

LAKE GEORGE LAND CONSERVANCY, INC.

Independent Auditor's Report

Financial Statements

Years Ended June 30, 2016 and 2015

LAKE GEORGE LAND CONSERVANCY, INC.

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	3-4
Statement of Support, Revenues and Expenses and Changes in Net Assets – Modified Cash Basis Year Ended June 30, 2016	5
Statement of Support, Revenues and Expenses and Changes in Net Assets – Modified Cash Basis Year Ended June 30, 2015	6
Notes to Financial Statements	7-17



WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

333 Aviation Road, Bldg B
Queensbury, NY 12804
Ph: (518)792-0918
Fax: (518)743-0882
www.wdr CPA.com

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Lake George Land Conservancy, Inc.
Bolton Landing, New York

We have audited the accompanying financial statements of Lake George Land Conservancy, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of June 30, 2016 and 2015 and the related statements of support, revenues and expenses and changes in net assets - modified cash basis 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 the modified cash basis of accounting as described in the notes to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities and net assets of Lake George Land Conservancy, Inc. as of June 30, 2016 and 2015 and its support, revenues and expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes to the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

February 4, 2017

LAKE GEORGE LAND CONSERVANCY, INC.

Statements of Assets, Liabilities and Net Assets - Modified Cash Basis

June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 1,175,836	\$ 665,792
Cash and cash equivalents - temporarily restricted	<u>58,137</u>	<u>271,577</u>
Total Current Assets	<u>1,233,973</u>	<u>937,369</u>
Property and Equipment:		
Land	46,000	46,000
Building and improvements	1,318,354	1,318,354
Furniture, fixtures and equipment	64,828	76,385
Vehicles	<u>16,977</u>	<u>16,977</u>
Total Property and Equipment	1,446,159	1,457,716
Less: Accumulated Depreciation	<u>(369,387)</u>	<u>(343,110)</u>
Net Property and Equipment	<u>1,076,772</u>	<u>1,114,606</u>
Other Assets:		
Land held for conservation	12,815,455	11,467,719
Investments held for resale	143,974	245,514
Cash - temporarily restricted	9,216	9,216
Endowments:		
Stewardship cash - permanently restricted	107,990	107,990
Investment portfolio cash	203,234	180,413
Investment portfolio securities	1,964,010	1,780,195
Deposit on land	10,000	50,000
Security deposit	<u>346</u>	<u>346</u>
Total Other Assets	<u>15,254,225</u>	<u>13,841,393</u>
Total Assets	<u>\$ 17,564,970</u>	<u>\$ 15,893,368</u>

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

Statements of Assets, Liabilities and Net Assets - Modified Cash Basis

June 30, 2016 and 2015

LIABILITIES AND NET ASSETS	2016	2015
Current Liabilities:		
Current portion of long-term debt	\$ 236,418	\$ 3,380
Other	9,072	1,745
Total Current Liabilities	245,490	5,125
Long-Term Liabilities:		
Long-term debt, net of current portion	291,440	225,708
Security deposit	1,300	800
Total Long-Term Liabilities	292,740	226,508
Total Liabilities	538,230	231,633
Net Assets:		
Unrestricted:		
Board designated	485,640	514,425
Undesignated	14,154,164	12,755,211
Temporarily restricted	67,353	280,793
Permanently restricted	2,319,583	2,111,306
Total Net Assets	17,026,740	15,661,735
Total Liabilities and Net Assets	\$ 17,564,970	\$ 15,893,368

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

Statement of Support, Revenues and Expenses and
Changes in Net Assets - Modified Cash Basis

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2016 Total
Support and Other Revenues:				
Contributions and grants	\$ 1,042,974	\$ 413,464	\$ 208,277	\$ 1,664,715
In-Kind Contributions:				
Land and easements	1,076,000	-	-	1,076,000
Services and tangible support	22,303	-	-	22,303
Special event/program fees	37,639	-	-	37,639
Lease and rent	12,000	-	-	12,000
Miscellaneous income	9,230	-	-	9,230
Interest income	48,914	-	-	48,914
Realized and unrealized investment loss	(47,892)	-	-	(47,892)
Loss on sale of property and equipment	(762,205)	-	-	(762,205)
Net assets released from restriction	626,904	(626,904)	-	-
Total Support and Other Revenues	2,065,867	(213,440)	208,277	2,060,704
Expenses:				
Salaries	331,446	-	-	331,446
Employee benefits and charges	84,497	-	-	84,497
Postage and shipping	6,240	-	-	6,240
Training and meetings	2,574	-	-	2,574
Telephone and utilities	13,326	-	-	13,326
Travel and entertainment	4,865	-	-	4,865
Printing, advertising and newsletters	36,101	-	-	36,101
Office expenses	2,731	-	-	2,731
Investment fees	2,895	-	-	2,895
Operating supplies	21,119	-	-	21,119
Repairs and maintenance	7,797	-	-	7,797
Insurance	17,944	-	-	17,944
Permits, fees and licenses	6,338	-	-	6,338
Professional fees	74,911	-	-	74,911
Dues	3,121	-	-	3,121
Special events	24,352	-	-	24,352
Depreciation	40,367	-	-	40,367
Donations	3,950	-	-	3,950
Real estate taxes	836	-	-	836
Rent	441	-	-	441
Merchandise	7,378	-	-	7,378
Website maintenance	2,150	-	-	2,150
Miscellaneous	320	-	-	320
Total Expenses	695,699	-	-	695,699
Excess (Deficit) of Support and Revenues Over Expenses	1,370,168	(213,440)	208,277	1,365,005
Net Assets at Beginning of Year	13,269,636	280,793	2,111,306	15,661,735
Net Assets at End of Year	\$ 14,639,804	\$ 67,353	\$ 2,319,583	\$ 17,026,740

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

Statement of Support, Revenues and Expenses and
Changes in Net Assets - Modified Cash Basis

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2015 Total
Support and Other Revenues:				
Contributions and grants	\$ 454,448	\$ 746,395	\$ 2,003,316	\$ 3,204,159
In-Kind Donations:				
Land and easements	260,240	-	-	260,240
Services and tangible support	26,497	-	-	26,497
Special event/program fees	67,239	-	-	67,239
Lease and rent	11,850	-	-	11,850
Interest income	10,506	-	-	10,506
Realized and unrealized investment loss	(52,578)	-	-	(52,578)
Loss on sale of property and equipment	(1,528,529)	-	-	(1,528,529)
Net assets released from restriction	571,753	(571,753)	-	-
Total Support and Other Revenues	(178,574)	174,642	2,003,316	1,999,384
Expenses:				
Salaries	316,969	-	-	316,969
Employee benefits and charges	85,110	-	-	85,110
Recruitment	16,518	-	-	16,518
Postage and shipping	10,129	-	-	10,129
Training and meetings	1,639	-	-	1,639
Telephone and utilities	11,687	-	-	11,687
Travel and entertainment	4,042	-	-	4,042
Printing, advertising and newsletters	24,146	-	-	24,146
Office expenses	3,350	-	-	3,350
Investment fees	1,370	-	-	1,370
Operating supplies	12,522	-	-	12,522
Repairs and maintenance	17,450	-	-	17,450
Insurance	20,041	-	-	20,041
Permits, fees and licenses	14,054	-	-	14,054
Professional fees	53,676	-	-	53,676
Dues	2,728	-	-	2,728
Special events	33,316	-	-	33,316
Depreciation	40,829	-	-	40,829
Donations	3,560	-	-	3,560
Real estate taxes	6,913	-	-	6,913
Rent	480	-	-	480
Merchandise	1,702	-	-	1,702
Website maintenance	525	-	-	525
Miscellaneous	1,276	-	-	1,276
Total Expenses	684,032	-	-	684,032
Excess (Deficit) of Support and Revenues Over Expenses	(862,606)	174,642	2,003,316	1,315,352
Net Assets at Beginning of Year	14,132,242	106,151	107,990	14,346,383
Net Assets at End of Year	\$ 13,269,636	\$ 280,793	\$ 2,111,306	\$ 15,661,735

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Summary of Significant Accounting Policies

This summary of significant accounting policies of Lake George Land Conservancy, Inc. (the Conservancy) is presented to assist in understanding the Conservancy's financial statements. The financial statements and notes are representations of the Conservancy's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles except for the method of accounting (see note below) and have been consistently applied in the preparation of the financial statements. Prior to October 30, 2001 the Conservancy was known as Lake George Basin Land Conservancy, Inc.

Business Activity

The Conservancy's purpose is to promote the preservation and protection of the land surrounding Lake George, New York.

Method of Accounting

The Conservancy's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. As such, certain expenses may fluctuate from year to year depending upon the date on which payments are made. The primary modifications to the cash basis of accounting consists of recording marketable securities at fair value and the capitalization and depreciation of long lived assets, with corresponding debt of long lived assets.

Financial Statement Presentation

The Conservancy has elected to adopt FASB ASC 958-205-05. Under FASB ASC 958-205-05, the Conservancy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Investments

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 assets, liabilities and net assets – modified cash basis. Gains and losses are recognized when the securities are sold. Unrealized gains and losses are included in the changes in net assets.

Fair Value Measures

The Conservancy has adopted ASC 820-10. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP) and expands disclosures about fair value measurements. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Summary of Significant Accounting Policies – Continued

Fair Value Measures - Continued

The three levels of the fair value hierarchy under ASC 820-10 are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. All investments held by Lake George Land Conservancy, Inc. are Level 1.

Recognition of Donor Restrictions

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

Contributions

The Conservancy also elected to adopt FASB ASC 958-310 in so far as it relates to donations actually received (the modified cash basis of accounting). In accordance with FASB ASC 958-310, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is the policy of the Conservancy to apply ten percent of donations from any fund raising appeal to cover direct administrative cost, such as payroll and benefits. The administrative costs necessary to operate the related program are not capitalized as land acquisition costs but are recorded as program administration.

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 restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Conservancy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Conservancy reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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 values in the period received.

Organization

The Lake George Land Conservancy, Inc. is an exempt organization under Sec. (501)(c)(3) of the Internal Revenue Code. As of June 30, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Summary of Significant Accounting Policies – Continued

Concentration of Credit Risk

Financial instruments that potentially subject the Conservancy to concentrations of credit risk include cash on deposit with financial institutions, which are insured for up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or cash and securities at brokerage firms, which are insured for up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). The risk is managed by maintaining deposits in high quality financial institutions. The Conservancy's accounts exceeded these limits at various times throughout the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015 the Conservancy had \$843,892 and \$365,111, respectively, in excess of the FDIC/SIPC limits.

Property and Equipment

Property and equipment are carried at cost. Generally, assets costing \$500 or more are capitalized. Donated property and equipment are recorded at the fair market value on the date of the donation. Depreciation of property and equipment is computed using the straight-line method based upon estimated useful lives, as follows:

	Depreciation Expense June 30, 2016	Depreciation Expense June 30, 2015	Estimated Useful Life In Years
Building and improvements	\$ 33,801	\$ 33,806	39
Transportation equipment	2,831	3,395	5
Furniture and equipment	3,735	3,628	3-10
Total	<u>\$ 40,367</u>	<u>\$ 40,829</u>	

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When assets are disposed of, their costs and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations.

Printing, Advertising and Newsletters

Printing, advertising and newsletters are generally charged to operations in the year incurred and totaled \$36,101 and \$24,146 for the years ended June 30, 2016 and 2015, respectively.

Endowment Funds

The Conservancy classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment objectives of the Conservancy endowment funds are designed to provide long-term growth of principal and a stream of earnings to further the mission of the Conservancy. Each endowment will be managed by an investment manager in a manner satisfactory to the Board of Directors of the Conservancy to generate a return of 5% or more, plus inflation over the long term, with a heavy weighting toward equities.

The Conservancy honors the donors' specific, written restrictions or directives. The endowment distribution policy denies withdrawal of the initial gift, as well as any withdrawals of earnings for the first eighteen months from the date of initial funding. After the initial eighteen month period, and subject to asset growth, up to 5% of the funds may be withdrawn. Any allowable amount not spent in one year may be carried over and spent in subsequent years. Funds withdrawn may be used for purposes of continuing the mission of the Conservancy with board approval.

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Endowment Funds – Continued

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Conservancy to retain as a fund of perpetual duration. In accordance with the modified cash basis of accounting, deficiencies of this nature that are reported in unrestricted net assets were \$44,349 and \$42,708 as of June 30, 2016 and June 30, 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions.

The changes in, and composition of endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets – Beginning of Year	\$ 2,111,306
Contributions	<u>208,277</u>
Endowment Net Assets – End of Year	<u>\$ 2,319,583</u>

The changes in and composition of endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets – Beginning of Year	\$ 107,990
Contributions	<u>2,003,316</u>
Endowment Net Assets – End of Year	<u>\$ 2,111,306</u>

Endowment net asset composition by type of funds as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (44,349)	\$ -	\$ 2,319,583	<u>\$ 2,275,234</u>

The endowment net loss classified as unrestricted net assets includes the following:

Dividends and interest income	\$ 48,851
Realized loss on sale	-
Unrealized loss	(47,892)
Investment fees	<u>(2,600)</u>
Total	<u>\$ (1,641)</u>

Endowment net asset composition by type of funds as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (42,708)	\$ -	\$ 2,111,306	<u>\$ 2,068,598</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Endowment Funds – Continued

The endowment net loss classified as unrestricted net assets includes the following:

Dividends and interest income	\$ 10,476
Realized loss on sale	(34,854)
Unrealized loss	(17,724)
Investment fees	(606)
	<hr/>
Total	<u>\$ (42,708)</u>

Investments

Fair values and unrealized gains (losses) at June 30 are summarized as follows:

2016	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Fixed income securities	\$ 295,269	\$ 293,370	\$ (1,899)
Equity securities	1,734,357	1,670,640	(63,717)
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,029,626</u>	<u>\$ 1,964,010</u>	<u>\$ (65,616)</u>

2015	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Fixed income securities	\$ 292,681	\$ 290,605	\$ (2,076)
Equity securities	1,505,238	1,489,590	(15,648)
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,797,919</u>	<u>\$ 1,780,195</u>	<u>\$ (17,724)</u>

The fair value measurement of investments at June 30, 2016 was as follows:

<u>Description</u>	<u>June 30, 2016</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 1,964,010	\$ 1,964,010	\$ -	\$ -

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Investments – Continued

The fair value measurement of investments at June 30, 2015 was as follows:

Description	June 30, 2015	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,780,195	\$ 1,780,195	\$ -	\$ -

Investments Held for Resale

At June 30, 2016 and 2015, assets held for resale were comprised of the following:

	2016	2015
Land: Saidel	\$ -	\$ 245,514
Land: Dodge	143,974	-
Total	\$ 143,974	\$ 245,514

The Saidel land was donated to the Conservancy during the 2013-2014 fiscal year and valued at fair market value on the date of donation. The basis of the Saidel land was increased by \$7,474 for professional fees incurred to acquire and sell the property. The Dodge land was purchased by the Conservancy during the 2015-2016 fiscal year. The basis of the Dodge land was increased by \$8,974 for professional fees incurred to acquire the property. The Saidel land was sold during the 2015-2016 fiscal year at a loss of \$142,474. The remaining property will be sold in the future to raise funds for the Organization's operations.

Land Held for Conservation

Land held for conservation as of June 30, 2016 and 2015 consisted of parcels of property owned by the Conservancy for conservation purposes as follows:

	2016	2015
Land – Amy's Park (Padanarum Park)	\$ 555,433	\$ 554,183
Land – Anthony's Nose (Eliopolis)	1,353,347	1,348,547
Land – Anthony's Nose (Access)	234,552	227,144
Land – Butternut Brook Preserve	10,000	10,000
Land – Cook Mountain (174 acres)	70,499	70,499
Land – Cook Mountain (18 acres)	26,800	26,800
Land – Eagle's Mare	544,630	-
Land – Freihofer/PROL	1,424,786	1,424,786
Land – Gull Bay Estates, Inc.	293,746	293,746
Land – Hunt Lake Tract	27,518	27,518
Land – Kraft	12,091	12,091
Land – Last Great Shoreline (Sucker Brook/Gabriel)	4,299,866	4,299,602
Land – Little Roger's Slide (Adams/Lavin)	89,714	89,714
Land – Loines Preserve	230,600	230,600
Land – Lynn Schumann Preserve at Pilot Knob Ridge	668,286	668,286

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

<u>Land Held for Conservation – Continued</u>	<u>2016</u>	<u>2015</u>
Land – Matty’s Mountain	122,445	122,400
Land – Peacock	132,084	-
Land – Peggy’s Point (Hague Adirondack Charitable Foundation)	843,366	843,366
Land – Reed	218,326	-
Land – Saralib	83,411	-
Land – SUNY Albany	86,145	-
Land – Terzian	77,482	76,232
Land – Van Hart	77,464	77,464
Land – Whalen	33,009	-
Land – Bain (In Negotiation)	847	-
Land – Beaver Pond (In Negotiation)	8,184	-
Pinnacle Easement	245,200	20,194
Guest Easement	53,958	53,958
Haigh Easement	77,548	77,548
Miller/Smith Easement	113,661	113,661
Wallace/Porter Easement	98,190	98,190
West Brook Easement	702,267	701,190
Total land held for conservation	<u>\$ 12,815,455</u>	<u>\$ 11,467,719</u>

The land balances include all costs associated with the property including interest on any related debt. Certain properties and easements were donated. Donated parcels are valued at fair market value on the date of the donation where a fair market value is determinable. The Conservancy holds four easements obtained before 2003 and two easements obtained in 2015 that have no value assigned to them. The easements include the following:

- Federal Hill acquired in August 1990
- Silver Bay Upland acquired in December 1997
- Dark Bay Shoreline acquired in January 1998
- IHH Properties acquired in December 2002
- Hague Brook 1 & 2 acquired in March 2015

During the 2015-2016 fiscal year, the Conservancy purchased and simultaneously sold, to the Town of Bolton, the Pinnacle Land (the Land). The Land was originally appraised by the donor at fair market value of \$985,000. Upon subsequent appraisal, initiated by the Conservancy, the fair market value was determined to be \$408,600. Pursuant to an option agreement based upon the original appraisal, the Conservancy purchased the Land for \$525,000 and recognized a donation in the amount of \$460,000 totaling the appraisal of \$985,000. Management noted that they did not agree with this valuation but felt obliged to accept it as a condition of the purchase option agreement. The Conservancy then sold the land to the Town of Bolton for \$150,000 and retained a conservation easement on the Land valued at \$245,200. The value of the conservation easement was determined as part of the second appraisal which valued the land with and without an easement attached.

The loss on the sale of the Pinnacle Land was comprised of the following:

Sale proceeds	\$ 150,000
Conservation easement	245,200
Original land value	(985,000)
Costs to acquire and sell land	<u>(29,449)</u>
Loss on sale	<u>\$ (619,249)</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Joint Venture

In approximately 2009, Lake George Land Conservancy, Inc., The Lake George Association, Inc. (an unrelated not-for-profit organization) and The Fund for Lake George, Inc. (an unrelated not-for-profit organization) entered into an agreement related to the purchase of one property called "The Berry Pond Tract" and a Conservation Easement ("West Brook") in the Village of Lake George to be purchased in the name of the three organizations.

The Lake George Land Conservancy, Inc. was the sole owner of and was responsible for the purchase price and the related debt for the Berry Pond Tract. This tract was sold to New York State on March 28, 2015. The loss on the sale was \$1,341,641. Related debt was repaid at the date of sale.

The loss on the sale of the Berry Pond Tract was comprised of the following:

Sale proceeds	\$ 1,724,000
Original land cost	(2,654,000)
Costs to maintain property; including sale costs	<u>(411,641)</u>
Loss on sale	<u>\$ (1,341,641)</u>

The Organization still retains an interest in the West Brook Conservation Easement. The value of the West Brook Conservation Easement, included in Land Held for Conservation, is \$700,000, which represents one-third of the original cost, plus \$2,267 in related professional fees. Even though the Easement is owned by the three unrelated organizations, The Lake George Association, Inc. and The Fund for Lake George, Inc. are responsible for the debt to acquire the Easement. The remaining debt was paid off in full in May 2016.

Long-Term Debt

Long-term debt consisted of the following:

	<u>2016</u>	<u>2015</u>
Due for a parcel of property that was acquired on behalf of New York State using funds borrowed from the Nature Conservancy. Interest accrued at 4% until January 31, 2005. Thereafter, this was a 0% interest loan until the loan was renegotiated on January 2, 2008. Under an agreement dated January 2, 2008, interest accrued at 5% per annum until January 2, 2010, at which time the entire balance was due. A new agreement was signed extending repayment until January 2, 2014 with 0% interest. Under a new, 0% interest, agreement dated January 28, 2015, prior accrued interest is payable annually, on July 1, over the next five years beginning with 2015 with outstanding principal due in full on June 30, 2019.	\$ 182,520	\$ 185,900
Due for the purchase of Anthony's Nose property using funds borrowed from Robert Wolgin. Interest will accrue at 0.5% with the total outstanding principal and accrued interest due December 12, 2016.	188	43,188
Due for the purchase of the SUNY Albany property using funds borrowed from The University at Albany Foundation. Payments in the amount of \$16,600, without interest, are due January 31 annually over the next four years beginning in 2017.	66,400	-

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Long-Term Debt – Continued

	<u>2016</u>	<u>2015</u>
Due for the purchase of the Peacock property using funds borrowed from Ronald Peacock and Mary Volz-Peacock. Payments in the amount of \$31,250, without interest, are due January 31 annually over the next three years beginning in 2017.	93,750	-
Due for the purchase of the Pinnacle property using funds borrowed from Robert Wolgin. Interest will accrue at 1% annually with the total outstanding principal and accrued interest due November 1, 2016.	60,000	-
Due for the purchase of the Dodge property using funds borrowed from Robert Wolgin. Interest will accrue at 0.5% annually with the total outstanding principal and accrued interest due March 1, 2017.	<u>125,000</u>	<u>-</u>
Total long-term debt	527,858	229,088
Less: current portion	<u>(236,418)</u>	<u>(3,380)</u>
Long-term debt, net of current portion	<u>\$ 291,440</u>	<u>\$ 225,708</u>

Maturities of long-term debt are as follows:

Years ending	
June 30,	
2017	\$ 236,418
2018	51,230
2019	220,230
2020	<u>19,980</u>
Total	<u>\$ 527,858</u>

Unrestricted Net Assets

Of the total unrestricted net assets of \$14,639,804 and \$13,269,636 at June 30, 2016 and 2015, respectively, the board has designated net assets for the following purposes:

	<u>2016</u>	<u>2015</u>
Operations reserves	\$ 444,257	\$ 448,340
Office building acquisition and renovation	-	8,667
Stewardship reserves	<u>41,383</u>	<u>57,418</u>
Unrestricted funds available for reserves	<u>\$ 485,640</u>	<u>\$ 514,425</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Land acquisition	\$ 34,384	\$ 247,039
Special operation projects	13,134	31,169
Office building renovations	<u>19,835</u>	<u>2,585</u>
Total temporarily restricted net assets	<u>\$ 67,353</u>	<u>\$ 280,793</u>

Permanently Restricted Net Assets

The Conservancy holds real estate interests on certain properties surrounding Lake George. The stewardship endowment consists of permanently restricted funds, the income from which can be used for the management of the properties owned and managed by the Conservancy. In addition, the Virginia Rowan Smith and High Mountain Endowments consist of permanently restricted funds, the income from which can be used by the Conservancy after an initial 18 month period. Net assets of \$2,319,583 and \$2,111,306 for 2016 and 2015, respectively, are permanently restricted.

Lease and Rent Income

The Conservancy leased office space to an unrelated third party from February 1, 2008 through 2011. The lease was renewed during 2012 and ended in January 2014. As of June 30, 2016 a new rental agreement has not been established, but payments continue at the same rate on a month to month basis. Monthly rent is \$800. In addition, a dock is rented to a third party on an annual basis. Rent for this dock is \$2,400 for the fiscal year ended June 30, 2016. Total lease and rent income was \$12,000 and \$11,850 for the years ended June 30, 2016 and 2015, respectively.

Total cost of the property leased, as well as the cost of property used for program purposes is as follows:

	<u>2016</u>	<u>2015</u>
Land and building	\$ 1,364,354	\$ 1,364,354
Less: accumulated depreciation	<u>(296,407)</u>	<u>(262,606)</u>
Net book value	<u>\$ 1,067,947</u>	<u>\$ 1,101,748</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

Functional Allocation of Expenses

The costs of providing the programs and activities are required to be summarized on a functional basis. Accordingly, certain costs have been allocated among programs and support services benefited. The summarized expenses are on a functional basis as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 454,724	\$ 450,361
Management and General:		
Supporting services	163,968	160,123
Fundraising	<u>77,007</u>	<u>73,548</u>
Total	<u>\$ 695,699</u>	<u>\$ 684,032</u>

Capitalized Interest

The costs of acquiring land held for conservation, costs to acquire conservation easements, and costs of acquiring land to resell include capitalized interest in the amount of \$0 and \$26,406 for the years ended June 30, 2016 and 2015, respectively.

Donations

Professional services and tangible support were donated to the Conservancy in the amount of \$22,303 and \$26,497 for the years ended June 30, 2016 and 2015, respectively. Donations of land and easements totaled \$1,076,000 and \$260,240 for the years ended June 30, 2016 and 2015, respectively.

Subsequent Events

The Conservancy has evaluated all events through February 4, 2017, the date which these financial statements were available to be issued and determined that the following subsequent events require disclosure:

Two properties were purchased by Lake George Land Conservancy, Inc. The 73 acre Beaver Pond lot was purchased for \$137,000 and the 63 acre Bain lot for \$30,000.