

**THE ADIRONDACK COUNCIL, INC.**

**Financial Statements as of  
June 30, 2019  
Together with  
Independent Auditor's Report**

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

## INDEPENDENT AUDITOR'S REPORT

October 15, 2019

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, 2019, and the related statements of activities cash flows, and functional expenses 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.

6 Wembley Court  
Albany, New York 12205  
p (518) 464-4080  
f (518) 464-4087

[www.bonadio.com](http://www.bonadio.com)

(Continued)

## **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, 2019, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements The Adirondack Council, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

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

We have previously audited The Adirondack Council, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended **June 30, 2018**, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**THE ADIRONDACK COUNCIL, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2019**

(With Comparative Totals for 2018)

---

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 460,853	\$ 514,966
Cash and cash equivalents - Board designated	145,123	405,427
Accounts receivable	350	1,292
Pledges receivable, net	164,703	327,153
Inventory	30,353	27,635
Investments	5,534,444	5,182,272
Prepaid expenses	16,047	6,203
Security deposits	1,776	1,776
Property and equipment, net	255,028	259,453
Beneficial interest in assets held by Adirondack Foundation:		
Clarence Petty Internship Fund	293,623	286,147
Adirondack Council Fund	<u>279,410</u>	<u>230,549</u>
	<u>\$ 7,181,710</u>	<u>\$ 7,242,873</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 29,156	\$ 8,784
Accrued expenses	72,291	62,968
Deferred revenue	12,525	9,825
Mortgage payable	<u>-</u>	<u>58,191</u>
Total liabilities	<u>113,972</u>	<u>139,768</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Operating	570,356	409,093
Board designated	<u>6,233,882</u>	<u>6,195,548</u>
Total net assets without donor restrictions	6,804,238	6,604,641
With donor restrictions	<u>263,500</u>	<u>498,464</u>
Total net assets	<u>7,067,738</u>	<u>7,103,105</u>
	<u>\$ 7,181,710</u>	<u>\$ 7,242,873</u>

The accompanying notes are an integral part of these statements.

**THE ADIRONDACK COUNCIL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**  
(With Comparative Totals for 2018)

	Net Assets without Donor Restrictions			Net Assets with Donor Restrictions	Total	
	Operating	Board Designated	Total		2019	2018
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,800,879	\$ 63,309	\$ 1,864,188	\$ 10,000	\$ 1,874,188	\$ 2,150,131
Investment income	8,785	85,371	94,156	-	94,156	78,737
Net gain on investments	-	159,654	159,654	-	159,654	481,245
Rental income	21,290	-	21,290	-	21,290	21,360
Special events	10,975	-	10,975	-	10,975	10,100
Sales, net	37,566	-	37,566	-	37,566	26,333
Other income	324	-	324	-	324	512
Net assets released from restriction	514,964	(270,000)	244,964	(244,964)	-	-
<b>Total revenues</b>	<b>2,394,783</b>	<b>38,334</b>	<b>2,433,117</b>	<b>(234,964)</b>	<b>2,198,153</b>	<b>2,768,418</b>
<b>EXPENSES:</b>						
Program services	1,804,397	-	1,804,397	-	1,804,397	1,582,175
Management and general	347,242	-	347,242	-	347,242	317,421
Fund raising	81,881	-	81,881	-	81,881	73,998
<b>Total expenses</b>	<b>2,233,520</b>	<b>-</b>	<b>2,233,520</b>	<b>-</b>	<b>2,233,520</b>	<b>1,973,594</b>
<b>CHANGE IN NET ASSETS</b>	<b>161,263</b>	<b>38,334</b>	<b>199,597</b>	<b>(234,964)</b>	<b>(35,367)</b>	<b>794,824</b>
<b>NET ASSETS - beginning of year</b>	<b>409,093</b>	<b>6,195,548</b>	<b>6,604,641</b>	<b>498,464</b>	<b>7,103,105</b>	<b>6,308,281</b>
<b>NET ASSETS - end of year</b>	<b>\$ 570,356</b>	<b>\$ 6,233,882</b>	<b>\$ 6,804,238</b>	<b>\$ 263,500</b>	<b>\$ 7,067,738</b>	<b>\$ 7,103,105</b>

The accompanying notes are an integral part of these statements.

# THE ADIRONDACK COUNCIL, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (35,367)	\$ 794,824
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	9,551	8,697
Realized loss (gain) on sale of investments	2,826	(525,554)
Unrealized investment (gain) loss	(162,480)	44,309
Changes in:		
Accounts receivable	942	(876)
Pledges receivable	162,450	49,943
Inventory	(2,718)	2,027
Prepaid expenses	(9,844)	4,520
Accounts payable	20,372	(23,178)
Accrued expenses	9,323	6,834
Deferred revenue	<u>2,700</u>	<u>725</u>
Net cash flow from operating activities	<u>(2,245)</u>	<u>362,271</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	5,285,430	4,496,122
Purchase of investments	(5,273,980)	(4,653,804)
Purchase of fixed assets	<u>(5,127)</u>	<u>(3,076)</u>
Net cash flow from investing activities	<u>6,323</u>	<u>(160,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	<u>(58,191)</u>	<u>(14,305)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(54,113)	187,208
CASH AND CASH EQUIVALENTS - beginning of year	<u>514,966</u>	<u>327,758</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 460,853</u>	<u>\$ 514,966</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 2,523</u>	<u>\$ 2,589</u>

The accompanying notes are an integral part of these statements.

**THE ADIRONDACK COUNCIL, INC.****STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

---

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2019</u>
Salaries	\$ 809,509	\$ 138,209	\$ 39,488	\$ 987,206
Benefit allocation	291,049	49,691	14,198	354,938
Professional fees	168,706	38,827	-	207,533
Public relations	99,682	17,019	4,863	121,564
Postage, freight/mailing house	107,915	18,425	5,264	131,604
Printing and publications	91,168	15,565	4,448	111,181
Travel	57,125	9,753	2,787	69,665
Equipment rental/lease/maintenance	55,937	9,550	2,729	68,216
Rent/lease office space	47,922	8,182	2,337	58,441
Dues, fees and licenses	9,167	15,985	2,533	27,685
Special events	20,545	3,508	1,002	25,055
Telecommunications	13,555	2,314	661	16,530
Gift incentives/marketing	16,838	2,875	821	20,534
Bank charges	-	12,656	-	12,656
Supplies	7,543	1,288	368	9,199
Directors and officers liability insurance	-	1,962	-	1,962
Carbon credits	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,796,661	345,809	81,499	2,223,969
Depreciation	<hr/> 7,736	<hr/> 1,433	<hr/> 382	<hr/> 9,551
	<hr/> <u>\$ 1,804,397</u>	<hr/> <u>\$ 347,242</u>	<hr/> <u>\$ 81,881</u>	<hr/> <u>\$ 2,233,520</u>

The accompanying notes are an integral part of this schedule.

# THE ADIRONDACK COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

---

### 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.

The Adirondack Council has long supported working farms and forests for the important conservation, economic and cultural role they play in the Adirondacks. During 2019, the Council merged the Essex Farm Institute into the existing Council program providing an opportunity to expand the Council's goals related to agricultural, open space protection and vibrant communities. The Council will maintain the brand of the Institute which is recognized and valued in the region. The program will continue to be developed and executed by the Essex Farm Institute's current part-time program director, now a Council employee, working within the Council's Conservation program. During 2019 the Essex Farm Institute merged with The Adirondack Council which approximated \$500, as well as donor designated gifts totaling \$33,751.

### 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.

#### **Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Council's fiscal year ending June 30, 2019 and was applied retrospectively with the exception of the presentation of expenses in both natural and functional classifications and the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements.



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

### **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 use without restrictions, unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same reporting period are classified as revenue without restrictions. 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 2.07% and 2.34% at June 30, 2019 **and 2018**, respectively. Management has determined that an allowance for uncollectible pledges is not necessary at June 30, 2019 and 2018.

### **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.

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 7. 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.

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

### **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 2019 or 2018.

### **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 a portion of one fund making up the net assets with donor restrictions of the endowment. The beneficial interest in assets held is recorded at fair market value as of June 30, 2019 **and 2018**.

### **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 with donor 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.

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

Net Assets without Donor Restrictions - Undesignated – This category of net assets is not restricted by donors or other outside organizations. The Board of Directors can authorize the use of these assets, as it desires, to carry on the purposes of the Council.

Net Assets without Donor Restrictions – 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.

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

Net Assets with Donor Restrictions – Net assets with donor restrictions 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, 2019 and 2018, these funds are restricted for the long-term Forever Wild Fund pledges and the Adirondack Vision Project. Net assets with donor restrictions also includes 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 providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Due to changes in factual circumstances and accounting estimates, the allocation of certain costs amount the program and supporting services will vary from year to year. Salaries and employee benefits are allocated based on the employee's job responsibilities and duties performed

### **Advertising**

The Council expenses advertising costs as incurred. Advertising was \$58,763 and \$60,109 for the year ended June 30, 2019 **and 2018**, 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, 2018**, 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 and classifies them into a three level hierarchy based on the nature of the inputs. Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Level 2 valuations are based on inputs, other than quoted prices included within Level 1 that are observable either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Council's equity securities, mutual funds, fixed income funds, and beneficial interest in recipient organizations are valued utilizing Level 1 inputs only. The Council's beneficial assets held by the Adirondack Foundation are primarily valued utilizing Level 2 inputs. The Council has no assets using Level 3 inputs.

## 3. LIQUIDITY

The Council is substantially supported by contributions received from donors and investment earnings. The following reflects the Council's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Financial assets:	
Cash and cash equivalents	\$ 460,853
Cash and cash equivalents - Board designated	146,899
Accounts receivables	350
Pledges receivable, net	164,703
Investments	<u>5,534,444</u>
Total financial assets:	<u>6,307,249</u>
Less: those unavailable for general expenditures within one year due to:	
Net assets with donor restrictions	\$ (507,136)
Cash and cash equivalents - board designated	(146,899)
Long term portion of pledges receivable, net	<u>(90,000)</u>
Total:	<u>(744,035)</u>
Total financial assets available to meet cash needs for general expenditures in one year	<u>\$ 5,563,214</u>

The Council's ability to meet its cash needs is highly dependent on timely collection of its pledges receivable as well as its investment returns. As part of the Council's liquidity management, the Council could manage vendor relationships to extend payment terms when possible. They have engaged in fundraising efforts over the years to supplement operating cash flow and build up investment reserves. In addition, in the event of an unanticipated liquidity need, the Council may request Board approval to utilize the board designated cash and cash equivalents for general expenditures.

#### 4. PLEDGES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	<u>\$ 164,703</u>	<u>\$ 327,795</u>
Amounts due in:		
Less than one year	74,703	168,461
One to five years	<u>90,000</u>	<u>159,334</u>
	164,703	327,795
Less: Allowance for uncollectible pledges	-	-
Less: Discount to present value	<u>-</u>	<u>(642)</u>
Net unconditional promises to give	<u>\$ 164,703</u>	<u>\$ 327,153</u>

#### 5. INVESTMENTS

Investments consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equities - common stock	\$ 5,531,416	\$ 5,106,465
Investment in pooled interest	-	72,779
Investment in limited partnership	<u>3,028</u>	<u>3,028</u>
	<u>\$ 5,534,444</u>	<u>\$ 5,182,272</u>

## 5. INVESTMENTS (Continued)

The following investments are valued at net asset values per share (unitized basis) as of June 30, 2019 and 2018:

	Fair Value at 6/30/19	Fair Value at 6/30/18	2019 Unfunded Commitments	2018 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments in pooled interest and limited partnerships	<u>\$ 3,028</u>	<u>\$ 75,807</u>	<u>\$ -</u>	<u>\$ -</u>	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.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 100,000	\$ 100,000
Building and improvements	275,055	275,055
Leasehold improvements	42,350	42,350
Furniture and equipment	<u>28,045</u>	<u>22,919</u>
	445,450	440,324
Less: Accumulated depreciation	<u>(190,422)</u>	<u>(180,871)</u>
	<u>\$ 255,028</u>	<u>\$ 259,453</u>

Depreciation expense for 2019 and 2018 was \$9,551 and \$8,697, respectively.

**7. BENEFICIAL INTEREST IN ASSETS HELD BY RECIPIENT ORGANIZATION AND QUASI- 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 \$573,033 and \$516,696 for the years ended June 30, 2019 **and 2018**, respectively.

**Quasi-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 board-designated funds as of June 30, 2019 **and 2018**.

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

**Quasi-Endowment Policies (Continued)**

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.

Changes in endowment net assets for the years ended June 30, 2019 and **June 30, 2018** are as follows:

	2019		2018	
	Board Designated	With Donor Restrictions	Board Designated	With Donor Restrictions
Endowment net assets - beginning of year	\$ 390,696	\$ 126,000	\$ 312,811	\$ 116,000
Investment return:				
Investment income, net of fees	(6,330)	-	(5,652)	-
Net appreciation (depreciation),(realized and unrealized)	<u>14,642</u>	<u>-</u>	<u>36,537</u>	<u>-</u>
Total investment return	<u>8,312</u>	<u>-</u>	<u>30,885</u>	<u>-</u>
Board designations, transfers and contributions	53,025	10,000	57,000	10,000
Appropriate of endowment assets for expenditure	<u>(15,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Endowment net assets - end of year	<u>\$ 437,033</u>	<u>\$ 136,000</u>	<u>\$ 390,696</u>	<u>\$ 126,000</u>



**8. PENSION PLAN**

The Council offers a defined contribution plan to all employees. In February 2018, the Council changed its retirement plan from a tax-sheltered annuity to a 401(k) plan. The Council contributes to the Plan, and in addition, each employee may contribute a portion of his or her salary to their annuity accounts. The Council contributed \$51,964 and \$48,474 to the plan during the years ended June 30, 2019 **and 2018**, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

**Leases**

The Council leases office space and equipment under operating leases. Rent expense charged to operations was \$43,896 and \$44,850 for the years ended June 30, 2019 **and 2018**, respectively. Future minimum leases payments under these obligations are as follows for years ending June 30:

2020	\$	38,868
2021		<u>35,671</u>
	\$	<u>74,539</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 \$21,290 and \$21,360 for the years ended June 30, 2019 **and 2018**, respectively.

## 9. COMMITMENTS AND CONTINGENCIES (Continued)

### 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.

## 10. 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. None were purchased for the years ending June 30, 2019 and 2018 .

For the years ended June 30, 2019 **and 2018**, \$2,800 and \$1,930 in contributions were received in exchange for the retirement of 112 and 97 of these credits, respectively. In addition, 375 credits were donated to local radio stations for the year ending June 30, 2019. The Council had retired/donated a total of 15,060 and 14,573 credits as of June 30, 2019 **and 2018**, 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.

## 11. 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, 2019:</b>				
Equities - common stock	\$ 5,531,416	\$ -	\$ -	\$ 5,531,416
Beneficial interest in assets held by the Adirondack Foundation	<u>-</u>	<u>573,033</u>	<u>-</u>	<u>573,033</u>
	5,531,416	573,033	-	6,104,449
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,028</u>
	<u>\$ 5,531,416</u>	<u>\$ 573,033</u>	<u>\$ -</u>	<u>\$ 6,107,477</u>

## 11. FAIR VALUE MEASUREMENTS (Continued)

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
<b>June 30, 2018:</b>				
Equities - common stock	\$ 5,106,465	\$ -	\$ -	\$ 5,106,465
Beneficial interest in assets held by the Adirondack Foundation	<u>-</u>	<u>516,696</u>	<u>-</u>	<u>516,696</u>
	5,106,465	516,696	-	5,623,161
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,807</u>
	<u>\$ 5,106,465</u>	<u>\$ 516,696</u>	<u>\$ -</u>	<u>\$ 5,698,968</u>

There were no changes in valuation techniques during 2019 and 2018.

## 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2019, which is the date the financial statements were available to be issued.