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INDEPENDENT AUDITOR'S REPORT

Adirondack Architectural Heritage, Inc.
Keeseville, NY

I have audited the accompanying financial statements of Adirondack Architectural Heritage, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Keith Frantz CPA
Richmond, VT
May 8, 2014

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and Cash Equivalents	\$279,921	\$231,291
Inventory	45,333	37,030
ACT Endowment Investments	38,644	33,671
Furniture and Equipment	26,211	23,774
Building and Building Improvements	453,109	453,109
Less: Accumulated Depreciation	<u>(59,186)</u>	<u>(45,541)</u>
Total Assets	<u><u>\$784,032</u></u>	<u><u>\$733,334</u></u>
Liabilities and net assets:		
Sales Tax Payable	\$132	\$43
Payroll Taxes Payable	2,725	2,603
Deferred Grant Revenue	<u>0</u>	<u>0</u>
Total Liabilities	2,857	2,646
Net Assets:		
Unrestricted	646,594	567,744
Temporarily Restricted:		
Santanoni Fund	88,631	125,836
Poko Fund	17,986	12,517
Permanently Restricted:		
ACT Endowment	<u>27,964</u>	<u>24,591</u>
Total Net Assets	<u><u>781,175</u></u>	<u><u>730,688</u></u>
Total Liabilities and Net Assets	<u><u>\$784,032</u></u>	<u><u>\$733,334</u></u>

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
With Summarized Totals for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Public Support & Revenue:					
Contributions	\$47,787	\$10,728	\$360	\$58,875	\$61,449
Government Grants	102,028		0	102,028	140,737
Total Public Support	<u>149,815</u>	<u>10,728</u>	<u>360</u>	<u>160,903</u>	<u>202,186</u>
Other Revenue:					
Membership Dues	66,595	0	0	66,595	71,901
Program Fees	54,439	0	0	54,439	36,690
Preservation Services	13,776	0	0	13,776	13,950
Rental Income	6,900	0	0	6,900	7,350
Investment Income	2,418	0	3,013	5,431	3,529
Fundraising Events	35,713	0	0	35,713	37,471
Less: Event Expenses	(7,680)	0	0	(7,680)	(7,700)
Other	56	300	0	356	932
Sales	1,141	1,516	0	2,657	1,127
Less: Cost of Goods Sold	(406)	(1,375)	0	(1,781)	(712)
Net Assets Released from Restrictions	42,905	(42,905)	0	0	0
Total Other Revenue	<u>215,857</u>	<u>(42,464)</u>	<u>3,013</u>	<u>176,406</u>	<u>164,538</u>
Total Revenues	<u>365,672</u>	<u>(31,736)</u>	<u>3,373</u>	<u>337,309</u>	<u>366,724</u>
Expenses:					
Program Services	213,281	0	0	213,281	183,232
Management and General	65,344	0	0	65,344	63,465
Fund Raising	8,197	0	0	8,197	7,707
Total Expenses	<u>286,822</u>	<u>0</u>	<u>0</u>	<u>286,822</u>	<u>254,404</u>
Change in net assets	78,850	(31,736)	3,373	50,487	112,320
Net assets at beginning of year	<u>567,744</u>	<u>138,353</u>	<u>24,591</u>	<u>730,688</u>	<u>618,368</u>
Net assets at end of year	<u><u>\$646,594</u></u>	<u><u>\$106,617</u></u>	<u><u>\$27,964</u></u>	<u><u>\$781,175</u></u>	<u><u>\$730,688</u></u>

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013
with Summarized Totals for the Year Ended December 31, 2012

EXPENSES	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Personnel Services:					
Staff Salaries	\$84,960	\$37,656	\$6,135	\$128,751	\$118,259
Payroll Taxes and Insurances	7,730	3,396	586	11,712	11,169
Employee Benefits	6,998	3,075	530	10,603	9,600
Total Personnel Services	<u>99,688</u>	<u>44,127</u>	<u>7,251</u>	<u>151,066</u>	<u>139,028</u>
Audit Expense	0	2,885	0	2,885	2,885
Consultants	15,791	0	0	15,791	33,821
Postage	2,648	1,163	201	4,012	3,144
Communication	2,761	1,214	209	4,184	3,647
Promotion/Website	1,883	0	0	1,883	2,135
Property Expenses	5,363	2,190	0	7,553	12,736
Office Supplies	7,082	3,111	536	10,729	10,291
Equipment/Leases	2,755	1,125	0	3,880	3,955
Insurance	4,955	2,024	0	6,979	7,076
Program Expenses	25,768	0	0	25,768	12,651
Maintenance and Repairs	421	172	0	593	600
Professional Development	266	0	0	266	35
Dues and Publications	947	0	0	947	797
Travel	5,631	2,300	0	7,931	6,447
Other	2,635	1,076	0	3,711	2,324
Grant Expenditures	24,999	0	0	24,999	0
Depreciation	9,688	3,957	0	13,645	12,832
TOTAL EXPENSES	<u>\$213,281</u>	<u>\$65,344</u>	<u>\$8,197</u>	<u>\$286,822</u>	<u>\$254,404</u>

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$50,487	\$112,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,645	12,832
(Increase) Decrease in Inventory	(8,303)	452
Increase in Payroll Taxes Payable	122	294
Increase (Decrease) in Sales Tax Payable	89	(138)
(Decrease) in Deferred Grant Revenue	0	(32,345)
Net cash provided by operating activities	56,040	93,415
Cash flows from investing activities:		
Purchase of Equipment	(2,437)	(637)
Payments for Building and Building Improvements	0	0
(Increase) in ACT Endowment Investments	(4,973)	(3,539)
Net cash used in investing activities	(7,410)	(4,176)
Cash flow from financing activities		
None		
Net cash from financing activities	0	0
Net (decrease) increase in cash and cash equivalents	48,630	89,239
Cash and cash equivalents at beginning of year	231,291	142,052
Cash and cash equivalents at end of year	\$279,921	\$231,291

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

E. Inventory

AARCH's inventory consist of books, publications, pamphlets and other items held for resale to members and the public, and is accounted for at cost using the first-in first-out method. AARCH's inventory consists solely of finished goods.

AARCH's inventory at cost was \$45,333 at December 31, 2013 and \$37,030 at December 31, 2012.

F. Property and Equipment

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

AARCH capitalizes expenditures for property and equipment in excess of \$400. 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	5-10 years
Computers	3-5 years
Building and Building Improvements	39 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, AARCH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AARCH 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 for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Government Grants	\$102,028	\$140,737
Memberships	66,595	71,901
Contributions and Non-Government Grants	58,875	61,449
Fundraising Events (Net)	28,033	29,771
Program Fees	54,439	36,690

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- Permanently Restricted Funds

The Adirondack Community Trust (ACT), a New York State not for profit organization established with the principal purpose to receive and administer funds for charitable organizations, maintains a Fund on behalf of AARCH, known as the Adirondack Architectural Heritage Fund (“Fund”). Distributions of income and principal from the Fund to AARCH are governed by the terms of an Organization Fund Agreement between ACT and AARCH (“Agreement”) and are subject to a spending policy established by the Board of ACT, which may be amended from time to time.

The fair market value of the Fund was \$38,644 at December 31, 2013. Under the Agreement and spending policy of ACT, AARCH may request distributions equal to 5% of the average fund balance over the previous 12 quarters (the “Spendable Balance”). AARCH may request distributions beyond the Spendable Balance in certain circumstances, subject to the approval of ACT.

At December 31, 2013, the Spendable Balance calculated by ACT was \$10,680. AARCH did not take any distributions from the Fund in 2013 or 2012.

Note 11- Retirement Plan

In 2008, AARCH established a 403(b) defined contribution pension plan covering substantially all of AARCH’s employees. Employer contributions are based on a percentage of the employees’ salaries and are authorized at the discretion of AARCH’s Board of Directors. 403(b) contributions by AARCH for the years ended December 31, 2013 and 2012 amounted to \$3,681 and \$3,489, respectively.