

**ADIRONDACK COMMUNITY TRUST**

**FINANCIAL STATEMENTS,**

**JUNE 30, 2011**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Adirondack Community Trust  
Lake Placid, New York

We have audited the accompanying statement of financial position of Adirondack Community Trust (a New York nonprofit corporation) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Adirondack Community Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements and, in our report dated October 13, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adirondack Community Trust as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Pinto Mucenski Hooper Van House & Co.*  
Certified Public Accountants, P.C.

October 17, 2011

**ADIRONDACK COMMUNITY TRUST**

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**ADIRONDACK COMMUNITY TRUST**  
**STATEMENTS OF FINANCIAL POSITION,**  
**JUNE 30, 2011 AND 2010**

<b>ASSETS</b>	<u>6/30/2011</u>	<u>6/30/2010</u>
Cash and Cash Equivalents	\$ 566,460	\$ 350,991
Accrued Interest	60,431	40,565
Investments	27,367,908	22,535,848
Property and Equipment (Net)	22,137	24,429
Other Assets	<u>38,413</u>	<u>31,998</u>
<b>TOTAL</b>	<u>\$ 28,055,349</u>	<u>\$ 22,983,831</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 5,466	\$ 4,886
Grants Payable	120,640	100,300
Deferred Revenue	5,000	-
Funds Held as Organization Endowments	3,708,811	3,105,079
Funds Held for a Supporting Organization	<u>7,818,454</u>	<u>6,891,192</u>
Total Liabilities	<u>\$ 11,658,371</u>	<u>\$ 10,101,457</u>
<b>NET ASSETS:</b>		
Unrestricted	\$ 16,137,941	\$ 12,664,124
Temporarily Restricted	<u>259,037</u>	<u>218,250</u>
Total Net Assets	<u>\$ 16,396,978</u>	<u>\$ 12,882,374</u>
<b>TOTAL</b>	<u>\$ 28,055,349</u>	<u>\$ 22,983,831</u>

The accompanying notes are an integral part of these financial statements.

**ADIRONDACK COMMUNITY TRUST**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 6/30/2011</u>	<u>TOTAL 6/30/2010</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Contributions	\$ 1,233,018	\$ 51,775	\$ 1,284,793	\$ 1,127,215
Contributions, Non-Endowed	1,203,639	-	1,203,639	1,001,225
Contributed Office Space	18,000	-	18,000	18,000
Interest and Dividends	342,809	5,207	348,016	343,119
Realized Gain (Loss) on Investments	629,590	10,686	640,276	81,851
Unrealized Gain (Loss) on Investments	1,647,111	-	1,647,111	469,063
Management Fees	56,537	-	56,537	51,827
Nonprofit Leadership Tuition and Underwriting	14,060	-	14,060	7,485
Miscellaneous Income	839	-	839	-
Net Assets Released from Restriction	26,881	(26,881)	-	-
Total Revenues, Gains, and Other Support	<u>\$ 5,172,484</u>	<u>\$ 40,787</u>	<u>\$ 5,213,271</u>	<u>\$ 3,099,785</u>
<b>EXPENSES:</b>				
Programs Services:				
Grants and Community Services	\$ 1,356,235	\$ -	\$ 1,356,235	\$ 1,451,323
Fund Management	127,788	-	127,788	114,848
Total Programs	<u>\$ 1,484,023</u>	<u>-</u>	<u>\$ 1,484,023</u>	<u>\$ 1,566,171</u>
Management and General	126,450	-	126,450	109,673
Development	88,194	-	88,194	85,579
Total Expenses	<u>\$ 1,698,667</u>	<u>\$ -</u>	<u>\$ 1,698,667</u>	<u>\$ 1,761,423</u>
<b>CHANGE IN NET ASSETS</b>	\$ 3,473,817	\$ 40,787	\$ 3,514,604	\$ 1,338,362
<b>NET ASSETS - Beginning of Year</b>	<u>12,664,124</u>	<u>218,250</u>	<u>12,882,374</u>	<u>11,544,012</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,137,941</u>	<u>\$ 259,037</u>	<u>\$ 16,396,978</u>	<u>\$ 12,882,374</u>

The accompanying notes are an integral part of these financial statements.

**ADIRONDACK COMMUNITY TRUST**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>Grants and Community Services</b>	<b>Fund Management</b>	<b>Management and General</b>	<b>Development</b>	<b>TOTAL 6/30/2011</b>	<b>TOTAL 6/30/2010</b>
Salary	\$ 35,858	\$ 33,896	\$ 61,082	\$ 18,776	\$ 149,612	\$ 114,442
Payroll Related Costs and Employee Benefits	7,558	6,441	13,064	3,313	30,376	21,610
Accounting and Legal	-	-	12,000	-	12,000	33,800
Advertising	1,610	-	-	6,438	8,048	7,636
Nonprofit Leadership Expense	1,294	-	-	-	1,294	3,225
Annual Report	1,844	-	1,230	9,221	12,295	8,689
Bank and Investment Related Fees	-	74,784	5,374	-	80,158	87,587
Conferences and Travel	1,891	-	1,891	2,521	6,303	3,901
Contract Services	4,656	-	-	-	4,656	4,017
Depreciation	2,021	440	915	217	3,593	3,108
Dues and Fees	-	-	3,509	-	3,509	2,680
Fund Development	-	-	-	30,958	30,958	21,197
Grants	739,835	-	-	-	739,835	645,108
Grants from Non-Endowed Funds	537,039	-	-	-	537,039	738,213
Insurance	-	-	2,383	-	2,383	1,712
Meeting Expense	579	-	579	579	1,737	1,860
New Initiatives	-	-	-	-	-	4,000
Newsletter	2,407	-	1,203	8,423	12,033	6,200
Office Expense	5,339	4,772	9,924	2,352	22,387	16,481
Postage and Shipping	436	931	659	83	2,109	1,915
Premiums for Planned Gifts	4,911	-	-	-	4,911	4,718
Professional Development	982	-	982	983	2,947	3,841
Public Relations	272	-	-	-	272	46
Rent	4,293	3,837	7,979	1,891	18,000	18,000
Special Events	-	-	596	-	596	2,847
Telephone and Utilities	1,762	1,040	1,432	792	5,026	3,524
Website	1,648	1,647	1,648	1,647	6,590	1,066
	<u>\$ 1,356,235</u>	<u>\$ 127,788</u>	<u>\$ 126,450</u>	<u>\$ 88,194</u>	<u>\$ 1,698,667</u>	<u>\$ 1,761,423</u>

The accompanying notes are an integral part of these financial statements.

**ADIRONDACK COMMUNITY TRUST**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>6/30/2011</u>	<u>6/30/2010</u>
<b>OPERATING ACTIVITIES:</b>		
Change in Net Assets for the Year Indicated	\$ 3,514,604	\$ 1,338,362
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Depreciation	3,593	3,108
Contributions of Marketable Securities	(777,100)	(845,998)
Realized (Gain) Loss on Investments	(640,276)	(81,851)
Unrealized (Gain) Loss on Investments	(1,647,111)	(469,063)
Accrued Interest	(19,866)	27,165
Other Assets	(6,415)	(7,143)
Accounts Payable	580	(318)
Grants Payable	20,340	(25,168)
Deferred Revenue	5,000	-
Funds Held as Organization Endowments	36,888	60,103
Funds Held for a Supporting Organization	(290,428)	(218,180)
Net Cash Provided (Used) by Operating Activities	<u>\$ 199,809</u>	<u>\$ (218,983)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	\$ (13,061,096)	\$ (26,306,844)
Proceeds from Sale of Investments	13,365,268	25,520,958
Return of Capital	200,603	720,434
Change in Invested Cash and Cash Equivalents	(487,814)	101,986
Investment in Fixed Assets	(1,301)	(6,301)
Net Investing Activities	<u>\$ 15,660</u>	<u>\$ 30,233</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 215,469</u>	<u>\$ (188,750)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>350,991</u>	<u>539,741</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 566,460</u></u>	<u><u>\$ 350,991</u></u>

**ADIRONDACK COMMUNITY TRUST**

**NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Adirondack Community Trust (ACT) is a corporation organized under the Not-For-Profit Corporation Law of the State of New York in July 1997. ACT was established as a community foundation formed to receive gifts and bequests from the public and to administer them for the broad charitable needs of the Adirondack region.

As an experienced grant maker in the region, ACT knows the many and varied needs of local not-for-profit organizations and their capacity to deliver quality programs and services to the region. ACT's mission is uniting donors' charitable interests with the needs of the Adirondack region and is accomplished by:

- Building a permanent and flexible endowment that can respond to the most pressing current and future needs of the Adirondack North Country region;
- Working with donors and their advisors to design named funds that meet the unique and individual charitable objectives of the donor;
- Administering a creative program of grant making to give maximum benefit to charitable needs within the Adirondack region and carry out the wishes of donors;
- Providing prudent management and faithful stewardship of philanthropic assets; and
- Being a leader and catalyst focusing attention on the needs of the Adirondack region.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

**Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, gains, other support, and expenses during the reporting period. Actual results could differ from those estimates.



**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The net assets of ACT and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** are not subject to donor-imposed restrictions. Unrestricted net assets may consist of both undesignated funds and Board designated funds.

Donor-advised funds are established by donors who desire to further or carry out the purposes of ACT. The donor of a donor-advised fund may, after the contribution has been made, recommend agencies to ACT to which donor-advised funds should be disbursed. Endowment funds represent amounts that the donor has contributed in which principal, adjusted for inflation, and net realized and unrealized gains are invested in perpetuity and in which principal, in excess of donated principal, adjusted for inflation, interest, and dividend income may be utilized for unrestricted purposes.

ACT's Board of Trustees evaluates and considers all such recommendations. However, the ultimate decision of the distribution of all funds rests solely with the Board of Trustees as required by New York State Law and ACT's governing instruments (variance power). Accordingly, the financial statements classify all net assets (except assets subject to donor-imposed stipulation that will be met with the passage of time, such as charitable remainder trusts and pledges) as unrestricted, but segregate the portions that are held as donor-advised or endowment funds.

- **Temporarily Restricted Net Assets** are subject to donor-imposed stipulations that will be met by the passage of time or purpose of use.

All donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The financial statements include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with ACT's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

**Cash and Cash Equivalents**

ACT considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents, except for those held by investment managers, which are considered to be investments.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments in common stock, government and corporate bonds, and mutual and other publicly traded funds are stated at fair value on quoted market values. Non-publicly traded investments are stated at values provided by the investment custodian. Investments in cash management funds are stated at cost, which approximates fair value. See Note D for further information.

**Property and Equipment (Net)**

Property and equipment are reported at cost, net of accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to the change in net assets.

Donations of fixed assets are recorded as support at their estimated fair value. Absent donor stipulations regarding the length of time that donated assets must be maintained, ACT reports expirations of donor restrictions when the donated or acquired assets are placed in service. ACT reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is provided over the depreciable assets' estimated useful lives on the straight-line method.

**Funds Held as Organization Endowments and Supporting Organization**

ACT has established organization endowment funds for contributions from donors that are specified to be released to another beneficiary other than ACT. ACT has established a liability for the fair value of the funds, which is generally equivalent to the present value of the future payments to be made to the beneficiary.

**Contributions**

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

**Functional Allocation of Expenses**

The cost of providing ACT's various services and supporting costs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the various categories.

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising expense for the years ended June 30, 2011 and 2010 were \$ 8,048 and \$ 7,636, respectively.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

ACT is exempt from federal tax on income under Section 501(c)(3) of the Internal Revenue Code. ACT has been classified as a publicly-supported organization that is not a private foundation under Section 509(a)(1) of the Code.

Accounting principles generally accepted in the United States of America require the Organization to evaluate all significant tax positions. As of June 30, 2011 the Organization does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded.

The Organization's information returns are subject to examination by taxing authorities for a period of three years from the date of their filing. As of June 30, 2011, all federal and state information returns from June 30, 2008 forward are open to examination.

**Subsequent Events**

Management has reviewed and evaluated all events and transactions from July 1, 2011 through October 17, 2011, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

**NOTE B - CASH**

A summary of ACT's cash accounts at June 30, 2011 is as follows:

Operating, .....	\$	87,599
Safety of Principal Accounts, .....		<u>478,861</u>
	\$	<u>566,460</u>

The safety of principal accounts are used for contribution/grant pass-through funds. Liquid assets are required because these funds are normally in existence for a short time.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE C - INVESTMENTS**

A summary of ACT's investments at June 30, 2011 is as follows:

	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Market Value</u>
Cash and Cash			
Equivalents, .....	\$ 2,759,336	\$ 1,088	\$ 2,760,424
Fixed Income, .....	5,567,835	274,306	5,842,141
Equity, .....	13,012,542	2,447,048	15,459,590
Real Estate Mutual Funds, .....	678,084	(245,515)	432,569
Hedge Funds, .....	2,297,882	(23,022)	2,274,860
Commodity Fund, .....	567,141	31,183	598,324
	<u>\$ 24,882,820</u>	<u>\$ 2,485,088</u>	<u>\$ 27,367,908</u>

The market values were obtained from published market prices at June 30, 2011 or as provided by the investment custodian.

A summary of ACT's investments at June 30, 2010 is as follows:

	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Market Value</u>
Cash and Cash Equivalents, ....	\$ 2,196,668	\$ (24)	\$ 2,196,644
Fixed Income, .....	5,172,647	242,857	5,415,504
Equity, .....	11,371,836	(180,096)	11,191,740
Real Estate, .....	662,772	(225,284)	437,488
Hedge Funds, .....	2,498,360	(182,926)	2,315,434
Commodity Fund, .....	1,100,000	(120,962)	979,038
	<u>\$ 23,002,283</u>	<u>\$ (466,435)</u>	<u>\$ 22,535,848</u>

The market values were obtained from published market prices at June 30, 2010 or as provided by the investment custodian.

Investment income for June 30, 2011 consists of the following:

	<u>Total</u>	<u>Allocated to Supporting Organizations and Organization Endowments</u>	<u>Investment Income</u>
Interest and			
Dividends, .....	\$ 610,446	\$ 262,430	\$ 348,016
Unrealized Gain, .....	2,951,519	1,304,408	1,647,111
Realized Gain, .....	1,120,402	480,126	640,276
Fees, .....	(141,365)	(61,207)	(80,158)
	<u>\$ 4,541,002</u>	<u>\$ 1,985,757</u>	<u>\$ 2,555,245</u>

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE C - INVESTMENTS (Continued)**

Investment income for June 30, 2010 consists of the following:

	<u>Total</u>	<u>Allocated to Supporting Organizations and Organization Endowments</u>	<u>Investment Income</u>
Interest and			
Dividends, .....	\$ 614,530	\$ 271,411	\$ 343,119
Unrealized Losses, .....	872,518	403,455	469,063
Realized Gain, .....	148,448	66,597	81,851
Fees, .....	<u>(158,062)</u>	<u>(70,475)</u>	<u>(87,587)</u>
	<u>\$ 1,477,434</u>	<u>\$ 670,988</u>	<u>\$ 806,446</u>

**NOTE D - FAIR VALUE MEASUREMENTS**

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ACT uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

(a) Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes fixed income and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

(b) Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. This category generally includes certain U.S. Government and agency obligations, fixed income securities and alternative investments.

(c) Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes private debt and equity instruments and alternative instruments.

Fair values for securities are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE D - FAIR VALUE MEASUREMENTS (Continued)**

The following presents the investments at June 30, 2011 and 2010 that are measured at fair value on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

	Total 2011	Quoted prices markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and Cash				
Equivalents,	\$ 2,760,424	\$ 2,655,548	\$ 104,876	\$ -
Fixed Income,	5,842,141	5,842,141	-	-
Equities	15,459,590	15,459,590	-	-
Real Estate Mutual				
Funds,	432,569	131,562	301,007	-
Hedge Funds	2,274,860	-	394,878	1,879,982
Commodity Fund	598,324	-	598,324	-
	<u>\$ 27,367,908</u>	<u>\$ 24,088,841</u>	<u>\$ 1,399,085</u>	<u>\$ 1,879,982</u>

	Total 2010	Quoted prices markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and Cash				
Equivalents,	\$ 2,196,644	\$ 2,181,642	\$ 15,002	\$ -
Fixed Income,	5,415,504	5,415,504	-	-
Equities	11,191,740	11,191,740	-	-
Real Estate Mutual				
Funds,	437,488	104,463	333,025	-
Hedge Funds	2,315,434	-	585,812	1,729,622
Commodity Fund	979,038	-	979,038	-
	<u>\$ 22,535,848</u>	<u>\$ 18,893,349</u>	<u>\$ 1,912,877</u>	<u>\$ 1,729,622</u>

**ADIRONDACK COMMUNITY TRUST  
 NOTES TO FINANCIAL STATEMENTS,  
 JUNE 30, 2011 (Continued):**

**NOTE D - FAIR VALUE MEASUREMENTS (Continued)**

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value:

	2011 Hedge Funds	2010 Hedge Funds
Beginning Balance	\$ 1,729,622	\$ -
Unrealized Gains (Losses)	150,360	(20,378)
Purchases, Issuances and Settlements	-	1,750,000
	<u>\$ 1,879,982</u>	<u>\$ 1,729,622</u>

**NOTE E - PROPERTY AND EQUIPMENT (NET)**

Property and equipment (Net) consists of the following:

	<u>2011</u>	<u>2010</u>
Furniture and Fixtures,.....	\$ 13,503	\$ 12,202
Software,.....	7,647	7,647
Leasehold Improvements,.....	<u>18,994</u>	<u>18,994</u>
	\$ 40,144	38,843
Less Accumulated Depreciation, .....	<u>18,007</u>	<u>14,414</u>
Property and Equipment (Net),.....	<u>\$ 22,137</u>	<u>\$ 24,429</u>

Depreciation charged to operations for the years ended June 30, 2011 and 2010 was \$ 3,593 and \$ 3,108, respectively.

**NOTE F - OTHER ASSETS**

ACT is the sole owner and beneficiary of one life insurance policy which insures the life of the donor for \$ 400,000. The cash surrender value of this policy at June 30, 2011 and 2010 was \$ 38,163 and \$ 31,605 respectively and is included in Other Assets. The annual premium paid by ACT is \$ 11,468. For the years ended June 30, 2011 and 2010, the premium expense is shown net of an increase in the cash surrender value of \$ 6,557 and \$ 6,750, respectively.

**NOTE G - FUNDS HELD AS ORGANIZATION ENDOWMENTS**

When a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. ACT refers to such funds as organization endowments.

ACT maintains variance power and legal ownership of organization endowment funds and, as such, continues to report the funds as assets of ACT.

**ADIRONDACK COMMUNITY TRUST  
 NOTES TO FINANCIAL STATEMENTS,  
 JUNE 30, 2011 (Continued):**

**NOTE G - FUNDS HELD AS ORGANIZATION ENDOWMENTS (Continued)**

A liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At June 30, 2011, ACT held 51 organization endowment funds with a combined value of \$ 3,708,811. The following table summarizes activity in such funds during the year then ended:

Organization Endowment Fund Balances, July 01, 2010,.....	\$ 3,105,079
Amounts Raised,.....	129,955
Investment Earnings,.....	83,850
Realized Investment Gains,.....	154,784
Unrealized Investment Gains,.....	412,059
Fees, .....	(53,736)
Grants, .....	<u>(123,180)</u>
 Organization Endowment Fund Balances, June 30, 2011, .....	 <u>\$ 3,708,811</u>

**NOTE H - SUPPORTING ORGANIZATION**

ACT and the Bruce L. Crary Foundation (Crary Foundation) have established a partnership between two community institutions that will lead to increased efficiency in administration and investments management. On July 1, 2007, the Crary Foundation became a Supporting Organization of ACT. With this transition, Crary Foundation changed from a private foundation in order to share the benefits of a public charity. By “supporting” the charitable purposes of ACT, the Crary Foundation is exempt from certain taxes and will enable its donors to be eligible for greater deductions. The contract between the two organizations is for five years beginning January 5, 2007, and will be revisited at the end of the original contract period.

The Crary Foundation offers scholarships to full-time undergraduate students who are residents of Clinton, Essex, Franklin, Hamilton, and Warren Counties. The Crary Foundation will continue to be based at The Hand House in Elizabethtown with its existing staff.

Both organizations are strengthened by the relationship. The Crary Foundation divests itself of the burdens of investment management and associated administration, permitting it to focus its efforts on what it has done with great distinction for so many years, providing scholarship funding for North Country students. Bringing the Crary Foundation under the umbrella of ACT will strengthen both philanthropic organizations. The net asset balance of the Crary Foundation was \$ 7,818,454 as of June 30, 2011.



**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE H - SUPPORTING ORGANIZATION (Continued)**

The following table summarizes the activity during the year ended June 30, 2011:

Supporting Organization Fund Balance, July 01, 2010,.....	\$	6,891,192
Amounts Raised,.....		-
Investment Earnings,.....		178,580
Realized Investment Gains,.....		325,342
Unrealized Investment Gains,.....		892,348
Fees, .....		(64,008)
Grants, .....		<u>(405,000)</u>
Supporting Organization Fund Balance, June 30, 2011, .....	\$	<u>7,818,454</u>

This balance is carried as a liability in the accompanying statement of financial position.

**NOTE I - NET ASSETS**

**Unrestricted**

Unrestricted net assets at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Board Designated for Scholarships and Grants:		
Field of Interest Funds, .....	\$ 4,066,224	\$ 3,448,838
Donor-Advised, .....	4,915,083	3,114,709
Designated Funds,.....	3,801,879	3,132,943
Scholarship Funds,.....	1,704,906	1,520,887
Unrestricted Funds,.....	1,447,761	1,236,231
Sponsoring Agency, .....	69,701	111,025
Acorn Accounts, .....	<u>16,270</u>	<u>4,705</u>
Total Board Designated, .....	\$ 16,021,824	\$ 12,569,338
Operating Funds (Unrestricted), .....	<u>116,117</u>	<u>94,786</u>
	<u>\$ 16,137,941</u>	<u>\$ 12,664,124</u>

**Temporarily Restricted**

The gift agreement between the Estate of Alberta P. Moody and ACT created two restricted funds, the Alberta P. Moody Higher Education Fund and the Alberta P. Moody Library Fund. The gift agreement does not grant ACT variance power and, therefore, the Funds are reported as temporarily restricted net assets.

Annual fund distributions are required based on the Funds' average market value at the end of the three most recent annual periods. The distribution rates are 8% for the Higher Education Fund and 7% for the Library Fund. Distributions may be made from the Funds' principal or income, at the discretion of ACT's Board of Trustees.

**ADIRONDACK COMMUNITY TRUST  
 NOTES TO FINANCIAL STATEMENTS,  
 JUNE 30, 2011 (Continued):**

**NOTE I - NET ASSETS (Continued)**

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Moody Library Fund, .....	\$ 130,618	\$ 109,426
Moody Higher Education Fund, .....	116,281	106,686
ACT Pass-through Fund, .....	<u>12,138</u>	<u>2,138</u>
	<u>\$ 259,037</u>	<u>\$ 218,250</u>

**NOTE J - ENDOWMENTS**

**Net Asset Classifications**

ACT is governed by its Governing Documents. The Board of Trustees, on the advice of legal counsel, has determined that the majority of ACT's contributions are subject to the terms of its Governing Documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with ACT.

Under the terms of the Governing Documents, the Board of Trustees has the ability to distribute so much of the corpus of any separate gift, devise, bequest or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

**Interpretation of Relevant Law**

On September 17, 2010, the New York State legislature passed, and the Governor signed, the New York Prudent Management of Institutional Funds Act (NYPMIFA). This is New York's version of the Uniform Management of Institutional Funds Act and governs the management and investment of funds held by not-for-profit corporations and other institutions. ACT has reviewed its current policies and believes that they conform to this new legislation.

NYPMIFA provides that each person responsible for management and investing an institution's fund does so in good faith and with the care that an ordinarily prudent person would exercise under similar circumstances. NYPMIFA sets forth basic requirements for establishing the standard of prudence, including a requirement that an institution make a reasonable effort to verify facts relevant to the management and investment of the fund. ACT performed due diligence procedures with their investment managers to meet this requirement.

Endowment assets include assets of donor-restricted funds (those held in perpetuity or of donor-specified period) as well as board-designated funds.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE J - ENDOWMENTS (Continued)**

Endowment type net assets by type of fund consist of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 259,037	\$ 259,037
Board-Designated Funds	<u>16,021,824</u>	<u>-</u>	<u>16,021,824</u>
	<u>\$ 16,021,824</u>	<u>\$ 259,037</u>	<u>\$ 16,280,861</u>

Changes in endowment type net assets for the fiscal year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 12,569,338	\$ 218,250	\$ 12,787,588
Investment Returns	2,616,654	15,893	2,632,547
Contributions	2,414,248	51,775	2,466,023
Appropriation for Expenditure	<u>(1,578,416)</u>	<u>(26,881)</u>	<u>(1,605,297)</u>
Endowment Net Assets, End of Year	<u>\$ 16,021,824</u>	<u>\$ 259,037</u>	<u>\$ 16,280,861</u>

Endowment type net assets by type of fund consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 218,250	\$ 218,250
Board-Designated Funds	<u>12,569,338</u>	<u>-</u>	<u>12,569,338</u>
	<u>\$ 12,569,338</u>	<u>\$ 218,250</u>	<u>\$ 12,787,588</u>

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE J - ENDOWMENTS (Continued)**

Changes in endowment type net assets for the fiscal year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 11,234,429	\$ 230,888	\$ 11,465,317
Investment Returns	881,943	8,001	889,944
Contributions	2,052,203	53,342	2,105,545
Appropriation for Expenditure	<u>(1,599,237)</u>	<u>(73,981)</u>	<u>(1,673,218)</u>
Endowment Net Assets, End of Year	<u>\$ 12,569,338</u>	<u>\$ 218,250</u>	<u>\$ 12,787,588</u>

**Return Objectives and Risk Parameters**

ACT has established investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by those endowments while seeking to maintain the purchasing power of the endowment assets.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, ACT 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). ACT targets a diversified asset allocation that places an emphasis on equity based investments to achieve its long-term return objectives within prudent risk restraints.

ACT's spending policy calculates a percentage (currently 5%) of the average value of each fund, including income realized, unrealized appreciation and, in some cases, principal on the past 36 months. This policy is designed to maintain the purchasing power of the endowment assets, as well as provide additional real growth through new gifts and investment return.

**NOTE K - RELATED PARTY AND SIGNIFICANT DONORS**

During the year ended June 30, 2011, 9 Board members donated approximately \$ 207,599 to ACT. Also during the year ended June 30, 2011, 32% of contributions came from two donors. No other donor exceeded 10% of the total contributions.

**ADIRONDACK COMMUNITY TRUST  
NOTES TO FINANCIAL STATEMENTS,  
JUNE 30, 2011 (Continued):**

**NOTE L - SIMPLIFIED EMPLOYEE PENSION PLAN**

ACT offers a Simplified Employee Pension IRA plan to its eligible employees. ACT must provide an annual discretionary contribution to the Plan for all employees who are at least 21 years old and have performed services for ACT in at least two of the immediately five preceding years. ACT's contribution to the Plan for the years ended June 30, 2011 and 2010 was \$ 3,288 and \$ 2,657, respectively.

**NOTE M - COMMITMENTS AND CONTINGENCIES**

**1. Operating Leases**

ACT has entered into an operating lease for its office space with a term from June 1, 2009 through May 31, 2012. The lease calls for no monthly payments of rent for the term of the lease. The statement of activity reflects the fair value of the lease at \$ 18,000 for the years ended June 30, 2011 and 2010.

**2. Concentrations of Credit Risk – Cash**

ACT maintains operating cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, ACT may have bank deposits in excess of amounts insured by the FDIC. At June 30, 2011, the carrying amount of cash deposits was \$ 566,460. The bank balances were \$ 689,881 categorized as follows:

Amount Insured by FDIC	\$ 533,963
Uninsured	<u>155,918</u>
Total Bank Balances	<u>\$ 689,881</u>

**3. Risks and Uncertainties**

ACT has investments in a combination of cash, fixed income and equity securities, real estate, commodities and hedge funds. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the *near term* and that such changes could materially affect the net assets of ACT.

**NOTE N - FINANCIAL STATEMENT RECLASSIFICATION**

For comparative purposes, certain amounts and disclosures for the June 30, 2010 financial statements have been reclassified and reported to conform to the presentation of the current year financial statements and disclosures. There has been no change to the June 30, 2010 net assets as a result of this reclassification.