

EAGLE ISLAND, INC.

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2017**

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EAGLE ISLAND, INC.

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Board of Directors
Eagle Island, Inc.
Livingston, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Eagle Island, Inc., a non-profit organization, (the Organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, cash flows, and functional expenses 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.

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 of 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 Eagle Island, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambride Arnold Moulthrop LLP
August 18, 2018

EAGLE ISLAND, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 437,846	\$ 336,245
Pledges receivable (Note 3)	193,496	242,550
Accounts receivable	-	3,543
Prepaid expense	2,543	8,513
Inventory	1,906	-
Property, plant and equipment (Note 4)	<u>3,011,877</u>	<u>2,745,441</u>
Total assets	<u>\$ 3,647,668</u>	<u>\$ 3,336,292</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 23,300	\$ 5,619
Refundable advance	<u>10,000</u>	<u>10,000</u>
Total liabilities	<u>33,300</u>	<u>15,619</u>
Net Assets:		
Net invested in property, plant and equipment	3,011,877	2,745,441
Unrestricted	<u>403,057</u>	<u>326,837</u>
Total unrestricted	<u>3,414,934</u>	<u>3,072,278</u>
Temporarily restricted (Note 5)	<u>199,434</u>	<u>248,395</u>
Total net assets	<u>3,614,368</u>	<u>3,320,673</u>
Total liabilities and net assets	<u>\$ 3,647,668</u>	<u>\$ 3,336,292</u>

See notes to the financial statements.

Exhibit A

EAGLE ISLAND, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2017</u>	<u>2016</u>
Revenue, Gains, and Other Support:				
Contributions, gifts, and grants	\$ 225,679	\$ 194,167	\$ 419,846	\$ 485,762
Gifts-in-kind	35,000		35,000	111,478
Special events, net of direct expense of \$ 6,954 - 2017; \$ 0 - 2016	27,177		27,177	-
Sales revenue, net of cost of goods sold \$ 4,470 - 2017; \$ 0 - 2016	2,349		2,349	-
Gain on sale of fixed assets	18,000		18,000	-
Interest income	73		73	181
Net assets released from restrictions (Note 5)	243,128	(243,128)	-	-
Total revenue, gains, and other support	<u>551,406</u>	<u>(48,961)</u>	<u>502,445</u>	<u>597,421</u>
Expenses and Losses:				
Program services	<u>108,715</u>		<u>108,715</u>	<u>99,945</u>
Supporting services:				
Management and general	85,174		85,174	82,000
Fundraising	<u>14,861</u>		<u>14,861</u>	<u>13,168</u>
Total supporting services	<u>100,035</u>		<u>100,035</u>	<u>95,168</u>
Total expenses	<u>208,750</u>		<u>208,750</u>	<u>195,113</u>
Loss on well drilling cost	-	-	-	84,885
Total expenses and losses	<u>208,750</u>	<u>-</u>	<u>208,750</u>	<u>279,998</u>
Change in Net Assets	342,656	(48,961)	293,695	317,423
Net Assets at Beginning of Year	<u>3,072,278</u>	<u>248,395</u>	<u>3,320,673</u>	<u>3,003,250</u>
Net Assets at End of Year	<u>\$ 3,414,934</u>	<u>\$ 199,434</u>	<u>\$ 3,614,368</u>	<u>\$ 3,320,673</u>

See notes to the financial statements.

Exhibit B

EAGLE ISLAND, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 293,695	\$ 317,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	46,186	34,589
Bad debt expense	8,225	20,177
Discount on pledges receivable	(7,994)	26,197
Contributions restricted for capital renovations	(1,010)	(20,909)
(Increase) decrease in:		
Pledges receivable	48,823	(188,924)
Accounts receivable	3,543	(3,543)
Prepaid expenses and deposits	5,970	(3,260)
Inventory	(1,906)	-
Increase (decrease) in:		
Accounts payable	17,681	(7,217)
Refundable advance	-	10,000
Net cash provided by operating activities	<u>413,213</u>	<u>184,533</u>
Cash Flows from Investing Activities:		
Proceeds from contribution restricted for capital renovations	1,010	20,909
Purchases of fixed assets	<u>(312,622)</u>	<u>(249,472)</u>
Net cash used by financing activities	<u>(311,612)</u>	<u>(228,563)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,601	(44,030)
Cash and Cash Equivalents at Beginning of Year	<u>336,245</u>	<u>380,275</u>
Cash and Cash Equivalents at End of Year	<u>\$ 437,846</u>	<u>\$ 336,245</u>
Supplemental Disclosure:		
Non-cash investing activities:		
Capitalized in-kind professional fees	\$ -	\$ 111,478
Capitalized donated sailboats	35,000	-
Donated securities	<u>120,304</u>	<u>14,909</u>

See notes to the financial statements.

Exhibit C

EAGLE ISLAND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2016

	<u>SUPPORTING SERVICES</u>				<u>TOTAL EXPENSES</u>	
	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUND</u>	<u>TOTAL</u>	<u>2017</u>	<u>2016</u>
	<u>SERVICES</u>	<u>AND</u>	<u>RAISING</u>	<u>PROGRAM</u>		
	<u>\$</u>	<u>GENERAL</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total salaries and related expense	5,543	38,801	11,086	49,887	55,430	53,109
Professional fees		10,185		10,185	10,185	10,100
Office supplies and expense	378	2,643	755	3,398	3,776	1,911
Bank and processing fees		8,282		8,282	8,282	3,554
Insurance		15,072		15,072	15,072	9,655
Repairs and maintenance	46,979			-	46,979	56,521
Fundraising			3,020	3,020	3,020	-
Bad debt expense		8,225		8,225	8,225	20,177
Depreciation	46,186			-	46,186	34,589
Travel		1,966		1,966	1,966	-
Advertising				-	-	2,164
Miscellaneous	9,629			-	9,629	3,333
Total expenses	<u>\$ 108,715</u>	<u>\$ 85,174</u>	<u>\$ 14,861</u>	<u>\$ 100,035</u>	<u>\$ 208,750</u>	<u>\$ 195,113</u>

See notes to the financial statements.

Exhibit D

EAGLE ISLAND, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Purpose and Funding:

Eagle Island, Inc. (the Organization) is a New York not-for-profit corporation, exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization was established to acquire Eagle Island, in Upper Saranac Lake, New York, to conserve and preserve its natural and historic character, and to provide an environmentally responsible Adirondack island camping experience for diverse youth, as well as to provide a destination for those who wish to engage in an exceptional out-of-doors experience.

Funding is provided primarily by contributions from the general public and grants.

2. Summary of Significant Accounting Policies:

(a) Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents includes cash on-hand and in banks and money market funds, as well as certificates of deposit with initial maturity dates of ninety days or less.

(c) Pledges Receivable

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received within one year are recorded at net realized value. Pledges that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using incremental borrowing rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue.

(d) Conditional Promises to Give

Conditional promises to give are not recognized in the financial statements until conditions are substantially met.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost, or in the case of donated assets, at fair market value at the date of the gift. Depreciation is recorded on a straight line basis over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Equipment, furniture and fixtures	3-7 years

The Organization's capitalization threshold is \$500.

Continued

EAGLE ISLAND, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued):

(e) *Fixed Assets and Depreciation* (continued)

Property and equipment are reviewed each year for impairment or whenever events or changes in business circumstances indicate carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values. No impairment losses were recognized during the year ended December 31, 2017.

(f) *Unrestricted Contributions, Gifts, and Grants*

Contributions, gifts, and grants are recorded as public support upon receipt of cash or unconditional promises to give (pledges.) Contributions, gifts, and grants are considered available for unrestricted use unless specifically restricted by the donor or grantor.

(g) *Recognition of Restricted Support*

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reflects restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as unrestricted contributions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(h) *Donated Services:*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

(i) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Continued

EAGLE ISLAND, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued):

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization has no unrecognized tax benefits at December 31, 2017. The Organization's federal and state income tax returns prior to fiscal year 2014 are closed and management continually evaluates changes in tax law and new authoritative rulings. The payroll tax returns, for the years ended December 31, 2017 and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

If applicable, the Organization will recognize interest and penalties associated with tax matters as management and general charges and include accrued interest and penalties with accounts payable and accrued expenses in the statements of financial position. There were no interest or penalties paid for the year ended December 31, 2017.

(l) Prior-Year Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which summarized information was derived.

3. Pledges Receivable:

Pledges receivable as of December 31, 2017 consists of the following:

Time Restriction:

Unconditional promises expected to be collected in:

Less than one year	\$ 79,230
One to five years	129,777
After five years	<u>27,702</u>
Subtotal	<u>236,709</u>
Less: allowance for uncollectable pledges	(25,010)
Less: unamortized discount	<u>(18,203)</u>
	<u>\$ 193,496</u>

Continued

EAGLE ISLAND, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. Property, Plant and Equipment:

A summary of plant assets at December 31, 2017 are as follows:

Land and land improvements	\$ 1,411,005
Buildings	1,249,787
Building improvements	152,751
Furniture, fixtures and equipment	161,257
Less accumulated depreciation	<u>(80,775)</u>
	2,894,025
Construction in progress	117,852
Total	<u>\$ 3,011,877</u>

5. Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes:

Purpose restrictions:	
MacBeth boat fund	\$ 4,660
Kitchen renovations	420
Life jacket fund	858
Time restriction - pledges	<u>193,496</u>
	<u>\$ 199,434</u>

Net assets were released for the following purposes:

Life jacket fund	\$ 578
Collected pledges receivable	<u>242,550</u>
	<u>\$ 243,128</u>

6. Cash Flow Information:

No liabilities for income taxes were incurred or paid during the year ended December 31, 2017.

7. Concentration of Revenue:

During 2017, the Organization received approximately 60% of its revenue from 7 donors.

Continued

EAGLE ISLAND, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. Related Party Transactions:

The entity that provides general contractor, maintenance, and transportation services to the Organization is owned by an individual who is family-related to a board member. In 2017, the Organization paid \$82,372 to the vendor.

9. Credit Risk:

The Organization maintains a cash balance at Valley National Bank in excess of the \$250,000 FDIC insured limits. The Organization's uninsured cash balance totaled \$10,021 as of December 31, 2017.

10. Commitments:

In April 2017, the Organization signed a contract with Crawford & Sterns PLCC for architectural services and committed to pay \$35,000. At December 31, 2017, the contract outstanding amount was \$16,250.

10. Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 18, 2018, the date the financial statements were available to be issued.

In January 2018, the Organization signed an agreement with Architecture, Engineering and Land Surveying Northeast, PLLC for professional engineering services for upgrades to the water and sewer infrastructure. The cost of the contract is \$31,372. Anticipated additional services and reimbursement amount to \$12,250.

Also in January 2018, the Organization signed a grant agreement with New York State Office of Parks Recreation & Historic Preservation for the amount of \$498,825. The term of the contract is December 2016 – December 2021.

In March 2018, the Organization signed a revolving line of credit agreement for the amount of \$200,000 with Preservation League of New York State, Inc. The interest rate is 4.00% per annum. The Organization will pay regular monthly interest payments, beginning April 1, 2018. The loan outstanding principal will be paid in one payment including accrued unpaid interest on April 1, 2020.

In June 2018, the Organization signed a contract with Adirondack Building Reservation, Inc. for various capital improvements. The cost of the contract is \$369,225.

Concluded