

ADIRONDACK ARCHITECTURAL HERITAGE, INC.

AUDIT REPORT

DECEMBER 31, 2007 and 2006

Keith H. Frantz

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Adirondack Architectural Heritage, Inc.

I have audited the accompanying statements of financial position of the Adirondack Architectural Heritage, Inc. as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adirondack Architectural Heritage, Inc. as of December 31, 2007 and 2006, and the results of its activities for the years then ended in conformity with generally accepted accounting principles.

May 23, 2008



Keith Frantz

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets:		
Cash	\$200,679	\$290,550
Accounts Receivable	430	150
Grants Receivable	20,345	69,352
Mortgage Receivable	38,050	46,223
Inventory	26,111	28,678
ACT Endowment Investments	30,349	26,909
Equipment	13,228	13,228
Less: Accumulated Depreciation	(10,743)	(9,884)
Building Deposit and Costs	16,330	0
Total Assets	<u>\$334,779</u>	<u>\$465,206</u>
 Liabilities and net assets:		
Sales Tax Payable	\$56	\$313
Payroll Taxes Payable	2,024	2,956
Deferred Grant Revenue	37,000	172,256
 Total Liabilities	<u>39,080</u>	<u>175,525</u>
 Net Assets:		
Unrestricted	238,724	191,335
Temporarily Restricted:		
Santanoni Fund	33,986	76,091
Permanently Restricted:		
ACT Endowment	22,989	22,255
Total Net Assets	<u>295,699</u>	<u>289,681</u>
 Total Liabilities and Net Assets	<u>\$334,779</u>	<u>\$465,206</u>

See Auditor's Report

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007 and 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
Public Support & Revenue					
Contributions and Grants	\$57,780	\$0	\$734	\$58,514	\$67,097
Government Grants	237,130			237,130	262,186
Total Public Support	<u>294,910</u>	<u>0</u>	<u>734</u>	<u>295,644</u>	<u>329,283</u>
Other Revenue					
Membership Dues	64,635			64,635	47,140
Program Fees	31,713			31,713	28,566
Preservation Services	0			0	2,700
Investment Income	9,719			9,719	8,011
Fundraising Events	27,950			27,950	91,851
Less: Event Expenses	(1,417)			(1,417)	(62,759)
Other	1,831			1,831	705
Sales	3,355			3,355	10,116
Less: Cost of Goods Sold	(1,670)			(1,670)	(7,281)
Net Assets Released from Restrictions	42,105	(42,105)		0	0
Total Other Revenue	<u>178,221</u>	<u>(42,105)</u>	<u>0</u>	<u>136,116</u>	<u>119,049</u>
Total Revenues	<u>473,131</u>	<u>(42,105)</u>	<u>734</u>	<u>431,760</u>	<u>448,332</u>
Expenses:					
Program Services	356,065			356,065	334,709
Management and General	69,677			69,677	66,546
Total Expenses	<u>425,742</u>	<u>0</u>	<u>0</u>	<u>425,742</u>	<u>401,255</u>
Change in net assets	47,389	(42,105)	734	6,018	47,077
Net assets at beginning of year	<u>191,335</u>	<u>76,091</u>	<u>22,255</u>	<u>289,681</u>	<u>242,604</u>
Net assets at end of year	<u>\$238,724</u>	<u>\$33,986</u>	<u>\$22,989</u>	<u>\$295,699</u>	<u>\$289,681</u>

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**ADIRONDACK ARCHITECTURAL HERITAGE, INC,
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2007 and 2006**

EXPENSES	<u>Program Services</u>	<u>Management & General</u>	<u>2007 Totals</u>	<u>2006 Totals</u>
Staff Salaries	\$55,881	\$45,552	\$101,433	\$106,645
Payroll Taxes and Insurances	4,933	4,037	8,970	9,667
Employee Benefits	962	788	1,750	2,204
Total Personnel Services	<u>61,776</u>	<u>50,377</u>	<u>112,153</u>	<u>118,516</u>
Audit Expense	0	3,070	3,070	2,285
Consultants	7,583	0	7,583	42,775
Postage	2,721	2,226	4,947	5,241
Communication	1,416	1,158	2,574	3,245
Promotion/Website	4,827	0	4,827	179
Property Expenses	384	0	384	0
Office Supplies	4,375	3,579	7,954	5,684
Equipment	0	380	380	106
Rent	2,310	1,890	4,200	4,200
Insurance	1,364	1,116	2,480	2,635
Program Expenses	258,263	0	258,263	189,021
Newsletter	3,101	0	3,101	2,408
Book Project Expenses	1,961	0	1,961	0
Professional Development	0	125	125	710
Travel	4,246	3,474	7,720	7,545
Payments to Fire Tower Projects	0	0	0	11,530
Other	1,738	1,423	3,161	3,979
Depreciation	0	859	859	1,196
TOTAL EXPENSES	<u>\$356,065</u>	<u>69,677</u>	<u>\$425,742</u>	<u>\$401,255</u>

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ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from operating activities:		
Change in net assets	\$6,018	\$47,077
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	859	1,196
Decrease (Increase) in Accounts Receivable	(280)	(42)
Decrease (Increase) in Grants Receivable	49,007	(25,554)
Decrease (Increase) in Inventory	2,567	(27,728)
Decrease (Increase) in Mortgage Receivable	8,173	7,697
(Decrease) Increase in Payroll Taxes Payable	(932)	922
(Decrease) Increase in Sales Tax Payable	(257)	155
(Decrease) Increase in Deferred Revenue	(135,256)	141,506
Net cash from operating activities	(70,101)	145,229
Cash flows from investing activities:		
Purchase of equipment	0	(2,876)
Payments for Building Deposit and Costs	(16,330)	0
Increase in ACT Investment	(3,440)	(3,175)
Net cash from investing activities	(19,770)	(6,051)
Cash flow from financing activities		
Net cash from financing activities	0	0
Net increase (decrease) in cash and cash equivalents	(89,871)	139,178
Cash and cash equivalents at beginning of year	290,550	151,372
Cash and cash equivalents at end of year	\$200,679	\$290,550

See Auditor's Report

Adirondack Architectural Heritage
Notes to the Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies

A. Operations and Nature of Activities

Adirondack Architectural Heritage, Inc. is a not for profit corporation formed for the purpose of providing historic preservation, education and technical assistance to the Adirondack Community.

B. Accrual Basis

The financial statements of the Adirondack Architectural Heritage have been prepared on the accrual basis. Under this method revenues are recorded when earned and expenditures are recorded as incurred. The Statement of Activities is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income.

C. Promises to Give

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

The association uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The current allowance is zero.

D. Estimates

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

E. Inventories

The inventory of books, publication, pamphlets and other items held for resale to members and the public is accounted for at cost using the first-in first-out method. All are finished goods. The inventory has been determined to be \$26,111 for the year ended December 31, 2007.

F. Property and Equipment

Property and equipment acquired with funds received are considered owned by the association and are recorded at cost. Donated property and equipment are recorded at fair value.

The organization capitalizes expenditures for property and equipment in excess of \$300.00. Depreciation of property and equipment is computed on a straight-line basis over the estimated service lives of the assets, after consideration of estimated salvage value.

<u>Asset Summary</u>	<u>Life</u>
Office Equipment	7-10 years
Computers	3-5 years
Leasehold Improvements	10-15 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. Concentration of Contributors and Revenue Sources

The following details the concentrations of total support and revenue:

Government Grants	\$243,130
Membership	64,635
Contributions and Grants	52,514
Fundraising Events	27,950
Program Fees	31,713

H. Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

I. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation.

J. Investments

Certificates of deposit are reported at face value plus accrued interest. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

K. Cash Flow Disclosures

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

L. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2007</u>	<u>2006</u>
Santanoni Fund	<u>\$33,986</u>	<u>\$76,091</u>
Total	<u>\$33,986</u>	<u>\$76,091</u>

Note 3 - Functional Expense - Fundraising

In 2007, fundraising expenditures were less than 1% of total expenditures.

Note 4 - Donated Services, Materials, and Facilities

Donated support and its expenses are not recorded in the accounting records. Uncompensated volunteer services are not recorded.

Note 5 - Fundraising Events

The organization had several fund raising events. The total income generated and corresponding expenses are as follows:

	<u>Raffle</u>	<u>The Uplands</u>	<u>Mohican Point</u>	<u>Totals</u>
Revenues	\$8,615	\$16,190	\$3,145	\$24,805
Expenses	837	210	370	1,047
Gain (Loss)	<u>\$7,778</u>	<u>\$15,980</u>	<u>\$2,775</u>	<u>\$23,758</u>

Note 6 - Sales of Inventory and Cost of Goods Sold

The cost of goods sold has been calculated as follows:

	<u>2007</u>	<u>2006</u>
Sales	\$3,355	\$10,116
COGS	1,670	7,281
Gross Profit	<u>1,685</u>	<u>2,835</u>

Note 7 - Property and Equipment

Property and Equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Furniture and Fixtures	\$13,228	\$13,228
Accumulated Depreciation	(10,743)	(9,884)
Net Book Value	<u>\$2,485</u>	<u>\$3,344</u>

Note 8 - Advertising

Advertising is expensed as incurred. Advertising expense for 2007 was \$850.

Note 9 - Public Support and Revenue

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectable promises is provided based on management's evaluation of potential uncollectable promises receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Note 10- Deferred Grant Revenue

Grant advances in excess of earned support consisted of the following:

	<u>2007</u>	<u>2006</u>
Federal SAT Grant	\$0	\$101,784
Town of Newcomb Grant	0	49,472
Arts & Business Council	8,000	0
NYS Council on the Arts	29,000	21,000
Total	<u>\$37,000</u>	<u>\$172,256</u>

Note 11- Permanently Restricted Funds

During 2004 the board of directors accepted a \$10,000 matching endowment grant offered by the Adirondack Community Trust. As of December 31, 2007 the organization has \$22,989 in Permanently Restricted Funds with the Adirondack Community Trust.