

ADAPTIVE SPORTS FOUNDATION, INC.

**Financial Statements and
Independent Auditor's Report**

June 30, 2018 and 2017

ADAPTIVE SPORTS FOUNDATION, INC.

Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Adaptive Sports Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Adaptive Sports Foundation, Inc. (a nonprofit organization) (the "Organization") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 auditors' 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 auditors consider 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 Adaptive Sports Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As described in Note B to the financial statements, the Organization corrected an error reported in the prior year financial statements. The error related to the misclassification of temporarily restricted revenue as deferred revenue. Accordingly, amounts reported as deferred revenue have been restated in the June 30, 2017 summarized comparative information and an adjustment has been made to temporarily restricted net assets as of June 30, 2017, to correct the error. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Adaptive Sports Foundation, Inc. as of June 30, 2017 were audited by other auditors whose report dated September 8, 2017, expressed an unmodified opinion on those statements.

Wojeski & Company CPAs, P.C.

East Greenbush, New York
December 21, 2018

ADAPTIVE SPORTS FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2018 (with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
ASSETS					
CURRENT ASSETS					
Cash & cash equivalents	\$ 483,906	\$ 184,819	\$ 18,749	\$ 687,474	\$ 1,717,387
Grants and contributions receivable	86,060	-	-	86,060	7,965
Interest receivable	6,856	-	-	6,856	-
Marketable securities	1,028,338	-	-	1,028,338	939,110
Prepaid expenses	12,709	-	-	12,709	29,043
Security deposit	-	-	-	-	300
TOTAL CURRENT ASSETS	1,617,869	184,819	18,749	1,821,437	2,693,805
PROPERTY AND EQUIPMENT - NET	2,689,981	-	-	2,689,981	2,623,987
MARKETABLE SECURITIES	-	1,089,076	1,616,139	2,705,215	1,599,157
LAND HELD FOR SALE	581,740	-	-	581,740	529,705
TOTAL ASSETS	\$ 4,889,590	\$ 1,273,895	\$ 1,634,888	\$ 7,798,373	\$ 7,446,654
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 354	\$ -	\$ -	\$ 354	\$ 8,823
Development costs payable	52,035	-	-	52,035	-
Deferred revenue	10,051	-	-	10,051	8,000
TOTAL CURRENT LIABILITIES	62,440	-	-	62,440	16,823
LAND ACQUISITION LOAN	750,000	-	-	750,000	750,000
TOTAL LIABILITIES	812,440	-	-	812,440	766,823
NET ASSETS	4,077,150	1,273,895	1,634,888	6,985,933	6,679,831
	\$ 4,889,590	\$ 1,273,895	\$ 1,634,888	\$ 7,798,373	\$ 7,446,654

See accompanying notes to financial statements.

ADAPTIVE SPORTS FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2018 (with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
PUBLIC SUPPORT					
Special Event Revenue	\$ 590,376	\$ 40,000	\$ -	\$ 630,376	\$ 709,684
Contributions received for support	309,774	235,310	-	545,084	371,682
Grant Revenue	249,698	32,487	-	282,185	200,588
Noncash Contributions	280,415	-	-	280,415	1,295,047
TOTAL PUBLIC SUPPORT	1,430,263	307,797	-	1,738,060	2,577,001
REVENUE					
Program Revenue	224,693	-	-	224,693	205,955
Net Realized/Unrealized Gain on Invest.	52,624	81,545	68,894	203,063	296,262
Dividend Income	49,922	20,497	-	70,419	43,560
Interest Income	20,800	-	-	20,800	18,043
Lease Income	10,000	-	-	10,000	10,000
Net Income on Lunch and Vending Sales	7,722	-	-	7,722	4,115
Net Income on Retail Sales	6,240	-	-	6,240	2,789
Net Realized Gain on Land Held for Resale	-	-	-	-	60,437
Other Income	5,731	-	-	5,731	11,937
TOTAL REVENUE	377,732	102,042	68,894	548,668	653,098
Net Assets Released from Restriction	251,008	(245,910)	(5,098)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	2,059,003	163,929	63,796	2,286,728	3,230,099
EXPENSES					
Program Services	1,253,319	-	-	1,253,319	1,336,976
Management and general	225,692	-	-	225,692	239,297
Fundraising	501,615	-	-	501,615	509,305
TOTAL EXPENSES	1,980,626	-	-	1,980,626	2,085,578
CHANGES IN NET ASSETS	78,377	163,929	63,796	306,102	1,144,521
NET ASSETS, beginning of year as restated (see Note B)	3,998,773	1,109,966	1,571,092	6,679,831	5,535,310
NET ASSETS, end of year	\$ 4,077,150	\$ 1,273,895	\$ 1,634,888	\$ 6,985,933	\$ 6,679,831

See accompanying notes to financial statements.

ADAPTIVE SPORTS FOUNDATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	Program Services	Management and General	Fundraising	2018 Totals	2017 Totals
Gross Wages and Salaries	\$ 410,831	\$ 90,074	\$ 89,951	\$ 590,856	\$ 578,405
Employee Benefits	65,098	14,273	14,253	93,624	64,410
Payroll Taxes	32,468	7,119	7,109	46,696	45,839
TOTAL PAYROLL AND RELATED EXPENSES	508,397	111,466	111,313	731,176	688,654
Winter Programs Expenses	270,545	-	-	270,545	312,220
Special Event/Banquet Expenses	-	-	218,194	218,194	195,246
Depreciation	102,062	22,377	22,347	146,786	138,419
Other Direct Special Event Expenses	-	-	84,886	84,886	113,479
Warrior in Motion Program Expenses	84,386	-	-	84,386	66,599
Insurance Expense	52,464	11,503	11,487	75,454	78,764
Volunteer Expense	62,943	-	-	62,943	81,528
Veterans Affairs Program Expenses	53,248	-	-	53,248	36,347
Lease Expense - Land	30,000	-	-	30,000	30,000
Building Maintenance & Expenses	20,584	4,513	4,507	29,604	26,114
Investment Account Fees	-	22,581	-	22,581	20,354
Donation and Awards	-	-	17,877	17,877	10,626
Contributed Goods	-	-	17,590	17,590	-
Interest Expense	12,203	2,675	2,672	17,550	8,850
Bank Service Charges	9,942	2,180	2,177	14,299	20,929
Supplies	9,293	2,037	2,035	13,365	8,151
Equipment Expenses	10,351	-	-	10,351	10,076
Utilities	7,176	3,145	-	10,321	11,938
Real Estate Taxes	-	9,962	-	9,962	9,579
Computer and Website Expenses	4,268	2,443	934	7,645	9,868
Telephone Expense	4,741	1,040	1,038	6,819	7,302
Accounting/Audit Expense	-	6,528	-	6,528	15,375
Training Expense	2,890	-	-	2,890	2,316
Marketing Expense	-	-	2,112	2,112	5,520
Postage Expense	1,188	260	260	1,708	963
Legal Fees	-	1,470	-	1,470	20,265
Admin. and Board of Directors Expense	-	1,100	-	1,100	516
Vehicle Expenses	518	114	113	745	2,814
Printing/Stationery Expense	173	38	38	249	818
Wounded Warrior Program Expenses	-	-	-	-	98,864
Miscellaneous Expenses	5,947	20,260	2,035	28,242	53,084
	<u>\$ 1,253,319</u>	<u>\$ 225,692</u>	<u>\$ 501,615</u>	<u>\$ 1,980,626</u>	<u>\$ 2,085,578</u>

See accompanying notes to financial statements.

ADAPTIVE SPORTS FOUNDATION, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
OPERATING ACTIVITIES		
Changes in net assets	\$ 306,102	\$ 1,144,521
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	146,786	138,419
Net realized and unrealized gain on investments	(203,063)	(296,262)
Net realized gain on land held for resale	-	(60,437)
Marketable securities received as donations	-	(997,500)
(Increase) decrease in assets:		
Grants and contributions receivable	(78,095)	(6,880)
Interest receivable	(6,856)	-
Prepaid expenses	16,334	(1,518)
Security deposit	300	-
Increase (decrease) in liabilities:		
Accounts payable	(8,469)	3,882
Payroll liabilities	-	(20,383)
Deferred revenue	2,051	8,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	175,090	(88,158)
INVESTING ACTIVITIES		
Proceeds from sale of investments	866,120	1,631,471
Purchase of investments	(1,858,343)	(641,656)
Note receivable - land held for sale	-	100,000
Acquisition of property and equipment	(212,780)	(34,503)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,205,003)	1,055,312
FINANCING ACTIVITIES		
Repayment of land acquisition loan	-	(250,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-	(250,000)
NET INCREASE (DECREASE) IN CASH	(1,029,913)	717,154
Cash and cash equivalents at beginning of year	1,717,387	1,000,233
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 687,474	\$ 1,717,387

See accompanying notes to financial statements.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Adaptive Sports Foundation, Inc. (the "Organization") was organized as a not-for-profit corporation on July 1, 2000 under the laws of the State of New York. The Organization is located in Windham, New York. The Organization offers both summer and winter recreational opportunities to individuals with mental and/or physical disabilities. The winter program serves as a model for other ski resorts that are interested in establishing adaptive programs.

Prior to the existence of the Organization, the adaptive programs were a component of the Professional Ski Instructors of America – Eastern Education Foundation. During the year ended June 30, 2001, all assets and liabilities related to the adaptive programs were transferred to the Organization in order for the Organization to carry out its purposes. The transfers occurred during the month of October 2000. The Organization is not considered a related party to the Professional Ski Instructors of America – Eastern Education Foundation.

Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting.

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under these provisions net assets, revenues, expenses, gains and losses, are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that either expire by the passage of time or will be fulfilled by future actions of the Organization.

Permanently restricted net assets – Net assets that have been restricted by donors to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates

In preparing the financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions are recorded in the period received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution was received, the contribution is reported as unrestricted.

Cash and Cash Equivalents

The Organization considers all short-term investments with maturities of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are non-interest bearing and are recorded at their estimate collectible amounts. The Organization uses the allowance method to account for uncollectible receivables. Receivable balances are periodically reviewed for collectability based on past history and current economic conditions. The Organization considers all grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment is recorded at cost, or in the case of donations or bequests, at fair market value at the date of acquisition. Expenditures for additions, renewals or betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Upon sale or retirement of items, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to activities. Depreciation is computed using the straight-line method over the estimated useful lives of the respective classes of property.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributed Services

Contributed Services are recognized as contributions in accordance with FASB ASC 956. Services that create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization at their estimated fair market value.

The Organization received 5,190 and 7,838 volunteer hours during the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, the value of contributed services was \$55,020 and \$78,380, respectively, and recorded as an increase in both noncash contributions and volunteer expenses.

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred.

Endowment

The Organization is subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA), which requires the Organization to reclassify certain amounts of donor-restricted endowment funds between temporarily restricted net assets and permanently restricted net assets. As of 2010, the state of New York has adopted its own version of UPMIFA. Under the New York Prudent Management of Institutional Funds Act (NYPMIFA), Organizations are allowed to spend endowment funds below their original dollar amount ("historic dollar value") without court approval or Attorney General review if the Organization's board of directors concludes that such spending is prudent.

Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, income tax expense has not been provided for in these financial statements.

Some activities and revenues are recognized as unrelated business income for tax return purposes. Therefore, the Organization files Forms 990-T and CT-13 with the Internal Revenue Service and New York State, respectively. None of the filings from inception has resulted in the recognition of taxable income or income tax due.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions, including interest and penalties attributable thereto, and concluded that the Organization had taken no tax positions that required adjustment in its financial statements as of June 30, 2018.

The Organization's information return filings are subject to examination by various taxing authorities up to three years from the extended due date of each return. The Organization is no longer subject to examinations by taxing authorities for the fiscal years ending prior to June 30, 2015. Currently, there are no examinations in progress nor has the Organization been informed of any pending examinations.

Functional Allocation of Expenses

The costs of providing the programs and services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting service receiving the benefit.

Fair Value of Financial Instruments and Fair Value Disclosures

The Organization has adopted the accounting guidance in FASB in Accounting Standards Update, *Improving Disclosures about Fair Value Measurement Requirements*. The guidance defines fair value as the exchange price that would be received for an asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy that requires the Organization to maximize the use of observable input when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of valuation hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Organization's Level 1 non-derivatives financial investments include equity and debt securities, and cash and cash equivalents.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Transfers between levels may occur when there is a change in the observability of significant inputs. A transfer between Level 1 and Level 2 generally occurs when the availability of quoted prices changes or when market activity of an investment significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data.

For the years ended June 30, 2018 and 2017, there were no transfers between Level 1, 2 or 3.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments in the accordance with the provisions of ASC:

Cash and Cash Equivalents – The carrying amounts reported in the accompanying statements of financial position approximate their fair value, due to the short-term maturity of these instruments.

Investments in Marketable Securities – The fair market value of the Organization's investments is based on quoted prices in active markets (Level I).

Income from Investments

Investment income is reported as an increase in unrestricted net assets unless the donor placed restriction on the income's use. Income that is restricted is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws placed temporary or permanent restrictions on those gains and losses. Donor-restricted investment income and gains whose restriction is met in the same reporting period are reported as unrestricted income. During the years ended June 30, 2018 and 2017 investment income from assets that were unrestricted, temporarily restricted and permanently restricted were recognized and reflected on the Statement of Activities.

Comparative Totals, Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, and expenses not by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Reclassifications

Certain amounts for the year ended June 30, 2017 have been reclassified to conform to the presentation for the year ended June 30, 2018. These reclassifications had no effect on the changes in net assets or net assets.

Subsequent Events

The Organization evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were available to be issued on December 21, 2018.

NOTE B--PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2017 have been adjusted to record the reclassification of amounts previously reported as deferred revenue as temporarily restricted net assets. Accordingly, the applicable 2017 amounts have been restated in these financial statements. A summary of the adjusted amounts and the related impact on net assets as of June 30, 2017 and the change in net assets for the year ended June 30, 2017, are as follows:

	Previously Reported	Adjustment	Restated Amount
Deferred grant revenue	\$ 66,240	\$ (66,240)	\$ -
Grant revenue	296,549	(95,961)	200,588
Change in net assets	1,240,482	(95,961)	1,144,521
Net assets, beginning of year	5,373,109	162,201	5,535,310
Temporarily restricted net assets	1,043,726	66,240	1,109,966
Total net assets, end of year	6,613,591	66,240	6,679,831

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE C--CASH AND CASH EQUIVALENTS

The balances comprising cash and cash equivalents on hand and in bank are as follows at June 30:

	2018	2017
Cash in bank, checking accounts	\$ 567,051	\$ 626,590
Key Bank – Money Market	74,702	62,666
Schwab Money Market Funds	45,721	1,028,131
Total Cash and Cash Equivalents	<u>\$ 687,474</u>	<u>\$ 1,717,387</u>

NOTE D--GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are comprised of the following amounts due at June 30:

	2018	2017
Individual contributions	\$ 66,000	\$ -
Deutsche Bank	10,000	-
The Precourt Foundation	10,000	-
Federal grant receivable	60	7,965
Total Grants and Contributions Receivable	<u>\$ 86,060</u>	<u>\$ 7,965</u>

NOTE E--PREPAID EXPENSES

Prepaid expenses consisted of advanced payments for the following at June 30:

	2018	2017
Insurance	\$ 9,013	\$ 4,885
Golf Tournament Sept 17	-	5,500
MCC 2018	-	15,000
Otis Contract service	1,313	1,275
Real Estate Taxes	2,383	2,383
Total Prepaid Expenses	<u>\$ 12,709</u>	<u>\$ 29,043</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE F--MARKETABLE SECURITIES

The Organization's investment portfolio is managed by an outside investment firm which has discretion to alter the portfolio asset allocation within the ranges specified by the Organization, depending on the economic and capital market outlook to achieve the Organization's investment objectives.

Marketable securities consist of common stocks, corporate bonds and stocks and equity mutual funds traded on the national stock exchanges, and are stated at fair value.

Market values and unrealized gain (loss) at June 30, 2018 are summarized below:

Year 2018	Cost	Fair Market Value	Unrealized Gain (Loss)
Stock/Equity Mutual Funds	\$ 596,888	\$ 580,689	\$ (16,199)
Common Stock	2,176,873	2,692,288	515,415
Corporate Bonds	488,154	460,576	(27,578)
Total	<u>\$ 3,261,915</u>	<u>\$ 3,733,553</u>	<u>\$ 471,638</u>

Market values and unrealized gain (loss) at June 30, 2017 are summarized below:

Year 2017	Cost	Fair Market Value	Unrealized Gain (Loss)
Stock/Equity Mutual Funds	\$ 557,353	\$ 585,941	\$ 28,588
Common Stock	1,221,964	1,635,718	413,754
Corporate Bonds	326,855	316,608	(10,247)
Total	<u>\$ 2,106,172</u>	<u>\$ 2,538,267</u>	<u>\$ 432,095</u>

The unrealized gain position of marketable securities are as follows at June 30, 2018 and 2017:

	2018	2017
Unrestricted	\$ 136,520	\$ 140,271
Temporarily Restricted	81,111	-
Permanently Restricted	254,007	291,824
Total Unrealized Gain	<u>\$ 471,638</u>	<u>\$ 432,095</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE F--MARKETABLE SECURITIES—Continued

Net realized and unrealized gains (losses) on marketable securities are as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Realized gains	\$ 163,520	\$ 35,680
Unrealized gains	39,543	260,582
Net realized & unrealized gains on marketable securities	<u>\$ 203,063</u>	<u>\$ 296,262</u>

The unrestricted net realized and unrealized gain on marketable securities for the year ended June 30, 2018 was \$134,169. For the year ended June 30, 2017 the unrestricted net realized and unrealized gain on marketable securities was \$123,109. The permanently restricted net realized and unrealized gain for the year ended June 30, 2018 was \$68,894. For the year ended June 30, 2017 the permanently restricted net realized and unrealized gain on marketable securities was \$173,153.

NOTE G--PROPERTY AND EQUIPMENT

Property and equipment at consist of the following at June 30:

	2018	2017
Building and building improvements	\$ 2,561,120	\$ 2,441,171
Land and land improvements	633,488	633,488
Program equipment	738,730	721,884
Machinery and Equipment	502,389	426,404
Computer software	35,758	35,758
Total Property and Equipment	4,471,485	4,258,705
Less: Accumulated Depreciation	(1,781,504)	(1,634,718)
Total Property and Equipment - Net	<u>\$ 2,689,981</u>	<u>\$ 2,623,987</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE H--LAND HELD FOR RESALE

As of June 30, 2018, Land Held for Resale includes property bought in conjunction with the parcel of land purchased for the purposes of the construction for the existing facility which was occupied during the year ended June 30, 2006. One parcel of this property was sold in a prior year and three parcels continue to be held for resale. On the closing of the sale of the remaining three parcels ASF is obligated to make certain payments on a related promissory note (see Note I). ASF estimates that the sale proceeds realized will be sufficient to cover this obligation. In addition, Land Held for Resale also includes a parcel which was received as a noncash contribution during the year ended June 30, 2014 and continues to be held for sale as of June 30, 2018.

During the year ended June 30, 2018, additional development costs were recognized for property held for sale in the amount of \$52,035. Land Held for Resale was \$581,740 and \$529,705 for the years ended June 30, 2018 and 2017, respectively.

NOTE I--LAND ACQUISITION LOAN

During the month of March 2005, the Organization obtained a non-recourse non-interest loan from Peter Kellogg in the amount of \$1,250,000 for the purchase of land on which the existing facility was constructed and occupied during the year ended June 30, 2006. The loan is to be repaid without interest upon the sales of parcels held for resale. See Note H. However, even though the Organization will not pay interest annually to Mr. Kellogg, the Organization will recognize interest expense and contribution income at the applicable federal interest rate determined at the end of each fiscal year beginning with the year ended June 30, 2006. The applicable federal interest rate as of June 30, 2018 and 2017 was 2.34% and 1.18%, respectively. Interest expense and contribution income for the years ended June 30, 2018 and 2017 was \$17,550 and \$8,850, respectively. This contribution income is considered a noncash contribution. See Note Q. The sales of the parcels of land held for resale are expected to result in proceeds of at least \$1,250,000 net of taxes as a result of capital gains, thus allowing for repayment of the loan in full. If land sales in future years do not recognize a net of the \$750,000, the amount still owed to Mr. Kellogg as of June 30, 2018, any remaining difference owed will be forgiven. There is no allowance for forgiveness of debt in these financial statements. Forgiveness of debt, if any, will result in the recognition of revenue during the year of occurrence.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE J--NET ASSETS

Net assets at June 30, 2018 and 2017 consist of the following:

	June 30,	
	2018	2017
Unrestricted		
Undesignated	\$ 4,077,150	\$ 3,998,773
Total Undesignated	<u>4,077,150</u>	<u>3,998,773</u>
Temporarily Restricted		
Employee benefits fund	1,108,319	1,003,871
Warriors in motion programs	70,882	61,240
Capital improvements	26,299	-
Board donation – future period	25,000	-
Ride2Live program	15,000	-
Kitchen improvement project	11,171	-
Staci fund	10,713	33,899
MVP fund	1,545	1,545
Wellness program	1,500	1,500
Elijah fund	316	631
Race programs	46	3,500
Other	3,104	3,780
Total Temporarily Restricted	<u>1,273,895</u>	<u>1,109,966</u>
Permanently Restricted		
Endowment fund	<u>1,634,888</u>	<u>1,571,092</u>
Total Permanently Restricted	<u>1,634,888</u>	<u>1,571,092</u>
Total Net Assets	<u>\$ 6,985,933</u>	<u>\$ 6,679,831</u>

The interest and dividend earnings from the permanently restricted net assets are to be used towards the maintenance and operations of the facility with any direct expenses related to the investments and any realized and unrealized capital gains and losses to affect the balance of the restricted net assets. As of June 30, 2018 and 2017, the permanently restricted net assets were \$1,634,888 and \$1,571,092, respectively. These net assets are being held with Charles Schwab in the form of investments and are managed by an outside investment firm.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE K--ENDOWMENT FUNDS

The Organization's endowment consists of various individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the NYPMIFA as requiring each person responsible for managing and investing an institutional fund "shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances." NYPMIFA also requires that the following eight factors, if relevant, be considered in managing and investing an institutional fund: (1) general economic conditions, (2) the possible effect of inflation or deflation, (3) the expected tax consequences, if any, of investment decisions or strategies, (4) the role that each investment or course of action plays within the overall investment portfolio of the fund, (5) the expected total return from income and the appreciation of investments, (6) other resources of the institution, (7) the needs of the institution and the fund to make distributions and to preserve capital, and (8) an asset's special relationship or special value, if any, to the purposes of the institution. In addition to the eight factors set forth above the governing board must consider the purposes of the Organization as well as the purposes for which the fund was established when managing and investing an institutional fund.

Under the NYPMIFA, a fund's investments must be diversified unless the Organization's governing board determines that, due to special circumstances, the purposes of the fund are better served without diversification. Any decision not to diversify must be reviewed by the Organization's governing board at least annually.

Management and investment decisions about a specific asset must be made in the context of the portfolio of investments in which the fund is invested, and as part of an overall investment strategy in light of return objectives "reasonably suited" to the charity and the fund. In addition, the Organization shall be required, within a reasonable time after receiving property, to make and carry out decisions regarding, retaining or disposing of the property, or rebalancing the Organization's portfolio in order to bring the fund into compliance with NYPMIFA, and to take into consideration the Organization's other circumstances, including, for example, its distribution requirements and/or general liquidity needs.

The composition of endowment net assets and the changes in endowment net assets are as follows:

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE K--ENDOWMENT FUNDS--Continued

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at July 1, 2018	\$ -	\$ 1,109,966	\$ 1,571,092	\$ 2,681,058
Public Support	-	307,797	-	307,797
Net Realized and Unrealized				
Gain	-	81,545	68,894	150,439
Dividend income	-	20,497	-	20,497
Net (Released) or Transferred				
For Expenditures	-	(245,910)	(5,098)	(251,008)
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 1,273,895</u>	<u>\$ 1,634,888</u>	<u>\$ 2,908,783</u>

NOTE L--CONTINGENCIES

Litigation

The Organization is subject to litigation in its normal course of operations and carries insurance related to such possibilities. Presently, the Organization is not subject to any matters that require the recognition of a liability in the financial statements.

Grants

The Organization participates in various grant which are subject to financial and compliance audits by the grantors or their representatives. Accordingly, the Organization's compliance with the applicable grant requirements may be established at some future date. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time although management, based upon prior experience, expects such amounts, if any, to be immaterial.

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE M--SPECIAL EVENT REVENUE

Special events income for the years ended June 30, 2018 and 2017 is summarized below:

	2018	2017
Master Chef Income	\$ 291,719	\$ 289,638
Golf Tournament Income	97,451	91,223
Dinner Dance/Auction Income	76,394	95,860
Wine Tasting Income	37,297	35,332
Michael Gray Race Income	32,027	39,622
Annual Fund Drive Income	28,455	7,846
Hudson Farms Income	24,444	103,850
Skiathon Income	22,291	19,700
Chairlift Sponsorship Income	6,500	5,501
Other Special Events Income	13,798	21,112
Total Special Events Income	<u>\$ 630,376</u>	<u>\$ 709,684</u>

NOTE N--PROGRAM REVENUE

During the years ended June 30, 2018 and 2017 income was provided by the various programs offered by the Organization as follows:

	2018	2017
Soldier Program Revenue	\$ 74,127	\$ 78,515
Winter Program Revenue	150,566	127,440
Total Program Revenue	<u>\$ 224,693</u>	<u>\$ 205,955</u>

NOTE O--NET INCOME ON RENTAL SALES

The Organization periodically sells apparel and other items to its winter and summer program instructors as well as to the public. During the years ended June 30, 2018 and 2017 net income (loss) on retail sales was computed as follows:

	2018	2017
Sales Income	\$ 14,146	\$ 7,565
Less: Apparel and Other Item Costs	(7,906)	(4,776)
Net Income on Sales of Apparel	<u>\$ 6,240</u>	<u>\$ 2,789</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE P--NET INCOME ON LUNCH & VENDING SALES

The Organization recognizes income and cost of sales from transactions related to unprepared sales of food and beverage in the kitchen area of the facility. Below is a schedule for the years ended June 30, 2018 and 2017 showing the sales and cost of sales related to such transactions.

	2018	2017
Sales Income	\$ 18,411	\$ 17,682
Less: Food and Beverage Costs	(10,689)	(13,567)
Net Income on Lunch Program	<u>\$ 7,722</u>	<u>\$ 4,115</u>

NOTE Q--NONCASH CONTRIBUTIONS

During the years ended June 30, 2018 and 2017, Adaptive Sports Foundation, Inc. received the following noncash contributions that have been reflected in the financial statements of the Organization:

	2018	2017
Donated Lift Tickets	\$ 188,707	\$ 207,048
Donated Services – Volunteers	55,020	78,380
Donated Marketable Securities	-	997,500
Donated Clothing Items	17,590	-
Interest on loan forgiven – See Note I	17,550	8,850
Other Program Expenses	1,548	3,269
Total Noncash Contributions	<u>\$ 280,415</u>	<u>\$ 1,295,047</u>

NOTE R--GRANTS

Grant revenue consisted of the following as of June 30:

	2018	2017
Individual and Foundation Grants	\$ 209,613	\$ 132,926
Federal Government Grants	72,572	67,662
Total Grant Revenue	<u>\$ 282,185</u>	<u>\$ 200,588</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE S--LEASE INCOME/LEASE EXPENSE

During the year ended June 30, 2006, Adaptive Sports Foundation, Inc. purchased and installed a chairlift upon land owned by Ski Windham Operating Corporation to provide access to and from base facilities of the ski area to the Organization's facilities southeast of the ski lodge. The real estate owners of the ski facilities and owners of the ski operations agreed to this arrangement. The cost of the new ski lift plus installation was \$389,021.

The most recent agreement entered into by the Organization is a ten year agreement (with options for five more years renewal following expiration) effective during the year ended June 30, 2013 with Ski Windham Operating Corporation and Windham Mountain Partners to lease the land necessary for use in its programs for \$10,000 per year. Conversely, the Organization agreed to a ten year lease for the use of this new lift equipment to the owners of Ski Windham Operating Corporation and Windham Mountain Partners for \$10,000 annually. Lease payments are due annually.

During the year ended June 30, 2016, Adaptive Sports Foundation, Inc. entered into a five year lease agreement with Girls Quest for lake use and access of trails, storage and use of property amenities at a local camp known as Camp Oh-Neh-Tah (the Camp). The lease commenced on July 1, 2016 for the amount of \$20,000 per year. The Organization has the option to be released from this lease agreement at any time, without penalty, if the required programming and/or funding ceases to exist in order to continue such programming at the Camp.

The future minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 30,000
2020	30,000
2021	30,000
2022	10,000
	<u>\$ 100,000</u>

ADAPTIVE SPORTS FOUNDATION, INC.

Notes to Financial Statements--Continued

NOTE T--CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. The Federal Depository Insurance Corporation (FDIC) provides insured coverage for cash and cash equivalent accounts in member financial institutions up to \$250,000 per depositor. This coverage was effective as of and for the years ended June 30, 2018 and 2017.

For the years ended June 30, 2018 and 2017, the Organization was subject to credit risk losses of \$410,634 and \$437,983, respectively (the amount above the FDIC insured coverage threshold).

NOTE U--EMPLOYEE BENEFIT PLAN

The Organization provides retirement benefits in the form of a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code (Plan). The Plan is available to all employees meeting certain eligibility requirements. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation in accordance with Section 401(k) of the internal revenue code. The Organization, at its discretion, may elect to make contributions that match a portion of the participating employees' contributions. In addition, the Organization, at its discretion, may elect to make a profit-sharing contribution to the Plan. Total employer contributions to the Plan were \$33,854 and \$12,369 for the years ended June 30, 2018 and 2017, respectively.

NOTE V--SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Non-cash investing and financing activities consisted of the following at June 30:

	2017	2018
Land held for sale development costs	\$ 52,035	\$ -
Less: development costs payable	(52,035)	-
Purchase of land held for sale	<u>\$ -</u>	<u>\$ -</u>