

LAKE GEORGE LAND CONSERVANCY, INC.

Independent Auditor's Report

Financial Statements

Years Ended June 30, 2015 and 2014

WDR
CPAs & Business Advisors

WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

LAKE GEORGE LAND CONSERVANCY, INC.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Lake George Land Conservancy, Inc.
Lake George, 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, 2015 and 2014 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, 2015 and 2014 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

January 28, 2016

LAKE GEORGE LAND CONSERVANCY, INC.

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

June 30, 2015 and 2014

ASSETS	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 665,792	\$ 596,705
Cash and cash equivalents - temporarily restricted	271,577	89,779
Total Current Assets	937,369	686,484
Property and Equipment:		
Land	46,000	46,000
Building and improvements	1,318,354	1,318,354
Furniture, fixtures and equipment	76,385	69,144
Vehicles	16,977	16,977
Total Property and Equipment	1,457,716	1,450,475
Less: Accumulated Depreciation	(343,110)	(302,281)
Net Property and Equipment	1,114,606	1,148,194
Other Assets:		
Land held for conservation	11,467,719	13,938,823
Investments held for resale	245,514	473,977
Cash - temporarily restricted	9,216	16,372
Endowments:		
Stewardship cash - permanently restricted	107,990	107,990
Investment portfolio cash	180,413	-
Investment portfolio securities	1,780,195	-
Deposit on land	50,000	2,500
Security deposit	346	346
Total Other Assets	13,841,393	14,540,008
Total Assets	\$ 15,893,368	\$ 16,374,686

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

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

June 30, 2015 and 2014

LIABILITIES AND NET ASSETS	<u>2015</u>	<u>2014</u>
Current Liabilities:		
Current portion of long-term debt	\$ 3,380	\$ 2,026,730
Other	1,745	773
	<u>5,125</u>	<u>2,027,503</u>
Total Current Liabilities		
Long-Term Liabilities:		
Long-term debt, net of current portion	225,708	-
Security deposit	800	800
	<u>226,508</u>	<u>800</u>
Total Long-Term Liabilities		
Total Liabilities	<u>231,633</u>	<u>2,028,303</u>
Net Assets:		
Unrestricted:		
Board designated	514,425	454,959
Undesignated	12,755,211	13,677,283
Temporarily restricted	280,793	106,151
Permanently restricted	2,111,306	107,990
	<u>15,661,735</u>	<u>14,346,383</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 15,893,368</u>	<u>\$ 16,374,686</u>

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 Contributions:				
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.

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

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2014 Total
Support and Other Revenues:				
Contributions and grants	\$ 479,152	\$ 564,410	\$ 1,500	\$ 1,045,062
In-Kind Donations:				
Land and easements	240,000	-	-	240,000
Services and tangible support	35,546	-	-	35,546
Special event/program fees	66,676	-	-	66,676
Lease and rent	11,850	-	-	11,850
Interest income	62	-	-	62
Loss on sale of property and equipment	(63,564)	-	-	(63,564)
Net assets released from restriction	651,091	(651,091)	-	-
Total Support and Other Revenues	1,420,813	(86,681)	1,500	1,335,632
Expenses:				
Salaries	278,828	-	-	278,828
Employee benefits and charges	74,296	-	-	74,296
Postage and shipping	9,231	-	-	9,231
Training and meetings	688	-	-	688
Telephone and utilities	14,933	-	-	14,933
Travel and entertainment	2,271	-	-	2,271
Printing, advertising and newsletters	31,226	-	-	31,226
Office expenses	3,976	-	-	3,976
Operating supplies	13,203	-	-	13,203
Repairs and maintenance	13,312	-	-	13,312
Insurance	15,983	-	-	15,983
Permits, fees and licenses	13,483	-	-	13,483
Professional fees	77,695	-	-	77,695
Dues	2,269	-	-	2,269
Special events	37,993	-	-	37,993
Depreciation	41,969	-	-	41,969
Donations	4,100	-	-	4,100
Real estate taxes	5,979	-	-	5,979
Rent	511	-	-	511
Merchandise	1,390	-	-	1,390
Website maintenance	651	-	-	651
Miscellaneous	1,578	-	-	1,578
Total Expenses	645,565	-	-	645,565
Excess (Deficit) of Support and Revenues Over Expenses	775,248	(86,681)	1,500	690,067
Net Assets at Beginning of Year	13,356,994	192,832	106,490	13,656,316
Net Assets at End of Year	\$ 14,132,242	\$ 106,151	\$ 107,990	\$ 14,346,383

See Independent Auditor's Report and Notes

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Summary of Significant Accounting Policies

This summary of significant accounting policies of Lake George Land Conservancy, Inc. (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 value 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 (formerly SFAS No. 157, Fair Value Measurements). ASC 820-10 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (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 give 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, 2015 and 2014

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, 2015, the tax years that remain subject to examination by taxing authorities begin with 2012.

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, 2015 and 2014

Summary of Significant Accounting Policies – Continued

Concentration of Credit Risk

Factors that potentially subject the Conservancy to concentrations of credit risk are as follows:

Financial instruments that potentially subject the Conservancy to 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, 2015 and 2014. At June 30, 2015 and 2014 the Conservancy had \$365,111 and \$129,818, 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, 2015	Depreciation Expense June 30, 2014	Estimated Useful Life In Years
Building and improvements	\$ 33,806	\$ 33,800	39
Transportation equipment	3,395	3,395	5
Furniture and equipment	3,628	4,774	3-10
Total	<u>\$ 40,829</u>	<u>\$ 41,969</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 \$24,146 and \$31,226 for the years ended June 30, 2015 and 2014, respectively.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation. These reclassifications had no effect on reported changes in net assets.

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

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Endowment Funds – Continued

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.

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 \$42,708 as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. There were no such deficiencies as of June 30, 2014.

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>

The changes in and composition of endowment net assets for the year ended June 30, 2014 are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets – Beginning of Year	\$ 106,490
Contributions	<u>1,500</u>
Endowment Net Assets – End of Year	<u>\$ 107,990</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>

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	<u>(606)</u>
Total	<u>\$ (42,708)</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Endowment Funds – Continued

Endowment net asset composition by type of funds as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 107,990	\$ 107,990

Investments

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
2015			
Fixed income securities	\$ 292,681	\$ 290,605	\$ (2,076)
Equity securities	1,505,238	1,489,590	(15,648)
Total	<u>\$ 1,797,919</u>	<u>\$ 1,780,195</u>	<u>\$ (17,724)</u>
2014			
Fixed income securities	\$ -	\$ -	\$ -
Equity securities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Description</u>	<u>June 30, 2015</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	\$ 1,780,195	\$ 1,780,195	\$ -	\$ -

The fair value measurement of investments at June 30, 2014 was as follows:

<u>Description</u>	<u>June 30, 2014</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	\$ -	\$ -	\$ -	\$ -

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Investments Held for Resale

At June 30, 2015 and 2014, assets held for resale were comprised of the following:

	<u>2015</u>	<u>2014</u>
Apple Hill Lot #6	\$ -	\$ 216,103
Land: Howard	-	13,010
Land: Saidel	<u>245,514</u>	<u>244,864</u>
 Total	 <u>\$ 245,514</u>	 <u>\$ 473,977</u>

The Apple Hill lot was donated during the 2010-2011 fiscal year and valued at fair market on the date of donation. The basis of Apple Hill Lot #6 was increased by \$1,103 for professional fees incurred to acquire the property. The Howard land was purchased by the Conservancy and the Saidel land was donated to the Conservancy during the 2013-2014 fiscal year. The basis of the Howard and Saidel land was increased by \$1,702 and \$3,488, respectively, for professional fees incurred to acquire the property. The Apple Hill and Howard land was sold during the 2014-2015 fiscal year at a loss of \$186,770 and \$118, respectively. 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, 2015 and 2014 consisted of parcels of property owned by the Conservancy for conservation purposes as follows:

	<u>2015</u>	<u>2014</u>
Land – Amy's Park (Padanarum Park)	\$ 554,183	\$ 551,381
Land – Anthony's Nose (Eliopolis)	1,348,547	1,348,547
Land – Anthony's Nose (Access)	227,144	-
Land – Berry Pond Tract	-	3,036,810
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 – 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)	4,299,602	4,299,192
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
Land – Matty's Mountain	122,400	-
Land – Peggy's Point (Hague Adirondack Charitable Foundation)	843,366	832,624
Land – Terzian	76,232	-
Land – Van Hart	77,464	76,143
Pinnacle – in Negotiation	20,194	9,200
Guest Easement	53,958	53,958
Haigh Easement	77,548	77,548
Miller/Smith Easement	113,661	-
Wallace/Porter Easement	98,190	98,190
West Brook Easement	<u>701,190</u>	<u>701,190</u>
 Total land held for conservation	 <u>\$ 11,467,719</u>	 <u>\$ 13,938,823</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Land Held for Conservation – Continued

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 organization 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

Joint Venture

The 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) have 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. is the sole owner of and is 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 is 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 Lake George Association, Inc. and The Fund for Lake George, Inc. are responsible for the debt related to the West Brook Conservation Easement. The balance of the debt at June 30, 2015 was \$274,040. The two organizations are still primarily liable for the debt.

It is anticipated that fundraising will be done by all three organizations to cover all or part of the related debt. The Lake George Land Conservancy, Inc. has agreed to fundraise to obtain funds to repay the debt on both properties. Any amounts paid toward the debt owed by the Lake George Association, Inc. and The Fund for Lake George, Inc. is recorded as equal charitable contributions to both organizations.

The organizations agreed to form a management committee including one representative from each organization to approve fundraising activities, develop a project budget, approve any redevelopment of the properties and negotiate with the State of New York for the sale of the properties.

The organization has recorded a non-cash contribution revenue of \$700,000 (\$350,000 each from the Lake George Association, Inc. and The Fund for Lake George, Inc.) to record one-third of the purchase price of the West Brook Conservation Easement during the year ended June 30, 2009. This value is included in Land Held for Conservation.

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Long-Term Debt

Long-term debt consisted of the following:

	<u>2015</u>	<u>2014</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 is a 0% interest loan until the loan was renegotiated on January 2, 2008. Under 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 principle due in full on June 30, 2019.	\$ 185,900	\$ 185,900
Note payable to Open Space Conservancy, Inc. previously due in quarterly installments of \$24,000 plus interest through January 17, 2013, secured by a first mortgage on the Berry Pond Tract, the land and buildings on 4905 Lake Shore Drive, \$130,000 in cash accounts and any governmental proceeds received from the State of New York with regard to the Berry Pond Tract. \$500,000 is guaranteed by The Fund for Lake George, Inc., an unrelated not-for-profit organization. Prior to the new one year agreement, the note payable carried an interest rate at the 30-day LIBOR rate plus 1.85%.		
The loan was renegotiated on January 17, 2013 and is now due in quarterly principal payments of \$15,000 in return for payment of the \$130,000 in secured cash towards principal. The current maturity date is December 31, 2015. The interest rate remained the same. The loan was repaid upon the sale of the Berry Pond Tract.	-	1,253,830
Notes payable to the Open Space Institute, Inc. due in quarterly interest only installments at a rate of 1.75% through January 17, 2013, at which time the entire principal was due. The loan was renegotiated on January 17, 2013. In exchange for payment of the \$130,000 in security on the loan noted above, the due date was extended to December 31, 2015. The interest rate remained the same. The loan was repaid upon sale of the Berry Pond Tract.	-	587,000
Due for the purchase of Anthony's Nose property using funds borrowed from Robert Wolgin. Interest will accrued at 0.5% with the total outstanding principal and accrued interest due December 12, 2016.	43,188	-
Total long-term debt	229,088	2,026,730
Less: current portion	<u>(3,380)</u>	<u>(2,026,730)</u>
Long-term debt, net of current portion	<u>\$ 225,708</u>	<u>\$ -</u>

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Long-Term Debt, Continued

Maturities of long-term debt are as follows:

Years ending		
June 30,		
2016	\$	3,380
2017		46,568
2018		3,380
2019		172,380
2020		3,380
		<hr/>
Total	\$	<u>229,088</u>

Unrestricted Net Assets

Of the total unrestricted net assets of \$13,269,636 and \$14,132,242 at June 30, 2015 and 2014, respectively, the board has designated net assets for the following purposes:

	<u>2015</u>	<u>2014</u>
Operations reserves	\$ 448,340	\$ 310,549
Capital campaign	-	83,965
Land preservation	-	914
Office building acquisition and renovation	8,667	3,900
Stewardship reserves	<u>57,418</u>	<u>55,631</u>
Unrestricted funds available for reserves	<u>\$ 514,425</u>	<u>\$ 454,959</u>

Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Land acquisition	\$ 247,039	\$ 56,677
Special operation projects	31,169	46,839
Office building renovations	<u>2,585</u>	<u>2,635</u>
Total temporarily restricted net assets	<u>\$ 280,793</u>	<u>\$ 106,151</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 were created in 2014-15 consisting of permanently restricted funds, the income from which can be used by The Conservancy after an initial 18 month period. Net assets of \$2,111,306 and \$107,990 for 2015 and 2014, respectively, are permanently restricted.

LAKE GEORGE LAND CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Lease and Rent Income

The Organization 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, 2015 a new rental agreement has not been established, but payments continued 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 \$2,250 for the fiscal year ended June 30, 2015. Total lease and rent income was \$11,850 and \$11,850 for the years ended June 30, 2015 and 2014, respectively.

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

	<u>2015</u>	<u>2014</u>
Land and building	\$ 1,364,354	\$ 1,364,354
Less: accumulated depreciation	<u>(262,606)</u>	<u>(228,800)</u>
Net book value	<u>\$ 1,101,748</u>	<u>\$ 1,135,554</u>

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>2015</u>	<u>2014</u>
Program services	\$ 450,361	\$ 425,841
Management and General:		
Supporting services	160,123	150,823
Fundraising	<u>73,548</u>	<u>68,901</u>
Total	<u>\$ 684,032</u>	<u>\$ 645,565</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 \$26,406 and \$40,277 for the years ended June 30, 2015 and 2014, respectively.

Donations

Professional services and tangible support were donated to the Conservancy in the amount of \$26,497 and \$35,546 for the years ended June 30, 2015 and 2014, respectively.

Subsequent Events

The organization has evaluated all events through January 28, 2016, the date which these financial statements were available to be issued and determined that the following subsequent events require disclosure:

Three properties were purchased by Lake George Land Conservancy, Inc., two properties were donated to the Conservancy, and three conservation easements were granted to the Conservancy.