

ADIRONDACK FOUNDATION

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

ADIRONDACK FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Adirondack Foundation
Lake Placid, New York

We have audited the accompanying financial statements of Adirondack Foundation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adirondack Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on Pages 22-23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Prato Mucinski Hooper Van House & Co.
Certified Public Accountants, P.C.

October 11, 2016

ADIRONDACK FOUNDATION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS	<u>6/30/2016</u>	<u>6/30/2015</u>
Cash and Cash Equivalents	\$ 368,703	\$ 530,305
Investments	45,689,708	39,843,437
Property and Equipment (Net)	56,470	58,545
Other Assets	<u>59,643</u>	<u>63,724</u>
TOTAL	<u>\$ 46,174,524</u>	<u>\$ 40,496,011</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Current Liabilities	\$ 16,660	\$ 5,119
Grants Payable	90,135	132,852
Funds Held as Organization Endowments	5,461,987	5,622,296
Funds Held for Supporting Organizations	<u>13,901,503</u>	<u>8,116,708</u>
Total Liabilities	<u>19,470,285</u>	<u>13,876,975</u>
NET ASSETS		
Unrestricted	26,416,664	26,285,650
Temporarily Restricted	<u>287,575</u>	<u>333,386</u>
Total Net Assets	<u>26,704,239</u>	<u>26,619,036</u>
TOTAL	<u>\$ 46,174,524</u>	<u>\$ 40,496,011</u>

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

ADIRONDACK FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 6/30/2016</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 3,443,441	\$ 35,398	\$ 3,478,839
Investment Income	947,495	8,733	956,228
Realized Gain (Loss) on Investments	(245,008)	(2,218)	(247,226)
Unrealized Gain (Loss) on Investments	(1,503,680)	(14,161)	(1,517,841)
Supporting Fees	113,951	-	113,951
Nonprofit Leadership Tuition and Underwriting	20,989	-	20,989
Contributed Office Space	18,000	-	18,000
Miscellaneous Income	5,342	-	5,342
Net Assets Released from Restriction	73,563	(73,563)	-
Total Revenues, Gains, and Other Support	<u>2,874,093</u>	<u>(45,811)</u>	<u>2,828,282</u>
EXPENSES			
Program Services	2,581,256	-	2,581,256
Management and General	97,696	-	97,696
Development	64,127	-	64,127
Total Expenses	<u>2,743,079</u>	<u>-</u>	<u>2,743,079</u>
CHANGE IN NET ASSETS	131,014	(45,811)	85,203
NET ASSETS - Beginning of Year	<u>26,285,650</u>	<u>333,386</u>	<u>26,619,036</u>
NET ASSETS - END OF YEAR	<u>\$ 26,416,664</u>	<u>\$ 287,575</u>	<u>\$ 26,704,239</u>

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

ADIRONDACK FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 6/30/2015</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,361,445	\$ 206,340	\$ 2,567,785
Investment Income	1,021,166	9,887	1,031,053
Realized Gain (Loss) on Investments	384,402	3,907	388,309
Unrealized Gain (Loss) on Investments	(1,065,615)	(10,608)	(1,076,223)
Supporting Fees	86,310	-	86,310
Nonprofit Leadership Tuition and Underwriting	13,852	-	13,852
Contributed Office Space	18,000	-	18,000
Miscellaneous Income	6,732	-	6,732
Net Assets Released from Restriction	182,050	(182,050)	-
Total Revenues, Gains, and Other Support	<u>3,008,342</u>	<u>27,476</u>	<u>3,035,818</u>
EXPENSES			
Program Services	2,495,850	-	2,495,850
Management and General	111,603	-	111,603
Development	105,735	-	105,735
Total Expenses	<u>2,713,188</u>	<u>-</u>	<u>2,713,188</u>
CHANGE IN NET ASSETS	295,154	27,476	322,630
NET ASSETS - Beginning of Year	25,995,496	305,910	26,301,406
Fund Reclassified as Organization Endowment	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
NET ASSETS - END OF YEAR	<u>\$ 26,285,650</u>	<u>\$ 333,386</u>	<u>\$ 26,619,036</u>

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

ADIRONDACK FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
OPERATING ACTIVITIES		
Change in Net Assets for the Year Indicated	\$ 85,203	\$ 322,630
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	5,029	5,011
Contributions of Marketable Securities	(870,824)	(876,897)
Realized (Gain) Loss on Investments	247,226	(388,309)
Unrealized (Gain) Loss on Investments	1,517,841	1,076,223
Other Assets	4,081	(7,880)
Accounts Payable	11,541	(6,167)
Grants Payable	(42,717)	(116,096)
Funds Held as Organization Endowments	199,939	726,066
Funds Held for Supporting Organizations	(203,058)	(197,470)
Net Cash Provided by Operating Activities	<u>954,261</u>	<u>537,111</u>
INVESTING ACTIVITIES		
Purchase of Investment Securities	(21,961,846)	(15,824,085)
Proceeds from Sale of Investments	20,848,937	14,992,598
Investment in Fixed Assets	(2,954)	(27,787)
Net Investing Activities	<u>(1,115,863)</u>	<u>(859,274)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,602)	(322,163)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>530,305</u>	<u>852,468</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 368,703</u>	<u>\$ 530,305</u>

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

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Adirondack Foundation (the Foundation) is a corporation organized under the Not-For-Profit Corporation Law of the State of New York in July 1997. The Foundation 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. The Foundation was formerly known as Adirondack Community Trust (ACT).

As an experienced grant maker in the region, the Foundation knows the many and varied needs of local not-for-profit organizations and their capacity to deliver quality programs and services to the region. Its mission is to strengthen community through philanthropy 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 of accounting 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 FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The net assets of the Foundation 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.

Board-designated donor-advised funds are established by donors who desire to further the purposes of the Foundation. The donor of a donor-advised fund may, after the contribution has been made, recommend agencies to the Foundation to which donor-advised funds should be disbursed.

The Board of Trustees evaluates and considers all donor recommendations. However, the ultimate decision of the distribution of those funds rests solely with the Board of Trustees as required by New York State Law and Adirondack Foundation governing instruments (variance power). Accordingly, the financial statements classify all net assets (except assets subject to donor-imposed stipulations) as unrestricted, but segregate the portions that are held as donor-advised or endowment funds as Board-designated. (See Note I)

- **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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. These reclassifications are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation 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.

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 custodians. Investments in cash management funds are stated at cost, which approximates fair value. See Note D for further information.

The Foundation maintains an investment pool for its charitable funds. Interest, dividends, and realized and unrealized gains and losses from investments are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of all the pooled funds, as adjusted for additions to or deductions from the pool.

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. Temporarily restricted net assets are reclassified 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

Adirondack Foundation has established organization endowment funds for contributions from donors that are specified to be released to another beneficiary other than the Foundation. A liability has been established for the fair value of the funds.

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.

Gifts of publicly traded securities are recorded at their fair value at the date the contribution is received. Publicly traded securities will generally be sold immediately.

Functional Allocation of Expenses

The cost of providing 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, 2016 and 2015 was \$ 37,573 and \$ 19,022, respectively.

Income Taxes

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

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America require the Foundation to evaluate all significant tax positions. As of June 30, 2016 the Foundation 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.

Subsequent Events

Management has reviewed and evaluated all events and transactions from July 1, 2015 through October 11, 2016, 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 cash accounts at June 30, 2016 is as follows:

Operating	\$	60,653
Safety of Principal Accounts		<u>308,050</u>
		<u>\$ 368,703</u>

The Safety of Principal Account is used for contribution/grant pass-through funds. Liquid assets are required because these funds are normally in existence for a short time.

NOTE C - INVESTMENTS

A summary of investments at June 30, 2016 is as follows:

	Cost	Unrealized Appreciation (Depreciation)	Market Value
Funds:			
Large/Mid Cap Equity	\$ 7,581,676	\$ 418,081	\$ 7,999,757
Small Cap Equity	2,091,649	(79,343)	2,012,306
International Equity	10,429,817	(430,907)	9,998,910
Emerging Markets Equity	4,497,839	(260,760)	4,237,079
Aggregate Bond	5,523,534	166,540	5,690,074
Non-US Bond	2,975,748	(35,112)	2,940,636
High Yield	1,450,000	28,218	1,478,218
Hedge Funds	6,400,000	(726)	6,399,274
Large/Mid Cap Equities	2,222,616	565,590	2,788,206
Small Cap Equities	1,040,271	345,805	1,386,076
Cash and Cash Equivalents	<u>750,610</u>	-	<u>750,610</u>
	<u>\$ 44,963,760</u>	<u>\$ 717,386</u>	<u>\$ 45,681,146</u>

The market values were obtained from published market prices at June 30, 2016 or as provided by the investment custodians.

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - INVESTMENTS (Continued)

A summary of investments at June 30, 2015 is as follows:

	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Market Value</u>
Funds:			
Large/Mid Cap Equity	\$ 5,205,869	\$ 1,118,049	\$ 6,323,918
Small Cap Equity	1,579,220	47,947	1,627,167
International Equity	8,316,916	1,172,007	9,488,923
Emerging Markets Equity	2,736,826	(64,479)	2,672,347
Aggregate Bond	3,818,638	(10,114)	3,808,524
Non-US Bond	2,038,902	(41,244)	1,997,658
High Yield	1,200,000	19,749	1,219,749
Commodities	1,107,140	(191,763)	915,377
Hedge Funds	6,626,945	156,402	6,783,347
Large/Mid Cap Equities	2,164,688	420,952	2,585,640
Small Cap Equities	889,395	563,630	1,453,025
Cash and Cash Equivalents	961,261	-	961,261
	<u>\$ 36,645,800</u>	<u>\$ 3,191,136</u>	<u>\$ 39,836,936</u>

The market values were obtained from published market prices at June 30, 2015 or as provided by the investment custodians.

Investment income for June 30, 2016 consists of the following:

	<u>Total</u>	<u>Allocated to Supporting Organizations and Organization Endowments</u>	<u>Investment Income</u>
Interest and Dividends	\$ 1,713,010	\$ 757,506	\$ 955,504
Unrealized Loss	(2,645,328)	(1,127,487)	(1,517,841)
Realized Loss	(411,855)	(164,629)	(247,226)
Fees	(249,019)	(102,377)	(146,642)
	<u>\$ (1,593,192)</u>	<u>\$ (636,987)</u>	<u>\$ (956,205)</u>

Investment income for June 30, 2015 consists of the following:

	<u>Total</u>	<u>Allocated to Supporting Organizations and Organization Endowments</u>	<u>Investment Income</u>
Interest and Dividends	\$ 1,567,460	\$ 536,407	\$ 1,030,144
Unrealized Loss	(1,640,492)	(564,269)	(1,076,223)
Realized Gain	590,746	202,437	388,309
Fees	(242,180)	(82,423)	(157,325)
	<u>\$ 275,534</u>	<u>\$ 92,152</u>	<u>\$ 183,382</u>

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - INVESTMENTS (Continued)

Liquidity Restrictions - The following are restrictions on redemption of investments by investment type.

	<u>Amount</u>	<u>Liquidity Date or Other Restrictions</u>
International Equity Funds:		
	\$ 1,387,630	6/30/2019; 95 days written notice
	\$ 1,249,877	Quarterly withdrawals; 180 days written notice
Hedge Funds:		
	\$ 2,642,188	12/31/2016; 75 days written notice
	\$ 1,563,609	Quarterly withdrawals limited to 25% per quarter; 60-75 days written notice
	\$ 1,251,692	Quarterly withdrawals; 60 days written notice
	\$ 941,785	12/31/2016; 45 days written notice

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. The Foundation 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is classified as follows:

- (a) Level 1: Quoted prices in active markets for identical assets and liabilities.
- (b) Level 2: Quoted prices in active markets for similar assets or liabilities, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- (c) Level 3: Significant valuation assumptions not readily observable in a market.

The determination of what constitutes “observable” may require significant judgment. The Foundation considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of an investment within the fair value hierarchy is based upon pricing transparency of the investment and does not necessarily correspond to the quality of that investment or the risks associated with that investment.

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 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following presents the investments at June 30, 2016 and 2015 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:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2016</u>			
Funds:				
Large/Mid Cap				
Equity	\$ 7,999,757	\$ 7,999,757	\$ -	\$ -
Small Cap Equity	2,012,306	2,012,306	-	-
International Equity	9,998,910	7,361,403	-	2,637,507
Emerging Markets				
Equity	4,237,079	1,268,652	1,355,129	1,613,298
Aggregate Bonds	5,690,074	5,690,074	-	-
Non-US Bonds	2,940,636	1,167,604	1,773,032	-
High Yield	1,478,218	-	-	1,478,218
Hedge Funds	6,399,274	-	-	6,399,274
Large/Mid Cap				
Equities	2,788,206	2,788,206	-	-
Small Cap Equities	1,386,076	1,386,076	-	-
Cash and Cash				
Equivalents	<u>750,610</u>	<u>750,610</u>	<u>-</u>	<u>-</u>
	<u>\$ 45,681,146</u>	<u>\$ 30,424,688</u>	<u>\$ 3,128,161</u>	<u>\$ 12,128,297</u>

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2015</u>			
Funds:				
Large/Mid Cap				
Equity	\$ 6,323,918	\$ 6,323,918	\$ -	\$ -
Small Cap Equity	1,627,167	1,627,167	-	-
International Equity	9,488,923	6,899,367	-	2,589,556
Emerging Markets				
Equity	2,672,347	730,163	937,548	1,004,636
Aggregate Bonds	3,808,524	3,808,524	-	-
Non-US Bonds	1,997,658	1,017,738	979,920	-
High Yield	1,219,749	-	-	1,219,749
Commodities	915,377	915,377	-	-
Hedge Funds	6,783,347	-	-	6,783,347
Large/Mid Cap				
Equities	2,585,640	2,585,640	-	-
Small Cap Equities	1,453,025	1,453,025	-	-
Cash and Cash				
Equivalents	<u>961,261</u>	<u>961,261</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,836,936</u>	<u>\$ 26,322,180</u>	<u>\$ 1,917,468</u>	<u>\$ 11,597,288</u>

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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

	2016	2015
Beginning Balance	\$ 11,597,288	\$ 8,084,049
Unrealized Gains (Loss)	(1,200,276)	63,239
Sales	(818,715)	-
Purchases	2,550,000	3,450,000
	\$ 12,128,297	\$ 11,597,288

The non-traditional investments are used as a diversification strategy to reduce the volatility in the investment portfolio. They include limited partnerships, hedge funds, and funds of managed funds. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. The fair values of these investments are based on a review of information provided by fund managers. It is reasonably possible that the estimated fair values of these investments may change materially in the near term.

NOTE E - PROPERTY AND EQUIPMENT (NET)

Property and Equipment (Net) consists of the following:

	2016	2015
Furniture and Fixtures	\$ 12,000	\$ 18,734
Software	7,647	7,647
Leasehold Improvements	66,509	66,509
	86,156	92,890
Less Accumulated Depreciation	29,686	34,345
Property and Equipment (Net)	\$ 56,470	\$ 58,545

Depreciation charged to operations for the years ended June 30, 2016 and 2015 was \$ 5,029 and \$ 5,011, respectively.

NOTE F - OTHER ASSETS

Adirondack Foundation 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, 2016 and 2015 was \$ 57,292 and \$ 56,707, respectively, and is included in Other Assets. The annual premium paid by the Foundation is \$ 11,468. The net premium expense for the years ended June 30, 2016 and 2015 was \$ 10,883 and \$ 9,749, respectively.

ADIRONDACK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. The Foundation refers to such funds as organization endowments.

The Foundation maintains variance power and legal ownership of organization endowment funds and, as such, continues to report the funds as assets of the Foundation. A liability is established for the fair value of the funds.

At June 30, 2016, the Foundation held 57 organization endowment funds with a combined value of \$ 5,461,987. The following table summarizes activity in such funds during the year then ended:

Organization Endowment Fund Balances, July 1, 2015	\$ 5,622,296
Amounts Raised	281,687
Investment Earnings	199,982
Realized Investment Loss	(51,644)
Unrealized Investment Loss	(319,981)
Fees	(98,097)
Grants	<u>(172,256)</u>
 Organization Endowment Fund Balances, June 30, 2016	 <u>\$ 5,461,987</u>

NOTE H - SUPPORTING ORGANIZATIONS

Private Foundations, with approval from the IRS, can terminate their private foundation status and become a Supporting Organization of a publicly-supported organization that is not a private foundation. Both entities are strengthened by the relationship. By "supporting" the charitable purposes of a public foundation, such as Adirondack Foundation, the Organization is exempt from certain taxes and its donors are eligible for greater tax deductions. By divesting itself of the burdens of investment management and administration, the Organization can focus on its mission and impact.

On July 1, 2007, Bruce L. Crary Foundation (Crary Foundation) became a Supporting Organization of Adirondack Foundation. The current contract between the two organizations is for five years beginning June 25, 2012, and may be extended for successive five year terms upon agreement by both parties.

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

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - SUPPORTING ORGANIZATIONS (Continued)

On July 1, 2014, Lake Placid Education Foundation (LPEF) terminated its private foundation status and became a Supporting Organization of Adirondack Foundation. LPEF offers grants to schools, libraries, and other institutions, especially in Lake Placid, New York, for the purpose of advancing public welfare through education. The contract with the Foundation is for five years beginning July 1, 2014 and may be extended upon agreement by both parties. LPEF transferred its funds to the Foundation in July 2015.

The net asset balance of supporting organization funds at Adirondack Foundation was \$ 13,901,503 as of June 30, 2016. The following table summarizes the activity during the year ended June 30, 2016:

Supporting Organization Fund Balance, July 1, 2015	\$ 8,116,708
LPEF Transfer	6,930,780
Investment Earnings	557,523
Realized Investment Loss	(112,985)
Unrealized Investment Loss	(807,506)
Fees and Expenses	(124,117)
Grants	(658,900)
Supporting Organization Fund Balance, June 30, 2016	\$ 13,901,503

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

NOTE I - NET ASSETS

Unrestricted

Unrestricted net assets at June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Board Designated for Scholarships and Grants:		
Field of Interest Funds	\$ 5,408,455	\$ 5,448,556
Donor-Advised	7,402,668	6,769,058
Designated Funds	10,292,542	10,893,041
Scholarship Funds	1,744,997	1,867,150
Unrestricted Funds	1,374,961	1,119,668
Sponsoring Agency	4,440	3,085
Acorn Accounts	19,899	18,244
Total Board Designated	\$ 26,247,962	\$ 26,118,802
Operating Funds (Unrestricted)	168,702	166,848
	\$ 26,416,664	\$ 26,285,650

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I - NET ASSETS (Continued)

Temporarily Restricted

The gift agreement between the Estate of Alberta P. Moody and Adirondack Foundation created two restricted funds, the Alberta P. Moody Higher Education Fund and the Alberta P. Moody Library Fund. The gift agreement does not grant the Foundation 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 the Board of Trustees.

Temporarily restricted net assets are available for the following purposes June 30, 2016 and 2015:

	2016	2015
Moody Library Fund	\$ 138,444	\$ 144,815
Moody Higher Education Fund	87,308	100,479
Foundation Pass-through Fund	61,823	88,092
	\$ 287,575	\$ 333,386

NOTE J - ENDOWMENTS

Net Asset Classifications

Adirondack Foundation is governed by its Governing Documents. The Board of Trustees, on the advice of legal counsel, has determined that the majority of 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 the Foundation.

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, 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

The Foundation operates under the New York Prudent Management of Institutional Funds Act (NYPMIFA). This is New York State'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.

Under NYPMIFA, institutions are allowed to spend endowment funds below their original historic dollar value without government approval or attorney general review if the institution's Board concludes that such spending is prudent.

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - ENDOWMENTS (Continued)

The Act 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. The Act 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.

The Foundation's endowment consists of 130 board-designated and temporarily restricted funds designated to function as endowments.

Endowment type net assets by type of fund consist of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 225,752	\$ 225,752
Board-Designated Funds	<u>23,540,244</u>	<u>-</u>	<u>23,540,244</u>
	<u>\$ 23,540,244</u>	<u>\$ 225,752</u>	<u>\$ 23,765,996</u>

Changes in endowment type net assets for the fiscal year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 24,007,817	\$ 245,295	\$ 24,323,112
Investment Income	641,810	6,515	648,325
Investment Depreciation	(1,397,382)	(14,161)	(1,411,543)
Contributions	1,418,039	-	1,418,039
Reclassifications	22,451	-	22,451
Appropriation for Expenditure	<u>(1,222,491)</u>	<u>(11,897)</u>	<u>(1,234,388)</u>
Endowment Net Assets, End of Year	<u>\$ 23,540,244</u>	<u>\$ 225,752</u>	<u>\$ 23,765,996</u>

Endowment type net assets by type of fund consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 245,295	\$ 245,295
Board-Designated Funds	<u>24,077,817</u>	<u>-</u>	<u>24,077,817</u>
	<u>\$ 24,077,817</u>	<u>\$ 245,295</u>	<u>\$ 24,323,112</u>

ADIRONDACK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - ENDOWMENTS (Continued)

Changes in endowment type net assets for the fiscal year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 23,764,517	\$ 259,622	\$ 24,024,139
Investment Income	1,174,236	13,794	1,188,030
Investment Appreciation	(1,004,520)	(10,608)	(1,015,128)
Contributions	1,238,742	-	1,238,742
Reclassifications	(24,889)	-	(24,889)
Appropriation for Expenditure	<u>(1,070,269)</u>	<u>(17,513)</u>	<u>(1,087,782)</u>
Endowment Net Assets, End of Year	<u>\$ 24,077,817</u>	<u>\$ 245,295</u>	<u>\$ 24,323,112</u>

Return Objectives and Risk Parameters

Adirondack Foundation 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, the Foundation 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 Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

The spending policy for endowment funds is set by the Board at 5% per annum of the average market value of assets at the end of the trailing twelve calendar quarters including income, realized gains and losses, unrealized appreciation and depreciation, and in some cases, principal. This rate may be adjusted from time to time depending on investment performance or other factors. For certain endowment funds the Board may approve a different rate, depending on donor objectives. 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, 2016, 17 Board members donated \$213,213 to the Foundation. Also during the year ended June 30, 2016, 60% of contributions came from nine donors.

ADIRONDACK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE L - RETIREMENT PLAN

Adirondack Foundation offers a Savings Incentive Match Plan for Employees (SIMPLE) IRA to its eligible employees. The Foundation provides an annual 3% contribution to the Plan for all employees who are at least 21 years old and have performed services for the Foundation in at least two of the immediately five preceding years. The Foundation's contribution to the Plan for the years ended June 30, 2016 and 2015 was \$ 7,684 and \$ 5,467, respectively.

NOTE M - COMMITMENTS AND CONTINGENCIES

1. Operating Lease

The Foundation has entered into an operating lease for its office space with a term from June 1, 2012 through May 31, 2017. 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, 2016 and 2015.

2. Concentrations of Credit Risk – Cash

The Foundation 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, bank deposits may be in excess of amounts insured by the FDIC. At June 30, 2016, the carrying amount of operating cash deposits was \$ 368,703. The bank balances were \$ 411,295 categorized as follows:

Amount Insured by FDIC	\$ 296,268
Uninsured	<u>115,027</u>
Total Bank Balances	<u>\$ 411,295</u>

3. Risks and Uncertainties

The Foundation has investments in a combination of cash, fixed income and equity securities, mutual funds, limited partnerships 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 such changes could materially affect the net assets of Adirondack Foundation.

SUPPLEMENTARY INFORMATION

ADIRONDACK FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>TOTAL 6/30/2016</u>
Salaries	\$ 276,659	\$ 47,689	\$ 26,865	\$ 351,213
Payroll Related Costs and Employee Benefits	57,397	10,291	3,812	71,500
Grants	1,846,561	-	-	1,846,561
Accounting and Legal	-	12,400	-	12,400
Advertising	28,180	-	9,393	37,573
Nonprofit Leadership Expense (ANN)	9,141	-	-	9,141
Annual Report	9,235	-	3,079	12,314
Bank and Investment Related Fees	145,650	4,196	-	149,846
Conferences and Travel	10,708	1,647	4,118	16,473
Contract Services	13,842	-	-	13,842
Depreciation	3,998	687	344	5,029
Dues and Fees	-	8,743	-	8,743
Program Development	99,424	-	-	99,424
Fund Development	-	-	3,959	3,959
Insurance	-	2,613	-	2,613
Meeting Expense	7,817	-	2,605	10,422
Newsletter	1,166	583	4,079	5,828
Office Expense	29,187	5,018	2,509	36,714
Postage and Shipping	1,532	254	3	1,789
Planned Giving	-	-	1,359	1,359
Premiums for Planned Gifts	10,883	-	-	10,883
Professional Development	166	25	63	254
Public Relations	767	-	-	767
Rent	14,310	2,460	1,230	18,000
Summer Intern	-	-	-	-
Special Events	4,855	-	-	4,855
Telephone and Utilities	4,442	763	382	5,587
Adirondack Gives	4,683	-	-	4,683
Website	653	327	327	1,307
	<u>\$ 2,581,256</u>	<u>\$ 97,696</u>	<u>\$ 64,127</u>	<u>\$ 2,743,079</u>

ADIRONDACK FOUNDATION

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>TOTAL 6/30/2015</u>
Salaries	\$ 166,077	\$ 48,966	\$ 50,940	\$ 265,983
Payroll Related Costs and Employee Benefits	37,398	11,126	8,698	57,222
Grants	2,005,818	-	-	2,005,818
Accounting and Legal	-	12,400	-	12,400
Advertising	4,755	-	14,267	19,022
Nonprofit Leadership Expense	5,782	-	-	5,782
Annual Report	1,857	1,238	9,288	12,383
Bank and Investment Related Fees	155,199	4,558	-	159,757
Conferences and Travel	9,251	9,251	2,056	20,558
Contract Services	7,248	-	-	7,248
Depreciation	3,383	886	742	5,011
Dues and Fees	-	4,952	-	4,952
Program Development	35,175	-	-	35,175
Fund Development	600	-	2,124	2,724
Insurance	-	2,703	-	2,703
Meeting Expense	3,328	3,329	740	7,397
Newsletter	1,113	557	3,896	5,566
Office Expense	20,593	6,306	5,277	32,176
Postage and Shipping	1,944	387	140	2,471
Premiums for Planned Gifts	9,749	-	-	9,749
Professional Development	3,357	-	3,357	6,714
Public Relations	1,505	-	-	1,505
Rent	11,520	3,528	2,952	18,000
Summer Intern	1,458	-	-	1,458
Special Events	1,370	-	-	1,370
Telephone and Utilities	3,169	970	812	4,951
Adirondack Gives	3,308	-	-	3,308
Website	893	446	446	1,785
	<u>\$ 2,495,850</u>	<u>\$ 111,603</u>	<u>\$ 105,735</u>	<u>\$ 2,713,188</u>