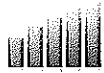


**MOHONK PRESERVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

**MOHONK PRESERVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses	6-7
Notes to Financial Statements	8-19



Shallo, Galluscio, Bianchi & Fucito
Certified Public Accountants, P.C.

Dom Shallo, CPA
Robert Galluscio, CPA
Rick Bianchi, CPA
Scott D. Shallo, CPA, Esq.
Thomas Fucito, CPA

To the Board of Directors
Mohonk Preserve, Inc.
P.O. Box 715
New Paltz, New York 12561

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Mohonk Preserve, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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.

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 Mohonk Preserve, Inc. as of December 31, 2013, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Shallo Galluscio Bianchi & Fucito CA, PC

SHALLO, GALLUSCIO, BIANCHI & FUCITO
CERTIFIED PUBLIC ACCOUNTANTS, PC
Hudson, New York
April 1, 2014

MOHONK PRESERVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

CURRENT ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Cash	\$ 606,508	\$ 584,142	\$ 37,830	\$ 1,228,480
Accounts Receivable	3,043	-	-	3,043
Unconditional Promises to Give, net	-	704,955	12,000	716,955
Accrued Interest Receivable	17,881	-	-	17,881
Grants Receivable	-	500,000	-	500,000
Investments-Gift Annuity	-	343,723	-	343,723
Investments	5,594,705	1,378,367	2,512,142	9,485,214
Prepaid Expenses	33,313	-	-	33,313
Deposit on Land	1,035,275	-	-	1,035,275
TOTAL CURRENT ASSETS	7,290,725	3,511,187	2,561,972	13,363,884
FIXED ASSETS, NET	6,176,121	-	-	6,176,121
LAND	2,521,491	-	-	2,521,491
TOTAL ASSETS	\$ 15,988,337	\$ 3,511,187	\$ 2,561,972	\$ 22,061,496
CURRENT LIABILITIES				
Accounts Payable	\$ 72,555	\$ -	\$ -	\$ 72,555
Sales Tax Payable	242	-	-	242
Gift Annuity Payable	-	145,769	-	145,769
Accrued Salaries and Payroll Taxes	190,879	-	-	190,879
Employee Benefit Payable	1,597	-	-	1,597
Security Deposit Payable	3,185	-	-	3,185
Unearned Revenue	7,550	-	-	7,550
Notes Payable	1,627,335	-	-	1,627,335
TOTAL CURRENT LIABILITIES	1,903,343	145,769	-	2,049,112
NET ASSETS	14,084,994	3,365,418	2,561,972	20,012,384
TOTAL LIABILITIES AND NET ASSETS	\$ 15,988,337	\$ 3,511,187	\$ 2,561,972	\$ 22,061,496

See Independent Auditor's Report and Accompanying Notes to Financial Statements

**MOHONK PRESERVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

PUBLIC SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2013
<u>PUBLIC SUPPORT</u>				
Memberships	\$ 716,886	\$ -	\$ -	\$ 716,886
Life Memberships	63,690	-	-	63,690
Contributions	534,249	522,488	29,810	1,086,547
Grants	111,018	131,500	-	242,518
Bequests	1,206,722	-	20	1,206,742
TOTAL PUBLIC SUPPORT	2,632,565	653,988	29,830	3,316,383
<u>REVENUE</u>				
Program Service and Activity Fees	401,196	-	-	401,196
Interest and Dividends	150,587	37,960	-	188,547
Gift Shop Sales	32,296	-	-	32,296
Gain on Sale of Investments	89,606	18,969	-	108,575
Fees for Services	105,402	-	-	105,402
Special Event Income	347,700	-	-	347,700
Rental Income	57,825	-	-	57,825
Unrealized Gain on Investments	1,090,395	253,972	-	1,344,367
Change in Value of Split Interest Agreements	-	(25,966)	-	(25,966)
Gain(Loss) on Sale of Fixed Assets	(2,132)	-	-	(2,132)
Other Income	1,005	-	-	1,005
TOTAL REVENUE	2,273,880	284,935	-	2,558,815
Net Assets Released from Restriction	301,260	(301,260)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,207,705	637,663	29,830	5,875,198
<u>EXPENSES</u>				
Program Services	2,421,781	-	-	2,421,781
Supporting Services	1,131,130	-	-	1,131,130
Total Expenses	3,552,911	-	-	3,552,911
Changes in Net Assets	1,654,794	637,663	29,830	2,322,287
NET ASSETS -BEGINNING OF YEAR	11,880,200	3,277,755	2,532,142	17,690,097
INTERFUND TRANSFERS	550,000	(550,000)	-	-
NET ASSETS -END OF YEAR	\$ 14,084,994	\$ 3,365,418	\$ 2,561,972	\$ 20,012,384

See Independent Auditor's Report and Accompanying Notes to Financial Statements

MOHONK PRESERVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2013</u>
Change in Net Assets	\$ 2,322,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	358,173
Gain on Sale of Investments	(108,875)
Unrealized Gain on Investments	(1,344,067)
Loss on Sale of Fixed Assets	2,132
Changes in Assets and Liabilities:	
Accounts Receivable	(590)
Unconditional Promises to Give, net	274,260
Accrued Interest Receivable	7,488
Grants Receivable	501,500
Prepaid Expenses	(5,483)
Deposit on Land	(858,500)
Accounts Payable	(133,325)
Sales Tax Payable	97
Gift Annuity Payable	(45,890)
Accrued Salaries and Payroll Taxes	(7,666)
Employee Benefit Payable	(3,639)
Security Deposit Payable	(50)
Unearned Revenue	6,050
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>963,902</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	740,493
Purchase of Investments	(390,883)
Purchase of Improvements and Equipment	(423,558)
Proceeds from Sale of Fixed Asset	82,168
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,220</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Short-Term Borrowing	74,273
Repayment of Short-Term Borrowing	(500,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(425,727)</u>
NET INCREASE IN CASH	546,395
CASH AT BEGINNING OF YEAR	<u>682,085</u>
CASH AT END OF YEAR	<u><u>\$ 1,228,480</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

MOHONK PRESERVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	PROGRAM SERVICES				
	Environmental Education	Land Stewardship	Land Protection	Conservation Science	Total Program Services
Wages	\$ 416,893	\$ 530,370	\$ 111,914	\$ 207,027	\$ 1,266,204
Payroll Taxes	30,734	40,062	7,710	15,718	94,224
Payroll Related Insurance	48,209	59,416	16,628	30,002	154,255
Pension Expense	15,940	18,753	5,782	10,236	50,711
Total Wages and Related Expenses	511,776	648,601	142,034	262,983	1,565,394
Contract Services and Consulting	13,720	43,242	15,931	3,770	76,663
Legal and Accounting	6,687	10,206	64,472	4,214	85,579
Honoraria	4,288	-	-	6,000	10,288
Occupancy	3,224	16,844	1,721	9,127	30,916
Auto and Truck Expense	-	48,349	-	1,412	49,761
Printing and Publications	38,376	9,703	536	81	48,696
Exhibit Supplies and Materials	2,830	251	-	-	3,081
Insurance	6,200	30,455	4,912	5,325	46,892
Maintenance Supplies and Materials	142	47,251	34	2,062	49,489
Program Supplies	11,328	14,235	1,230	2,110	28,903
Office Supplies and Materials	2,318	3,476	1,067	1,695	8,556
Information Technology	10,684	6,258	1,647	5,155	23,744
Dues and Subscriptions	988	2,840	5,833	1,422	11,083
Telephone and Internet	2,754	9,914	2,021	4,596	19,285
Postage	10,175	1,031	639	164	12,009
Travel	3,593	4,043	5,815	1,063	14,514
Special Events	5,811	-	-	-	5,811
Meetings and Professional Development	4,457	12,175	4,350	3,524	24,506
Board of Director's Expense	-	-	-	-	-
Investment Management Fees	-	-	-	-	-
Contributions	-	1,250	10,105	-	11,355
Personnel Recruitment	1,564	1,858	1	-	3,423
Interest Expense	3,034	5,746	1,783	2,807	13,370
Cost of Sales	-	22,623	-	-	22,623
Miscellaneous Administration Expense	8	1,527	2	7	1,544
Real Estate Taxes	-	-	1,784	-	1,784
Sub-Total	132,181	293,277	123,883	54,534	603,875
Depreciation	57,308	108,526	33,668	53,010	252,512
TOTAL EXPENSES	\$ 701,265	\$ 1,050,404	\$ 299,585	\$ 370,527	\$ 2,421,781

See Independent Auditor's Report and Accompanying Notes to Financial Statements

MOHONK PRESERVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	SUPPORTING SERVICES			
	Management & General	Development & Fund-raising	Total Support Services	TOTAL 2013
Wages	\$ 160,408	\$ 292,098	\$ 452,506	\$ 1,718,710
Payroll Taxes	11,575	21,624	33,199	127,423
Payroll Related Insurance	25,694	55,147	80,841	235,096
Pension Expense	8,907	18,518	27,425	78,136
Total Wages and Related Expenses	206,584	387,387	593,971	2,159,365
Contract Services and Consulting	2,569	164,632	167,201	243,864
Legal and Accounting	12,235	14,169	26,404	111,983
Honoraria	-	350	350	10,638
Occupancy	2,709	2,798	5,507	36,423
Auto and Truck Expense	-	104	104	49,865
Printing and Publications	322	28,871	29,193	77,889
Exhibit Supplies and Materials	-	-	-	3,081
Insurance	5,325	5,288	10,613	57,505
Maintenance Supplies and Materials	198	102	300	49,789
Program Supplies	1,128	3,200	4,328	33,231
Office Supplies and Materials	3,599	2,978	6,577	15,133
Information Technology	3,568	5,167	8,735	32,479
Dues and Subscriptions	2,362	1,005	3,367	14,450
Telephone and Internet	2,251	2,187	4,438	23,723
Postage	186	13,105	13,291	25,300
Travel	3,529	3,674	7,203	21,717
Special Events	-	56,978	56,978	62,789
Meetings and Professional Development	3,363	4,266	7,629	32,135
Board of Director's Expense	2,945	-	2,945	2,945
Investment Management Fees	4,552	-	4,552	4,552
Contributions	-	-	-	11,355
Personnel Recruitment	2	2,195	2,197	5,620
Interest Expense	2,807	2,788	5,595	18,965
Cost of Sales	-	-	-	22,623
Miscellaneous Administration Expense	56,717	7,274	63,991	65,535
Real Estate Taxes	-	-	-	1,784
Sub-Total	110,367	321,131	431,498	1,035,373
Depreciation	53,010	52,651	105,661	358,173
TOTAL EXPENSES	\$ 369,961	\$ 761,169	\$ 1,131,130	\$ 3,552,911

See Independent Auditor's Report and Accompanying Notes to Financial Statements

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Founded in 1978, Mohonk Preserve, Inc. ("the Organization") is the largest member and visitor-supported nature preserve in New York State. Our mission is to protect the Shawangunk Mountains by inspiring people to care for, enjoy, and explore the natural world. We accomplish the mission through our core program services: land protection and stewardship, conservation science, and environmental education.

Basis of Accounting

The financial statements of Mohonk Preserve, Inc. are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Contributions

The Organization accounts for contributions in accordance with the recommendations of generally accepted accounting principles. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire with the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period in which the contribution or promises to give are received. Promises to give which are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers cash equivalents to be investments with maturities of three months or less at acquisition date. The cost of the cash equivalents, which consist of certificates of deposit and commercial paper, approximates market value. Cash and cash equivalents held in investment accounts are included in investments and excluded from cash for the purposes of the Statements of Financial Position and Cash Flows.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. At December 31, 2013, management determined that all outstanding receivables were collectible.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments consist of cash, cash equivalents, bonds, publicly traded shares of common stocks, mutual funds, and exchange-traded funds, purchased and recorded at cost or received as contributions and recorded at fair market value as of the date received. Recorded amounts are adjusted to fair market values at year end. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Property, Equipment and Land

Property and equipment that is purchased is recorded at cost. Donated property and equipment is recorded at fair market value as of the date of the donation. Expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Functional Expense Allocation

The costs of providing various programs and other activities 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 services benefited.

Voluntary Contributions

While the Organization is exempt from property tax on the lands it owns for public access and conservation purposes, it is the organization's policy to make annual voluntary contributions to the town or village in which the public conservation areas that it owns are located.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

Restricted Revenue

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Tax Status

Mohonk Preserve, Inc. is exempt from Federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3). Therefore, no provision for income taxes has been made.

Uncertain Tax Positions

Tax positions primarily include the Organization's tax exempt status and unrelated business income. Management has assessed significant tax positions and believes that there are no such tax positions required to be recognized. Penalties and interest, if any, assessed by taxing authorities will be included in expenses in the year of assessment. The Organization files IRS Form 990 in the U.S. federal jurisdiction and the three prior years returns remain open to examination.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated a considerable number of hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services, and specialized skills, which enhanced or created a financial asset, are reflected in the statement of activities at their fair value.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2: Investments in Fixed Assets

Land consists of 7,251 acres of property and easements that have been transferred from the Mohonk Trust, purchased, or donated. Investment in land is \$2,521,491 at December 31, 2013.

At December 31, 2013, fixed assets are summarized as follows:

	2013
Buildings	\$ 3,645,544
Land & Building Improvements	3,202,075
Land	2,521,491
Machinery & Equipment	1,105,820
Carriage Roads	588,820
Exhibits	43,969
Automobiles & Trucks	511,063
Construction In Progress	76,105
Total Cost Basis in Fixed Assets	11,694,887
Less Accumulated Depreciation	(2,997,275)
Total Net Fixed Assets	\$ 8,697,612

Note 3: Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). However, as of the balance sheet date the uninsured balance was \$903,916.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: Restrictions on Cash

During 2013, the Mohonk Preserve, Inc. received contributions and grants restricted for various programs. At December 31, 2013, the following funds were held in cash accounts restricted for the following purposes:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Checking Cash	\$ 590,110	\$ 569,000	\$ 37,830	\$ 1,196,940
Capital Campaign Fund	-	15,142	-	15,142
Depreciation Fund	13,748	-	-	13,748
Trail Head Cash	2,300	-	-	2,300
Petty Cash and Other	350			350
Totals by Restrictions	\$ 606,508	\$ 584,142	\$ 37,830	\$ 1,228,480

Note 5: Marketable Securities

Investments in marketable securities with readily determinable fair values are reported at their fair market values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Marketable securities, including Gift Annuity securities, of the Organization are summarized as follows:

	Cost	Fair Market Value	Unrealized Appreciation/ (Depreciation)
Stock Mutual Funds	\$ 4,151,830	\$ 6,678,723	\$ 2,526,893
Bond Mutual Funds	2,517,157	2,652,996	135,839
Bonds	116,446	75,905	(40,541)
Money Market	421,313	421,313	-
Total	\$ 7,206,746	\$ 9,828,937	\$ 2,622,191

Investment return is summarized as follows:

Interest/dividend income	\$ 188,547
Net realized and unrealized gains	1,452,942
Total investment return	\$ 1,641,489

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 6: Fair Value Measurements

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2013 were determined based on level one inputs only. See the table below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stock Mutual Funds	\$ 6,678,723
Bond Mutual Funds	2,652,996
Bonds	75,905
Money Market	421,313
Total	\$ 9,828,937

The fair value of the gift annuity payable is determined through level three inputs. There are no readily observable market data necessary to determine fair value of this liability. The Organization values the liability based on the present value of expected future annuity payments using a discount rate in effect at the time the annuity was established. Mortality estimates were obtained from the published 2000CM mortality tables. The Organization determined the fair value of the annuities payable to be \$145,769.

Note 7: Promises to Give

Unconditional promises to give at December 31, 2013, are as follows:

	2013
Unrestricted	\$ -
Capital Campaign	727,853
Endowment	12,000
	739,853
Less: Discount	(22,898)
	\$ 716,955

Note 8: Deposit on Land

During 2012, Mohonk Preserve, Inc. entered into an agreement to purchase real estate located in the Town of New Paltz, Ulster County, New York for \$2,150,000. A deposit of \$150,000 was paid in 2012 upon the execution of the Agreement of Sale. An additional deposit of \$850,000 was made during 2013. The balance is due in two installments; \$575,000 on or before September 1, 2014; \$575,000 at closing. Additional costs associated with acquiring this land totaled \$12,775.

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 8: Deposit on Land (continued)

The Organization deposited \$22,500 on the acquisition of additional property during 2012.

Note 9: Notes Payable

Notes payable are summarized as follows:

<u>Holder</u>	<u>Total</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Status</u>
M&T Bank	\$ -	\$ -	\$ -	(A)
M&T Bank	<u>1,627,335</u>	<u>1,627,335</u>	<u>-</u>	(B)
Totals	<u>\$ 1,627,335</u>	<u>\$ 1,627,335</u>	<u>\$ -</u>	

(A) Business access line of credit payable to M&T Bank with a maximum credit available of \$75,000. The loan is payable on demand with interest at a rate of 1½ % above Prime Rate and is secured by all assets of the Organization.

(B) Revolving demand note payable to M&T Bank with a maximum credit available of \$2,500,000. The loan is payable on demand. The interest rate during the draw period is variable at LIBOR plus 65 basis points. The interest rate at December 31, 2013 was 0.9%. The loan is secured by investments held in a separate account with a fair market value of \$4,181,102 at December 31, 2013.

Note 10: Donated Assets and Services

Donated assets are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, significant amounts of time have been donated to the organization's program and supporting services.

Note 11: Related Party Transactions

During the year ended December 31, 2013, Mohonk Preserve, Inc. expensed payments totaling \$1,600 which were made or due to Smiley Brothers, Inc. for goods and services provided at regular or discounted rates. Two members of the nineteen members of the Mohonk Preserve's Board of Directors are related to Smiley Brothers, Inc., which operates a resort hotel which adjoins the Mohonk Preserve, Inc. property. Also included in revenue on the accompanying financial statements are \$55 of payments received from Smiley Brothers, Inc. at regular rates for services provided.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 12: Related Party Transactions (continued)

During the year ended December 31, 2003, in order to provide access to their properties, Mohonk Preserve, Inc. entered into three "license agreements" with Smiley Brothers, Inc. In two of the agreements Mohonk Preserve is licensee, receiving, for no consideration, a temporary revocable right to enter upon and maintain a trail and a carriage road owned by Smiley Brothers, Inc. for the benefit of Mohonk Preserve's visitors and the public. In the third, Mohonk Preserve is licensor, granting a temporary revocable right, for no consideration, to Smiley Brothers, Inc. to allow Smiley Brothers to enter and maintain a section of carriage road and several open air "summer house" structures for the benefit of its visitors and the public. These land access "license agreements" are revocable by either party upon prior notice.

Note 13: Endowment Funds

The Organization's endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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 New York Prudent Management of Institutional Funds Act (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." The act 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 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.

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 13: Endowment Funds (continued)

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 NYPMIF A, 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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, 1/1/13	\$ 912,959	\$ 1,004,457	\$ 2,532,142	\$ 4,449,558
Contributions	-	12,798	29,830	42,628
Investment income	71,247	30,616	-	101,863
Net appreciation	525,757	225,722	-	751,479
Released or Transferred for Expenditures	<u>(141,535)</u>	<u>(73,596)</u>	<u>-</u>	<u>(215,131)</u>
Endowment funds, 12/31/13	<u>\$ 1,368,428</u>	<u>\$ 1,199,997</u>	<u>\$ 2,561,972</u>	<u>\$ 5,130,397</u>

Note 14: Pension Plan

The Organization has a defined contribution plan. The plan covers all employees after attaining age 21, who have worked a minimum of two years of service with the Organization, who work at least 1,000 hours annually, and are employees on the last day of the plan year. The plan provides that the Organization will contribute 7% of each eligible employee's annual salary. Pension plan expense for the years ended December 31, 2013 amounted to \$78,136.

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 15: Gift Annuity

The Organization has entered into Charitable Gift Annuity Agreements whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Organization's use. Assets received are recorded at fair market value on the date the agreement is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair market value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. The Organization has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Organization or any other purpose other than annuity benefits specified in the agreements. In addition, this portfolio of assets meets all requirements concerning permissible investment and mandated reserves as required by law. On an annual basis, the Organization revalues the liability based on applicable mortality tables and discount rates. In the event of the death of an annuitant, the Organization recognizes as income the balance of any annuity payable.

The following table reflects changes in the gift annuity liability during 2013:

Balance, December 31, 2012	191,659
Annuity Payments	(22,645)
Derecognition of liability	(49,211)
Increase in Split Interest liability	<u>25,966</u>
Balance, December 31, 2013	<u><u>145,769</u></u>

Note 16: Net Assets by Restriction

The net assets of the Organization by fund are as follows:

	2013
Unrestricted	
Unrestricted - Undesignated	\$ 12,716,566
Board Designated Endowment	<u>1,368,428</u>
Total Unrestricted	<u><u>14,084,994</u></u>
Temporarily Restricted	
Non-Endowment	2,165,421
Endowment	<u>1,199,997</u>
Total Restricted	<u><u>3,365,418</u></u>
Permanently Restricted Endowments	<u><u>2,561,972</u></u>
Total Net Assets	<u><u>\$ 20,012,384</u></u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 17: Subsequent Events

Events that occur after the date of Statement of Financial Position but before the date the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statement of Financial Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statement of Financial Position require disclosure in the accompanying notes. Management evaluated the activation of the Organization through April 1, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 18: Prior Period Adjustment

The prior period adjustments presented below represent corrections for certain matters that were identified during 2013.

	As Originally Reported	Increases	Decreases	2012 Restated
Deposits on Land	150,000	26,775		176,775
Fixed Assets, Net	5,652,451	458,285		6,110,736
Land	3,220,402		(614,611)	2,605,791
Total Assets	20,478,910	485,060	(614,611)	20,349,359
Gift Annuity Payable	152,246	39,413		191,659
Accrued Salary and Payroll Taxes	180,365	18,180		198,545
Other Liabilities	2,500		(2,500)	-
Total Liabilities	2,604,169	57,593	(2,500)	2,659,262
Unrestricted Net Assets	12,025,432		(145,232)	11,880,200
Temporarily Restricted Net Assets	3,317,167		(39,412)	3,277,755
Total Net Assets	17,874,741	-	(184,644)	17,690,097