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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, 2012 and 2011, 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, 2012 and 2011, and the results of its activities for the years then ended in conformity with generally accepted accounting principles.

May 22, 2013

Keith Frantz

**ADIRONDACK ARCHITECTURAL HERITAGE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	2012	2011
<b>Assets:</b>		
Cash and Cash Equivalents	\$231,291	\$142,052
Inventory	37,030	37,482
ACT Endowment Investments	33,671	30,132
Furniture and Equipment	23,774	23,137
Building and Building Improvements	453,109	453,109
Less: Accumulated Depreciation	(45,541)	(32,709)
<b>Total Assets</b>	<b>\$733,334</b>	<b>\$653,203</b>
<b>Liabilities and net assets:</b>		
Sales Tax Payable	\$43	\$181
Payroll Taxes Payable	2,603	2,309
Deferred Grant Revenue	0	32,345
<b>Total Liabilities</b>	2,646	34,835
<b>Net Assets:</b>		
Unrestricted	567,744	552,295
Temporarily Restricted:		
Santanoni Fund	125,836	41,189
Poko Fund	12,517	2,332
Permanently Restricted:		
ACT Endowment	24,591	22,552
<b>Total Net Assets</b>	<b>730,688</b>	<b>618,368</b>
<b>Total Liabilities and Net Assets</b>	<b>\$733,334</b>	<b>\$653,203</b>

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

**ADIRONDACK ARCHITECTURAL HERITAGE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**  
With Summarized Totals for the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Public Support &amp; Revenue:</b>					
Contributions	\$45,340	\$15,579	\$530	\$61,449	\$49,307
Government Grants	40,737	100,000	0	140,737	37,984
<b>Total Public Support</b>	<u>86,077</u>	<u>115,579</u>	<u>530</u>	<u>202,186</u>	<u>87,291</u>
<b>Other Revenue:</b>					
Membership Dues	71,901	0	0	71,901	62,895
Program Fees	36,690	0	0	36,690	33,320
Preservation Services	13,950	0	0	13,950	11,750
Rental Income	7,350	0	0	7,350	7,800
Investment Income	2,020	0	1,509	3,529	64
Fundraising Events	37,471	0	0	37,471	16,345
Less: Event Expenses	(7,700)	0	0	(7,700)	(10,095)
Other	932	0	0	932	1,624
Sales	1,127	0	0	1,127	3,788
Less: Cost of Goods Sold	(712)	0	0	(712)	(3,837)
Net Assets Released from Restrictions	20,747	(20,747)	0	0	0
<b>Total Other Revenue</b>	<u>183,776</u>	<u>(20,747)</u>	<u>1,509</u>	<u>164,538</u>	<u>123,654</u>
<b>Total Revenues</b>	<u>269,853</u>	<u>94,832</u>	<u>2,039</u>	<u>366,724</u>	<u>210,945</u>
<b>Expenses:</b>					
Program Services	183,232	0	0	183,232	191,243
Management and General	63,465	0	0	63,465	58,915
Fund Raising	7,707	0	0	7,707	3,965
<b>Total Expenses</b>	<u>254,404</u>	<u>0</u>	<u>0</u>	<u>254,404</u>	<u>254,123</u>
Change in net assets	15,449	94,832	2,039	112,320	(43,178)
Net assets at beginning of year	<u>552,295</u>	<u>43,521</u>	<u>22,552</u>	<u>618,368</u>	<u>661,546</u>
<b>Net assets at end of year</b>	<u><u>\$567,744</u></u>	<u><u>\$138,353</u></u>	<u><u>\$24,591</u></u>	<u><u>\$730,688</u></u>	<u><u>\$618,368</u></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, 2012**  
**with Summarized Totals for the Year Ended December 31, 2011**

<b>EXPENSES</b>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Personnel Services:</b>					
Staff Salaries	\$77,010	\$35,434	\$5,815	\$118,259	\$127,142
Payroll Taxes and Insurances	7,260	3,351	558	11,169	12,051
Employee Benefits	6,240	2,880	480	9,600	10,764
<b>Total Personnel Services</b>	<u>90,510</u>	<u>41,665</u>	<u>6,853</u>	<u>139,028</u>	<u>149,957</u>
Audit Expense	0	2,885	0	2,885	2,885
Consultants	33,821	0	0	33,821	10,505
Postage	2,044	943	157	3,144	3,180
Communication	2,371	1,094	182	3,647	3,602
Promotion/Website	2,135	0	0	2,135	2,163
Property Expenses	8,915	3,821	0	12,736	7,809
Office Supplies	6,689	3,087	515	10,291	11,401
Equipment/Leases	2,769	1,186	0	3,955	4,912
Insurance	4,953	2,123	0	7,076	7,055
Program Expenses	12,651	0	0	12,651	10,142
Maintenance and Repairs	420	180	0	600	760
Professional Development	35	0	0	35	700
Dues and Publications	797	0	0	797	1,463
Travel	4,513	1,934	0	6,447	8,038
Other	1,627	697	0	2,324	4,488
Grant Expenditures	0	0	0	0	12,980
Depreciation	8,982	3,850	0	12,832	12,083
<b>TOTAL EXPENSES</b>	<u><u>\$183,232</u></u>	<u><u>\$63,465</u></u>	<u><u>\$7,707</u></u>	<u><u>\$254,404</u></u>	<u><u>\$254,123</u></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, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
Change in net assets	\$112,320	(\$43,178)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,832	12,083
Decrease in Accounts Receivable	0	0
(Increase) Decrease in Grants Receivable	0	60,450
Decrease in Inventory	452	1,546
Decrease in Mortgage Receivable	0	10,383
Increase (Decrease) in Payroll Taxes Payable	294	(1,055)
Increase (Decrease) in Sales Tax Payable	(138)	88
Increase (Decrease) in Deferred Grant Revenue	(32,345)	(787)
<b>Net cash provided by operating activities</b>	<b>93,415</b>	<b>39,530</b>
<b>Cash flows from investing activities:</b>		
Purchase of Equipment	(637)	(37,292)
Payments for Building and Building Improvements	0	(9,118)
Decrease (Increase) in ACT Endowment Investments	(3,539)	415
<b>Net cash used in investing activities</b>	<b>(4,176)</b>	<b>(45,995)</b>
<b>Cash flow from financing activities</b>		
None		
<b>Net cash from financing activities</b>	<b>0</b>	<b>0</b>
Net (decrease) increase in cash and cash equivalents	89,239	(6,465)
Cash and cash equivalents at beginning of year	142,052	148,517
<b>Cash and cash equivalents at end of year</b>	<b>\$231,291</b>	<b>\$142,052</b>

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

**Adirondack Architectural Heritage, Inc.**

Notes to the Financial Statements

December 31, 2012 and 2011

**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. Inventory

AARCH's inventory consist of books, publications, pamphlets and other items held for resale to members and the public, and is accounted for at cost using the first-in first-out method. AARCH's inventory consists solely of finished goods.

AARCH's inventory at cost was \$37,482 at December 31, 2011 and \$37,030 at December 31, 2012.

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 \$400. 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	5-10 years
Computers	3-5 years
Building and Building Improvements	39 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Government Grants	\$140,737	\$37,984
Memberships	71,901	62,895
Contributions and Non-Government Grants	61,449	49,307
Fundraising Events (Net)	29,771	6,250
Program Fees	36,690	33,320



#### 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

AARCH classifies all highly liquid investments available for current use with an initial maturity of six months or less as 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Santanoni Fund	\$125,836	\$41,189
Poko Fund	<u>12,517</u>	<u>2,332</u>
Total	<u>\$138,353</u>	<u>\$43,521</u>

## Note 3 - Functional Expense - Fundraising

In 2012, fundraising expenditures were 3% of total expenditures.  
In 2011, fundraising expenditures were 1.6% of total expenditures.

## Note 4 - Donated Services, Materials, and Facilities

The value of donated services and uncompensated volunteer services are not recorded in AARCH's financial statements.

## Note 5 - Fundraising Events

AARCH held several fundraising events in 2012. The total revenues generated and costs incurred in connection with these fundraising events were as follows:

<u>Event</u>	<u>Revenues</u>	<u>Costs</u>	<u>Event Gain</u>
Golf Tournament	\$15,141	\$4,566	\$10,575
Raffle	10,250	612	9,638
Silent Auction	<u>12,080</u>	<u>2,522</u>	<u>9,558</u>
Totals	<u>\$37,471</u>	<u>\$7,700</u>	<u>\$29,771</u>

### Note 6 - Sales of Inventory and Cost of Goods Sold

The cost of goods sold for the years ended December 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Sales	\$1,127	\$3,788
Less: Cost of Goods Sold	<u>(712)</u>	<u>(3,837)</u>
Gross Profit	<u>\$415</u>	<u>(\$49)</u>

### Note 7 - Property and Equipment

Property and Equipment consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and Equipment	\$23,774	\$23,137
Building and Building Improvements	453,109	453,109
Less: Accumulated Depreciation	<u>(45,541)</u>	<u>(32,709)</u>
Net Book Value	<u>\$431,342</u>	<u>\$443,537</u>

### Note 8 - Advertising

Advertising is expensed as incurred. Advertising expense for 2012 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
NYS Council on the Arts	\$0	\$30,010
2012 Golf Tournament Fees	<u>0</u>	<u>2,335</u>
Total	<u>\$0</u>	<u>\$32,345</u>

### **Note 11- Permanently Restricted Funds**

The Adirondack Community Trust (ACT), a New York State not for profit organization established with the principal purpose to receive and administer funds for charitable organizations, maintains a Fund on behalf of AARCH, known as the Adirondack Architectural Heritage Fund (“Fund”). Distributions of income and principal from the Fund to AARCH are governed by the terms of an Organization Fund Agreement between ACT and AARCH (“Agreement”) and are subject to a spending policy established by the Board of ACT, which may be amended from time to time.

The fair market value of the Fund was \$33,671 at December 31, 2012. Under the Agreement and spending policy of ACT, AARCH may request distributions equal to 5% of the average fund balance over the previous 12 quarters (the “Spendable Balance”). AARCH may request distributions beyond the Spendable Balance in certain circumstances, subject to the approval of ACT.

At December 31, 2012, the Spendable Balance calculated by ACT was \$9,080. AARCH did not take any distributions from the Fund in 2012 or 2011.

### **Note 12- 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, 2012 and 2011 amounted to \$3,489 and \$3,560, respectively.