

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 June 30, 2018 and 2017	3
Statement of Activities for the Year Ended June 30, 2018	4
Statement of Activities for the Year Ended June 30, 2017	5
Statement of Functional Expenses for the Year Ended June 30, 2018	6
Statement of Functional Expenses for the Year Ended June 30, 2017	7
Statements of Cash Flows for the Years Ended June 30, 2018 and 2017	8
Notes to Financial Statements	9 - 25



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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.

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

October 16, 2018

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

	6/30/2018	6/30/2017
ASSETS		
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	67,438	64,832
TOTAL	\$ 62,500,882	\$ 54,666,419
 LIABILITIES AND NET ASSETS		
LIABILITIES		
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	15,828,537	15,208,441
Total Liabilities	22,796,086	21,715,633
 NET ASSETS		
Without Donor Restrictions	38,956,718	32,679,495
With Donor Restrictions	748,078	271,291
Total Net Assets	39,704,796	32,950,786
TOTAL	\$ 62,500,882	\$ 54,666,419

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 DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 6/30/2018</u>
REVENUES, GAINS, AND OTHER SUPPORT			
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	77,123	(77,123)	-
Total Revenues, Gains, and Other Support	<u>9,559,199</u>	<u>476,787</u>	<u>10,035,986</u>
EXPENSES			
Program Services	3,063,536	-	3,063,536
Management and General	133,467	-	133,467
Development	84,973	-	84,973
Total Expenses	<u>3,281,976</u>	<u>-</u>	<u>3,281,976</u>
CHANGE IN NET ASSETS	6,277,223	476,787	6,754,010
NET ASSETS - Beginning of Year	<u>32,679,495</u>	<u>271,291</u>	<u>32,950,786</u>
NET ASSETS - END OF YEAR	<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 DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 6/30/2017</u>
REVENUES, GAINS, AND OTHER SUPPORT			
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>
EXPENSES			
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>
CHANGE IN NET ASSETS	6,262,831	(16,284)	6,246,547
NET ASSETS - Beginning of Year	<u>26,416,664</u>	<u>287,575</u>	<u>26,704,239</u>
NET ASSETS - END OF YEAR	<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**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>TOTAL 6/30/2018</u>
Salaries	\$ 403,889	\$ 69,432	\$ 34,715	\$ 508,036
Payroll Related Costs and 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**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>TOTAL 6/30/2017</u>
Salaries	\$ 317,050	\$ 48,282	\$ 24,491	\$ 389,823
Payroll Related Costs and 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

	6/30/2018	6/30/2017
OPERATING ACTIVITIES		
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	(3,215,803)	(2,613,949)
Net Cash Provided from Operations	1,871,335	1,128,296
INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9,324)	(232,130)
Proceeds from Sale of Investments	12,247,139	24,785,738
Purchase of Investments	(14,256,468)	(25,502,416)
Net Investing Activities	(2,018,653)	(948,808)
Change in Cash and Cash Equivalents	(147,318)	179,488
Cash and Cash Equivalents - Beginning of Year	548,191	368,703
Cash and Cash Equivalents - END OF YEAR	\$ 400,873	\$ 548,191
SUPPLEMENTAL DISCLOSURES		
Contribution of Securities	\$ 1,806,097	\$ 970,464
Contribution of Office Space	\$ 547,583	\$ 18,000

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

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 Appreciation (Depreciation)</u>	<u>Market 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 Appreciation (Depreciation)</u>	<u>Market 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 Appreciation (Depreciation)</u>	<u>Market 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 Appreciation (Depreciation)</u>	<u>Market 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 Supporting Organizations and Organization Endowments</u>	<u>Investment 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 Supporting Organizations and Organization Endowments</u>	<u>Investment 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	<u>(86,834)</u>	<u>(28,849)</u>	<u>(57,985)</u>
	<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 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 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	902,164	902,164
	32,882,647	\$ 32,882,647
Measured Using NAV	20,888,754	
Total Investments	\$ 53,771,401	

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%	(252,417)
Fair Value of Gift-In-Kind	547,583
Less Current Year Fair Value of Donated Office Space	(40,000)
Remaining Fair Value of Donated Office Space	\$ 507,583

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	520,000
	760,000
Less Discounts to Present Value	(252,417)
	\$ 507,583

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE G - PROPERTY AND EQUIPMENT (NET)

Property and Equipment (Net) consists of the following:

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

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	(124,715)
Organization Endowment Fund Balances,	
June 30, 2018	\$ 6,944,005

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	<u>\$ 38,747,829</u>	<u>\$ 32,346,832</u>
Operating Funds (Undesignated)	<u>208,889</u>	<u>332,663</u>
	<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 Restrictions</u>	<u>With Donor 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 Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, 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 Expenditure	<u>(1,357,278)</u>	<u>(20,123)</u>	<u>(1,377,401)</u>
Endowment Net Assets, 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 Restrictions</u>	<u>With Donor 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 Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, 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 Expenditure	<u>(1,212,158)</u>	<u>(20,606)</u>	<u>(1,232,764)</u>
Endowment Net Assets, 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><u>\$ 575,731</u></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.