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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Adirondack Architectural Heritage, Inc.

I have audited the accompanying statements of financial position of Adirondack Architectural Heritage, Inc. (AARCH) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of AARCH's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adirondack Architectural Heritage, Inc. as of December 31, 2010 and 2009, and the results of its activities for the years then ended in conformity with generally accepted accounting principles.

February 23, 2011

Keith Frantz

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
Assets:		
Cash and Cash Equivalents	\$148,517	\$226,125
Accounts Receivable	0	46
Grants Receivable	60,450	50,104
Mortgage Receivable	10,383	20,163
Inventory	39,028	41,166
ACT Endowment Investments	30,547	26,885
Equipment	14,635	14,635
Building Costs	415,201	210,880
Less: Accumulated Depreciation	(20,626)	(12,488)
Total Assets	\$698,135	\$577,516
Liabilities and net assets:		
Sales Tax Payable	\$93	\$30
Payroll Taxes Payable	3,364	3,897
Deferred Grant Revenue	33,132	21,360
Total Liabilities	36,589	25,287
Net Assets:		
Unrestricted	570,094	502,092
Temporarily Restricted:		
Santanoni Fund	67,811	26,288
Permanently Restricted:		
ACT Endowment	23,641	23,849
Total Net Assets	661,546	552,229
Total Liabilities and Net Assets	\$698,135	\$577,516

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Public Support & Revenue:					
Contributions and Grants	\$81,678	\$0	\$0	\$81,678	\$160,679
Government Grants	144,314	149,450	0	293,764	312,158
Total Public Support	<u>225,992</u>	<u>149,450</u>	<u>0</u>	<u>375,442</u>	<u>472,837</u>
Other Revenue:					
Membership Dues	62,466	0	0	62,466	63,685
Program Fees	55,612	0	0	55,612	92,710
Preservation Services	20,650	0	0	20,650	6,050
Rental Income	2,200	0	0	2,200	0
Investment Income (Loss)	4,937	0	0	4,937	6,408
Fundraising Events	28,019	0	0	28,019	25,853
Less: Event Expenses	(7,697)	0	0	(7,697)	(5,896)
Other	691	0	0	691	1,026
Sales	3,362	0	0	3,362	1,165
Less: Cost of Goods Sold	(2,682)	0	0	(2,682)	(903)
Net Assets Released from Restrictions	<u>108,135</u>	<u>(107,927)</u>	<u>(208)</u>	<u>0</u>	<u>0</u>
Total Other Revenue	<u>275,693</u>	<u>(107,927)</u>	<u>(208)</u>	<u>167,558</u>	<u>190,098</u>
Total Revenues	<u>501,685</u>	<u>41,523</u>	<u>(208)</u>	<u>543,000</u>	<u>662,935</u>
Expenses:					
Program Services	373,335	0	0	373,335	402,725
Management and General	54,734	0	0	54,734	89,796
Fund Raising	5,614	0	0	5,614	0
Total Expenses	<u>433,683</u>	<u>0</u>	<u>0</u>	<u>433,683</u>	<u>492,521</u>
Change in net assets	68,002	41,523	(208)	109,317	170,414
Net assets at beginning of year	<u>502,092</u>	<u>26,288</u>	<u>23,849</u>	<u>552,229</u>	<u>381,815</u>
Net assets at end of year	<u>\$570,094</u>	<u>\$67,811</u>	<u>\$23,641</u>	<u>\$661,546</u>	<u>\$552,229</u>

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
with Summarized Totals for the Year Ended December 31, 2009

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2010 Total</u>	<u>2009 Total</u>
EXPENSES					
Personnel Services:					
Staff Salaries	106,884	\$32,368	\$3,225	\$142,477	\$175,616
Payroll Taxes and Insurances	10,227	3,147	310	13,684	18,765
Employee Benefits	<u>9,359</u>	<u>2,880</u>	<u>283</u>	<u>12,522</u>	<u>10,478</u>
Total Personnel Services	<u>126,470</u>	<u>38,395</u>	<u>3,818</u>	<u>168,683</u>	<u>204,859</u>
Audit Expense	0	3,670	0	3,670	2,285
Consultants	19,176	0	0	19,176	27,189
Postage	3,097	953	94	4,144	4,183
Communication	2,851	877	86	3,814	2,150
Promotion/Website	6,447	0	0	6,447	10,609
Property Expenses	1,656	495	0	2,151	4,165
Office Supplies	8,501	3,011	1,580	13,092	9,801
Equipment/Leases	3,440	1,028	0	4,468	3,364
Rent	1,232	368	0	1,600	4,800
Insurance	4,488	1,341	0	5,829	5,924
Program Expenses	30,382	0	0	30,382	43,184
Newsletter	1,562	0	36	1,598	995
Maintenance and Repairs	199	60	0	259	0
Dues and Subscriptions	670	200	0	870	0
Travel	6,689	1,998	0	8,687	8,855
Other	1,560	466	0	2,026	2,815
Grant Expenditures	148,649	0	0	148,649	156,466
Depreciation	<u>6,266</u>	<u>1,872</u>	<u>0</u>	<u>8,138</u>	<u>877</u>
TOTAL EXPENSES	<u>\$373,335</u>	<u>\$54,734</u>	<u>5,614</u>	<u>\$433,683</u>	<u>\$492,521</u>

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

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$109,317	\$170,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,138	877
Decrease in Accounts Receivable	46	202
Decrease (Increase) in Grants Receivable	(10,346)	1,646
Decrease in Prepaid Expenses	0	11,500
Decrease (Increase) in Inventory	2,138	(15,889)
Decrease in Mortgage Receivable	9,780	9,211
Increase (Decrease) in Payroll Taxes Payable	(533)	1,138
Increase in Sales Tax Payable	63	27
(Decrease) Increase in Deferred Grant Revenue	11,772	(71,433)
Net cash provided by operating activities	130,375	107,693
Cash flows from investing activities:		
Purchase of equipment	0	0
Payments for Building Costs	(204,321)	(65,432)
Decrease in ACT Endowment Investments	(3,662)	(3,892)
Net cash used in investing activities	(207,983)	(69,324)
Cash flow from financing activities		
Net cash from financing activities	0	0
Net increase (decrease) in cash and cash equivalents	(77,608)	38,369
Cash and cash equivalents at beginning of year	226,125	187,756
Cash and cash equivalents at end of year	\$148,517	\$226,125

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

Adirondack Architectural Heritage, Inc.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies

A. Operations and Nature of Activities

Adirondack Architectural Heritage, Inc. (AARCH) is a not-for-profit corporation formed for the purpose of providing historic preservation, education and technical assistance to the Adirondack Community.

B. Accrual Basis

The financial statements of AARCH have been prepared on the accrual basis. Under this method, revenues are recorded when earned and expenditures are recorded as incurred. The Statement of Activities is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income.

C. Promises to Give

Contributions are recognized when the donor makes a promise to give to AARCH that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

AARCH uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The current allowance is zero.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Inventories

The inventory of books, publication, pamphlets and other items held for resale to members and the public is accounted for at cost using the first-in first-out method. All are finished goods. The inventory has been determined to be \$39,028 for the year ended December 31, 2010.

F. Property and Equipment

Property and equipment acquired with funds received are considered owned by AARCH and are recorded at cost. Donated property and equipment are recorded at fair value.

AARCH capitalizes expenditures for property and equipment in excess of \$300. Depreciation of property and equipment is computed on a straight-line basis over the estimated service lives of the assets, after consideration of estimated salvage value.

<u>Asset Summary</u>	<u>Life</u>
Office Equipment	7-10 years
Computers	3-5 years
Leasehold Improvements	10-15 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, AARCH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AARCH reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. Concentration of Contributors and Revenue Sources

The following details the concentrations of total support and revenue for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Government Grants	\$293,764	\$312,158
Membership	62,466	63,685
Contributions and Non-Government Grants	81,678	160,679
Fundraising Events	20,322	19,957
Program Fees	55,612	92,710

H. Contributions

In accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

I. Income Taxes

AARCH is a not-for-profit organization that has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AARCH is not classified as a private foundation.

J. Investments

Certificates of deposit are reported at face value plus accrued interest. Under FASB Statement of Financial Accounting Standard No. 124, "Accounting for Certain Investments by Not-for Profit Organizations" (SFAS 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

K. Cash Flow Disclosures

For purposes of the statement of cash flows, AARCH considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

L. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Santanoni Fund	<u>\$67,811</u>	<u>\$26,288</u>
Total	<u><u>\$67,811</u></u>	<u><u>\$26,288</u></u>

Note 3 - Functional Expense - Fundraising

In 2010, fundraising expenditures were 3.1% of total expenditures.

Note 4 - Donated Services, Materials, and Facilities

Donated services and its expenses are not recorded in the accounting records. Uncompensated volunteer services are not recorded. During 2009, the Town of Newcomb donated Santanoni books with a value of \$16,354. This donation was recorded as an increase to inventory and contributions.

Note 5 - Fundraising Events

AARCH held the following fund raising events in 2010. The total income generated and corresponding expenses are as follows:

<u>Event</u>	<u>Revenues</u>	<u>Costs</u>	<u>Gain/(Loss)</u>
Golf Tournament	\$10,679	\$5,629	\$5,050
Raffle	8,530	909	7,621
Silent Auction	1,560	0	1,560
Wentworth Benefit	<u>7,250</u>	<u>1,159</u>	<u>6,091</u>
Totals	<u><u>\$28,019</u></u>	<u><u>\$7,697</u></u>	<u><u>\$20,322</u></u>

Note 6 - Sales of Inventory and Cost of Goods Sold

The cost of goods sold for the years ended December 31, 2010 and 2009 has been calculated as follows:

	<u>2010</u>	<u>2009</u>
Sales	\$3,362	\$1,165
Less: Cost of Goods Sold	<u>2,682</u>	<u>903</u>
Gross Profit	<u>\$680</u>	<u>\$262</u>

Note 7 - Property and Equipment

Property and Equipment consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and Fixtures	\$14,635	\$14,635
Building Costs	415,201	210,880
Less: Accumulated Depreciation	<u>(20,626)</u>	<u>(12,488)</u>
Net Book Value	<u>\$409,210</u>	<u>\$213,027</u>

Note 8 - Advertising

Advertising is expensed as incurred. Advertising expense for 2010 was \$0.

Note 9 - Public Support and Revenue

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectable promises is provided based on management's evaluation of potential uncollectable promises receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Note 10- Deferred Grant Revenue

Grant advances in excess of earned support consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
NYS Council on the Arts	<u>\$33,121</u>	<u>\$21,360</u>

Note 11- Grants Receivable

Grant receivables consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Federal SAT Grant	\$0	\$14,327
NYS DEC Grant	49,450	0
NYS Parks Grant	<u>11,000</u>	<u>35,777</u>
Total	<u>\$60,450</u>	<u>\$50,104</u>

Note 12- Permanently Restricted Funds

During 2004 AARCH accepted a \$10,000 matching endowment grant offered by the Adirondack Community Trust (ACT). As of December 31, 2010, AARCH had a Permanently Restricted Endowment of \$23,641.

Note 13- Retirement Plan

In 2008, AARCH established a 403(b) defined contribution pension plan covering substantially all of AARCH's employees. Employer contributions are based on a percentage of the employees' salaries and are authorized at the discretion of AARCH's Board of Directors. 403(b) contributions by AARCH for the years ended December 31, 2010 and 2009 amounted to \$4,274 and \$4,179, respectively.