

Adirondack Architectural Heritage Inc.

Financial Statements

December 31, 2014

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Independent Accountant's Review Report

To The Board of Directors
Adirondack Architectural Heritage, Inc.,
Keeseville, NY

We have reviewed the accompanying statement of financial position sheet of Adirondack Architectural Heritage, Inc., as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying 2013 financial statements of Adirondack Architectural Heritage, Inc., were previously audited by Keith Frantz, CPA and he stated that he was not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in his report dated May 8, 2014, and he has not performed any procedures in connection with that audit engagement since that date.

Martindale Keyser & Co. PLLC

MARTINDALE KEYSOR & CO., PLLC

May 18, 2015
Plattsburgh, NY 12901

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 (Reviewed) And 2013 (Audited)

	2014	2013
ASSETS		
ASSETS:		
Cash & Cash Equivalents	\$ 350,856	\$ 269,913
Certificates of Deposit	10,041	10,008
Inventory	43,947	45,333
Beneficial Interest In Assets	39,809	38,644
Buildings & Building Improvements	26,691	26,211
Furniture And Equipment	453,109	453,109
Less Accumulated Depreciation	(72,961)	(59,186)
Total Fixed Assets, Net	406,839	420,134
Total Assets	\$ 851,492	\$ 784,032
LIABILITIES AND NET ASSETS		
LIABILITIES		
Sales Tax Payable	\$ 151	\$ 132
Payroll Taxes Payable	3,774	2,725
Deferred Grant Revenue	36,000	-
Total Liabilities	39,925	2,857
 NET ASSETS		
Unrestricted	643,314	646,594
Temporarily Restricted:		
Santanoni Fund	66,091	88,631
Hurricane Mountain Fund	5,000	-
Poko Fund	57,353	17,986
Adirondack Foundation	39,809	27,964
Total Net Assets	811,567	781,175
Total Liabilities And Net Assets	\$ 851,492	\$ 784,032

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF ACTIVITIES
For The Year Ended December 31, 2014 (Reviewed)
With Summarized Totals for the Year Ended December 31, 2013 (Audited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
PUBLIC SUPPORT & REVENUE				
Contributions	\$ 55,617	\$ 51,201	\$ 106,818	\$ 58,875
Government Grants	36,450	5,000	41,450	102,028
Total Public Support	<u>92,067</u>	<u>56,201</u>	<u>148,268</u>	<u>160,903</u>
OTHER REVENUES:				
Membership Dues	72,436	-	72,436	66,595
Program Fees	57,670	-	57,670	54,439
Preservation Services	18,320	-	18,320	13,776
Rental Income	6,375	-	6,375	6,900
Investment Income/(Loss)	(125)	1,179	1,054	5,431
Fundraising Events	41,115	-	41,115	35,713
Less: Event Expenses	(8,934)	-	(8,934)	(7,680)
Other	1,810	164	1,974	356
Sales	3,138	-	3,138	2,657
Less: Cost of Goods Sold	(1,386)	-	(1,386)	(1,781)
Net Assets Released From Restrictions	23,872	(23,872)	-	-
Total Other Revenue	<u>214,291</u>	<u>(22,529)</u>	<u>191,762</u>	<u>176,406</u>
Total Revenue	<u>306,358</u>	<u>33,672</u>	<u>340,030</u>	<u>337,309</u>
EXPENSES				
Program Services	239,469	-	239,469	213,281
Management & General	64,033	-	64,033	65,344
Fund Raising	6,136	-	6,136	8,197
Total Expenses	<u>309,638</u>	<u>-</u>	<u>309,638</u>	<u>286,822</u>
CHANGE IN NET ASSETS	(3,280)	33,672	30,392	50,487
NET ASSETS AT BEGINNING OF YEAR	<u>646,594</u>	<u>134,581</u>	<u>781,175</u>	<u>730,688</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 643,314</u></u>	<u><u>\$ 168,253</u></u>	<u><u>\$ 811,567</u></u>	<u><u>\$ 781,175</u></u>

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2014 (Reviewed)
With Summarized Totals for the Year Ended December 31, 2013 (Audited)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2014 Total</u>	<u>2013 Total</u>
EXPENSES					
Personnel Services					
Staff Salaries	\$ 111,929	\$ 34,789	\$ 4,538	\$ 151,256	\$ 128,751
Payroll Taxes & Insurance	10,919	3,394	443	\$ 14,755	11,712
Employee Benefits	9,893	3,075	401	\$ 13,369	10,603
Total Personnel Services	<u>132,741</u>	<u>41,258</u>	<u>5,381</u>	<u>179,380</u>	<u>151,066</u>
Audit Expense	-	2,885	-	2,885	2,885
Consultants	16,352	-	-	16,352	15,791
Postage	3,021	939	122	4,083	4,012
Communication	2,769	861	112	3,742	4,184
Promotion/Website	1,475	-	-	1,475	1,883
Property Expense	8,208	2,736	-	10,944	7,553
Office Supplies	12,829	3,987	520	17,336	10,729
Equipment/Leases	4,061	1,354	-	5,415	3,880
Insurance	5,372	1,791	-	7,163	6,979
Program Expenses	27,248	-	-	27,248	25,768
Maintenance & Repairs	3,904	1,301	-	5,205	593
Professional Development	255	-	-	255	266
Dues & Publications	470	-	-	470	947
Travel	6,086	2,029	-	8,115	7,931
Other	4,347	1,449	-	5,796	3,711
Grant Expenditures	-	-	-	-	24,999
Depreciation	10,331	3,444	-	13,775	13,645
	<u>106,728</u>	<u>22,775</u>	<u>755</u>	<u>130,258</u>	<u>135,756</u>
TOTAL EXPENSES	<u>\$ 239,469</u>	<u>\$ 64,033</u>	<u>\$ 6,136</u>	<u>\$ 309,638</u>	<u>\$ 286,822</u>

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2014 (Reviewed) And 2013 (Audited)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	\$ 30,392	\$ 50,487
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	13,775	13,645
Increase (Decrease) In:		
Sales Tax Payable	19	89
Deferred Grant Revenue	36,000	-
Payroll Taxes Payable	1,049	122
(Increase) Decrease In:		
Certificates Of Deposits	(33)	(10,008)
Beneficial Interest In Assets	(1,165)	(4,973)
Inventory	1,386	(8,303)
	81,423	41,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases Of Equipment	-	(2,437)
Payments For Building & Building Improvements	(480)	-
	(480)	(2,437)
NET CASH USED BY FINANCING ACTIVITIES		
	(480)	(2,437)
NET INCREASE IN CASH & CASH EQUIVALENTS	80,943	38,622
CASH AND CASH EQUIVALENTS, Beginning Of Year	269,913	231,291
CASH AND CASH EQUIVALENTS, End Of Year	\$ 350,856	\$ 269,913

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

**ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Nature of Activities

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

Accrual Basis

The financial statements of AARCH 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.

Promises to Give

Contributions are recognized when the donor makes a promise to give to AARCH that is, in substance, unconditional. If no promise to give is made, then contributions are recognized when received. Contributions 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.

AARCH 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.

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.

Inventory

AARCH's inventory consists of books, publications, pamphlets and other items held for resale to members and the public, and are 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 \$43,947 at December 31, 2014.

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.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Concentration of Contributions and Revenue Sources

The following details the concentrations of total support and revenue for the years ended December 31, 2014 and 2013.

	2014	2013
Government Grants	\$ 41,450	\$ 102,028
Memberships	\$ 72,436	\$ 66,595
Contributions And Non-Government Grants	\$ 106,818	\$ 58,875
Fundraising Events (Net)	\$ 32,181	\$ 28,033
Program Fees	\$ 57,670	\$ 54,439

Contributions

In accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard NO. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

AARCH is a not-for-profit organization that has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AARCH is not classified as a private foundation.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Certificates Of Deposit

Certificates of deposits (“CDs”) represent CDs with initial maturities of greater than three months. They are recorded at the face value plus accrued interest, which approximates fair value.

Cash Flow Disclosures

AARCH classifies all highly liquid investments available for current use with an initial maturity of three months or less as cash equivalents.

Functional Allocation of Expenses

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

Accounting For Uncertainty In Income Taxes

The Company has adopted the provision pertaining to uncertain tax positions (ASC Topic 740) and has determined that there are not material uncertain tax positions that require recognition or disclosure in the financial statements. The Company files information tax returns in the U.S. Federal Jurisdiction and New York State. Tax years 2011-2013 remain subject to examination.

Events Occurring After Reporting Date

The Company has evaluated events and transactions that occurred between December 31, 2014 and May 18, 2015 for possible disclosure and recognition in the financial statements.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in prices the asset or liability.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For a further discussion of fair value measurements, refer to Note 10.

2. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Santanoni Fund	\$ 66,091	\$ 88,631
Friends of Hurricane Mountain Fund	5,000	-
Poko Fund	57,353	17,986
Adirondack Foundation Endowment	<u>39,809</u>	<u>27,964</u>
Total	<u>\$ 168,253</u>	<u>\$ 134,581</u>

3. FUNCTIONAL EXPENSE- FUNDRAISING

In 2014 and 2013, respectively, fundraising expenditures were 2% and 3% of total expenditures.

4. DONATED SERVICES, MATERIALS, AND FACILITIES

The value of donated services and uncompensated volunteer services are not recorded in AARCH's financial statements.

5. FUNDRAISING EVENTS

AARCH held several fundraising events in 2014. The total revenues generated and costs incurred in connection with these fundraising events were as follows:

<u>Event</u>	<u>Revenues</u>	<u>Costs</u>	<u>Event Gain</u>
Golf Tournament	\$ 15,808	\$ 5,751	\$ 10,057
Raffle	11,510	936	10,574
Benefit Event	<u>13,797</u>	<u>2,247</u>	<u>11,550</u>
Total	<u>\$ 41,115</u>	<u>\$ 8,934</u>	<u>\$ 32,181</u>

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. SALES OF INVENTORY AND COST OF GOODS SOLD

The sales of inventory and the cost of goods sold for the years ended December 31, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Sales	\$ 3,138	\$ 2,657
Less: Cost of Goods Sold	<u>(1,386)</u>	<u>(1,781)</u>
Gross Profit	<u>\$ 1,752</u>	<u>\$ 876</u>

7. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at December 21, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture And Equipment	\$ 26,691	\$ 26,211
Building And Building Improvements	453,109	453,109
Less: Accumulated Depreciation	<u>(72,961)</u>	<u>(59,186)</u>
Net Book Value	<u>\$ 406,839</u>	<u>\$ 420,134</u>

8. ADVERTISING

Advertising is expensed as incurred. Advertising expense for 2014 and 2013 was \$0.

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 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 are temporarily restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily restricted net assets based on the nature of the restrictions.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

10. BENEFICIAL INTEREST IN ASSETS HELD BY RECIPIENT ORGANIZATION

During 2004, the Organization established the Adirondack Architectural Heritage Fund ("Fund") with the Adirondack Foundation. The Endowment Fund's fair value at December 31, 2014 was \$39,809. Accounting standards require a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets, or both to a specified unaffiliated beneficiary to recognize the fair value of those assets as a liability to the specified beneficiary concurrent with the recognition of the assets received from the donor. Accounting standards also require that a specified beneficiary (Adirondack Architectural Heritage, Inc.) recognize its right to the assets held by a recipient organization (Adirondack Foundation) as an asset. The value of this asset is shown on the statement of financial position as a Beneficial Interest In Assets.

The agreement between Adirondack Architectural Heritage, Inc. (AARCH) and the Adirondack Foundation is subject to the variance power which gives the Board of Trustees of Adirondack Foundation the authority to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to any specified organizations if in the sole judgment of the Board such restriction or condition, becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served.

Distributions from the fund shall be in accordance with the spending policy established by the Board of the Adirondack Foundation and shall be paid and distributed at least annually, or more frequently, as the Parties may from time to time agree. Distributions in excess of the amount dictated by the Board's spending policy may be made in any year as determined by the Board provided one of the following conditions are met: (1) the distribution is for the purpose of enabling AARCH to acquire or renovate a capital asset, (2) AARCH is faced with unexpected financial needs that are not likely to recur, and the distribution will enable AARCH to meet those needs, or (3) for other compelling reasons. Such special requests must be accompanied by a resolution of two-thirds of the Adirondack Architectural Heritage Board. Recommendations for such distribution may be made from time to time to the Adirondack Foundation by the AARCH Board. Such recommendations shall be solely advisory and are not binding on the Adirondack Foundation.

AARCH utilizes fair value measurements to record fair value adjustments to beneficial interest in assets held by Adirondack Foundation and to determine fair value disclosures. Beneficial interest in assets held by Adirondack Foundation is recorded at fair value on a recurring basis.

Following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by Adirondack Foundation recorded at fair value.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Beneficial interest in assets held by Adirondack Foundation: AARCH is allocated its portion of the total fair values of the underlying securities held by the Foundation (Level 3 inputs). The underlying investment securities held by the Foundation have fair values that are determined using Level 1, 2, and 3 inputs.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this asset could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31.

	2014 Beneficial Interest In Assets Held By Adirondack Foundation
Beginning Balance	\$ 38,549
Contributions	470
Administrative Expenses	(389)
Net Investment Gain	1,179
Total	\$ 39,809

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 by AARCH. Pension expense for the years ended December 31, 2014 and 2013 amounted to \$3,012 and \$3,681, respectively.

12. LEASE COMMITMENTS

In 2011, AARCH entered into a five year operating lease for a copier. Future minimum lease payments required, under this lease, for the years ending December 31, are as follow:

2015	\$	3,880
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ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. DEFERRED REVENUE

Deferred revenues are reported on the Statements of Financial Position. Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by Adirondack Architectural Heritage, Inc. before it has a legal claim to them. In subsequent periods, when both recognition criteria are met, or when Adirondack Architectural Heritage, Inc. has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.