

**THE ADIRONDACK COUNCIL, INC.**

**Financial Statements as of  
June 30, 2017  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

October 5, 2017

To the Board of Directors of  
The Adirondack Council, Inc.:

We have audited the accompanying financial statements of The Adirondack Council, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Adirondack Council, Inc. as of June 30, 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.

### **Report on Summarized Comparative Information**

We have previously audited The Adirondack Council, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report of Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2016 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

**THE ADIRONDACK COUNCIL, INC.**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017**

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 327,758	\$ 299,764
Cash and cash equivalents - Board designated	302,365	484,185
Accounts receivable	416	926
Pledges receivable, net	377,096	476,149
Inventory	29,662	29,487
Investments	4,736,068	3,918,693
Prepaid expenses	10,723	6,694
Property and equipment, net	265,074	250,115
Beneficial interest in assets held by Adirondack Foundation:		
Clarence Petty Internship Fund	264,961	230,223
Adirondack Council Fund	163,850	88,807
	<u>\$ 6,477,973</u>	<u>\$ 5,785,043</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 31,962	\$ 27,332
Accrued expenses	56,134	46,265
Deferred revenue	9,100	9,370
Mortgage payable	72,496	89,126
	<u>169,692</u>	<u>172,093</u>
NET ASSETS:		
Unrestricted -		
Operating	463,731	373,751
Board designated	5,520,850	4,860,049
Total unrestricted net assets	5,984,581	5,233,800
Temporarily restricted	207,700	273,150
Permanently restricted	116,000	106,000
	<u>6,308,281</u>	<u>5,612,950</u>
Total net assets	<u>\$ 6,477,973</u>	<u>\$ 5,785,043</u>

The accompanying notes are an integral part of these statements.

**THE ADIRONDACK COUNCIL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**  
(With Comparative Totals for 2016)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated	Total Unrestricted			2017	2016
<b>SUPPORT AND REVENUE:</b>							
Contributions	\$ 1,704,037	\$ 125,660	\$ 1,829,697	\$ 90,000	\$ 10,000	\$ 1,929,697	\$ 1,754,670
Investment income	757	119,172	119,929	-	-	119,929	13,075
Net gain (loss) on investments	-	500,519	500,519	-	-	500,519	(202,251)
Rental income	21,590	-	21,590	-	-	21,590	17,030
Special events	9,845	-	9,845	-	-	9,845	13,020
Sales, net	27,829	-	27,829	-	-	27,829	14,968
Recovery of bad debts	23,000	-	23,000	-	-	23,000	-
Other income	40	-	40	-	-	40	8,956
Net assets released from restriction	<u>240,000</u>	<u>(84,550)</u>	<u>155,450</u>	<u>(155,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,027,098</u>	<u>660,801</u>	<u>2,687,899</u>	<u>(65,450)</u>	<u>10,000</u>	<u>2,632,449</u>	<u>1,619,468</u>
<b>EXPENSES:</b>							
Program services	1,588,411	-	1,588,411	-	-	1,588,411	1,461,255
Management and general	279,323	-	279,323	-	-	279,323	210,079
Fund raising	<u>69,384</u>	<u>-</u>	<u>69,384</u>	<u>-</u>	<u>-</u>	<u>69,384</u>	<u>83,971</u>
Total expenses	<u>1,937,118</u>	<u>-</u>	<u>1,937,118</u>	<u>-</u>	<u>-</u>	<u>1,937,118</u>	<u>1,755,305</u>
OPERATING INCOME (LOSS)	<u>89,980</u>	<u>660,801</u>	<u>750,781</u>	<u>(65,450)</u>	<u>10,000</u>	<u>695,331</u>	<u>(135,837)</u>
<b>NON-OPERATING EXPENSE:</b>							
Contribution expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,900)</u>
Total non-operating expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,900)</u>
CHANGE IN NET ASSETS	<u>89,980</u>	<u>660,801</u>	<u>750,781</u>	<u>(65,450)</u>	<u>10,000</u>	<u>695,331</u>	<u>(140,737)</u>
NET ASSETS - beginning of year	<u>373,751</u>	<u>4,860,049</u>	<u>5,233,800</u>	<u>273,150</u>	<u>106,000</u>	<u>5,612,950</u>	<u>5,753,687</u>
NET ASSETS - end of year	<u>\$ 463,731</u>	<u>\$ 5,520,850</u>	<u>\$ 5,984,581</u>	<u>\$ 207,700</u>	<u>\$ 116,000</u>	<u>\$ 6,308,281</u>	<u>\$ 5,612,950</u>

The accompanying notes are an integral part of these statements.

# THE ADIRONDACK COUNCIL, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017 (With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 695,331	\$ (140,737)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	7,541	7,384
Realized (gain) loss on sale of investments	303	(26,674)
Unrealized investment (gain) loss	(500,822)	228,925
Bad debt expense	-	8,000
Donated artwork	-	4,900
Changes in:		
Accounts receivable	510	(129)
Pledges receivable	99,053	303,033
Inventory	(175)	(2,555)
Prepaid expenses	(4,029)	3,646
Accounts payable	4,630	(11,507)
Accrued expenses	9,869	(3)
Deferred revenue	(270)	(2,280)
Net cash flow from operating activities	<u>311,941</u>	<u>372,003</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale and maturities of investments	364,608	1,103,752
Purchase of investments	(609,425)	(1,477,296)
Purchase of fixed assets	(22,500)	(3,776)
Net cash flow from investing activities	<u>(267,317)</u>	<u>(377,320)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of long-term debt	(16,630)	(16,167)
CHANGE IN CASH AND CASH EQUIVALENTS	27,994	(21,484)
CASH AND CASH EQUIVALENTS - beginning of year	<u>299,764</u>	<u>321,248</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 327,758</u>	<u>\$ 299,764</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 2,823</u>	<u>\$ 3,180</u>

The accompanying notes are an integral part of these statements.

# THE ADIRONDACK COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 1. THE ORGANIZATION

The Adirondack Council, Inc. (the "Council") is a Not-For-Profit organization established to ensure the ecological integrity and wild character of the Adirondack Park region through public education, interaction with government agencies and legislators, and legal action when necessary.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include bank demand deposit accounts and money market accounts. At times, the balances in bank accounts may exceed federally insured limits. The Council has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

#### **Pledges Receivable**

Contributions are recorded as support when pledges are made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same reporting period are classified as unrestricted revenue. A receivable is recorded to the extent that a pledge has been made, but cash has not been collected. Pledges are recorded at their estimated net present value using a short-term discount rate of 1.89% and 1.01% at June 30, 2017 and 2016, respectively. Management has also recorded an allowance for uncollectible pledges of \$23,000 at June 30, 2016. Management has determined that an allowance for uncollectible pledges is not necessary at June 30, 2017.

#### **Inventories**

Inventories consist of merchandise for resale and are stated at the lower of cost or market.

#### **Investments**

All investments in publicly traded securities, equities, real estate investment trusts, and mutual funds are stated at fair value. Fair value is determined using quoted market prices. The fair market value of alternative investments, such as investments in partnerships, is estimated based upon fair market value information provided by the related partnership. All realized and unrealized gains and losses are reported directly in the accompanying statement of activities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments (Continued)**

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such could materially affect the amounts reported in the accompanying financial statements.

In addition, a portion of the investments are held as an endowment and quasi-endowment as described in Note 6. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### **Property and Equipment**

The costs of property and equipment are depreciated using the straight-line method over the assets' estimated useful lives, which range from 5-40 years. Generally, equipment which has a cost in excess of \$1,500 at the date of acquisition and has an expected useful life of one year or more is capitalized.

### **Long-Lived Assets**

The Council assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2017 or 2016.

### **Beneficial Interest in Assets Held by Recipient Organization**

The Council has two funds established with the Adirondack Foundation. The Council may request to receive an annual distribution for special projects or operating expenses from this fund according to the distribution policy of the Adirondack Foundation. Both funds are part of the Council's quasi endowment, the Forever Wild Fund, with one fund making up the permanently restricted portion of the endowment. The beneficial interest in assets held is recorded at fair market value as of June 30, 2017 and 2016.

### **Deferred Revenue**

Deferred revenue consists of advance ticket purchases for the Council's Forever Wild Day. These funds will be recognized when the event is held.

### **Contributions**

The Council reports gifts of cash and other assets as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

### **Classification of Net Assets**

To ensure observance of limitations of restrictions placed on the use of resources available to the Council, the resources are classified for reporting purposes into groups of net assets established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Classification of Net Assets (Continued)**

Net assets of the Council are classified and reported as follows:

Unrestricted – This category of net assets is not restricted by donors or other outside agencies. The Board of Directors can authorize the use of these assets, as it desires, to carry on the purposes of the Council.

Unrestricted - Board Designated – This category of net assets has been designated by the Board of Directors. The Board has designated these assets be placed into the Forever Wild Fund. The Forever Wild Fund was established to provide for certain costs of protecting the Adirondack Park for future generations, including but not limited to a pure waters campaign, the creation of a land stewardship program, creation of the Bob Marshall Great Wilderness, and the establishment of legal and publication funds. These funds are not an endowment fund. The assets can be used at the discretion of the board of directors in following the Council's mission and in accordance with board policy.

Temporarily Restricted – Temporarily restricted net assets include resources that have been donated to the Council subject to restrictions defined by the donor. These restrictions will be met either by actions of the Council and/or the passage of time. As of June 30, 2017 and 2016, these funds are restricted for the long-term portion of the Forever Wild Fund pledges.

Permanently Restricted – Permanently restricted net assets that have donor-imposed restrictions that stipulate that resources be maintained intact permanently, but which permit the Council to use up or expend the income derived from the donated assets for operating purposes.

### **Donated Services**

The Council receives donated services from a variety of unpaid volunteers for which no amounts have been recognized in the accompanying statements of activities either because the criteria for recognition of such volunteer effort has not been satisfied or because of the difficulty in establishing a fair market value for the services provided.

### **Allocation of Expenses**

The costs of the Council's environmental education and advocacy programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited.

### **Advertising**

The Council expenses advertising costs as incurred. Advertising was \$74,018 and \$87,980 for the year ended June 30, 2017 and 2016, respectively.

### **Income Taxes**

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Council has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

### **Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Fair Value Measurement – Definition and Hierarchy**

The Council uses various valuation techniques in determining fair value. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Council. Unobservable inputs are inputs that reflect the Council's estimate of the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Council has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

The Council's equity securities, mutual funds, fixed income funds, real estate investment trust, and beneficial interest in recipient organizations are primarily valued utilizing Level 1 inputs.

- Level 2 – Valuations based on quoted market prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly.

The Council's beneficial assets held by the Adirondack Foundation are primarily valued utilizing Level 2 inputs.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Council currently has no assets using Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### 3. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give	\$ 380,025	\$ 506,100
Amounts due in:		
Less than one year	172,325	232,950
One to five years	<u>207,700</u>	<u>273,150</u>
	380,025	506,100
Less: Allowance for uncollectible pledges	-	(23,000)
Less: Discount to present value	<u>(2,929)</u>	<u>(6,951)</u>
Net unconditional promises to give	<u>\$ 377,096</u>	<u>\$ 476,149</u>

### 4. INVESTMENTS

Investments consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Equities - common stock	\$ 2,794,714	\$ 2,212,646
Mutual funds	757,951	622,443
Investment in pooled interest	696,601	658,290
Fixed income	483,774	403,098
Investment in limited partnership	3,028	3,028
Real estate investment trust	<u>-</u>	<u>19,188</u>
	<u>\$ 4,736,068</u>	<u>\$ 3,918,693</u>

Net investment income, including interest on cash, consisted of the following for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 119,929	\$ 13,075
Realized and unrealized gains (losses), net	<u>500,519</u>	<u>(202,251)</u>
	<u>\$ 620,448</u>	<u>\$ (189,176)</u>

Investment management fees are \$31,152 and \$35,987 incurred during 2017 and 2016, respectively, and are included on the statement of activities within management and general.

#### 4. INVESTMENTS (Continued)

The following investments are valued at net asset values per share (unitized basis) as of June 30, 2017 and 2016:

	Fair Value at 6/30/17	Fair Value at 6/30/16	2017 Unfunded Commitments	2016 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments in pooled interest and limited partnerships	\$ 699,629	\$ 661,318	\$ -	\$ -	Quarterly	35 days

##### Investments in pooled interest and limited partnerships

These funds pursue multiple strategies to diversify risks and reduce volatility. These funds typically shift from value to growth strategies in an effort to increase the fund's income, reduce the volatility of returns and improve the reward/risk of the stock portfolio. The majority of the fund's holdings are long/short term market securities and equity funds including bonds, debentures, domestic and international equities, equity-related instruments, short sales, fixed income securities, currencies, futures, forward contracts, swaps, other derivatives, and other financial instruments and commodities. The fair value of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers. Approximately .39% of investments in this category are not permitted for redemption as the investments are in liquidation.

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2017	2016
Land	\$ 100,000	\$ 100,000
Building and improvements	275,055	252,555
Leasehold improvements	42,350	42,350
Furniture and equipment	19,843	19,843
	<u>437,248</u>	<u>414,748</u>
Less: Accumulated depreciation	<u>(172,174)</u>	<u>(164,633)</u>
	<u>\$ 265,074</u>	<u>\$ 250,115</u>

Depreciation expense for 2017 and 2016 was \$7,541 and \$7,384, respectively.

## **6. BENEFICIAL INTEREST IN ASSETS HELD BY RECIPIENT ORGANIZATION AND ENDOWMENT POLICIES**

The Council has a beneficial interest in assets held by the Adirondack Foundation. The funds are provided by the Council and managed by the Adirondack Foundation. The Council may request to receive an annual distribution for special projects or operating expenses from this fund according to the distribution policy of the Adirondack Foundation.

Distributions from the fund shall be in accordance with the spending policy established by the Board of 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 is met: (1) the Council is faced with unexpected financial needs in the internship program, and the distribution will enable the Council to meet those needs, or (2) for other compelling reasons. Recommendations for such distributions may be made to Adirondack Foundation by the Board of the Council. Such recommendations shall be solely advisory and are not binding on Adirondack Foundation.

Total beneficial interest in assets held by a recipient organization are \$428,811 and \$319,030 for the years ended June 30, 2017 and 2016, respectively.

### **Endowment Policies**

The governing body of the Council has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on donor-restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

The Council has adopted investment and spending policies for endowment assets that attempt to maintain the corpus of the fund while allowing the account to grow in order to provide resources to ensure the Council's mission. Endowment assets include both permanently restricted endowment funds and unrestricted board-designated funds as of June 30, 2017 and 2016.

Under this policy, as approved by the Board of Directors, the endowment net assets are primarily invested in equities and fixed income funds. The general investment strategy includes structuring the investments to provide a steady stream of income that could meet an annual 5% payout, if required, although this should be considered the intended distribution policy and could change according to the discretion of the Board of Directors.

To satisfy its long-term rate-of-return objectives, the Council 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 Council targets a diversified asset allocation (see information above) that places a greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk constraints.

There is no annual target for expenditures. Management periodically presents initiatives that they feel worthy of support. These suggestions are reviewed and funds are appropriated on occasion for items deemed worthwhile.

**6. BENEFICIAL INTEREST IN ASSETS HELD BY RECIPIENT ORGANIZATION AND ENDOWMENT POLICIES (Continued)**

**Endowment Policies (Continued)**

Changes in endowment net assets for the years ended June 30, 2017 and June 30, 2016 are as follows:

	2017		2016	
	Unrestricted Board Designated	Permanently Restricted	Unrestricted Board Designated	Permanently Restricted
Endowment net assets - beginning of year	\$ 213,030	\$ 106,000	\$ 133,399	\$ 101,000
Investment return:				
Investment income, net of fees	(4,486)	-	(3,317)	-
Net appreciation (depreciation),(realized and unrealized)	52,865	-	(9,315)	-
Total investment return	48,379	-	(12,632)	-
Board designations, transfers and contributions	71,500	10,000	102,263	5,000
Appropriate of endowment assets for expenditure	(10,000)	-	(10,000)	-
Endowment net assets - end of year	\$ 322,909	\$ 116,000	\$ 213,030	\$ 106,000

**7. MORTGAGE PAYABLE**

The Council has a mortgage payable to a bank payable in monthly installments of \$1,612, including interest at a variable rate of 4.00%, through June 2021. Amounts outstanding are secured by real property. Future annual principal payments are as follows for the years ending June 30:

2018	\$ 17,251
2019	17,820
2020	18,408
2021	19,017
	\$ 72,496

Total interest expense was \$2,823 and \$3,180 during the years ended June 30, 2017 and 2016, respectively.

**8. LINE-OF-CREDIT**

The Council has an available line-of-credit in the amount of \$1,000,000 with a variable interest rate equal to LIBOR (3.97% at June 30, 2017). There was no amount outstanding on the line-of-credit as of June 30, 2017 and 2016.

## 9. PENSION PLAN

The Council offers a defined contribution plan to all employees. The Council contributes to the plan, which consists of individual employee's tax sheltered annuities. In addition, each employee may contribute a portion of his or her salary to their annuity accounts. The Council contributed \$41,545 and \$38,255 to the plan during the years ended June 30, 2017 and 2016, respectively.

## 10. COMMITMENTS AND CONTINGENCIES

### Leases

The Council leases office space and equipment under operating leases. Rent expense charged to operations was \$43,119 and \$35,848 for the years ended June 30, 2017 and 2016, respectively. Future minimum leases payments under these obligations are as follows for years ending June 30:

2018	\$	40,896
2019		14,736
2020		12,468
2021		<u>9,271</u>
	\$	<u>77,371</u>

The Council is a lessor of real property under an operating lease. The Council has a one-year commitment from each lease. Income from the leasing activities was \$21,590 and \$17,030 for the years ended June 30, 2017 and 2016, respectively.

### Charitable Remainder Unitrusts

In December 1996, the Council was notified that it was named as a remainder beneficiary of a charitable remainder unitrust, along with two other organizations. Since the donors have retained the right to designate other organizations in place of one or more of the remainder beneficiaries, no accounting recognition has been given to this gift.

## 11. CARBON CREDITS

The Council purchases Carbon Credits at the quarterly Regional Greenhouse Gas Initiative auctions in blocks of 1,000. The price paid depends on the current market value. Two thousand credits were purchased as of June 30, 2017 for a total of \$5,060. For the year ended June 30, 2016, no credits were purchased.

For the years ended June 30, 2017 and 2016, \$3,795 and \$2,950 in contributions were received in exchange for the retirement of 231 of these credits, respectively. In addition, 600 credits were donated to local radio stations for the year ending June 30, 2017. The Council had retired/donated a total of 14,199 and 13,368 credits as of June 30, 2017 and 2016, respectively. In May 2016, the carbon certificate program was changed to "Cool Farms/Healthy Park" which retires one ton of carbon for \$25. Proceeds from the purchase of Cool Farms/Healthy Park certificates support micro grants for local farms and the acquisition of additional carbon credits. Every allowance the Adirondack Council buys and retires means one less ton of carbon in the air.

## 12. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30:

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
<b>June 30, 2017:</b>				
Equities - common stock	\$2,794,714	\$ -	\$ -	\$2,794,714
Mutual funds	757,951	-	-	757,951
Fixed income funds	483,774	-	-	483,774
Beneficial interest in assets held by the Adirondack Foundation	-	428,811	-	428,811
	<u>4,036,439</u>	<u>428,811</u>	<u>-</u>	<u>4,465,250</u>
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,629</u>
	<u>\$4,036,439</u>	<u>\$ 428,811</u>	<u>\$ -</u>	<u>\$5,164,879</u>
<b>June 30, 2016:</b>				
Equities - common stock	\$2,212,646	\$ -	\$ -	\$2,212,646
Mutual funds	622,443	-	-	622,443
Fixed income funds	403,098	-	-	403,098
Beneficial interest in assets held by the Adirondack Foundation	-	319,030	-	319,030
Real estate investment trusts	19,188	-	-	19,188
	<u>3,257,375</u>	<u>319,030</u>	<u>-</u>	<u>3,576,405</u>
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,318</u>
	<u>\$3,257,375</u>	<u>\$ 319,030</u>	<u>\$ -</u>	<u>\$4,237,723</u>

There were no changes in valuation techniques during 2017 and 2016.

## 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2017, which is the date the financial statements were available to be issued.



**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

(With Comparative Totals for 2016)

	Program Services	Management and General	Fundraising	Total 2017	Total 2016
Salaries	\$ 675,561	\$ 115,340	\$ 32,954	\$ 823,855	\$ 745,959
Benefit allocation	224,792	38,379	10,965	274,136	259,663
Professional fees	160,952	34,281	-	195,233	135,708
Public relations	112,370	19,185	5,481	137,036	167,272
Postage, freight/mailling house	101,851	17,389	4,968	124,208	97,179
Printing and publications	52,842	9,022	2,578	64,442	68,392
Travel	52,381	8,943	2,555	63,879	55,704
Equipment rental/lease/maintenance	52,332	8,935	2,553	63,820	39,182
Rent/lease office space	44,971	7,678	2,194	54,843	51,667
Dues, fees and licenses	38,468	6,568	1,876	46,912	51,135
Special events	14,344	2,449	700	17,493	20,893
Telecommunications	14,253	2,433	695	17,381	17,435
Gift incentives/marketing	13,528	2,310	660	16,498	11,411
Supplies	9,665	1,650	471	11,786	5,355
Bank charges	8,857	1,512	432	10,801	10,779
Carbon credits	5,060	-	-	5,060	-
Directors and officers liability insurance	-	2,194	-	2,194	2,187
Bad debt expense	-	-	-	-	8,000
	<u>1,582,227</u>	<u>278,268</u>	<u>69,082</u>	<u>1,929,577</u>	<u>1,747,921</u>
Total expenses before depreciation					
Depreciation	<u>6,184</u>	<u>1,055</u>	<u>302</u>	<u>7,541</u>	<u>7,384</u>
	<u>\$ 1,588,411</u>	<u>\$ 279,323</u>	<u>\$ 69,384</u>	<u>\$ 1,937,118</u>	<u>\$ 1,755,305</u>

The accompanying notes are an integral part of this schedule.