

THE ADIRONDACK COUNCIL, INC.

**Financial Statements as of
June 30, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 15, 2021

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, 2021, 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.

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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, 2021, and the changes in its net assets and its cash flows for the year 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,086,167	\$ 864,121
Cash and cash equivalents - Board designated	510,756	61,247
Cash and cash equivalents - Restricted	-	36,062
Accounts receivable	482	40
Pledges receivable, net	87,574	207,240
Inventory	28,518	31,490
Investments	8,068,224	5,518,813
Prepaid expenses	2,400	8,242
Security deposits	1,776	1,776
Property and equipment, net	239,303	249,385
Beneficial interest in assets held by Adirondack Foundation:		
Clarence Petty Internship Fund	445,835	287,345
Adirondack Council Fund	336,834	266,618
	<u>\$ 10,807,869</u>	<u>\$ 7,532,379</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 37,796	\$ 15,213
Accrued payroll and benefits	81,219	107,002
Deferred revenue	500	-
Paycheck Protection Program (PPP) loan payable	-	266,000
	<u>119,515</u>	<u>388,215</u>
NET ASSETS:		
Without donor restrictions:		
Operating	1,145,275	739,596
Board designated	9,279,879	6,113,068
Total net assets without donor restrictions	<u>10,425,154</u>	<u>6,852,664</u>
With donor restrictions	<u>263,200</u>	<u>291,500</u>
	<u>10,688,354</u>	<u>7,144,164</u>
	<u>\$ 10,807,869</u>	<u>\$ 7,532,379</u>

The accompanying notes are an integral part of these statements.

THE ADIRONDACK COUNCIL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**
(With Comparative Totals for 2020)

	Net Assets without Donor Restrictions			Net Assets with Donor Restrictions	Total	
	Operating	Board Designated	Total		2021	2020
SUPPORT AND REVENUE:						
Contributions	\$ 2,355,804	\$ 468,190	\$ 2,823,994	323,465	\$ 3,147,459	\$ 2,283,477
Investment income	278	108,977	109,255	-	109,255	142,010
Net (loss) gain on investments	-	2,589,644	2,589,644	-	2,589,644	(135,624)
Rental income	19,900	-	19,900	-	19,900	21,370
Special events	-	-	-	-	-	13,072
Sales, net	29,851	-	29,851	-	29,851	57,255
Other income	1,316	-	1,316	-	1,316	513
PPP Loan Forgiveness	266,000	-	266,000	-	266,000	-
Net assets released from restriction	<u>351,765</u>	<u>-</u>	<u>351,765</u>	<u>(351,765)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,024,914</u>	<u>3,166,811</u>	<u>6,191,725</u>	<u>(28,300)</u>	<u>6,163,425</u>	<u>2,382,073</u>
EXPENSES:						
Program services	2,199,631	-	2,199,631	-	2,199,631	1,865,565
Management and general	329,722	-	329,722	-	329,722	376,097
Fund raising	<u>89,882</u>	<u>-</u>	<u>89,882</u>	<u>-</u>	<u>89,882</u>	<u>63,985</u>
Total expenses	<u>2,619,235</u>	<u>-</u>	<u>2,619,235</u>	<u>-</u>	<u>2,619,235</u>	<u>2,305,647</u>
CHANGE IN NET ASSETS	<u>405,679</u>	<u>3,166,811</u>	<u>3,572,490</u>	<u>(28,300)</u>	<u>3,544,190</u>	<u>76,426</u>
NET ASSETS - beginning of year	<u>739,596</u>	<u>6,113,068</u>	<u>6,852,664</u>	<u>291,500</u>	<u>7,144,164</u>	<u>7,067,738</u>
NET ASSETS - end of year	<u>\$ 1,145,275</u>	<u>\$ 9,279,879</u>	<u>\$ 10,425,154</u>	<u>\$ 263,200</u>	<u>\$ 10,688,354</u>	<u>\$ 7,144,164</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, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,544,190	\$ 76,426
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	10,082	5,643
Realized loss on sale of investments	164	1,602
Unrealized investment (gain) loss	(2,589,808)	134,022
Changes in:		
Accounts receivable	(442)	310
Pledges receivable	119,666	(42,537)
Inventory	2,972	(1,137)
Prepaid expenses	5,842	7,805
Accounts payable	22,583	(13,943)
Accrued expenses	(25,783)	34,711
Deferred revenue	500	(12,525)
Net cash flow from operating activities	<u>1,089,966</u>	<u>190,377</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	77,771	216,633
Purchase of investments	<u>(679,691)</u>	<u>(269,742)</u>
Net cash flow from investing activities	<u>(601,920)</u>	<u>(53,109)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Forgiveness of PPP loan payable	(266,000)	-
Proceeds from PPP borrowings	<u>-</u>	<u>266,000</u>
Net cash flow from financing activities	<u>(266,000)</u>	<u>266,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	222,046	403,268
CASH AND CASH EQUIVALENTS - beginning of year	<u>864,121</u>	<u>460,853</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,086,167</u>	<u>\$ 864,121</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ (27)</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, 2021

(With Comparative Totals for 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Salaries	\$ 1,037,304	\$ 107,307	\$ 47,692	\$ 1,192,303	\$ 1,137,548
Benefit allocation	351,306	36,342	16,152	403,800	393,866
Professional fees	258,972	46,724	-	305,696	147,215
Public relations	132,812	13,740	6,106	152,658	117,052
Postage, freight/mailing house	116,482	12,050	5,355	133,887	120,108
Equipment rental/lease/maintenance	81,112	8,391	3,729	93,232	71,718
Printing and publications	73,355	7,588	3,373	84,316	81,079
Rent/lease office space	64,337	6,656	2,958	73,951	65,052
Bad Debt Expense	-	45,000	-	45,000	-
Gift incentives/marketing	31,645	9,646	-	41,291	23,685
Travel	19,335	2,000	889	22,224	51,509
Dues, fees and licenses	4,595	14,029	2,554	21,178	24,820
Telecommunications	14,560	1,506	670	16,736	19,443
Bank charges	-	14,131	-	14,131	14,001
Supplies	5,650	844	-	6,494	8,335
Directors and officers liability insurance	-	2,256	-	2,256	1,969
Special events	-	-	-	-	22,604
	<u>2,191,465</u>	<u>328,210</u>	<u>89,478</u>	<u>2,609,153</u>	<u>2,300,004</u>
Total expenses before depreciation					
Depreciation	<u>8,166</u>	<u>1,512</u>	<u>404</u>	<u>10,082</u>	<u>5,643</u>
	<u>\$ 2,199,631</u>	<u>\$ 329,722</u>	<u>\$ 89,882</u>	<u>\$ 2,619,235</u>	<u>\$ 2,305,647</u>

The accompanying notes are an integral part of this schedule.

THE ADIRONDACK COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. THE COUNCIL

The Adirondack Council, Inc. (the "Council") is a Not-For-Profit Council 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.

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 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 1.3% and 1.8% at June 30, 2021 and 2020, respectively. Management has determined that an allowance for uncollectible pledges is not necessary at June 30, 2021 and 2020.

Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments in publicly traded securities, equities, and real estate investment trusts 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.

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.

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 2021 or 2020.

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, 2021 and 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Sales Revenue

Sales revenue are recognized as goods are shipped or as the Council satisfies their performance obligations under contracts.

Performance obligations for all of the Council's services are provided and consumed at a point in time, not over time, and therefore all fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

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 - Operating – 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.

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, 2021 and 2020, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 among 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 \$52,548 and \$54,719 for the year ended June 30, 2021 and 2020, 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, 2020, from which the summarized information was derived.

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:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,086,167	\$ 864,121
Cash and cash equivalents - Board designated	510,756	61,247
Cash and cash equivalents - restricted	-	36,062
Accounts receivables	482	40
Pledges receivable, net	87,574	207,240
Investments	8,068,224	5,518,813
Total financial assets:	<u>9,753,203</u>	<u>6,687,523</u>
Less: those unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	\$ (308,200)	\$ (291,500)
Cash and cash equivalents - board designated	(510,756)	(61,247)
Cash and cash equivalents - restricted	-	(36,062)
Long term portion of pledges receivable, net	(45,000)	(145,500)
Total:	<u>(863,956)</u>	<u>(534,309)</u>
Total financial assets available to meet cash needs for general expenditures in one year	<u>\$ 8,889,247</u>	<u>\$ 6,153,214</u>

3. LIQUIDITY (Continued)

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>2021</u>	<u>2020</u>
Unconditional promises to give	\$ <u>87,825</u>	\$ <u>207,991</u>
Amounts due in:		
Less than one year	42,825	62,491
One to five years	<u>45,000</u>	<u>145,500</u>
	87,825	207,991
Less: Discount to present value	<u>(251)</u>	<u>(751)</u>
Net unconditional promises to give	\$ <u>87,574</u>	\$ <u>207,240</u>

5. INVESTMENTS

Investments consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Equities - exchange traded funds	\$ 8,065,196	\$ 5,515,785
Investment in limited partnership	<u>3,028</u>	<u>3,028</u>
	<u>\$ 8,068,224</u>	<u>\$ 5,518,813</u>

The following investments are valued at net asset values per share (unitized basis) as of June 30, 2021 and 2020:

	<u>Fair Value</u> <u>at 6/30/21</u>	<u>Fair Value</u> <u>at 6/30/20</u>	<u>2020</u> <u>Unfunded</u> <u>Commitments</u>	<u>2019</u> <u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency (if</u> <u>currently eligible)</u>	<u>Redemption</u> <u>Notice Period</u>
Investments in pooled interest and limited partnerships	\$ <u>3,028</u>	\$ <u>3,028</u>	\$ <u>-</u>	\$ <u>-</u>	Quarterly	35 days

5. INVESTMENTS (Continued)

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>2021</u>	<u>2020</u>
Land	\$ 100,000	\$ 100,000
Building and improvements	275,055	275,055
Leasehold improvements	42,350	42,350
Furniture and equipment	<u>16,749</u>	<u>16,749</u>
	434,154	434,154
Less: Accumulated depreciation	<u>(194,851)</u>	<u>(184,769)</u>
	<u>\$ 239,303</u>	<u>\$ 249,385</u>

Depreciation expense for 2021 and 2020 was \$10,082 and \$5,643, 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.

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

Total beneficial interest in assets held by a recipient organization are \$782,669 and \$553,963 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and June 30, 2020 are as follows:

	2021		2020	
	Board Designated	With Donor Restrictions	Board Designated	With Donor Restrictions
Endowment net assets - beginning of year	\$ 407,963	\$ 146,000	\$ 437,033	\$ 136,000
Investment return:				
Investment income, net of fees	(7,273)	-	(6,722)	-
Net appreciation (depreciation),(realized and unrealized)	155,006	-	(3,348)	-
Total investment return	147,733	-	(10,070)	-
Board designations, transfers and contributions	15,833	65,140	12,000	10,000
Appropriated endowment assets for expenditure	-	-	(31,000)	-
Endowment net assets - end of year	\$ 571,529	\$ 211,140	\$ 407,963	\$ 146,000

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 \$53,594 and \$59,619 to the plan during the years ended June 30, 2021 and 2020, respectively.

9. PAYMENT PROTECTION PROGRAM

In May 2020, the Council entered into an arrangement with a bank under the auspices of the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief & Economic Security Act (CARES Act) under which the Council received \$266,000. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Council's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the Bank in accordance with the requirements of the PPP Program.

The Council has elected to account for the PPP arrangement as a conditional contribution and income is recorded as the conditions meeting the requirements for forgiveness are substantially met. Through June 30, 2021, the Council estimated that it has administered the full proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness of \$266,000 received under the PPP arrangement. This amount is recognized in the statements of activities and changes in net assets. These estimates, while considered reasonable as of the date of the financial statements were available to be issued, are subject to change based on the Council's administration of its PPP arrangement and future review. The Council received notice that the loan was forgiven in January 2021.

10. COMMITMENTS AND CONTINGENCIES

Leases

The Council leases office space and equipment under operating leases. Rent expense charged to operations was \$44,545 and \$43,292 for the years ended June 30, 2021 and 2020, respectively. Future minimum leases payments under these obligations are as follows for years ending June 30:

2022	\$ <u>35,671</u>
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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 \$19,900 and \$21,370 for the years ended June 30, 2021 and 2020, 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.

10. COMMITMENTS AND CONTINGENCIES (Continued)

COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID - 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The overall impact of this situation on the Council and its future results and financial position is not presently determinable.

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. None were purchased for the years ending June 30, 2021 and 2020 .

For the years ended June 30, 2021 and 2020, \$825 and \$2,450 in contributions were received in exchange for the retirement of 33 and 174 of these credits, respectively. In addition, 400 credits were donated to local radio stations for the year ending June 30, 2021. The Council had retired/donated a total of 16,039 and 15,606 credits as of June 30, 2021 and 2020, 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>
June 30, 2021:				
Equities - exchange traded funds	\$ 8,065,196	\$ -	\$ -	\$8,065,196
Beneficial interest in assets held by the Adirondack Foundation	<u>-</u>	<u>782,669</u>	<u>-</u>	<u>782,669</u>
	8,065,196	782,669	-	8,847,865
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,028</u>
	<u>\$ 8,065,196</u>	<u>\$ 782,669</u>	<u>\$ -</u>	<u>\$8,850,893</u>

12. FAIR VALUE MEASUREMENTS (Continued)

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
June 30, 2020:				
Equities - common stock	\$ 5,515,785	\$ -	\$ -	\$5,515,785
Beneficial interest in assets held by the Adirondack Foundation	<u>-</u>	<u>553,963</u>	<u>-</u>	<u>553,963</u>
	5,515,785	553,963	-	6,069,748
Investments measured at net asset value	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,028</u>
	<u>\$ 5,515,785</u>	<u>\$ 553,963</u>	<u>\$ -</u>	<u>\$6,072,776</u>

There were no changes in valuation techniques during 2021 and 2020.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2021, which is the date the financial statements were available to be issued.