

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-13

## **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, 2009 and 2008, 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, 2009 and 2008, and the results of its activities for the years then ended in conformity with generally accepted accounting principles.

June 20, 2010

Keith Frantz

**ADIRONDACK ARCHITECTURAL HERITAGE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	2009	2008
<b>Assets:</b>		
Cash and Cash Equivalents	\$226,125	\$187,756
Accounts Receivable	46	248
Grants Receivable	50,104	51,750
Mortgage Receivable	20,163	29,374
Prepaid Expenses	0	11,500
Inventory	41,166	25,277
ACT Endowment Investments	26,885	22,993
Equipment	14,635	14,635
Building Costs	210,880	145,448
Less: Accumulated Depreciation	(12,488)	(11,611)
<b>Total Assets</b>	<b>\$577,516</b>	<b>\$477,370</b>
 <b>Liabilities and net assets:</b>		
Sales Tax Payable	\$30	\$3
Payroll Taxes Payable	3,897	2,759
Deferred Grant Revenue	21,360	92,793
 <b>Total Liabilities</b>	<b>25,287</b>	<b>95,555</b>
 <b>Net Assets:</b>		
Unrestricted	502,092	333,588
Temporarily Restricted:		
Santanoni Fund	26,288	24,923
Permanently Restricted:		
ACT Endowment	23,849	23,304
<b>Total Net Assets</b>	<b>552,229</b>	<b>381,815</b>
 <b>Total Liabilities and Net Assets</b>	<b>\$577,516</b>	<b>\$477,370</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, 2009 and 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>Public Support &amp; Revenue:</b>					
Contributions and Grants	\$160,134	\$0	\$545	\$160,679	\$50,542
Government Grants	<u>162,101</u>	<u>150,057</u>		<u>312,158</u>	<u>173,612</u>
Total Public Support	322,235	150,057	545	472,837	224,154
<b>Other Revenue:</b>					
Membership Dues	63,685			63,685	64,145
Program Fees	92,710			92,710	30,471
Preservation Services	6,050			6,050	12,139
Investment Income (Loss)	6,408			6,408	(1,020)
Fundraising Events	25,853			25,853	19,157
Less: Event Expenses	(5,896)			(5,896)	(686)
Other	1,026			1,026	2,540
Sales	1,165			1,165	1,453
Less: Cost of Goods Sold	(903)			(903)	(1,016)
Net Assets Released from Restrictions	<u>148,692</u>	<u>(148,692)</u>		<u>0</u>	<u>0</u>
Total Other Revenue	<u>338,790</u>	<u>(148,692)</u>	<u>0</u>	<u>190,098</u>	<u>127,183</u>
<b>Total Revenues</b>	<u>661,025</u>	<u>1,365</u>	<u>545</u>	<u>662,935</u>	<u>351,337</u>
<b>Expenses:</b>					
Program Services	402,725			402,725	192,796
Management and General	<u>89,796</u>			<u>89,796</u>	<u>72,425</u>
<b>Total Expenses</b>	<u>492,521</u>	<u>0</u>	<u>0</u>	<u>492,521</u>	<u>265,221</u>
Change in net assets	168,504	1,365	545	170,414	86,116
Net assets at beginning of year	<u>333,588</u>	<u>24,923</u>	<u>23,304</u>	<u>381,815</u>	<u>295,699</u>
<b>Net assets at end of year</b>	<u>\$502,092</u>	<u>\$26,288</u>	<u>\$23,849</u>	<u>\$552,229</u>	<u>\$381,815</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, 2009**  
**with Summarized Totals for the Year Ended December 31, 2008**

	Program Services	Management & General	2009 Total	2008 Total
<b>EXPENSES</b>				
<b>Personnel Services:</b>				
Staff Salaries	\$114,766	\$60,850	\$175,616	\$122,739
Payroll Taxes and Insurances	12,197	6,568	18,765	13,116
Employee Benefits	6,811	3,667	10,478	7,994
<b>Total Personnel Services</b>	133,774	71,085	204,859	143,849
Audit Expense	0	2,285	2,285	2,285
Consultants	27,189	0	27,189	51,135
Postage	2,719	1,464	4,183	4,924
Communication	1,398	752	2,150	1,969
Promotion/Website	10,609	0	10,609	9,735
Property Expenses	2,707	1,458	4,165	2,058
Office Supplies	6,371	3,430	9,801	7,877
Equipment	2,187	1,177	3,364	2,686
Rent	3,120	1,680	4,800	4,800
Insurance	3,851	2,073	5,924	5,446
Program Expenses	43,184	0	43,184	11,650
Newsletter	995	0	995	3,028
Book Project Expenses	0	0	0	736
Professional Development	94	51	145	280
Travel	5,756	3,099	8,855	8,640
Other	1,735	935	2,670	3,255
Grant Expenditures	156,466	0	156,466	0
Depreciation	570	307	877	868
<b>TOTAL EXPENSES</b>	<b>\$402,725</b>	<b>\$89,796</b>	<b>\$492,521</b>	<b>\$265,221</b>

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, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities:</b>		
Change in net assets	\$170,414	\$86,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	877	868
Decrease in Accounts Receivable	202	182
Decrease (Increase) in Grants Receivable	1,646	(31,405)
Decrease (Increase) in Prepaid Expenses	11,500	(11,500)
Decrease (Increase) in Inventory	(15,889)	834
Decrease in Mortgage Receivable	9,211	8,676
Increase in Payroll Taxes Payable	1,138	735
(Decrease) Increase in Sales Tax Payable	27	(53)
(Decrease) Increase in Deferred Grant Revenue	(71,433)	55,793
<b>Net cash provided by operating activities</b>	<b>107,693</b>	<b>110,246</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	0	(1,407)
Payments for Building Costs	(65,432)	(129,118)
(Increase) Decrease in ACT Endowment Investments	(3,892)	7,356
<b>Net cash used in investing activities</b>	<b>(69,324)</b>	<b>(123,169)</b>
<b>Cash flow from financing activities</b>		
<b>Net cash from financing activities</b>	<b>0</b>	<b>0</b>
Net increase (decrease) in cash and cash equivalents	38,369	(12,923)
Cash and cash equivalents at beginning of year	187,756	200,679
<b>Cash and cash equivalents at end of year</b>	<b>\$226,125</b>	<b>\$187,756</b>

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

**Adirondack Architectural Heritage, Inc.**

Notes to the Financial Statements

December 31, 2009 and 2008

**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 \$41,166 for the year ended December 31, 2009.

#### 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Government Grants	\$312,158	\$173,612
Membership	63,685	64,145
Contributions and Non-Government Grants	160,679	50,542
Fundraising Events	25,853	19,157
Program Fees	92,710	30,471

#### 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Santanoni Fund	<u>\$26,288</u>	<u>\$24,923</u>
Total	<u><u>\$26,288</u></u>	<u><u>\$24,923</u></u>

## Note 3 - Functional Expense - Fundraising

In 2009, fundraising expenditures were 1.2% 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 2009. 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	\$6,423	\$2,820	\$3,603
Raffle	7,975	440	7,535
Silent Auction	2,405	0	2,405
South Farm Benefit	<u>9,050</u>	<u>2,636</u>	<u>6,414</u>
Totals	<u><u>\$25,853</u></u>	<u><u>\$5,896</u></u>	<u><u>\$19,957</u></u>

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

The cost of goods sold for the years ended December 31, 2009 and 2008 has been calculated as follows:

	<u>2009</u>	<u>2008</u>
Sales	\$1,165	\$1,453
Less: Cost of Goods Sold	<u>903</u>	<u>1,016</u>
Gross Profit	<u>\$262</u>	<u>\$437</u>

### **Note 7 - Property and Equipment**

Property and Equipment consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and Fixtures	\$14,635	\$14,635
Building Costs	210,880	145,448
Less: Accumulated Depreciation	<u>(12,488)</u>	<u>(11,611)</u>
Net Book Value	<u>\$213,027</u>	<u>\$148,472</u>

### **Note 8 - Advertising**

Advertising is expensed as incurred. Advertising expense for 2009 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
NYS DEC SAT Grant	\$0	\$68,793
NYS Council on the Arts	21,360	24,000
Total	<u>\$21,360</u>	<u>\$92,793</u>

**Note 11- Grants Receivable**

Grant receivables consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Federal SAT Grant	\$14,327	\$20,345
NYS Parks Grant	35,777	31,405
Total	<u>\$50,104</u>	<u>\$51,750</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, 2009, AARCH had a Permanently Restricted Endowment of \$23,849.

**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, 2009 and 2008 amounted to \$4,179 and \$3,029, respectively.