

**AUDITED  
FINANCIAL STATEMENTS**

# **GRAYCLIFF CONSERVANCY, INC.**

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**DECEMBER 31, 2017**

**GRAYCLIFF CONSERVANCY, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Graycliff Conservancy, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Graycliff Conservancy, Inc. which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits 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 financial position of Graycliff Conservancy, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 – 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
March 30, 2018

**GRAYCLIFF CONSERVANCY, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31,**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 223,042	\$ 445,338
Contributions and pledges receivable, net	81,988	131,770
Grants receivable	199,418	-
Accounts receivable Martin House	250	2,541
Prepaid expenses	4,472	3,193
Inventory	34,376	34,835
Total current assets	<u>543,546</u>	<u>617,677</u>
<b>Fixed assets:</b>		
Land	277,000	277,000
Buildings	394,092	394,092
Improvements/restoration	4,687,223	4,411,910
Furniture and equipment	185,632	159,279
Building restoration in progress	15,377	-
	<u>5,559,324</u>	<u>5,242,281</u>
Less accumulated depreciation	(2,610,288)	(2,293,673)
Total fixed assets	<u>2,949,036</u>	<u>2,948,608</u>
 Total assets	 <u>\$ 3,492,582</u>	 <u>\$ 3,566,285</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 43,658	\$ 23,690
Line of credit	49,859	49,859
Current portion of long-term debt	46,642	44,371
Deferred revenue	4,463	14,370
Total current liabilities	<u>144,622</u>	<u>132,290</u>
<b>Long-term debt</b>	<u>93,896</u>	<u>140,370</u>
Total liabilities	<u>238,518</u>	<u>272,660</u>
<b>Net assets:</b>		
Unrestricted	3,076,017	3,056,675
Temporarily restricted	178,047	236,950
Total net assets	<u>3,254,064</u>	<u>3,293,625</u>
	<u>\$ 3,492,582</u>	<u>\$ 3,566,285</u>

See accompanying notes.

GRAYCLIFF CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Years Ended December 31,

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues:</b>			
Contributions:			
Individual contributions	\$ -	\$ 33,576	\$ 33,576
Foundation contributions	50,000	43,600	93,600
Other contributions	28,798	-	28,798
In-kind contributions	68,871	-	68,871
Government - grants	289,629	-	289,629
Special event income	29,261	-	29,261
Tour income	183,659	-	183,659
Retail sales	126,795	-	126,795
Membership dues	30,320	-	30,320
Rental income	3,000	-	3,000
Interest and dividends	188	-	188
Net assets released from restrictions	136,079	(136,079)	-
Total public support	946,600	(58,903)	887,697
<b>Expenses:</b>			
Program services	771,401	-	771,401
Management and general	120,898	-	120,898
Fundraising	34,959	-	34,959
Total expenses	927,258	-	927,258
<b>Change in net assets</b>	19,342	(58,903)	(39,561)
Net assets - beginning	3,056,675	236,950	3,293,625
Net assets - ending	<u>\$ 3,076,017</u>	<u>\$ 178,047</u>	<u>\$ 3,254,064</u>
<b>2016</b>			
	Unrestricted	Temporarily Restricted	Total
<b>Revenues:</b>			
Contributions:			
Board contributions	\$ 3,905	\$ -	\$ 3,905
Individual contributions	-	79,608	79,608
Foundation contributions	10,000	110,000	120,000
Other contributions	39,465	-	39,465
In-kind contributions	56,882	-	56,882
Government - grants	84,186	-	84,186
Tour income	197,174	-	197,174
Retail sales	107,790	-	107,790
Membership dues	39,854	-	39,854
Rental income	3,500	-	3,500
Interest and dividends	1,480	-	1,480
Net assets released from restrictions	4,946	(4,946)	-
Total public support	549,182	184,662	733,844
<b>Expenses:</b>			
Program services	686,951	-	686,951
Management and general	112,816	-	112,816
Fundraising	35,935	-	35,935
Total expenses	835,702	-	835,702
<b>Change in net assets</b>	(286,520)	184,662	(101,858)
Net assets - beginning	3,343,195	52,288	3,395,483
Net assets - ending	<u>\$ 3,056,675</u>	<u>\$ 236,950</u>	<u>\$ 3,293,625</u>

See accompanying notes.

GRAYCLIFF CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (39,561)	\$ (101,858)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	316,615	310,344
Change in pledges receivable discount	3,587	-
Change in assets and liabilities:		
Accounts receivable	2,291	(2,541)
Contributions and pledges receivable	46,195	(119,270)
Grants receivable	(199,418)	-
Prepaid expenses	(1,279)	(3,193)
Inventory	459	(10,821)
Accounts payable and accrued liabilities	19,968	(7,199)
Deferred revenue	(9,907)	14,370
<b>Net cash provided by operating activities</b>	<u>138,950</u>	<u>79,832</u>
<b>Cash flows used by investing activities:</b>		
Expenditures for fixed assets and restoration	(317,043)	(45,694)
<b>Net cash used by investing activities</b>	<u>(317,043)</u>	<u>(45,694)</u>
<b>Cash flows used by financing activities:</b>		
Repayments on long-term debt	(44,203)	(42,064)
<b>Net cash used by financing activities</b>	<u>(44,203)</u>	<u>(42,064)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(222,296)</u>	<u>(7,926)</u>
Cash and cash equivalents - beginning of year	<u>445,338</u>	<u>453,264</u>
Cash and cash equivalents - end of year	<u>\$ 223,042</u>	<u>\$ 445,338</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 10,626</u>	<u>\$ 11,664</u>

See accompanying notes.

## GRAYCLIFF CONSERVANCY, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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#### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization:** Graycliff Conservancy, Inc. (the Corporation) is a not-for-profit corporation under the Internal Revenue Code Section 509(a)(1). The objective of the Corporation is to purchase, renovate, manage, maintain and preserve the real property located at 6472 Lakeshore Road, known as Graycliff, the summer home of Isabelle R. Martin, designed by Frank Lloyd Wright in 1927. Tours of Graycliff are offered to the general public and all revenue is recorded as program income.

The Corporation is funded for restoration substantially through grants and contributions provided through private and public sources.

**Basis of Presentation:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

**Display of Net Assets by Class:** The net assets of the Corporation are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted net asset class. As of December 31, 2017 and 2016, there were no permanently restricted net assets.

**Cash Equivalents:** The Corporation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

**Inventory:** Inventory consists of gift shop items and is valued at the lower of cost or net realizable value, on a first-in, first-out (FIFO) dollar value basis. The Corporation records donated inventory at fair market value as of the date of donation.

**Fixed Assets:** The Corporation follows the practice of recording fixed assets at cost, or if donated, at fair value at the date of donation. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years for furniture and equipment and building improvements and 39 years for the building. Depreciation expense for the year ended December 31, 2017 was \$316,615 (\$310,344 - 2016).

**Impairment of Long Lived Assets:** The Corporation reviews long-lived assets to be held and used by the Corporation for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Corporation compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2017 and 2016, no impairment has been recognized.

**Income Taxes:** The Corporation is exempt from federal income tax as provided by the regulations set forth in Section 501(c)(3) of the Internal Revenue Code. The Corporation accounts for uncertain tax positions in accordance with US GAAP, which requires the recognition and measurement of uncertain tax positions that the Corporation has taken or expects to take in the Corporation's tax return. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

US GAAP provides guidance on the financial statement recognition and measurement for income tax positions that the Corporation has taken or expects to take. Corporations take many tax positions relative to tax laws, including those taken in determining whether the tax is due, a refund is owed, a tax return needs to be filed, or the characterization of income as taxable (for example, unrelated business income) or nontaxable. The Corporation has not recorded any liabilities relating to uncertain tax positions.

The Corporation files its Return of Organization Exempt from Income Tax in the U.S federal jurisdiction and its Annual Filing of Charitable Organizations in New York State.

**Accounting Estimates:** The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.



NOTES TO THE FINANCIAL STATEMENTS

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk:** Financial instruments that potentially subject the Corporation to concentration of credit risk consist of cash accounts in financial institutions. Although the cash accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions. Management reviews the financial viability of these institutions on a periodic basis.

**Contributions and Promises to Give:** The Corporation recognizes all contributions as income in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Grant Revenue:** Support received under grants is recorded as revenue when the related costs of the associated grants are incurred. Grant revenue includes funds received from various sources. Grant revenue receivable amounted to \$199,418 as of December 31, 2017 (\$0 - 2016).

**Deferred Revenue:** The Corporation records revenue collected but not earned as deferred revenue. Deferred revenue from grants amounted to \$4,463 as of December 31, 2017 (\$14,370 - 2016).

**Donated Services:** A number of volunteers contribute significant time to the activities of Graycliff Conservancy, Inc. The Corporation records contribution revenue and expenses at the fair value of the services rendered only for those specialized contributed services that it would otherwise be required to purchase had they not been contributed. Donated services amounted to \$68,871 for the year ended December 31, 2017 (\$56,882 - 2016).

There are other services performed by volunteers who contribute their time to perform a variety of services that assist Graycliff in achieving their mission. Certain amounts reflecting time spent by Graycliff tour, house and ground volunteers have not been reflected in the financial statements since they do not meet the criteria for recognition as specialized services in accordance with GAAP. These volunteers donated approximately 3,083 hours of time amounting to \$74,425 for the year ended December 31, 2017.

**Advertising Expenses:** The Corporation expenses advertising as incurred. Advertising expense for the year ended December 31, 2017 amounted to \$32,651 (\$20,518 - 2016).

**Functional Expenses:** The direct costs of providing the various program services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Reclassification:** Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

**Subsequent Event:** These financial statements have not been updated for subsequent events occurring after March 30, 2018, which is the date these financial statements were available to be issued.

**NOTE 2. CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Pledges, including unconditional promises to give, are recognized when received. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. An allowance for uncollectible pledges receivable is determined based on review of individual receivables and the type of contribution. As of December 31, 2017 and 2016, no allowance has been recorded.

**GRAYCLIFF CONSERVANCY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. CONTRIBUTIONS AND PLEDGES RECEIVABLE (CONTINUED)**

The promises to give as of December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 35,575	\$ 91,770
One year to five years	<u>50,000</u>	<u>40,000</u>
	<u>85,575</u>	131,770
 Less present value discount	 <u>(3,587)</u>	 <u>-</u>
	<u>\$ 81,988</u>	<u>\$ 131,770</u>

**NOTE 3. LINE-OF-CREDIT**

The Corporation has a line-of-credit in the amount of \$650,000 with a bank, which contains a provision for interest at three percentage points above the one-month LIBOR rate (4.63% - 2017 and 3.82% - 2016). The total balance outstanding on this line as of December 31, 2017 and 2016 was \$49,859. The line-of-credit is guaranteed by the Baird Foundation, an unaffiliated entity.

**NOTE 4. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Term note - bank, monthly payments include principal plus interest at 4.80% in 60 consecutive monthly payments of \$2,890.	\$ 52,855	\$ 84,134
Term note - bank, monthly payments include principal plus interest at 5.32% for 119 consecutive monthly payments of \$1,507 and one final installment of the remaining balance due July 1, 2023.	<u>87,683</u>	<u>100,607</u>
	<u>140,538</u>	184,741
Less current portion	<u>46,642</u>	<u>44,371</u>
	<u>\$ 93,896</u>	<u>\$ 140,370</u>

The outstanding balances are secured by property at 6472 Lakeshore Road, Evans, New York and guaranteed by the Baird Foundation, an unaffiliated entity.

The aggregate maturities of long-term debt subsequent to December 31, 2018 are as follows:

2019	\$ 34,578
2020	15,353
2021	16,190
2022	17,072
2023	<u>10,703</u>
	<u>\$ 93,896</u>

**GRAYCLIFF CONSERVANCY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted by various donors for restoration phases and the other restricted purposes as follows:

	<b>December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Interior restoration project	\$ 153,717	\$ 213,196
Other	<u>24,330</u>	<u>23,754</u>
	<u>\$ 178,047</u>	<u>\$ 236,950</u>

The assets associated with the temporarily restricted net assets are presented in the statements of financial position as follows:

	<b>December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash	\$ 96,059	\$ 105,180
Pledges receivable	<u>81,988</u>	<u>131,770</u>
	<u>\$ 178,047</u>	<u>\$ 236,950</u>

GRAYCLIFF CONSERVANCY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

(with comparative totals for 2016)

	Program	Management and General	Fundraising	2017	2016
Accounting	\$ -	\$ 10,500	\$ -	\$ 10,500	\$ 10,500
Advertising and Marketing	32,651	-	-	32,651	20,518
Bank Fees	-	16,287	-	16,287	13,681
Catering & Hospitality	-	-	-	-	1,511
Cost of Sales	64,374	-	-	64,374	56,402
Depreciation	316,615	-	-	316,615	310,344
Dues & Subscriptions	-	906	-	906	718
Equipment Rental	-	2,220	-	2,220	2,584
In-Kind Contributions	68,871	-	-	68,871	48,191
Insurance	22,760	2,529	-	25,289	21,056
Interest Expense	10,626	-	-	10,626	13,279
Miscellaneous	25,499	-	-	25,499	16,792
Office Expense - Other	6,597	3,299	3,299	13,195	9,837
Payroll and Payroll Taxes	105,006	73,504	31,502	210,012	222,287
Postage & Shipping	1,896	1,106	158	3,160	2,651
Production & Exhibition Costs	4,037	-	-	4,037	1,797
Professional Development	-	-	-	-	25
Professional Fees - Other	35,308	-	-	35,308	5,988
Recruiting	662	-	-	662	15,513
Repairs & Maintenance	26,100	-	-	26,100	29,118
Special events	17,750	-	-	17,750	-
Supplies - Office & Other	-	9,325	-	9,325	318
Technology Expense	11,686	-	-	11,686	11,140
Telephone	6,155	684	-	6,839	6,482
Travel	3,084	-	-	3,084	4,258
Utilities	11,724	538	-	12,262	10,712
	<u>\$ 771,401</u>	<u>\$ 120,898</u>	<u>\$ 34,959</u>	<u>\$ 927,258</u>	<u>\$ 835,702</u>

See accompanying notes.

**GRAYCLIFF CONSERVANCY, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016</u>
Accounting	\$ -	\$ 10,500	\$ -	\$ 10,500
Advertising and Marketing	20,518	-	-	20,518
Bank Fees	-	13,681	-	13,681
Catering & Hospitality	1,511	-	-	1,511
Cost of Sales	56,402	-	-	56,402
Depreciation	310,344	-	-	310,344
Dues & Subscriptions	-	718	-	718
Equipment Rental	-	2,584	-	2,584
In-Kind Contributions	48,191	-	-	48,191
Insurance	18,950	2,106	-	21,056
Interest Expense	13,279	-	-	13,279
Miscellaneous	16,792	-	-	16,792
Office Expense - Other	4,919	2,459	2,459	9,837
Payroll and Payroll Taxes	111,144	77,800	33,343	222,287
Postage & Shipping	1,590	928	133	2,651
Production & Exhibition Costs	1,797	-	-	1,797
Professional Development	-	25	-	25
Professional Fees - Other	5,988	-	-	5,988
Recruiting	15,002	511	-	15,513
Repairs & Maintenance	29,118	-	-	29,118
Supplies - Office & Other	-	318	-	318
Technology Expense	11,140	-	-	11,140
Telephone	5,834	648	-	6,482
Travel	4,258	-	-	4,258
Utilities	10,174	538	-	10,712
	<u>\$ 686,951</u>	<u>\$ 112,816</u>	<u>\$ 35,935</u>	<u>\$ 835,702</u>

See accompanying notes.