

HISTORIC ITHACA, INC.

Ithaca, New York

FINANCIAL REPORT

December 31, 2007

HISTORIC ITHACA, INC.

DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Historic Ithaca, Inc.
Ithaca, New York 14850

I have audited the accompanying statement of financial position of the Historic Ithaca, Inc. as of December 31, 2007, and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Historic Ithaca Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Historic Ithaca, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Engels Certified Public Accounting, PLLC

April 1, 2011
Lansing, New York

HISTORIC ITHACA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2007</u>
Current Assets:	
Cash and cash equivalents	\$ 56,939
Accounts receivable	95,099
Promises to give	10,584
Prepaid expenses	15,958
Deposits	<u>16,450</u>
Total Current Assets	195,030
Significant Elements inventory	88,095
Financing Costs	34,601
Accumulated Amortization	<u>(14,950)</u>
	19,651
Property, Building and Equipment:	
Land	24,780
Building and improvements	2,877,530
Furniture and equipment	<u>80,980</u>
Total Property, Building, Furniture and Equipment	2,983,290
Accumulated Depreciation	<u>(1,460,718)</u>
	<u>1,522,572</u>
Total Assets	\$ <u>1,825,348</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 178,035
Security deposits	6,017
Line of credit	124,968
Notes payable - current portion	887,446
Mortgage payable-current portion	<u>24,542</u>
Total Current Liabilities	1,221,008
Long-term Liabilities:	
Notes payable - net of current portion	106,231
Mortgages payable - net of current portion	<u>333,824</u>
Total Liabilities	1,661,063
Net Assets:	
Unrestricted net assets	<u>153,701</u>
Total Unrestricted Net Assets	153,701
Temporarily restricted net assets	<u>10,584</u>
Total Net Assets	<u>164,285</u>
Total Liabilities and Net Assets	\$ <u>1,825,348</u>

See Independent Auditor's Report and Notes to the Financial Statements

HISTORIC ITHACA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31.

Change in Unrestricted Net Assets:

	2007
Support:	
Contributions	\$ 123,875
Grants	275,442
Sponsorship	73,083
Total Support	472,400
Revenues:	
Ticket sales, net	569,978
Merchandise sales	93,569
Tenant rental	240,005
Rental income	52,698
Concessions	47,406
Program income	115,377
Advertising	16,730
Preservation services	1,123
Interest & other income	6
Net assets released from restrictions	34,019
Total Revenues	1,170,911
 Total Support and Revenues	 1,643,311
Expenses:	
Payroll and employee benefits	461,178
Production expenses	517,091
Advertising	118,492
Repairs and maintenance	132,056
Telephone	12,265
Concessions	16,678
Interest	58,165
Insurance	37,200
Utilities	93,820
Real estate taxes	50,254
Printing, postage and office supplies	10,849
Dues, subscriptions and licenses	2,342
Depreciation	109,738
Amortization	2,866
Equipment and vehicles	4,591
Parking	5,400
Bank fees/finance charges	14,927
Travel and conferences	4,624
Professional fees	8,734
Other miscellaneous expenses	1,388
Fundraising expenses	3,498
 Total Expenses	 1,666,156
 Decrease in Unrestricted Net Assets	 (22,845)
Changes in Temporarily Restricted Net Assets	
Net assets released from restrictions	(34,019)
 Decrease in Temporarily Restricted Net Assets	 (34,019)
 Decrease in Net Assets	 (56,864)
Net Assets, January 1,	221,149
Net Assets, December 31,	\$ 164,285

See Independent Auditor's Report and Notes to the Financial Statements

HISTORIC ITHACA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2007
Cash Flows from Operating Activities:	
Change in net assets	\$ (56,864)
Depreciation	109,738
Amortization	2,866
Decrease (increase) in current assets:	
Accounts receivable	(31,510)
Promises to give	18,519
Prepaid expenses	3,881
Donated inventory	(1,336)
Deposits	-
Increase (decrease) in current liabilities:	
Accounts payable	54,984
Accrued liabilities	(32,914)
Security deposits	(1,785)
	76,348
Net Cash Provided By Operating Activities	
Cash Flows from Investing Activities:	
Purchase of equipment	(87,950)
	(87,950)
Net Cash Used in Investing Activities	
Cash Flows from Financing Activities:	
Net change in Line of Credit	1
Repayment of notes	(78,961)
Repayment of mortgage	(35,371)
	(35,371)
Net Cash Used in Financing Activities	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,973)
Cash and Cash Equivalents at January 1, 2010	103,911
Cash and Cash Equivalents at December 31, 2010	\$ 56,938
Supplemental Disclosures:	
Interest paid	\$ 58,165

See Independent Auditor's Report and Notes to Financial Statements

HISTORIC ITHACA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies

Activity

Historic Ithaca, Inc., is a not-for-profit located in Ithaca, New York, dedicated to the preservation and restoration of historic buildings and areas in the Tompkins County community.

Accounting Method

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Agencies. Under SFAS No. 117, the Organization 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.

Cash and Cash Equivalents

For the statement of cash flows, the Organization includes cash on deposit, cash on hand, and certificates of deposits with original maturities less than three months (if any) to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Assets and Services

Donated assets received are recorded at their estimated fair market values at the date received. The value of donated services is not reflected in these financial statements, as it is not susceptible to objective measurement or valuation.

Advertising Costs

Advertising costs are expensed as incurred

Tax Status

Historic Ithaca, Inc. is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Fixed Assets and Depreciation

Land, buildings, equipment and leasehold improvements are recorded at cost. Depreciation and amortization of assets, including donated assets, are provided for over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives range from five to forty years. Depreciation expense for the year ended December 31, 2007 was \$109,738.

Expenditures for repairs and maintenance are charged to expense as incurred, whereas major betterments are capitalized.

HISTORIC ITHACA, INC.
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
DECEMBER 31, 2007

Use of Estimates

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

Financing Costs

Financing costs resulted from the refinancing of the Organization's first and second mortgages and a loan from the National Trust for Historic Preservation with the Savings Bank of the Finger Lakes. Also included in financing costs are the closing costs associated with the purchase of 105 W. State Street, Ithaca, New York. Amortization is being recorded over the life of the respective mortgages using the straight-line method.

Note 2 - Net Assets

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statement of Activities as net assets released from restrictions.

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31,:

		<u>2007</u>
Unconditional Promises to Give-State Theatre	\$	<u>10,584</u>
Total	\$	<u><u>10,584</u></u>

Note 4 - Line-of-Credit

The Organization obtained a revolving line of credit from M & T Bank in the amount of \$125,000, of which \$32 was unused at December 31, 2007. Bank advances on the credit line are payable on demand and carry a variable interest rate equal to the Bank's prime rate plus 1.0%. The credit line is secured by leases and rents collected at 107 and 105 West State Street, Ithaca, New York. The interest paid and expensed in 2007 was \$1,927.

HISTORIC ITHACA, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2007

Note 5 – Loans and Notes Payable

In October 2006, the Organization refinanced their loans with Mr. Jeb Brooks, in the amount of \$908,446 with an interest rate of 8.0%. Payments of \$7,606 are due the 15th of each month beginning November 15, 2006 with the balance due on October 31, 2007. The note has subsequently been extended to October 31, 2008 under the same terms.

In October 2003, the Organization took out a 20 year note with the Ithaca Urban Renewal Agency in the amount of \$45,000 with an interest rate of 3.0%. Payments of \$3,025 are due annually May 1st beginning in 2005. Payment will be limited to surplus cash flow in excess of the cash flow necessary to maintain the income to expense ratio at 1.05:1 as generated from 105 West State Street.

In May 2004, the Organization took out a 15 year note with the Ithaca Urban Renewal Agency in the amount of \$32,500 with an interest rate of 3.0%. Payments of \$314 are due monthly on June 1st beginning in 2006. Payment was deferred for one year by the Ithaca Urban Renewal Agency with monthly payments of \$349 beginning October 1, 2007.

In August 2006, the Organization took out a short-term note with Mr. David Kuckuk in the amount of \$10,000 with no interest rate. Payments of \$1,000 are due on the 1st of each month beginning August 1, 2007.

Note 6 - Mortgages Payable

Mortgages Payable consisted of the following at December 31,:

	2007
Mortgage payable, incurred May, 2002, with monthly payments of \$1,039 including fixed interest of 7.0%, through 2027, secured by 212 Center Street property.	\$ 134,217
Mortgage Payable to M & T Real Estate Trust with monthly payments of \$1,660 including fixed interest of 7.57% through 2013.	187,440
Mortgage Payable to M & T Real Estate Trust, with monthly payments of \$1,441, including fixed interest at 6.25%, beginning October 2004, through November 2009.	36,709
	358,366
Total Mortgages Payable	358,366
Less: Current Portion	24,542
Total Mortgages Payable, net of current portion	\$ 333,824

HISTORIC ITHACA, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2007

<u>Years</u>	<u>Amount</u>
2008	\$ 24,542
2009	31,076
2010	10,549
2011	11,354
2012	12,220
2013-2017	178,729
2018-2022	36,842
2023-2027	53,054

Interest expense on long-term debt amounted to \$37,757 for the year ended December 31, 2007.

Note 7 - Significant Elements Inventory

Historic Ithaca, Inc. maintains an architectural warehouse of salvaged historical building materials for the purpose of resale. All items maintained at the warehouse are donated and are valued at fair market value at date of donation. The value of these items at December 31, 2007 was \$88,095.