



# Adirondack

F U N D S

**The Adirondack Small Cap Fund**  
**ADKSX**

**ANNUAL REPORT**

*March 31, 2022*

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY MARCH 31, 2022 (UNAUDITED)

Dear Fellow Shareholders,

The Adirondack Small Cap Fund appreciated 8.52% during the fiscal year ended March 31, 2022. The Fund's benchmark Index (Russell 2000® Value Index; "Index") appreciated 3.53% during the same period. The Fund's annualized return for 3 year, 5 year, and 10 year was 10.50%, 5.50% and 8.39%, respectively.\* The top ten holdings represented 33.90% of the portfolio and annualized turnover for the trailing twelve months stood at 21.81%.

During what has turned out to be a very challenging period for both fixed income and equity markets, we are pleased to have delivered high single digit returns. The Fund's energy stocks returned 70.20% last year, significantly enhancing overall performance. At March 31<sup>st</sup>, Energy represented 9.58% of the Index and 9.66% of the Fund, respectively. Over the past decade, Energy had hovered between 4%-6% of the Fund's benchmark, however, recent developments around the globe have investors reexamining the merits of this essential sector. The Fund's outperformance during the year was driven largely by stock selection within three industry sectors: Technology, Healthcare and Consumer Staples. Within Technology it was 30% plus returns from less glamorous cash generative companies like Celestica Inc. (as of 03/31/2022 CLS represented 3.57% of the portfolio), A10 Networks Inc. (as of 03/31/2022 ATEN represented 1.29% of the portfolio), and Photronics Inc. (as of 03/31/2022 PLAB represented 2.63% of the portfolio). In Healthcare, the Fund finally benefitted from our patience. By avoiding the Life Sciences/Biotechnology space altogether, the Fund sidestepped the -31.29% declines posted by this industry. Our patience was further rewarded when Allscripts Healthcare Solutions, Inc. (as of 03/31/2022 MDRX represented 1.47% of the portfolio), a long-held healthcare technology position produced a 50% return for the Fund during FY 2022. Allscripts was boosted by strong earnings reports and continued progress on its business transformation. Management has monetized legacy assets at attractive prices and focused its time and efforts as well as the company's capital on the faster growing and more profitable analytics business. Finally, within the Consumer Staples sector, a focus on basics such as eggs (Cal-Maine Foods, Inc - as of 03/31/2022 CALM represented 1.32% of the portfolio), snacks (Hostess Brands, Inc. - as of 03/31/2022 TWNK represented 2.08% of the portfolio) and supermarkets (Ingles Markets, Inc - as of 03/31/2022 IMKTA represented 1.07% of the portfolio) led to strong relative performance.

As we move into FY 2023, we face an unusual set of circumstances. The ongoing war in Ukraine, lock downs in China, supply chain fragility, skilled labor shortages, and pockets of speculative excess are presenting challenges. The sanctions on Russia were quickly priced into commodity markets, and time will tell how manufacturers and consumers adapt. Sectors like Energy, Materials, Precious Metals and Consumer Staples have emerged as investment sanctuaries during this period of uncertainty; the Fund has benefitted some from this rotation. That said, U.S. small caps could likely see inflows as investors scramble to a safer haven around the globe. It's becoming increasingly apparent that global sources of supply are fragile and that domestic alternatives are needed. The new paradigm of de-globalization will take time but was set in motion well before the start of the Russia/Ukraine conflict. Growth stocks are down more than 25% so far this calendar year. This shakeout might get worse given how far and fast those stocks appreciated during the COVID-19 pandemic. The upside of this turbulence is that the Fund's opportunity set will increase substantially as hundreds of newly

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2022 (UNAUDITED)

public companies will need to find a more patient investor base at more sensible acquisition prices.

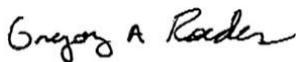
Overall sector allocations within the Fund remains mostly similar to years past. We have been trimming winners in Energy, Consumer Staples and Healthcare while also moving up in market cap. The weighted average market cap of the Fund at 3/31/2022 was \$2.8 billion versus \$3.2 billion for the Index. Like always, we are cautious about balance sheets especially given the increase in borrowing costs and widening credit spreads. As the fast money leaves the market, once in a decade opportunities will open up, and we are looking for companies well positioned to take advantage of them.

While small cap value stocks have posted solid relative performance as of late, we continue to believe that the value stock rotation still has far to go. We believe valuations matter, as evidenced by the recent performance of the Ark Innovation ETF (ARKK). It's too early to tell whether the "pay any price" mentality of some investors has changed for good, but hopefully those that found religion will see small cap value as a practical alternative (offering solid risk/reward with good inflation protection). In times like these, it's helpful to keep an eye on the long term; remembering that the Fund holds a portfolio of long-established cash generating businesses that have successfully navigated through numerous cycles. Be well and thank you for investing with us.

Regards,



Matt Reiner, CFA®  
Portfolio Manager



Greg Roeder, CFA®  
Portfolio Manager

*\*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 888-686-2729, or visiting [www.adirondackfunds.com](http://www.adirondackfunds.com).*

*Per the prospectus, the Fund's gross annual operating expense ratio is 1.46%. The Advisor has contractually agreed to waive fees or reimburse the Fund to the extent necessary to maintain the Fund's total annual operating expenses at 1.48% until August 1, 2022, subject to termination by the Fund on 60 days' written notice.*

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2022 (UNAUDITED)

### **Important Risk Information**

*The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Additionally, value investing is subject to the risk that a company's intrinsic value may never be fully realized by the market.*

**The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-888-686-2729, or visiting [www.adirondackfunds.com](http://www.adirondackfunds.com). Read it carefully before investing.**

*The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.*

*The Russell 2000 Growth Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.*

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# THE ADIRONDACK SMALL CAP FUND

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TOP TEN HOLDINGS, as a Percentage of the Fund's Net Assets  
MARCH 31, 2022 (UNAUDITED)

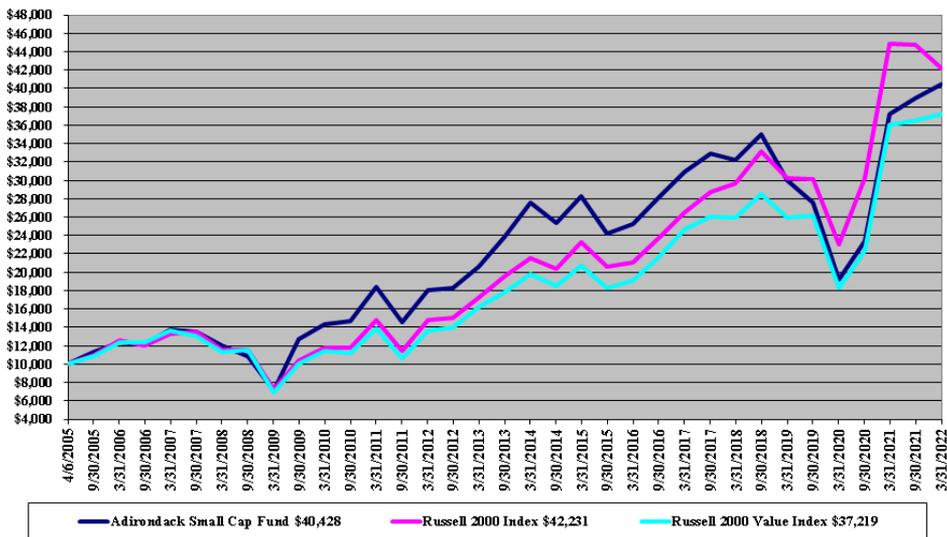
1.	CNO Financial Group, Inc.	4.08%
2.	Conduent, Inc.	4.07%
3.	Antero Resources Corp.	3.91%
4.	Celestica, Inc.	3.57%
5.	National Western Life Group, Inc. Class A	3.30%
6.	ADTRAN, Inc.	3.15%
7.	Graftech International Ltd.	3.13%
8.	Trustco Bank Corp. NY	3.10%
9.	SiriusPoint Ltd.	2.91%
10.	Unisys Corp.	2.69%

\* Excludes Fund's Short-Term Investment positions.

# THE ADIRONDACK SMALL CAP FUND

## PERFORMANCE ILLUSTRATION MARCH 31, 2022 (UNAUDITED)

**Adirondack Small Cap Fund**  
Comparison of the Change in Value of a \$10,000 Investment in the Adirondack Small Cap Fund, the Russell 2000 Index and the Russell 2000 Value Index.



### Average Annual Total Returns (a) (for periods ended March 31, 2022)

	1 Year	3 Year	5 Year	10 Year	Since Inception
Adirondack Small Cap Fund *	8.52%	10.50%	5.50%	8.39%	8.57%
Russell 2000 Index **	-5.79%	11.74%	9.74%	11.04%	8.85%
Russell 2000 Value Index ***	3.32%	12.73%	8.57%	10.54%	8.05%

(a) The total returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

\* Initial public offering of shares was April 6, 2005.

\*\*The Russell 2000 Index is a common benchmark for mutual funds that identify themselves as "small-cap". It is a widely quoted measure of the overall performance of the small-cap to mid-cap company shares.

\*\*\*The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price/book ratios and lower predicted growth rates.

This chart assumes an initial investment of \$10,000 made on April 6, 2005. Past performance doesn't guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, maybe worth more or less than their original cost. All returns reflect reinvested dividends but do not reflect the impact of taxes. The Fund's gross total operating expenses as of its last prospectus is 1.46%.

Current performance may be higher or lower than the performance quoted. Performance information current to the most recent month-end may be obtained by calling 1-888-686-2729.

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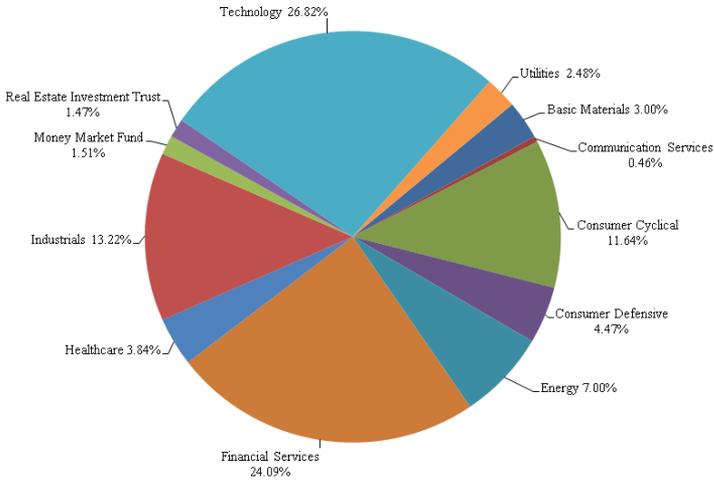
# THE ADIRONDACK SMALL CAP FUND

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## PORTFOLIO ILLUSTRATION MARCH 31, 2022 (UNAUDITED)

The following chart gives a visual breakdown of the Fund by the industry sectors the underlying securities represent as a percentage of the portfolio of investments.



Sectors are categorized using Morningstar® classifications.

# THE ADIRONDACK SMALL CAP FUND

## SCHEDULE OF INVESTMENTS MARCH 31, 2022

<u>Shares</u>	<u>Fair Value</u>
<b>COMMON STOCKS - 97.05%</b>	
<b>Accident &amp; Health Insurance - 4.08%</b>	
76,020 CNO Financial Group, Inc.	\$ 1,907,342
<b>Agriculture Production - Livestock &amp; Animal Specialties - 1.32%</b>	
11,200 Cal-Maine Foods, Inc.	618,464
<b>Apparel &amp; Other Finished Products of Fabrics &amp; Similar Material - 1.33%</b>	
36,400 Under Armour, Inc. Class A *	619,528
<b>Bakery Products - 2.08%</b>	
44,320 Hostess Brands, Inc. Class A *	972,381
<b>Business Services - 4.07%</b>	
368,677 Conduent, Inc. *	1,902,373
<b>Computer Communications Equipment - 1.29%</b>	
43,300 A10 Networks, Inc.	604,035
<b>Construction Special Trade Contractors - 1.71%</b>	
97,342 Matrix Service Co. *	800,151
<b>Crude Petroleum &amp; Natural Gas - 7.00%</b>	
59,800 Antero Resources Corp. *	1,825,694
10,500 Coterra Energy, Inc. Class A	283,185
56,100 CNX Resources Corp. *	1,162,392
	3,271,271
<b>Cutlery, Handtools &amp; General Hardware - 1.64%</b>	
64,561 Hillman Solutions Corp. Class A *	766,985
<b>Deep Sea Foreign Transportation of Freight - 2.66%</b>	
276,299 Ardmore Shipping Corp. (Bermuda) *	1,243,346
<b>Electric Lighting &amp; Wiring Equipment - 2.68%</b>	
208,653 LSI Industries, Inc.	1,251,918
<b>Electric &amp; Other Services Combined - 1.81%</b>	
12,637 Allete, Inc.	846,426
<b>Electrical Industrial Apparatus - 3.13%</b>	
152,078 Graftech International Ltd.	1,462,990
<b>Fire, Marine &amp; Casualty Insurance - 5.40%</b>	
181,381 SiriusPoint Ltd. (Bermuda) *	1,356,730
90,600 Tiptree, Inc. Class A	1,164,210
	2,520,940

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## SCHEDULE OF INVESTMENTS (CONTINUED) MARCH 31, 2022

<u>Shares</u>	<u>Fair Value</u>
<b>COMMON STOCKS (CONTINUED) - 97.05%</b>	
<b>Footwear, (No Rubber) - 0.96%</b>	
19,800      Wolverine World Wide, Inc.	\$ 446,688
<b>Glass Containers - 2.68%</b>	
95,010      O-I Glass, Inc. *	1,252,232
<b>Household Audio &amp; Video Equipment - 1.53%</b>	
33,165      Knowles Corp. *	714,042
<b>Industrial Inorganic Chemicals - 0.72%</b>	
189,793      Venator Materials PLC (United Kingdom) *	337,832
<b>Investment Advice - 1.43%</b>	
19,400      Lazard Ltd. Class A (Bermuda)	669,300
<b>Laboratory Analytical Instruments -0.91%</b>	
68,800      Harvard Bioscience, Inc. *	427,248
<b>Life Insurance - 5.83%</b>	
312,915      Genworth Financial, Inc. Class A *	1,182,819
7,316      National Western Life Group, Inc. Class A	1,539,286
	2,722,105
<b>Meat Packing Plants - 1.57%</b>	
174      Seaboard Corp.	731,755
<b>Metal Mining - 2.28%</b>	
33,000      Cleveland Cliffs, Inc. *	1,062,930
<b>Plastics Products - 0.58%</b>	
12,450      Myers Industries, Inc.	268,920
<b>Plastics, Foil &amp; Coated Paper Bags - 0.87%</b>	
40,195      Pactiv Evergreen, Inc.	404,362
<b>Printed Circuit Boards - 4.96%</b>	
139,840      Celestica, Inc. (Canada) *	1,665,494
16,128      Sanmina Corp. *	651,894
	2,317,388
<b>Retail-Apparel &amp; Accessory Stores - 2.09%</b>	
65,500      Hanesbrands, Inc.	975,295
<b>Retail-Eating &amp; Drinking Places - 0.71%</b>	
215,612      Drive Shack, Inc. *	332,043

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## SCHEDULE OF INVESTMENTS (CONTINUED) MARCH 31, 2022

<u>Shares</u>	<u>Fair Value</u>
<b>COMMON STOCKS (CONTINUED) - 97.05%</b>	
<b>Retail-Grocery Stores - 1.07%</b>	
5,600      Ingles Markets, Inc. Class A	\$ 498,680
<b>Retail-Miscellaneous Retail - 0.74%</b>	
57,104      EZCORP, Inc. Class A *	344,908
<b>Retail-Women's Clothing Stores - 1.85%</b>	
179,819      Chico's FAS, Inc. *	863,131
<b>Semiconductors &amp; Related Devices - 2.67%</b>	
5,000      Emcore Corp. *	18,500
72,300      Photronics, Inc. *	1,226,931
	1,245,431
<b>Services-Computer Integrated Systems Design - 5.55%</b>	
30,400      Allscripts Healthcare Solutions, Inc. *	684,608
49,400      Kyndryl Holdings, Inc. *	648,128
58,183      Unisys Corp. *	1,257,335
	2,590,071
<b>Services-Engineering Services - 1.57%</b>	
448,628      Hill International, Inc. *	731,264
<b>Special Industry Machinery - 0.94%</b>	
60,361      Manitex International, Inc. *	439,428
<b>State Commercial Banks - 3.10%</b>	
45,357      Trustco Bank Corp. NY	1,448,249
<b>Surety Insurance - 3.51%</b>	
74,600      MGIC Investment Corp.	1,010,830
24,350      Old Republic International Corp.	629,935
	1,640,765
<b>Surgical &amp; Medical Instruments &amp; Apparatus - 1.47%</b>	
206,730      Accuray, Inc. *	684,276
<b>Telephone &amp; Telephone Apparatus - 5.54%</b>	
79,700      ADTRAN, Inc.	1,470,465
128,700      Infinera Corp. *	1,115,829
	2,586,294
<b>Telephone Communications (No Radio Telephone) - 0.46%</b>	
10,700      Vonage Holdings Corp. *	217,103

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## SCHEDULE OF INVESTMENTS (CONTINUED) MARCH 31, 2022

<u>Shares</u>	<u>Fair Value</u>
<b>COMMON STOCKS (CONTINUED) - 97.05%</b>	
<b>Textile Mill Products - 0.59%</b>	
15,124      Unifi, Inc. *	\$    273,744
<b>Water Supply - 0.67%</b>	
25,911      Pure Cycle Corp. *	<u>311,450</u>
TOTAL FOR COMMON STOCKS (Cost \$34,724,806) - 97.05%	<u>45,325,084</u>
<b>REAL ESTATE INVESTMENT TRUSTS - 1.47%</b>	
26,600      Brixmor Property Group, Inc.	<u>686,546</u>
TOTAL REAL ESTATE INVESTMENT TRUSTS (Cost \$226,197) - 1.47%	<u>686,546</u>
<b>SHORT-TERM INVESTMENT - 1.51%</b>	
704,543      Federated Treasury Obligation Fund - Institutional Shares 0.13% **	<u>704,543</u>
TOTAL SHORT-TERM INVESTMENT (Cost \$704,543) - 1.51%	<u>704,543</u>
<b>TOTAL INVESTMENTS (Cost \$35,655,546) - 100.03%</b>	46,716,173
<b>LIABILITIES LESS OTHER ASSETS, NET - (0.03)%</b>	<u>(14,628)</u>
<b>NET ASSETS - 100.00%</b>	<u>\$46,701,545</u>

\* Non-income producing securities during the period.

\*\* Variable rate security; the money market rate shown represents the yield at March 31, 2022.

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## STATEMENT OF ASSETS AND LIABILITIES MARCH 31, 2022

Assets:	
Investments in Securities, at Fair Value (Cost \$35,655,546)	\$ 46,716,173
Cash	1,999
Receivables:	
Securities Sold	31,306
Dividends and Interest	19,002
Shareholder Subscriptions	371
Prepaid Expenses	16,753
Total Assets	<u>46,785,604</u>
Liabilities:	
Shareholder Redemptions	14,634
Due to Advisor	42,112
Due to Trustees	1,599
Accrued Expenses	25,714
Total Liabilities	<u>84,059</u>
Net Assets	<u>\$ 46,701,545</u>
Net Assets Consist of:	
Paid In Capital	\$ 46,070,625
Distributable Earnings/(Deficit)	630,920
Net Assets, for 2,015,461 Shares Outstanding	<u>\$ 46,701,545</u>
Net Asset Value Per Share	<u>\$ 23.17</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## STATEMENT OF OPERATIONS

For the Year Ending March 31, 2022

Investment Income:	
Dividends	\$ 497,031
Interest	65
Total Investment Income	<u>497,096</u>
Expenses:	
Advisory	548,035
Transfer Agent	48,921
Legal	8,297
Custodian	10,545
Audit	15,229
Trustees	19,300
Chief Compliance Officer	21,222
Insurance	10,652
Registration and Filing Fees	29,965
Printing and Mailing	4,279
Miscellaneous Fees	8,344
Total Expenses	<u>724,789</u>
Net Investment Loss	<u>(227,693)</u>
Realized and Unrealized Gain (Loss) on Investments:	
Realized Gain on Investments	9,574,149
Net Change in Unrealized Depreciation on Investments	<u>(4,975,007)</u>
Realized and Unrealized Gain on Investments	<u>4,599,142</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 4,371,449</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended	
	3/31/2022	3/31/2021
Increase (Decrease) in Net Assets From Operations:		
Net Investment Loss	\$ (227,693)	\$ (230,308)
Net Realized Gain (Loss) on Investments	9,574,149	(7,921,825)
Unrealized Appreciation (Depreciation) on Investments	(4,975,007)	46,317,212
Net Increase in Net Assets Resulting from Operations	4,371,449	38,165,079
Distributions to Shareholders:		
Distributions	-	(66,309)
Total Dividends and Distributions Paid to Shareholders	-	(66,309)
Capital Share Transactions	(14,133,866)	(44,084,882)
Total Decrease in Net Assets	(9,762,417)	(5,986,112)
Net Assets:		
Beginning of Year	56,463,962	62,450,074
End of Year	\$ 46,701,545	\$ 56,463,962

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## FINANCIAL HIGHLIGHTS

Selected date for a share outstanding throughout the year.

	Years Ended				
	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018
Net Asset Value, at Beginning of Year	\$ 21.35	\$ 10.99	\$ 17.24	\$ 21.40	\$ 22.61
Income From Investment Operations:					
Net Investment Income (Loss) *	(0.10)	(0.06)	0.01	(0.01)	(0.02)
Net Gain (Loss) on Securities (Realized and Unrealized)	1.92	10.44	(6.21)	(1.82)	1.07
Total from Investment Operations	1.82	10.38	(6.20)	(1.83)	1.05
Distributions:					
Net Investment Income	-	(0.02)	-	-	-
Realized Gains	-	-	(0.05)	(2.33)	(2.26)
Total from Distributions	-	(0.02)	(0.05)	(2.33)	(2.26)
Net Asset Value, at End of Year	\$ 23.17	\$ 21.35	\$ 10.99	\$ 17.24	\$ 21.40
Total Return **	8.52%	94.50%	(36.07)%	(6.96)%	4.12%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 46,702	\$ 56,464	\$ 62,450	\$ 152,958	\$ 249,204
Before Waivers and Reimbursements					
Ratio of Expenses to Average Net Assets	1.43%	1.45%	1.35%	1.24%	1.26%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.45)%	(0.38)%	0.09%	(0.03)%	(0.07)%
After Waivers and Reimbursements					
Ratio of Expenses to Average Net Assets	1.43%	1.45%	1.35%	1.24%	1.26%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.45)%	(0.38)%	0.09%	(0.03)%	(0.07)%
Portfolio Turnover	21.81%	32.52%	32.96%	30.77%	37.67%

\* Per share net investment income (loss) has been determined on the basis of average shares outstanding during the year.

\*\* Assumes reinvestment of dividends.

The accompanying notes are an integral part of these financial statements.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

### **Note 1. Organization**

The Adirondack Small Cap Fund (the “Fund”) is the only series of Adirondack Funds (the “Trust”), an open-end, diversified, investment company that was organized as an Ohio business trust on December 8, 2004. The Trust is permitted to issue an unlimited number of shares of beneficial interest of separate series. The Fund commenced investment operations April 6, 2005. The Fund’s investment objective is long-term capital appreciation. The Fund’s principal investment strategy is to invest in a diversified portfolio of equity securities of small capitalization companies that the Fund’s investment adviser, Adirondack Research & Management, Inc. (the “Advisor”), believes are undervalued.

### **Note 2. Summary of Significant Accounting Policies**

*The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements. The Fund is an investment company that follows the accounting and reporting guidance of Accounting Standards Codification Topic 946, including Financial Accounting Standards Board Accounting Standards Update 2013-08 applicable to investment companies.*

*Security Valuation:* All investments in securities are recorded at their estimated fair value according to the procedures described in Note 3.

*Foreign currency:* Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund’s books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

*Federal Income Taxes:* The Fund makes no provision for federal income or excise tax. The Fund intends to qualify each year as a “regulated investment company” (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended, by complying with the requirements applicable to RICs and by distributing substantially all of their taxable income. The Fund also intends to distribute sufficient net investment income and net capital gains, if any, so that they will not be subject to excise tax on undistributed

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

income and gains. If the required amount of net investment income or gains is not distributed, the Fund could incur a tax expense. Therefore, no federal income tax or excise provision is required.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Management has analyzed the Fund's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2019-2021) or expected to be taken in the Fund's 2022 tax returns. The Fund identifies its major tax jurisdiction as U.S. federal, however the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the year ended March 31, 2022, the Fund did not incur any interest or penalties.

*Distributions to Shareholders:* The Fund intends to distribute to its shareholders substantially all of its net realized capital gains and net investment income, if any, at year-end. Distributions will be recorded on the ex-dividend date.

*Security Transactions and Investment Income:* The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Discounts and premiums are amortized over the useful lives of the respective securities. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

*Use of Estimates:* The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

*Reclassifications:* The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from GAAP. These differences are due to different treatments for items such as net short-term gains, deferral of wash sales losses, flow through income from real estate investment trusts and net investment losses. Permanent differences such as tax return of capital, capital gains retained and net investment losses, if any, would be reclassified against capital.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

### **Note 3. Security Valuations**

#### *Processes and Structure*

The Board of Trustees has adopted guidelines for valuing securities including in circumstances in which market quotes are not readily available and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Trustees.

#### *Fair Value Pricing Policy*

If market quotations are not readily available, the security will be valued at fair value (the amount which the owner might reasonably expect to receive for the security upon its current sale) as determined in good faith by the Advisor ("Fair Value" Pricing), subject to review by the Board of Trustees. The Advisor must use reasonable diligence in determining whether market quotations are readily available. If, for example, the Advisor determines that one source of market value is unreliable, the Advisor must diligently seek market quotations from other sources, such as other brokers or pricing services, before concluding that market quotations are not available. Fair Value Pricing is not permitted when market quotations are readily available.

#### *Hierarchy of Fair Value Inputs*

The Fund utilizes various methods to measure the fair value of most of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of inputs are as follows:

- *Level 1.* Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- *Level 2.* Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- *Level 3.* Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the company's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### *Fair Value Measurements*

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows.

*Equity securities (common stocks and real estate investment trusts).* Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, exchange traded funds, and the movement of the certain indexes of securities based on a statistical analysis of the historical relationship and that are categorized in Level 2. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are also categorized in Level 2.

*Short term investments.* Investments in other open-end investment companies, including money market funds, are valued at the investment company's net asset value per share. These securities will be categorized in Level 1 of the fair value hierarchy.

The following table summarizes the inputs used to value the Fund's assets and liabilities measured at fair value as of March 31, 2022:

<i>Categories</i>	<b>Financial Instruments—Assets</b>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Fair Value</i>
Common Stocks *	\$ 45,325,084	\$ -	\$ -	\$ 45,325,084
Real Estate Investment Trusts	686,546	-	-	686,546
Short-Term Investment	704,543	-	-	704,543
	<u>\$ 46,716,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,716,173</u>

The Fund did not hold any Level 3 assets during the year ended March 31, 2022. The Fund did not hold any derivative instruments at any time during the year ended March 31,

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

2022. There were no significant transfers into and out of Level 1 or Level 2 during the period. It is the Fund's policy to recognize transfers into and out of all levels at the end of the reporting period.

\* Industry classifications of these categories are detailed on the Fund's Schedule of Investments.

### **Note 4. Investment Management Agreement and Related Party**

The Fund has a management agreement (the "Agreement") with the Advisor to furnish investment advisory and management services to the Fund. Gregory A. Roeder and Matthew Reiner, each an officer of the Fund, are shareholders of the Advisor. Under the Agreement, the Advisor earns a monthly fee from the Fund. The monthly fee is based on an annual rate of 1.08% of the Fund's average daily net assets. The Advisor agreed to waive fees or reimburse the Fund should the total operating expenses of the Fund exceed 1.48% until August 1, 2022. The Advisor's obligation to waive fees or reimburse expenses excludes brokerage fees and commissions, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), taxes, extraordinary expenses, and costs of acquired funds. Any waiver or reimbursement by the Advisor is subject to repayment by the Fund within three years after the waived and/or reimbursed expenses occurred, if the Fund is able to make repayment without exceeding the lesser of its current expense limitation or the expense limitation in effect at the time of the reduction, and the repayment is approved by the Board of Trustees. For the year ended March 31, 2022, the Advisor earned advisory fees of \$548,035. As of March 31, 2022, the Fund owed the Advisor \$42,112.

### **Related Party**

An employee of the Advisor is also, independently, the Chief Compliance Officer of the Fund. The Board of Trustees approves the annual compliance officer fees paid directly by the Fund to this individual. This individual was the Chief Compliance Officer of the Fund before becoming an employee of the Advisor.

### **Note 5. Distribution Agreement**

The Fund entered into a Distribution Agreement with Rafferty Capital Markets, LLC ("RCM") on May 30, 2014 (which became effective July 1, 2014), after approval of the Distribution Agreement by the Board of Trustees at a meeting held on May 16, 2014. Under the Distribution Agreement, RCM acted as the Fund's principal underwriter in connection with the offering and sale of shares of the Fund. The Advisor, from its own resources, and not the Fund, was responsible for the payment of the distribution fees to RCM in the amount of \$16,000 per year and also any other out-of-pocket expenses which were disclosed in the Distribution Agreement between the Fund and RCM. This Distribution Agreement ended as of October 1, 2021. The Fund does not have a distributor.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

### Note 6. Capital Share Transactions

The Fund is authorized to issue an unlimited number of shares of separate series. The total paid-in capital was \$46,070,625 as of March 31, 2022. Transactions in capital for the years ended March 31, 2022 and 2021 were as follows:

	<u>March 31, 2022</u>		<u>March 31, 2021</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares sold	126,871	\$ 2,868,459	434,743	\$ 5,675,340
Shares reinvested	-	-	3,687	66,079
Shares redeemed	<u>(756,421)</u>	<u>(17,002,325)</u>	<u>(3,477,978)</u>	<u>(49,826,301)</u>
Net decrease	<u>(629,550)</u>	<u>\$ (14,133,866)</u>	<u>(3,039,548)</u>	<u>\$ (44,084,882)</u>

### Note 7. Investment Transactions

For the year ended March 31, 2022, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$10,909,150 and \$25,260,488, respectively.

### Note 8. Tax Matters

As of March 31, 2022, the tax basis components of unrealized appreciation (depreciation) and cost of investment securities were as follows:

Federal tax cost of investments, including short-term investments *	<u>\$ 36,895,415</u>
Gross tax appreciation of investments	\$ 13,462,954
Gross tax depreciation of investments	<u>(3,642,196)</u>
Net tax appreciation of investments	<u>\$ 9,820,758</u>

\* The difference between the book cost and tax cost of investments represents the tax deferral of losses on wash sales.

The Fund's distributable earnings on a tax basis is determined only at the end of each fiscal year. As of March 31, 2022, the Fund's most recent fiscal year end, the components of distributable earnings on a tax basis were as follows:

Long-term Capital Loss Carryforward – Non-expiring	\$ (9,118,043)
Post December Loss - deferred	(71,795)
Net Unrealized Appreciation of Investments	<u>9,820,758</u>
Total Distributable Earnings	<u>\$ 630,920</u>

Under current tax law, net capital losses realized after October 31<sup>st</sup> and net ordinary losses incurred after December 31<sup>st</sup> may be deferred and treated as occurring on the first day of the following year. As of March 31, 2022, the Fund elected to defer \$71,795 of

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2022

post December losses. The Fund utilized \$9,544,754 of capital loss carryforwards during the fiscal year March 31, 2022.

As of March 31, 2022, the Fund has a capital loss carryforward available for federal income tax purposes, which can be used to offset future capital gains, as follows:

Long-term non-expiring	\$ 9,118,043
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The Fund has recorded a reclassification in the capital accounts. As of March 31, 2022, the Fund recorded permanent book/tax differences of \$192,481 from net investment loss to paid-in-capital. This reclassification has no impact on the net asset value of the Fund.

Ordinary income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

No distributions were paid during the year ended March 31, 2022.

The tax character of distributions paid during the year ended March 31, 2021 was as follows:

	<b><u>March 31, 2021</u></b>
Ordinary Income	\$ 66,309

### **Note 9. Commitments and Contingencies**

In the normal course of business, the Fund may enter into contracts that may contain a variety of representations and warranties and provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, management considers the risk of loss from such claims to be remote.

### **Note 10. Control and Ownership**

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of a fund under section 2(a)(9) of the Investment Company Act of 1940, as amended. As of March 31, 2022, National Financial Services Corp., for the benefit of its customers, owned approximately 26% of the Fund.

### **Note 11. Risk Factors**

Overall market risks may also affect the value of the Fund. Factors such as domestic economic growth and market conditions, interest rate levels and political events affect the securities markets. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions and depressions, climate change, or other events could have a significant impact on the Fund and its

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2022

investments and could result in increased premiums or discounts to the Fund's net asset value, and may impair market liquidity, thereby increasing liquidity risk. The Fund could lose money over short periods due to short-term market movements and over longer periods during more prolonged market downturns. During a general market downturn, multiple asset classes may be negatively affected. Changes in market conditions and interest rates can have the same impact on all types of securities and instruments.

Certain impacts from the COVID-19 outbreak, and other infectious illness outbreaks that may arise in the future, may have a significant negative impact on the Fund's operations and performance. These circumstances may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.

### **Note 12. Subsequent Events**

Management has evaluated the impact of all subsequent events on the Fund through the issuance of these financial statements and has noted no such events requiring disclosure.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Shareholders and Board of Trustees  
of The Adirondack Small Cap Fund,  
a Series of the Adirondack Funds

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of The Adirondack Small Cap Fund, (the "Fund") a Series of the Adirondack Funds, including the schedule of investments, as of March 31, 2022, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the related notes (collectively referred to as the "financial statements") and the financial highlights for each of the five years in the period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of The Adirondack Small Cap Fund as of March 31, 2022, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risk of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities and cash owned as of March 31, 2022, by correspondence with the custodian and brokers. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.



We have served as the Fund's auditor since 2005  
Abington, Pennsylvania  
May 25, 2022

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# THE ADIRONDACK SMALL CAP FUND

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## EXPENSE ILLUSTRATION MARCH 31, 2022 (UNAUDITED)

### Expense Example

As a shareholder of The Adirondack Small Cap Fund, you incur ongoing costs which typically consist of: management fees, custody fees, transfer agent fees, and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, October 1, 2021 through March 31, 2022.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second line of the table is useful in comparing your ongoing costs only, and will not help you determine the relative total costs of owning different funds. If transactional costs were included where applicable, your costs may be higher.

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>October 1, 2021</u>	<u>March 31, 2022</u>	<u>October 1, 2021 to March 31, 2022</u>
Actual	\$1,000.00	\$1,039.48	\$7.27
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.80	\$7.19

\* Expenses are equal to the Fund's annualized expense ratio of 1.43%, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half year period).

# THE ADIRONDACK SMALL CAP FUND

## TRUSTEES AND OFFICERS MARCH 31, 2022 (UNAUDITED)

The following table provides information regarding each Trustee who is not an “interested person” of the Trust, as defined in the Investment Company Act of 1940, as amended. Each Trustee serves as a trustee until the termination of the Trust unless the Trustee dies, resigns, retires or is removed.

Name, Address and Year of Birth	Position & Length of Time Served with the Trust	Number of Portfolios Overseen	Principal Occupations and Directorships During Past 5 Years
Kevin Gallagher 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1964	Trustee since March 2005	1	Owner and Managing Partner of Panurgy NY Metro, LLC (information technology services firm) since 2004.
Wade Coton 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1968	Trustee since March 2005	1	Owner, Manchester Homes, LLC since March 2013.
Norman Joseph Plourde 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1963	Trustee since March 2005	1	President, Ideal Wood Products since January 2015.

The following table provides information regarding each Trustee who is an “interested person” of the Trust, as defined in the Investment Company Act of 1940, as amended, and each officer of the Trust.

Name, Address and Year of Birth	Position & Length of Time Served with the Trust	Number of Portfolios Overseen	Principal Occupations and Directorships During Past 5 Years
Gregory A. Roeder 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1963	President since March 2005	N/A	President and Portfolio Manager, Adirondack Research & Management, Inc. since 2004.
Jarrod H. Becker 45 Nashville Rd. Jericho, VT 05465 Year of Birth: 1977	Secretary since 2011; Chief Compliance Officer since 2010	N/A	Chief Compliance Officer, Adirondack Research & Management, Inc. since July 2013.
Matthew P. Reiner 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1965	Treasurer and Principal Financial Officer since March 2005	N/A	CFO and Portfolio Manager, Adirondack Research & Management, Inc. since February 2005.

The Fund’s Statement of Additional Information contains additional information about the Trustees and Officers, and is available without charge by calling (888) 686-2729.

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# THE ADIRONDACK SMALL CAP FUND

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## ADDITIONAL INFORMATION

MARCH 31, 2022 (UNAUDITED)

**Portfolio Holdings** – The Fund files a complete schedule of investments with the Securities and Exchange Commission (“SEC”) for each month of the fiscal year on Form N-PORT. The Fund’s complete schedule of investments for the last month of each quarter are available publicly. The Form N-PORT filings must be made within 60 days of the end of the quarter. The Fund’s Forms N-PORT are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). You may also obtain copies by calling the Fund at (888) 686-2729, free of charge.

**Proxy Voting** - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, are available without charge upon request by (1) calling the Fund at (888) 686-2729 and (2) from Fund documents filed with the SEC on the SEC's website at [www.sec.gov](http://www.sec.gov). A review of how the Fund voted on company proxies can be obtained at the Fund’s transfer agent’s website, [www.mutualss.com](http://www.mutualss.com).

**Board of Trustees**

Wade Coton  
Kevin Gallagher  
Norman Joseph Plourde

**Investment Adviser**

Adirondack Research and Management, Inc.  
2390 Western Avenue  
Guilderland, NY 12084

**Dividend Paying Agent,  
Shareholders' Servicing Agent,  
Transfer Agent**

Mutual Shareholder Services, LLC  
8000 Town Centre Drive, Suite 400  
Broadview Heights, OH 44147

**Custodian**

The Huntington National Bank, NA  
41 South High Street  
Columbus, OH 43215

**Independent Registered Public Accounting Firm**

Sanville & Company  
1514 Old York Road  
Abington, PA 19001

**Legal Counsel**

Thompson Hine LLP  
41 South High Street, Suite 1700  
Columbus, OH 43215

**Distributor**

Rafferty Capital Markets, LLC  
1010 Franklin Avenue, Suite 300A  
Garden City, NY 11530

As of October 1, 2021, this distributor relationship ended and the Fund does not have a distributor.

*This report is provided for the general information of the shareholders of The Adirondack Small Cap Fund. This report is not intended for distribution to prospective investors in the Fund, unless preceded or accompanied by an effective prospectus.*