124,592</u>
INVESTMENTS	<u>82,480</u>	<u>63,845</u>
INTANGIBLE ASSET		
Website design, net of amortization	600	4,924
	<u>\$ 233,328</u>	<u>\$ 193,361</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,600	\$ -
Deferred revenue	10,492	11,860
Total Current Liabilities	<u>14,092</u>	<u>11,860</u>
NET ASSETS		
Unrestricted	214,416	176,284
Temporarily restricted	4,820	5,217
	<u>219,236</u>	<u>181,501</u>
	<u>\$ 233,328</u>	<u>\$ 193,361</u>

See accompanying notes and independent accountants' review report.

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

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STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(REVIEWED)

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
<hr/>		
Revenue		
Membership dues and subscriptions	\$ 27,438	\$ 25,673
Publication sales	9,528	14,298
Contributions	35,296	105
Investment income	20,827	9,081
	<hr/>	<hr/>
Net assets released from restrictions	717	8,955
	<hr/>	<hr/>
	93,089	49,157
	<hr/>	<hr/>
	93,806	58,112
Expenses		
Program	40,796	46,312
General and administrative	14,878	15,631
	<hr/>	<hr/>
	55,674	61,943
	<hr/>	<hr/>
INCREASE (DECREASE) IN UNRESTRICTED ASSETS	38,132	(3,831)
	<hr/>	<hr/>
TEMPORARILY RESTRICTED NET ASSETS		
<hr/>		
Contributions	320	-
Net assets released from restriction	(717)	(8,955)
	<hr/>	<hr/>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(397)	(8,955)
	<hr/>	<hr/>
TOTAL INCREASE (DECREASE) IN NET ASSETS	37,735	(12,786)
NET ASSETS, BEGINNING OF YEAR	181,501	194,287
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ <u>219,236</u>	\$ <u>181,501</u>

See accompanying notes and independent accountants' review report.

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

DRAFT

(REVIEWED)

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from members and customers	\$ 71,214	\$ 43,096
Cash paid for program and support services	(48,049)	(53,192)
Interest and dividends received	2,192	2,175
Net Cash Provided By (Used In) Operating Activities	<u>25,357</u>	<u>(7,921)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,357	(7,921)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>96,006</u>	<u>103,927</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 121,363</u>	<u>\$ 96,006</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 37,735	\$ (12,786)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,324	5,768
(Gain) loss on valuation of investments	(18,635)	(6,906)
(Increase) decrease in inventory	(299)	2,983
Increase (decrease) in accounts payable	3,600	-
Increase (decrease) in deferred revenue	<u>(1,368)</u>	<u>3,020</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 25,357</u>	<u>\$ (7,921)</u>

See accompanying notes and independent accountants' review report.

THE SOCIETY FOR THE PRESERVATION OF NATURAL HISTORY COLLECTIONS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

(REVIEWED)

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NOTE 1 – Summary of Significant Accounting Policies

The Society for the Preservation of Natural History Collections (the Society) was formed in 1985, and then incorporated in 1988 under the laws of the state of Pennsylvania. The Society seeks to improve the preservation, conservation and management of natural history collections to ensure their continuing value to the society. Substantial support is received from approximately 600 members, representing 21 countries, who are interested in the development and preservation of natural history collections.

Support and Expenses

Contributions are recognized when the donor makes a promise to give to the Society 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.

Member support received in advance of the membership period is recorded as deferred in the accompanying statements of financial position.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Fair Value Measurements

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in an active market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

Use of Estimates

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

Cash Equivalents

For purposes of the statement of cash flows, the Society considers all short-term non-restricted investments to be cash equivalents.

Inventory

The Society maintains an inventory of professional books for sale to members and to the public. Inventory is recorded at lower of cost or market.

THE SOCIETY FOR THE PRESERVATION OF NATURAL HISTORY COLLECTIONS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

(REVIEWED)

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NOTE 1 – Summary of Significant Accounting Policies, continued

Investments

Investments are reported at market value using level 1 methodology. Contributions of marketable securities are recorded at their fair market value at the date of donation.

Intangible Asset

The Society capitalized expenditures related to long-term functional website building and design fees. Expenditures for ordinary maintenance and updates are charged to operations as incurred. When management deems the property to be impaired beyond further use, the remaining unamortized balance is expensed in the current year. The cost and related accumulated amortization are then eliminated from the accounts. Amortization is provided for under the straight-line method over a period of three years.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Society, resources for various purposes are classified for accounting purposes into the following classes established according to their nature and purpose.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and includes Board designated funds, i.e.: funds that have been segregated by the Board to be spent only on specified purposes.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. The Society has no permanently restricted net assets.

Tax Exempt Status

The Society has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended and is classified as other than a private foundation. Therefore, no provision for income taxes has been made.

Management evaluated the Society's tax positions and concluded that the Society had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements. With few exceptions, federal and state information returns for the years prior to 2010 are no longer subject to examination by tax authorities.

Subsequent Events

The Society evaluated its December 31, 2013 financial statements for subsequent events through March 27, 2014, the date the financial statements were available to be issued.

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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(REVIEWED)

NOTE 2 – Inventory

Inventory, at cost, consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
Ideas and Practical Solutions - Vol 1	\$ -	\$ 258
A Preventive Conservation Approach - Vol 2	781	-
Managing the Modern Herbarium	2,598	2,950
MuseumWise: Workplace Words Defined	5,976	5,363
Museum Studies	584	31
Health and Safety	18,946	19,984
	<u>\$ 28,885</u>	<u>\$ 28,586</u>

NOTE 3 – Investments

Investments, at market value, consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Mutual funds	<u>\$ 82,480</u>	<u>\$ 63,845</u>

Fair market values for certificates of deposit and mutual funds, which are the amounts reported in the statements of financial position, are all based on the quoted market prices, Level 1 methodology, less any dividend and interest income earned but not yet received. Carrying value approximates fair market value.

Investment income for the years ended December 31, is comprised of the following:

	<u>2013</u>	<u>2012</u>
Unrealized gain (loss) on market value	\$ 18,635	\$ 6,906
Interest and dividends	2,192	2,175
	<u>\$ 20,827</u>	<u>\$ 9,081</u>

**THE SOCIETY FOR THE PRESERVATION OF
NATURAL HISTORY COLLECTIONS**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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(REVIEWED)

NOTE 4 – Intangible Asset

Website building and design fees incurred in 2010 for long-term functionality purposes, and the related accumulated amortization as of December 31, are summarized as follows:

	<u>2013</u>	<u>2012</u>
Gross carrying amount	\$ 17,300	\$ 17,300
Less: accumulated amortization	(16,700)	(12,376)
	<u>\$ 600</u>	<u>\$ 4,924</u>

Amortization expense for the years ended December 31, 2013 and 2012 was \$4,324 and \$5,768, respectively.

Future estimated amortization expense for the five years succeeding December 31, 2013 is as follows:

2014	\$ 600
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Expenditures related to maintenance and updates are charged to operations as incurred. See Note 6.

NOTE 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Award fund	\$ 125	\$ -
Fitzgerald travel grant	50	-
Founders fund	145	-
Storage book	4,500	4,500
Student travel fund	-	717
	<u>\$ 4,820</u>	<u>\$ 5,217</u>

**THE SOCIETY FOR THE PRESERVATION OF
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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(REVIEWED)

NOTE 6 – Program Expenses

Program expenses for the years ended December 31 are as follows:

	<u>2013</u>		<u>2012</u>
Meeting expense	\$ -	\$	9,216
Membership and miscellaneous	4,411		2,767
Printing and publication	25,227		27,757
Shipping and mailing	55		597
Research grant	1,105		-
Travel grant	1,848		5,000
Website	8,150		975
	<u>\$ 40,796</u>	\$	<u>46,312</u>

NOTE 7 – General and Administrative Expenses

General and administrative expenses for the years ended December 31 are as follows:

	<u>2013</u>		<u>2012</u>
Bank and merchant charges	\$ 606	\$	1,126
Depreciation	4,324		5,768
Election expense	794		-
Insurance	3,244		3,215
Office supplies	910		1,022
Professional fees	5,000		4,500
	<u>\$ 14,878</u>	\$	<u>15,631</u>