

**ADIRONDACK FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

## ADIRONDACK FOUNDATION

|                                                                        | <u>Page</u> |
|------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT                                           | 1 - 2       |
| Statements of Financial Position<br>June 30, 2018 and 2017             | 3           |
| Statement of Activities<br>for the Year Ended June 30, 2018            | 4           |
| Statement of Activities<br>for the Year Ended June 30, 2017            | 5           |
| Statement of Functional Expenses<br>for the Year Ended June 30, 2018   | 6           |
| Statement of Functional Expenses<br>for the Year Ended June 30, 2017   | 7           |
| Statements of Cash Flows<br>for the Years Ended June 30, 2018 and 2017 | 8           |
| Notes to Financial Statements                                          | 9 - 25      |



Pinto·Mucenski·Hooper  
Van House & Co.  
Certified Public Accountants, P.C.

42 Market Street  
P.O. Box 109  
Potsdam, NY 13676  
(315) 265-6080  
Fax: (315) 265-3530  
[www.pmhvcpa.com](http://www.pmhvcpa.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees of  
Adirondack Foundation  
Lake Placid, New York

We have audited the accompanying financial statements of Adirondack Foundation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

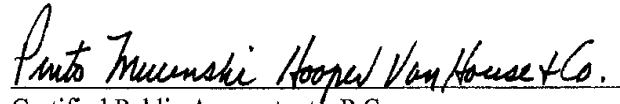
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Adirondack Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Certified Public Accountants, P.C.

October 16, 2018

**ADIRONDACK FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

|                                                | <u>6/30/2018</u>     | <u>6/30/2017</u>     |
|------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                  |                      |                      |
| Cash and Cash Equivalents                      | \$ 400,873           | \$ 548,191           |
| Investments                                    | 61,243,412           | 53,771,401           |
| Unconditional Promise to Give (Net)            | 507,583              | -                    |
| Property and Equipment (Net)                   | 281,576              | 281,995              |
| Other Assets                                   | <u>67,438</u>        | <u>64,832</u>        |
| <b>TOTAL</b>                                   | <u>\$ 62,500,882</u> | <u>\$ 54,666,419</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>          |                      |                      |
| <b>LIABILITIES</b>                             |                      |                      |
| Accounts Payable and Other Current Liabilities | \$ 23,544            | \$ 17,626            |
| Grants Payable                                 | -                    | 208,108              |
| Funds Held as Organization Endowments          | 6,944,005            | 6,281,458            |
| Funds Held for Supporting Organizations        | <u>15,828,537</u>    | <u>15,208,441</u>    |
| Total Liabilities                              | <u>22,796,086</u>    | <u>21,715,633</u>    |
| <br><b>NET ASSETS</b>                          |                      |                      |
| Without Donor Restrictions                     | 38,956,718           | 32,679,495           |
| With Donor Restrictions                        | <u>748,078</u>       | <u>271,291</u>       |
| Total Net Assets                               | <u>39,704,796</u>    | <u>32,950,786</u>    |
| <b>TOTAL</b>                                   | <u>\$ 62,500,882</u> | <u>\$ 54,666,419</u> |

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

**ADIRONDACK FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

|                                               | <u>WITHOUT<br/>DONOR<br/>RESTRICTIONS</u> | <u>WITH<br/>DONOR<br/>RESTRICTIONS</u> | <u>TOTAL<br/>6/30/2018</u> |
|-----------------------------------------------|-------------------------------------------|----------------------------------------|----------------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>     |                                           |                                        |                            |
| Contributions                                 | \$ 6,568,057                              | \$ 25,322                              | \$ 6,593,379               |
| Investment Return                             | 2,732,929                                 | 21,005                                 | 2,753,934                  |
| Supporting Fees                               | 122,049                                   | -                                      | 122,049                    |
| Nonprofit Leadership Tuition and Underwriting | 10,341                                    | -                                      | 10,341                     |
| Contributed Office Space                      | 40,000                                    | 507,583                                | 547,583                    |
| Miscellaneous Income                          | 8,700                                     | -                                      | 8,700                      |
| Net Assets Released from Restriction          | <u>77,123</u>                             | <u>(77,123)</u>                        | <u>-</u>                   |
| Total Revenues, Gains, and Other Support      | <u>9,559,199</u>                          | <u>476,787</u>                         | <u>10,035,986</u>          |
| <b>EXPENSES</b>                               |                                           |                                        |                            |
| Program Services                              | 3,063,536                                 | -                                      | 3,063,536                  |
| Management and General                        | 133,467                                   | -                                      | 133,467                    |
| Development                                   | <u>84,973</u>                             | <u>-</u>                               | <u>84,973</u>              |
| Total Expenses                                | <u>3,281,976</u>                          | <u>-</u>                               | <u>3,281,976</u>           |
| <b>CHANGE IN NET ASSETS</b>                   | 6,277,223                                 | 476,787                                | 6,754,010                  |
| <b>NET ASSETS - Beginning of Year</b>         | <u>32,679,495</u>                         | <u>271,291</u>                         | <u>32,950,786</u>          |
| <b>NET ASSETS - END OF YEAR</b>               | <u>\$ 38,956,718</u>                      | <u>\$ 748,078</u>                      | <u>\$ 39,704,796</u>       |

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

**ADIRONDACK FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

|                                               | <u>WITHOUT<br/>DONOR<br/>RESTRICTIONS</u> | <u>WITH<br/>DONOR<br/>RESTRICTIONS</u> | <u>TOTAL<br/>6/30/2017</u> |
|-----------------------------------------------|-------------------------------------------|----------------------------------------|----------------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>     |                                           |                                        |                            |
| Contributions                                 | \$ 4,466,297                              | \$ 52,487                              | \$ 4,518,784               |
| Investment Return                             | 4,263,036                                 | 34,467                                 | 4,297,503                  |
| Supporting Fees                               | 105,654                                   | -                                      | 105,654                    |
| Nonprofit Leadership Tuition and Underwriting | 12,662                                    | -                                      | 12,662                     |
| Contributed Office Space                      | 18,000                                    | -                                      | 18,000                     |
| Miscellaneous Income                          | 1,745                                     | -                                      | 1,745                      |
| Net Assets Released from Restriction          | <u>103,238</u>                            | <u>(103,238)</u>                       | <u>-</u>                   |
| Total Revenues, Gains, and Other Support      | <u>8,970,632</u>                          | <u>(16,284)</u>                        | <u>8,954,348</u>           |
| <b>EXPENSES</b>                               |                                           |                                        |                            |
| Program Services                              | 2,530,947                                 | -                                      | 2,530,947                  |
| Management and General                        | 95,615                                    | -                                      | 95,615                     |
| Development                                   | <u>81,239</u>                             | <u>-</u>                               | <u>81,239</u>              |
| Total Expenses                                | <u>2,707,801</u>                          | <u>-</u>                               | <u>2,707,801</u>           |
| <b>CHANGE IN NET ASSETS</b>                   | 6,262,831                                 | (16,284)                               | 6,246,547                  |
| <b>NET ASSETS - Beginning of Year</b>         | <u>26,416,664</u>                         | <u>287,575</u>                         | <u>26,704,239</u>          |
| <b>NET ASSETS - END OF YEAR</b>               | <u>\$ 32,679,495</u>                      | <u>\$ 271,291</u>                      | <u>\$ 32,950,786</u>       |

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

# ADIRONDACK FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

|                                                | Program<br>Services | Management<br>and General | Development      | TOTAL<br>6/30/2018  |
|------------------------------------------------|---------------------|---------------------------|------------------|---------------------|
| Salaries                                       | \$ 403,889          | \$ 69,432                 | \$ 34,715        | \$ 508,036          |
| Payroll Related Costs and<br>Employee Benefits | 60,736              | 10,441                    | 5,221            | 76,398              |
| Grants                                         | 2,323,940           | -                         | -                | 2,323,940           |
| Accounting and Legal                           | -                   | 15,400                    | -                | 15,400              |
| Advertising                                    | 15,453              | -                         | 5,151            | 20,604              |
| Nonprofit Leadership Expense (ANN)             | 3,873               | -                         | -                | 3,873               |
| Annual Report                                  | 11,655              | -                         | 3,885            | 15,540              |
| Bank Fees                                      | -                   | -                         | 1,159            | 1,159               |
| Conferences and Travel                         | 10,548              | 1,623                     | 4,057            | 16,228              |
| Contract Services                              | 30,089              | -                         | -                | 30,089              |
| Depreciation                                   | 7,746               | 1,332                     | 666              | 9,744               |
| Dues and Fees                                  | -                   | 10,803                    | -                | 10,803              |
| Program Development                            | 79,721              | -                         | -                | 79,721              |
| Fund Development                               | 1,057               | -                         | -                | 1,057               |
| Insurance                                      | -                   | 8,158                     | -                | 8,158               |
| Meeting Expense                                | 4,869               | -                         | 1,623            | 6,492               |
| Newsletter                                     | 3,434               | -                         | 3,433            | 6,867               |
| Office Expense                                 | 43,420              | 7,462                     | 3,731            | 54,613              |
| Postage and Shipping                           | -                   | 1,437                     | 1,436            | 2,873               |
| Planned Giving                                 | -                   | -                         | 2,575            | 2,575               |
| Premiums for Planned Gifts                     | -                   | -                         | 11,468           | 11,468              |
| Professional Development                       | 3,687               | 567                       | 1,418            | 5,672               |
| Public Relations                               | 1,605               | -                         | -                | 1,605               |
| Rent                                           | 31,800              | 5,467                     | 2,733            | 40,000              |
| Special Events                                 | 9,292               | -                         | -                | 9,292               |
| Telephone and Utilities                        | 6,319               | 1,087                     | 543              | 7,949               |
| Adirondack Gives                               | 9,244               | -                         | -                | 9,244               |
| Website                                        | 1,159               | 258                       | 1,159            | 2,576               |
|                                                | <u>\$ 3,063,536</u> | <u>\$ 133,467</u>         | <u>\$ 84,973</u> | <u>\$ 3,281,976</u> |

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

# ADIRONDACK FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

|                                                | Program<br>Services | Management<br>and General | Development      | TOTAL<br>6/30/2017  |
|------------------------------------------------|---------------------|---------------------------|------------------|---------------------|
| Salaries                                       | \$ 317,050          | \$ 48,282                 | \$ 24,491        | \$ 389,823          |
| Payroll Related Costs and<br>Employee Benefits | 63,042              | 9,363                     | 3,241            | 75,646              |
| Grants                                         | 1,938,734           | -                         | -                | 1,938,734           |
| Accounting and Legal                           | -                   | 12,400                    | -                | 12,400              |
| Advertising                                    | 46,363              | -                         | 14,471           | 60,834              |
| Nonprofit Leadership Expense                   | 6,517               | -                         | -                | 6,517               |
| Annual Report                                  | 9,667               | -                         | 3,223            | 12,890              |
| Bank Fees                                      | -                   | -                         | 2,749            | 2,749               |
| Conferences and Travel                         | 8,025               | 889                       | 2,222            | 11,136              |
| Contract Services                              | 49,726              | -                         | -                | 49,726              |
| Depreciation                                   | 5,252               | 902                       | 451              | 6,605               |
| Dues and Fees                                  | -                   | 7,845                     | -                | 7,845               |
| Program Development                            | 4,694               | -                         | -                | 4,694               |
| Fund Development                               | -                   | -                         | 1,868            | 1,868               |
| Insurance                                      | -                   | 3,612                     | -                | 3,612               |
| Meeting Expense                                | 5,987               | -                         | 1,516            | 7,503               |
| Newsletter                                     | 1,344               | 672                       | 4,705            | 6,721               |
| Office Expense                                 | 30,313              | 5,031                     | 2,516            | 37,860              |
| Postage and Shipping                           | -                   | 1,663                     | 1,520            | 3,183               |
| Planned Giving                                 | -                   | -                         | 2,534            | 2,534               |
| Premiums for Planned Gifts                     | -                   | -                         | 12,205           | 12,205              |
| Professional Development                       | 1,266               | 169                       | 422              | 1,857               |
| Public Relations                               | 2,736               | -                         | -                | 2,736               |
| Rent                                           | 14,310              | 2,460                     | 1,230            | 18,000              |
| Special Events                                 | 9,682               | -                         | -                | 9,682               |
| Telephone and Utilities                        | 6,197               | 902                       | 451              | 7,550               |
| Adirondack Gives                               | 5,809               | -                         | -                | 5,809               |
| Website                                        | 4,233               | 1,425                     | 1,424            | 7,082               |
|                                                | <u>\$ 2,530,947</u> | <u>\$ 95,615</u>          | <u>\$ 81,239</u> | <u>\$ 2,707,801</u> |

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

**ADIRONDACK FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

|                                                      | <u>6/30/2018</u>    | <u>6/30/2017</u>    |
|------------------------------------------------------|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                          |                     |                     |
| Cash Inflows from Operations                         |                     |                     |
| Contributions                                        | \$ 4,985,274        | \$ 3,754,358        |
| Interest and Dividends                               | 1,036,480           | 788,339             |
| Other Cash Receipts                                  | 61,350              | 20,289              |
| Cash Outflows from Operations                        |                     |                     |
| Payments for Salaries, Benefits, and Payroll Taxes   | (584,434)           | (465,469)           |
| Payments to Vendors                                  | (411,532)           | (355,272)           |
| Payment of Grants                                    | <u>(3,215,803)</u>  | <u>(2,613,949)</u>  |
| Net Cash Provided from Operations                    | <u>1,871,335</u>    | <u>1,128,296</u>    |
| <b>INVESTING ACTIVITIES</b>                          |                     |                     |
| Purchase of Fixed Assets                             | (9,324)             | (232,130)           |
| Proceeds from Sale of Investments                    | 12,247,139          | 24,785,738          |
| Purchase of Investments                              | <u>(14,256,468)</u> | <u>(25,502,416)</u> |
| Net Investing Activities                             | <u>(2,018,653)</u>  | <u>(948,808)</u>    |
| <b>Change in Cash and Cash Equivalents</b>           | (147,318)           | 179,488             |
| <b>Cash and Cash Equivalents - Beginning of Year</b> | <u>548,191</u>      | <u>368,703</u>      |
| <b>Cash and Cash Equivalents - END OF YEAR</b>       | <u>\$ 400,873</u>   | <u>\$ 548,191</u>   |
| <b>SUPPLEMENTAL DISCLOSURES</b>                      |                     |                     |
| Contribution of Securities                           | \$ 1,806,097        | \$ 970,464          |
| Contribution of Office Space                         | \$ 547,583          | \$ 18,000           |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Adirondack Foundation (the Foundation) is a corporation organized under the Not-For-Profit Corporation Law of the State of New York in July 1997. The Foundation was established as a community foundation formed to receive gifts and bequests from the public and to administer them for the broad charitable needs of the Adirondack region. The Foundation was formerly known as Adirondack Community Trust (ACT).

As an experienced grant maker in the region, the Foundation knows the many and varied needs of local nonprofit organizations and their capacity to deliver quality programs and services to the region. Its mission is to “strengthen community through philanthropy,” which is accomplished by:

- Building a permanent and flexible endowment that can respond to the most pressing current and future needs of the Adirondack Region;
- Working with donors and their advisors to design named funds that meet the unique and individual charitable objectives of the donor;
- Administering a responsive program of grantmaking to give maximum benefit to charitable needs within the Adirondack Region and carry out the wishes of donors;
- Providing prudent management and faithful stewardship of philanthropic assets; and
- Being a leader and catalyst focusing attention on the needs of the Adirondack Region.

Our vision for a thriving Adirondacks is where our communities are strong, just and inclusive, families have access to quality healthcare and education, environmental resources are protected, and economic and cultural opportunities abound.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, gains, other support, and expenses during the reporting period. Actual results could differ from those estimates.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The net assets of the Foundation and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** are resources available to support operations and may consist of both undesignated funds and Board designated funds.

Board-designated donor-advised funds are established by donors who desire to further the purposes of the Foundation. The donor of a donor-advised fund may, after the contribution has been made, recommend agencies to the Foundation to which donor-advised funds should be disbursed.

The Board of Trustees evaluates and considers all donor recommendations. However, the ultimate decision of the distribution of those funds rests solely with the Board of Trustees as required by New York State Law and Adirondack Foundation governing instruments (variance power). Accordingly, the financial statements classify all net assets (except assets subject to donor-imposed stipulations) as without donor restrictions, but segregate the portions that are held as donor-advised or endowment funds as Board-designated. (See Note K)

- **Net Assets With Donor Restrictions** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. These reclassifications are reported in the statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents, except for those held by investment managers, which are considered to be investments.

**Investments**

Investments in common stock, government and corporate bonds, and mutual and other publicly traded funds are stated at fair value on quoted market values. Non-publicly traded investments are stated at values provided by the investment custodians. Investments in cash management funds are stated at cost, which approximates fair value. See Note D and E for further information.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

The Foundation maintains an investment pool for its charitable funds. Interest, dividends, and realized and unrealized gains and losses from investments are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of all the pooled funds, as adjusted for additions to or deductions from the pool.

A portion of the investment pool has been invested in an indexed portfolio that is only available to qualified donors meeting minimum contribution requirements.

**Property and Equipment (Net)**

Property and equipment are reported at cost, net of accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to the change in net assets.

Donations of fixed assets are recorded as support at their estimated fair value. Absent donor stipulations regarding the length of time that donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions as the restrictions expire.

Depreciation is provided over the depreciable assets' estimated useful lives utilizing the straight-line method, as follows:

| <u>Asset Class</u>     | <u>Years</u> |
|------------------------|--------------|
| Leasehold Improvements | 20 – 39      |
| Furniture and Fixtures | 5 – 7        |
| Software               | 3            |

**Funds Held as Organization Endowments and for Supporting Organizations**

Adirondack Foundation has established organization endowment funds for contributions from donors that are specified to be released to another beneficiary other than the Foundation. Liabilities have been established for the fair value of these funds.

**Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Gifts of publicly traded securities are recorded at their fair value at the date the contribution is received. Publicly traded securities will generally be sold immediately.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Gifts-In-Kind Contributions**

Donated use of facilities is reported as a contribution and as expense at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of the use.

**Functional Allocation of Expenses**

The cost of providing programs and services is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses directly supporting programs run or administered by the organization are allocated directly to program expenses. Costs common to multiple functions have been allocated among various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Telephone, internet, insurance, office supplies, occupancy, depreciation, and other expenses that cannot be directly identified are allocated based on headcount within each functional area.

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$ 20,604 and \$ 60,834, respectively.

**Income Taxes**

Adirondack Foundation is exempt from federal tax on income under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as a publicly-supported organization that is not a private foundation under Section 509(a)(1) of the Code. Accounting principles generally accepted in the United States of America require the Foundation to evaluate all significant tax positions. As of June 30, 2018 the Foundation does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded.

**Change in Accounting Principles**

Adirondack Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

1. The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Change in Accounting Principles (Continued)**

2. The unrestricted net asset class has been renamed net assets without donor restrictions.
3. The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of the financial statements.
4. The financial statements include a disclosure about liquidity and availability of resources.

**Subsequent Events**

Management has reviewed and evaluated all events and transactions from July 1, 2018 through October 16, 2018, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

**NOTE B - CASH**

A summary of cash accounts at June 30, 2018 is as follows:

|                              |                   |
|------------------------------|-------------------|
| Operating                    | \$ (91,557)       |
| Safety of Principal Accounts | <u>492,430</u>    |
|                              | <u>\$ 400,873</u> |

The Safety of Principal Account is used for contribution/grant pass-through funds. Liquid assets are required because these funds are normally in existence for a short time.

**NOTE C - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure within one year include cash, current assets, as well as the investment balances available for grant making per the Foundation's spending policy. As of June 30, 2018 these available funds are:

|                      |                     |
|----------------------|---------------------|
| Cash                 | \$ 400,873          |
| Accounts Receivables | 10,560              |
| Investments          | <u>2,784,596</u>    |
|                      | <u>\$ 3,196,029</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE D - INVESTMENTS**

A summary of all investments at June 30, 2018 is as follows:

|                           | <u>Cost</u>          | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> | <u>Market<br/>Value</u> |
|---------------------------|----------------------|-------------------------------------------------------|-------------------------|
| Funds:                    |                      |                                                       |                         |
| Large/Mid Cap Equity      | \$ 8,231,029         | \$ 1,907,289                                          | \$ 10,138,318           |
| Small Cap Equity          | 3,694,354            | 1,145,099                                             | 4,839,453               |
| International Equity      | 11,441,685           | 2,606,327                                             | 14,048,012              |
| Emerging Markets Equity   | 4,066,679            | 681,456                                               | 4,748,135               |
| Aggregate Bond            | 9,194,056            | (196,127)                                             | 8,997,929               |
| Non-US Bond               | 2,422,640            | 12,548                                                | 2,435,188               |
| High Yield                | 1,450,000            | 227,021                                               | 1,677,021               |
| Hedge Funds               | 6,900,000            | 1,600,330                                             | 8,500,330               |
| Large/Mid Cap Equities    | 1,290,377            | 457,496                                               | 1,747,873               |
| Small Cap Equities        | 1,129,809            | 850,611                                               | 1,980,420               |
| Cash and Cash Equivalents | 2,130,733            | -                                                     | 2,130,733               |
|                           | <u>\$ 51,951,362</u> | <u>\$ 9,292,050</u>                                   | <u>\$ 61,243,412</u>    |

The market values were obtained from published market prices at June 30, 2018 or as provided by the investment custodians.

A summary of all investments at June 30, 2017 is as follows:

|                           | <u>Cost</u>          | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> | <u>Market<br/>Value</u> |
|---------------------------|----------------------|-------------------------------------------------------|-------------------------|
| Funds:                    |                      |                                                       |                         |
| Large/Mid Cap Equity      | \$ 7,641,206         | \$ 1,144,280                                          | \$ 8,785,486            |
| Small Cap Equity          | 2,892,063            | 179,834                                               | 3,071,897               |
| International Equity      | 11,704,693           | 2,136,317                                             | 13,841,010              |
| Emerging Markets Equity   | 3,916,692            | 560,795                                               | 4,477,487               |
| Aggregate Bond            | 6,885,956            | 14,462                                                | 6,900,418               |
| Non-US Bond               | 2,395,094            | 37,913                                                | 2,433,007               |
| High Yield                | 1,450,000            | 183,430                                               | 1,633,430               |
| Hedge Funds               | 7,400,000            | 888,950                                               | 8,288,950               |
| Large/Mid Cap Equities    | 1,201,276            | 378,143                                               | 1,579,419               |
| Small Cap Equities        | 1,219,836            | 638,297                                               | 1,858,133               |
| Cash and Cash Equivalents | 902,164              | -                                                     | 902,164                 |
|                           | <u>\$ 47,608,980</u> | <u>\$ 6,162,421</u>                                   | <u>\$ 53,771,401</u>    |

The market values were obtained from published market prices at June 30, 2017 or as provided by the investment custodians.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE D - INVESTMENTS (Continued)**

A summary of the indexed portfolio investments at June 30, 2018 is as follows:

|                         | <u>Cost</u>         | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> | <u>Market<br/>Value</u> |
|-------------------------|---------------------|-------------------------------------------------------|-------------------------|
| Funds:                  |                     |                                                       |                         |
| Large/Mid Cap Equity    | \$ 2,784,874        | \$ 411,735                                            | \$ 3,196,609            |
| Small Cap Equity        | 1,553,698           | 212,652                                               | 1,766,350               |
| International Equity    | 806,749             | 71,403                                                | 878,152                 |
| Emerging Markets Equity | 572,996             | 41,436                                                | 614,432                 |
| Aggregate Bond          | <u>2,652,322</u>    | <u>(65,392)</u>                                       | <u>2,586,930</u>        |
|                         | <u>\$ 8,370,639</u> | <u>\$ 671,834</u>                                     | <u>\$ 9,042,473</u>     |

A summary of the indexed portfolio investments at June 30, 2017 is as follows:

|                         | <u>Cost</u>         | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> | <u>Market<br/>Value</u> |
|-------------------------|---------------------|-------------------------------------------------------|-------------------------|
| Funds:                  |                     |                                                       |                         |
| Large/Mid Cap Equity    | \$ 2,309,454        | \$ 116,150                                            | \$ 2,425,604            |
| Small Cap Equity        | 1,405,544           | 38,493                                                | 1,444,037               |
| International Equity    | 475,992             | 67,258                                                | 543,250                 |
| Emerging Markets Equity | 426,642             | 36,687                                                | 463,329                 |
| Aggregate Bond          | <u>2,085,606</u>    | <u>(10,729)</u>                                       | <u>2,074,877</u>        |
|                         | <u>\$ 6,703,238</u> | <u>\$ 247,859</u>                                     | <u>\$ 6,951,097</u>     |

Investment return for June 30, 2018 consists of the following:

|                          | <u>Total</u>        | <u>Allocated to<br/>Supporting<br/>Organizations<br/>and<br/>Organization<br/>Endowments</u> | <u>Investment<br/>Return</u> |
|--------------------------|---------------------|----------------------------------------------------------------------------------------------|------------------------------|
| Interest and Dividends   | \$ 947,295          | \$ 374,650                                                                                   | \$ 572,645                   |
| Unrealized Gain / (Loss) | 3,138,811           | 1,303,704                                                                                    | 1,835,107                    |
| Realized Gain / (Loss)   | 582,184             | 165,492                                                                                      | 416,692                      |
| Fees                     | <u>(100,663)</u>    | <u>(30,153)</u>                                                                              | <u>(70,510)</u>              |
|                          | <u>\$ 4,567,627</u> | <u>\$ 1,813,693</u>                                                                          | <u>\$ 2,753,934</u>          |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE D - INVESTMENTS (Continued)**

Investment return for June 30, 2017 consists of the following:

|                        | <u>Total</u>        | <u>Allocated to<br/>Supporting<br/>Organizations<br/>and<br/>Organization<br/>Endowments</u> | <u>Investment<br/>Return</u> |
|------------------------|---------------------|----------------------------------------------------------------------------------------------|------------------------------|
| Interest and Dividends | \$ 789,090          | \$ 259,149                                                                                   | \$ 529,941                   |
| Unrealized Gain/(Loss) | 5,427,041           | 2,219,553                                                                                    | 3,207,488                    |
| Realized Gain/(Loss)   | 967,785             | 349,726                                                                                      | 618,059                      |
| Fees                   | (86,834)            | (28,849)                                                                                     | (57,985)                     |
|                        | <u>\$ 7,097,082</u> | <u>\$ 2,799,579</u>                                                                          | <u>\$ 4,297,503</u>          |

Liquidity Restrictions - The following are restrictions on redemption of investments by investment type.

|                             | <u>Amount</u> | <u>Liquidity Date or Other Restrictions</u>                                 |
|-----------------------------|---------------|-----------------------------------------------------------------------------|
| International Equity Funds: |               |                                                                             |
|                             | \$ 1,882,965  | 6/30/2019; 95 days written notice                                           |
|                             | \$ 2,009,132  | Quarterly withdrawals; 180 days written notice                              |
| Hedge Funds:                |               |                                                                             |
|                             | \$ 1,554,230  | 12/31/2018; 75 days written notice                                          |
|                             | \$ 1,910,232  | Quarterly withdrawals limited to 25% per quarter; 60-75 days written notice |
|                             | \$ 1,542,224  | Quarterly; 60 days written notice                                           |
|                             | \$ 1,273,809  | 12/31/19; 60 days written notice                                            |
|                             | \$ 1,183,672  | 3/31/2019; 90 days written notice                                           |
|                             | \$ 1,036,162  | 12/31/2018; 65 days written notice                                          |
| Large/Mid Cap Equity Fund:  |               |                                                                             |
|                             | \$ 2,148,801  | 10/31/2018; 60 days written notice                                          |
| Small Cap Equity Fund:      |               |                                                                             |
|                             | \$ 1,745,004  | 11/30/2020; 90 days written notice                                          |

**NOTE E - FAIR VALUE MEASUREMENTS**

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Foundation uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). Additionally, assets that are quoted at a Net Asset Value (NAV) of the underlying assets as reported by the fund manager are reported at that NAV. The fair value hierarchy is classified as follows:

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

- (a) Level 1: Quoted prices in active markets for identical assets and liabilities.
- (b) Level 2: Quoted prices in active markets for similar assets or liabilities, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- (c) Level 3: Significant valuation assumptions not readily observable in a market.

The determination of what constitutes “observable” may require significant judgment. The Foundation considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of an investment within the fair value hierarchy is based upon pricing transparency of the investment and does not necessarily correspond to the quality of that investment or the risks associated with that investment.

Fair values for securities are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

The following presents the investments at June 30, 2018 and 2017 that are measured at fair value on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

|                           | Total<br>2018        | Level 1              |
|---------------------------|----------------------|----------------------|
| Funds:                    |                      |                      |
| Large/Mid Cap Equity      | \$ 7,989,518         | \$ 7,989,518         |
| Small Cap Equity          | 3,094,449            | 3,094,449            |
| International Equity      | 10,155,915           | 10,155,915           |
| Emerging Markets Equity   | 1,034,911            | 1,034,911            |
| Aggregate Bonds           | 8,997,929            | 8,997,929            |
| Non-US Bonds              | 671,930              | 671,930              |
| Large/Mid Cap Equities    | 1,747,873            | 1,747,873            |
| Small Cap Equities        | 1,980,420            | 1,980,420            |
| Cash and Cash Equivalents | <u>2,130,733</u>     | <u>2,130,733</u>     |
|                           | <u>37,803,678</u>    | <u>\$ 37,803,678</u> |
| Measured Using NAV        | <u>23,439,734</u>    |                      |
| Total Investments         | <u>\$ 61,243,412</u> |                      |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

|                           | Total<br>2017        | Level 1              |
|---------------------------|----------------------|----------------------|
| Funds:                    |                      |                      |
| Large/Mid Cap Equity      | \$ 6,954,079         | \$ 6,954,079         |
| Small Cap Equity          | 3,071,897            | 3,071,897            |
| International Equity      | 10,085,021           | 10,085,021           |
| Emerging Markets Equity   | 846,706              | 846,706              |
| Aggregate Bonds           | 6,900,418            | 6,900,418            |
| Non-US Bonds              | 684,810              | 684,810              |
| Large/Mid Cap Equities    | 1,579,419            | 1,579,419            |
| Small Cap Equities        | 1,858,133            | 1,858,133            |
| Cash and Cash Equivalents | <u>902,164</u>       | <u>902,164</u>       |
|                           | 32,882,647           | <u>\$ 32,882,647</u> |
| Measured Using NAV        | <u>20,888,754</u>    |                      |
| Total Investments         | <u>\$ 53,771,401</u> |                      |

The investments measured using Net Asset Value (NAV) are used as a diversification strategy to reduce the volatility in the investment portfolio. They include limited partnerships, hedge funds, and funds of managed funds. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. The fair values of these investments are based on a review of information provided by fund managers. It is reasonably possible that the estimated fair values of these investments may change materially in the near term.

**NOTE F - UNCONDITIONAL PROMISE TO GIVE**

The Foundation has entered into a multi-year lease agreement for its office space with a term from July 1, 2017 through June 30, 2037. The parties have agreed to an annual gift-in-kind value of \$ 40,000. A 5% discount rate was used to arrive at the present fair value of this contribution and recording of the unconditional promise to give as follows:

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| Gross Amount of Gift-In-Kind                            | \$ 800,000        |
| Less discount at 5%                                     | <u>(252,417)</u>  |
| Fair Value of Gift-In-Kind                              | 547,583           |
| Less Current Year Fair Value<br>of Donated Office Space | <u>(40,000)</u>   |
| Remaining Fair Value<br>of Donated Office Space         | <u>\$ 507,583</u> |

Amounts to be recorded as rent in future years are as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Less than One Year              | \$ 40,000         |
| One to Five Years               | 200,000           |
| Thereafter                      | <u>520,000</u>    |
|                                 | 760,000           |
| Less Discounts to Present Value | <u>(252,417)</u>  |
|                                 | <u>\$ 507,583</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE G - PROPERTY AND EQUIPMENT (NET)**

Property and Equipment (Net) consists of the following:

|                               | <u>2018</u>       | <u>2017</u>       |
|-------------------------------|-------------------|-------------------|
| Furniture and Fixtures        | \$ 12,000         | \$ 12,000         |
| Software                      | 7,647             | 7,647             |
| Leasehold Improvements        | <u>307,964</u>    | <u>298,639</u>    |
|                               | 319,964           | 318,286           |
| Less Accumulated Depreciation | <u>46,035</u>     | <u>36,291</u>     |
| Property and Equipment (Net)  | <u>\$ 281,576</u> | <u>\$ 281,995</u> |

Depreciation charged to operations for the years ended June 30, 2018 and 2017 was \$ 9,744 and \$ 6,605, respectively.

**NOTE H - OTHER ASSETS**

Adirondack Foundation is the sole owner and beneficiary of a life insurance policy which insures the life of the donor for \$ 400,000. The cash surrender value of this policy at June 30, 2018 and 2017 was \$ 56,555 and \$ 56,555, respectively, and is included in Other Assets. The annual premium paid by the Foundation is \$ 11,468. The net premium expense for the years ended June 30, 2018 and 2017 was \$ 11,468 and \$ 12,205, respectively.

**NOTE I - FUNDS HELD AS ORGANIZATION ENDOWMENTS**

When a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as organization endowments.

The Foundation maintains variance power and legal ownership of organization endowment funds and, as such, continues to report the funds as assets of the Foundation. A liability is established for the fair value of the funds.

At June 30, 2018, the Foundation held 57 organization endowment funds with a combined value of \$ 6,944,005. The following table summarizes activity in such funds during the year then ended:

|                                       |                     |
|---------------------------------------|---------------------|
| Organization Endowment Fund Balances, |                     |
| July 1, 2017                          | \$ 6,281,458        |
| Amounts Raised                        | 333,016             |
| Investment Earnings                   | 106,592             |
| Realized Investment Loss              | 81,841              |
| Unrealized Investment Loss            | 361,676             |
| Fees                                  | (95,863)            |
| Grants                                | <u>(124,715)</u>    |
| Organization Endowment Fund Balances, |                     |
| June 30, 2018                         | <u>\$ 6,944,005</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE J - SUPPORTING ORGANIZATIONS**

Private Foundations, with approval from the IRS, can terminate their private foundation status and become a Supporting Organization of a publicly-supported organization that is not a private foundation. Both entities are strengthened by the relationship. By "supporting" the charitable purposes of a public foundation, such as Adirondack Foundation, the Organization is exempt from certain taxes and its donors are eligible for greater tax deductions. By divesting itself of the burdens of investment management and administration, the Organization can focus on its mission and impact.

On July 1, 2007, Bruce L. Crary Foundation (Crary Foundation) became a Supporting Organization of Adirondack Foundation. The current contract between the two organizations is for five years beginning July 1, 2017, and may be extended for successive five year terms upon agreement by both parties.

Crary Foundation offers scholarships to full-time undergraduate students who are residents of Clinton, Essex, Franklin, Hamilton, and Warren Counties located in New York State. Crary Foundation continues to be based at The Hand House in Elizabethtown, New York with its existing staff.

On July 1, 2014, Lake Placid Education Foundation (LPEF) terminated its private foundation status and became a Supporting Organization of Adirondack Foundation. LPEF offers grants to schools, libraries, and other institutions, especially in Lake Placid, New York, for the purpose of advancing public welfare through education. The contract with the Foundation is for five years beginning July 1, 2014 and may be extended upon agreement by both parties. LPEF transferred its funds to the Foundation in July 2015.

The net asset balance of supporting organization funds at Adirondack Foundation was \$ 15,828,537 as of June 30, 2018. The following table summarizes the activity during the year ended June 30, 2018:

|                                       |                      |
|---------------------------------------|----------------------|
| Supporting Organization Fund Balance, |                      |
| July 1, 2017                          | \$ 15,208,441        |
| Amount Raised                         | 75                   |
| Investment Earnings                   | 268,058              |
| Realized Investment Loss              | 83,651               |
| Unrealized Investment Loss            | 942,028              |
| Fees and Expenses                     | (54,426)             |
| Grants                                | <u>(619,290)</u>     |
| Supporting Organization Fund Balance, |                      |
| June 30, 2018                         | <u>\$ 15,828,537</u> |

The balance is carried as a liability in the accompanying statement of financial position.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE K - NET ASSETS**

**Without Donor Restrictions**

Net assets without donor restrictions at June 30, 2018 and 2017 are summarized as follows:

|                                               | <u>2018</u>          | <u>2017</u>          |
|-----------------------------------------------|----------------------|----------------------|
| Board Designated for Scholarships and Grants: |                      |                      |
| Field of Interest Funds                       | \$ 8,095,315         | \$ 7,843,391         |
| Donor-Advised                                 | 12,259,683           | 8,188,955            |
| Designated Funds                              | 13,692,573           | 12,494,965           |
| Scholarship Funds                             | 2,637,672            | 2,065,320            |
| Unrestricted Funds                            | 2,058,332            | 1,725,792            |
| Sponsoring Agency                             | 4,254                | 4,315                |
| Acorn Accounts                                | -                    | 24,094               |
| Total Board Designated                        | \$ 38,747,829        | \$ 32,346,832        |
| Operating Funds (Undesignated)                | 208,889              | 332,663              |
|                                               | <u>\$ 38,956,718</u> | <u>\$ 32,679,495</u> |

**With Donor Restrictions**

The gift agreement between the Estate of Alberta P. Moody and Adirondack Foundation created two restricted funds, the Alberta P. Moody Higher Education Fund and the Alberta P. Moody Library Fund. The gift agreement does not grant the Foundation variance power and, therefore, the Funds are reported as temporarily restricted net assets.

Annual fund distributions are required based on the Funds' average market value at the end of the three most recent annual periods. The distribution rates are 8% for the Higher Education Fund and 7% for the Library Fund. Distributions may be made from the Funds' principal or income, at the discretion of the Board of Trustees.

The Foundation has entered into a multi-year lease agreement for its office space, which has been recognized as a gift-in-kind contribution for the fair market value of the lease (See Note F). Lease expense will be released from restriction each year over the life of the lease.

Net assets with donor restrictions are available for the following purposes June 30, 2018 and 2017:

|                                       | <u>2018</u>       | <u>2017</u>       |
|---------------------------------------|-------------------|-------------------|
| Gift-In-Kind Donation of Facility Use | \$ 507,583        | \$ -              |
| Moody Library Fund                    | 149,483           | 147,894           |
| Moody Higher Education Fund           | 91,012            | 91,719            |
| Foundation Pass-through Fund          | -                 | 31,678            |
|                                       | <u>\$ 748,078</u> | <u>\$ 271,291</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE L - ENDOWMENTS**

**Net Asset Classifications**

The Foundation is governed by its Governing Documents. The Board of Trustees, on the advice of legal counsel, has determined that the majority of contributions are subject to the terms of its Governing Documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the Governing Documents, the Board of Trustees has the ability to distribute so much of the corpus of any separate gift, bequest or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

**Interpretation of Relevant Law**

The Foundation operates under the New York Prudent Management of Institutional Funds Act (NYPMIFA). This is New York State's version of the Uniform Prudent Management of Institutional Funds Act and governs the management and investment of funds held by not-for-profit corporations and other institutions.

Under NYPMIFA, institutions are allowed to spend endowment funds below their original historic dollar value without government approval or attorney general review if the institution's Board concludes that such spending is prudent.

NYPMIFA provides that each person responsible for management and investing an institution's fund does so in good faith and with the care that an ordinarily prudent person would exercise under similar circumstances. NYPMIFA sets forth basic requirements for establishing the standard of prudence, including a requirement that an institution make a reasonable effort to verify facts relevant to the management and investment of the fund.

The Foundation's endowment consists of 132 board-designated and temporarily restricted funds designated to function as endowments.

Endowment type net assets by type of fund consist of the following at June 30, 2018:

|                        | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-Restricted Funds | \$ -                                  | \$ 240,495                         | \$ 240,495           |
| Board-Designated Funds | <u>31,846,856</u>                     | <u>-</u>                           | <u>31,846,856</u>    |
|                        | <u>\$ 31,846,856</u>                  | <u>\$ 240,495</u>                  | <u>\$ 32,087,351</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE L - ENDOWMENTS (Continued)**

**Interpretation of Relevant Law** (Continued)

Changes in endowment type net assets for the fiscal year ended June 30, 2018:

|                                            | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--------------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Endowment Net Assets,<br>Beginning of Year | \$ 29,385,460                         | \$ 239,613                         | \$ 29,625,073        |
| Investment Return                          | 2,512,870                             | 21,005                             | 2,533,875            |
| Contributions                              | 1,445,265                             | -                                  | 1,445,265            |
| Reclassifications                          | (139,461)                             | -                                  | (139,461)            |
| Appropriation for<br>Expenditure           | <u>(1,357,278)</u>                    | <u>(20,123)</u>                    | <u>(1,377,401)</u>   |
| Endowment Net Assets,<br>End of Year       | <u>\$ 31,846,856</u>                  | <u>\$ 240,495</u>                  | <u>\$ 32,087,351</u> |

Endowment type net assets by type of fund consist of the following at June 30, 2017:

|                        | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-Restricted Funds | \$ -                                  | \$ 239,613                         | \$ 239,613           |
| Board-Designated Funds | <u>29,385,460</u>                     | <u>-</u>                           | <u>29,385,460</u>    |
|                        | <u>\$ 29,385,460</u>                  | <u>\$ 239,613</u>                  | <u>\$ 29,625,073</u> |

Changes in endowment type net assets for the fiscal year ended June 30, 2017:

|                                            | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--------------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Endowment Net Assets,<br>Beginning of Year | \$ 23,540,244                         | \$ 225,752                         | \$ 23,765,996        |
| Investment Return                          | 3,891,507                             | 34,467                             | 3,925,974            |
| Contributions                              | 3,165,867                             | -                                  | 3,165,867            |
| Reclassifications                          | -                                     | -                                  | -                    |
| Appropriation for<br>Expenditure           | <u>(1,212,158)</u>                    | <u>(20,606)</u>                    | <u>(1,232,764)</u>   |
| Endowment Net Assets,<br>End of Year       | <u>\$ 29,385,460</u>                  | <u>\$ 239,613</u>                  | <u>\$ 29,625,073</u> |

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE L - ENDOWMENTS (Continued)**

**Return Objectives and Risk Parameters**

The Foundation has established investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by those endowments while seeking to maintain the purchasing power of the endowment assets.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

The spending policy for endowment funds is set by the Board at 5% per annum of the average market value of assets at the end of the trailing twelve calendar quarters including income, realized gains and losses, unrealized appreciation and depreciation, and in some cases, principal. This rate may be adjusted from time to time depending on investment performance or other factors. For certain endowment funds the Board may approve a different rate, depending on donor objectives. This policy is designed to maintain the purchasing power of the endowment assets, as well as provide additional real growth through new gifts and investment return.

**NOTE M - RELATED PARTY AND SIGNIFICANT DONORS**

During the year ended June 30, 2018, 16 Board members donated \$ 3,039,475 to the Foundation. Also during the year ended June 30, 2018, 60% of contributions came from nine donors.

**NOTE N - RETIREMENT PLAN**

The Foundation offers a Savings Incentive Match Plan for Employees (SIMPLE) IRA to its eligible employees. The Foundation provides an annual 3% contribution to this plan for all employees who are at least 21 years old and have performed services for the Foundation in for at least 30 days. The Foundation's contribution to this plan for the years ended June 30, 2018 and 2017 was \$ 8,275 and \$ 8,952, respectively.

**ADIRONDACK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE O - COMMITMENTS AND CONTINGENCIES**

**1. Operating Lease**

The Foundation has entered into a multi-year operating lease for its office space with a term from July 1, 2017 through June 30, 2037. The lease calls for no monthly payments of rent for the term of the lease. The statements of activities reflect the fair value of the lease at \$ 40,000 and \$ 18,000 for the years ended June 30, 2018 and 2017, respectively (See Note F).

**2. Concentrations of Credit Risk – Cash**

The Foundation maintains operating cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, bank deposits may be in excess of amounts insured by the FDIC. At June 30, 2018, the carrying amount of operating cash deposits was \$ 400,873. The bank balances were \$ 575,731 categorized as follows:

|                        |                   |
|------------------------|-------------------|
| Amount Insured by FDIC | \$ 333,301        |
| Uninsured              | <u>242,430</u>    |
| Total Bank Balances    | <u>\$ 575,731</u> |

**3. Risks and Uncertainties**

The Foundation has investments in a combination of cash, fixed income and equity securities, mutual funds, limited partnerships and hedge funds. Investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the net assets of the Foundation.

**NOTE P - RECLASSIFICATIONS**

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications have no effect on the change in net assets.