

**MOHONK PRESERVE, INC.
FINANCIAL REPORT
DECEMBER 31, 2018**

MOHONK PRESERVE, INC

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mohonk Preserve, Inc.

We have audited the accompanying financial statements of Mohonk Preserve, Inc. (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mohonk Preserve, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, Mohonk Preserve, Inc. adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Mohonk Preserve, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marvin and Company, P.C.

Latham, New York
March 26, 2019

MOHONK PRESERVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Assets				
Cash	\$ 2,255,442	\$ 1,203,147	\$ 3,458,589	\$ 866,179
Accounts Receivable	118,407	-	118,407	91,708
Contributions Receivable	-	488,484	488,484	53,327
Accrued Interest Receivable	22,406	-	22,406	20,814
Contracts and Grants Receivable	228,150	-	228,150	652,157
Other Receivable	10,000	-	10,000	10,000
Investments - Beneficial Interest in Trust	291,209	-	291,209	332,386
Investments - Gift Annuity	-	282,222	282,222	328,347
Investments	4,425,324	4,581,545	9,006,869	9,932,760
Prepaid Expenses	109,188	-	109,188	117,641
Property and Equipment, Net	7,909,211	-	7,909,211	8,010,754
Land	6,678,263	-	6,678,263	6,602,390
TOTAL ASSETS	\$ 22,047,600	\$ 6,555,398	\$ 28,602,998	\$ 27,018,463

LIABILITIES AND NET ASSETS

Liabilities				
Accounts Payable	\$ 101,761	\$ -	\$ 101,761	\$ 137,069
Gift Annuity Payable	-	103,231	103,231	115,530
Accrued Salaries and Related Items	252,292	-	252,292	202,360
Security Deposits Payable	2,735	-	2,735	2,735
Unearned Revenue	3,105	-	3,105	2,555
Line of Credit	1,241,380	-	1,241,380	1,453,527
Accrued Interest Payable	76,808	-	76,808	58,683
Mortgages Payable	1,797,500	-	1,797,500	1,797,500
TOTAL LIABILITIES	3,475,581	103,231	3,578,812	3,769,959
Net Assets	18,572,019	6,452,167	25,024,186	23,248,504
TOTAL LIABILITIES AND NET ASSETS	\$ 22,047,600	\$ 6,555,398	\$ 28,602,998	\$ 27,018,463

MOHONK PRESERVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Public Support				
Memberships	\$ 852,305	\$ -	\$ 852,305	\$ 870,489
Contributions	699,063	1,212,704	1,911,767	922,794
Contracts and Grants	177,630	207,500	385,130	986,391
Special Event Income	675,258	-	675,258	485,074
Bequests	2,121,017	-	2,121,017	2,019
Total Public Support	<u>4,525,273</u>	<u>1,420,204</u>	<u>5,945,477</u>	<u>3,266,767</u>
Revenue				
Day Use Fees	528,115	-	528,115	600,410
Program Fees	187,238	-	187,238	174,982
Rental Income	68,495	-	68,495	58,344
Gift Shop Sales	46,690	-	46,690	49,809
Other Income	797	-	797	7,714
Interest and Dividends	184,332	46,144	230,476	193,362
Gain on Sale of Investments	1,323,173	336,370	1,659,543	140,859
Unrealized (Loss) Gain on Investments	(1,762,533)	(457,026)	(2,219,559)	1,082,383
Investment Fees	(11,574)	-	(11,574)	(4,644)
Change in Value of Gift Annuity Payable	-	(13,633)	(13,633)	(10,370)
Gain (Loss) on Disposal of Property and Equipment	3,368	-	3,368	(6,680)
Total Revenue	<u>568,101</u>	<u>(88,145)</u>	<u>479,956</u>	<u>2,286,169</u>
Net Assets Released from Restrictions	<u>178,785</u>	<u>(178,785)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>5,272,159</u>	<u>1,153,274</u>	<u>6,425,433</u>	<u>5,552,936</u>
Expenses				
Program Services	3,178,032	-	3,178,032	2,931,445
Supporting Services	1,471,719	-	1,471,719	1,323,464
Total Expenses	<u>4,649,751</u>	<u>-</u>	<u>4,649,751</u>	<u>4,254,909</u>
Changes in Net Assets	622,408	1,153,274	1,775,682	1,298,027
Net Assets, Beginning of Year	<u>17,949,611</u>	<u>5,298,893</u>	<u>23,248,504</u>	<u>21,950,477</u>
Net Assets, End of Year	<u>\$ 18,572,019</u>	<u>\$ 6,452,167</u>	<u>\$ 25,024,186</u>	<u>\$ 23,248,504</u>

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES			Total 2018	Total 2017
	Environmental Education	Land Stewardship	Land Protection	Conservation Science	Total	Management & General	Development & Fundraising	Total		
Wages	\$ 548,160	\$ 725,148	\$ 140,610	\$ 262,061	\$ 1,675,979	\$ 232,083	\$ 443,167	\$ 675,250	\$ 2,351,229	\$ 2,055,331
Payroll Taxes	40,147	54,111	10,134	19,488	123,880	15,424	32,682	48,106	171,986	150,432
Payroll Related Insurance	86,325	100,066	28,553	48,549	263,493	39,952	89,282	129,234	392,727	338,111
Pension Expense	27,328	28,543	9,109	15,182	80,162	12,753	28,543	41,296	121,458	110,865
Total Wages and Related Expenses	701,960	907,868	188,406	345,280	2,143,514	300,212	593,674	893,886	3,037,400	2,654,739
Contract Services and Consulting	21,918	12,162	5,962	3,023	43,065	1,082	33,160	34,242	77,307	73,045
Legal and Accounting	9,342	8,382	11,147	3,231	32,102	3,088	18,975	22,063	54,165	48,266
Honoraria	5,831	-	-	1,000	6,831	-	-	-	6,831	14,262
Occupancy	5,353	27,208	1,697	8,903	43,161	2,350	5,353	7,703	50,864	37,029
Auto and Truck Expense	77	47,949	-	970	48,996	-	-	-	48,996	39,680
Advertising and Promotion	6,840	-	-	-	6,840	-	-	-	6,840	7,320
Printing and Publications	22,575	2,188	273	475	25,511	502	13,966	14,468	39,979	50,747
Exhibit Supplies and Materials	6,205	-	-	-	6,205	-	-	-	6,205	4,589
Insurance	11,296	42,513	4,857	6,182	64,848	4,637	10,561	15,198	80,046	73,456
Maintenance Supplies and Materials	-	91,870	-	-	91,870	-	-	-	91,870	83,266
Program Supplies	28,078	20,839	257	10,280	59,454	22	5,932	5,954	65,408	76,467
Office Supplies and Materials	3,140	4,856	987	1,935	10,918	1,368	3,940	5,308	16,226	15,820
Information Technology	7,080	9,045	2,202	5,313	23,640	2,636	20,548	23,184	46,824	47,721
Dues and Subscriptions	1,083	3,312	19,400	2,278	26,073	2,980	1,139	4,119	30,192	20,619
Telephone and Internet	5,459	10,781	1,784	5,712	23,736	2,658	3,589	6,247	29,983	28,419
Postage	9,265	878	120	98	10,361	274	8,306	8,580	18,941	19,543
Travel	27,838	5,518	4,135	4,855	42,346	309	2,279	2,588	44,934	46,538
Special Events	-	-	-	-	-	-	248,775	248,775	248,775	281,607
Meetings and Professional Development	5,841	14,095	5,527	3,444	28,907	5,197	3,079	8,276	37,183	20,057
Board of Director's Expense	-	-	-	-	-	2,581	-	2,581	2,581	7,097
Contributions	-	1,000	12,000	-	13,000	-	-	-	13,000	13,500
Personnel Recruitment	131	1,967	1,215	410	3,723	-	1,163	1,163	4,886	31,652
Interest Expense	8,444	12,975	19,786	4,943	46,148	21,832	8,444	30,276	76,424	70,413
Cost of Sales	-	26,100	-	-	26,100	-	-	-	26,100	27,214
Credit Card Fees	8,118	12,475	2,574	4,752	27,919	3,564	8,118	11,682	39,601	38,837
Bad Debt Expense	1,576	84	-	-	1,660	18	-	18	1,678	11,060
Miscellaneous Administration Expense	4,373	767	158	262	5,560	4,458	579	5,037	10,597	11,375
Real Estate Taxes	-	-	35,410	-	35,410	-	-	-	35,410	32,938
Total Expenses Before Depreciation	901,823	1,264,832	317,897	413,346	2,897,898	359,768	991,580	1,351,348	4,249,246	3,887,276
Depreciation	81,151	125,842	25,716	47,425	280,134	36,680	83,691	120,371	400,505	367,633
Total Expenses	\$ 982,974	\$ 1,390,674	\$ 343,613	\$ 460,771	\$ 3,178,032	\$ 396,448	\$ 1,075,271	\$ 1,471,719	\$ 4,649,751	\$ 4,254,909

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,775,682	\$ 1,298,027
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	400,505	367,633
Contributed Property and Equipment	(75,000)	(4,015)
(Gain) Loss on Disposal of Property and Equipment	(3,368)	6,680
Gain on Sale of Investments	(1,659,543)	(140,859)
Unrealized Loss (Gain) on Investments	2,219,559	(1,082,383)
Change in Value of Gift Annuity Payable	13,633	10,370
Contributions Restricted for Investment in Endowments	(99,211)	(92,102)
Changes in operating assets and liabilities:		
Accounts Receivable	(26,699)	(7,396)
Contributions Receivable	(435,157)	120,652
Accrued Interest Receivable	(1,592)	(69)
Contracts and Grants Receivable	424,007	4,347
Prepaid Expenses	8,453	(4,987)
Accounts Payable	(35,308)	55,230
Accrued Salaries and Related Items	49,932	3,993
Security Deposits Payable	-	50
Unearned Revenue	550	(4,550)
Accrued Interest Payable	18,125	22,405
Net Cash Provided By Operating Activities	2,574,568	553,026
Cash Flows From Investing Activities		
Proceeds from Sale of Investments	3,920,381	645,805
Purchases of Investments	(3,467,204)	(561,315)
Purchases of Property and Equipment	(303,022)	(1,293,448)
Proceeds from Sale of Property and Equipment	6,555	78,000
Net Cash Provided By (Used For) Investing Activities	156,710	(1,130,958)
Cash Flows From Financing Activities		
Contributions Restricted for Investment in Endowments	99,211	92,102
Payments of Annuities	(25,932)	(15,559)
Proceeds from Line of Credit	189,353	989,071
Payments on Line of Credit	(401,500)	(818,248)
Net Cash (Used For) Provided By Financing Activities	(138,868)	247,366
Net Increase (Decrease) in Cash	2,592,410	(330,566)
Cash, Beginning of Year	866,179	1,196,745
Cash, End of Year	\$ 3,458,589	\$ 866,179
Supplemental Disclosures		
Donated Securities Immediately Sold	\$ 43,510	\$ 54,481
Interest Paid	\$ 58,104	\$ 46,499
Non-Cash Transactions		
Receipt of Contributed Property and Equipment	\$ 75,000	\$ 4,015

See accompanying notes to financial statements

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. NATURE OF ACTIVITIES AND TAX STATUS

Founded in 1978, Mohonk Preserve, Inc. (“the Preserve”) is the largest member and visitor supported nature preserve in New York State. The Preserve’s mission is to protect the Shawangunk Mountains region and inspire people to care for, enjoy, and explore their natural world. The mission is accomplished through core program services: environmental education, land stewardship and protection, and conservation science. Funding for the Preserve’s purposes is primarily provided through public support.

The Preserve is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, is classified as a public charity, and is not subject to income taxes on income received for exempt purposes. No provision for income taxes has been made in the financial statements. The Preserve follows statutory requirements for income tax accounting and avoids risks with tax positions that may be challenged upon examination. Management believes liability from taxing authority examination, if any, would not have a material effect on the Preserve’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Preserve are presented using the accrual basis of accounting and reflect all significant receivables, payables and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

Adoption of New Accounting Standard

For the year ended December 31, 2018, the Preserve adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Basis of Presentation - Net Asset Classes

The Preserve presents its net assets and activities based upon the existence or absence of donor-imposed restrictions reported as follows:

Without Donor Restrictions - net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Net Asset Classes

With Donor Restrictions - net assets subject to donor/externally imposed or legal stipulations that can either be fulfilled by actions of the Preserve and/or the passage of time, or are required to be maintained permanently.

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 the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Public support, consisting principally of bequests, contributions, grants and memberships, including unconditional promises to give, is recognized as revenue in the period in which the public support is received, and is recorded as without donor restrictions or with donor restrictions depending on the existence of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Revenue from governmental contracts is recognized when eligible cost reimbursement expenses are incurred.

Day use and program fees are recognized as earned.

Cash and Cash Equivalents

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.

The Preserve maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation. At times, the Preserve's cash may exceed federally insured limits. Amounts exceeding insured limits totaled \$3,157,766 and \$560,168 at December 31, 2018 and 2017, respectively. The Preserve does not believe that this results in significant credit risk.

Accounts, Contracts and Grants Receivable

Accounts, contracts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts, determined principally on the basis of historical experience, 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 the receivable. At December 31, 2018 and 2017, management determined that all outstanding receivables were collectible. There is no provision for doubtful accounts in the accompanying financial statements.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using a risk-free interest rate effective as of the end of the year. Amortization of the discount is included in contributions in the Statement of Activities.

Contributions receivable are reviewed for collectability and a provision for uncollectible promises to give is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Management does not believe that any allowance for uncollectible promises to give is necessary as of December 31, 2018 and 2017.

Beneficial Interest in Trust

The Preserve's beneficial interest in a fund with the Community Foundation of Ulster County (Foundation) is recognized as an asset without donor restrictions. The Foundation is the legal owner of fund assets and has the right to manage, control and conduct the affairs of the fund and to modify any direction, restriction or condition and the timing of distributions from the fund.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Preserve receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally the remaining life of the donor. Contributed assets are recorded at fair value at date of receipt and a liability is established for the present value of future annuity payments. The assets to fund these liabilities are maintained in a separate account and are included as an investment on the Statement of Financial Position.

At the date the annuity is entered into, the excess of contributed assets over the annuity liability is recorded as a contribution. Any subsequent gain or loss resulting from the computation of the liability for the present value of future annuity payments is recorded as a change in the value of gift annuity payable. Upon termination of the annuity contract, any remaining liability is recognized as a change in the value of gift annuity payable in the Statement of Activities.

Investments

Investments consist of cash and money market funds, bonds, and exchange-traded products. Investments are reflected on the Statement of Financial Position at fair value based on published market prices. Unrealized gains and losses resulting from changes in fair value are reflected in the Statement of Activities. Investment income, including interest, dividends, gains and losses is included in the Statement of Activities as an increase or decrease in net assets without donor restrictions unless the income is restricted by donor or law.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment that is purchased is recorded at cost. Donated property and equipment is recorded at fair value at the date of donation. Property and equipment additions and improvements acquired at a cost greater than \$1,000 are capitalized. Expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of property and equipment are included in current operations. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets (3 to 40 years).

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Preserve has determined that no impairment of its property and equipment existed at December 31, 2018 and 2017.

Functional Expense Allocation

The costs of providing programs and activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses are charged directly to program or supporting services based on direct expenditures incurred. Certain categories of expenses are attributable to more than one program or supporting service. Significant expenses that are allocated include wages and related expenses and depreciation. Wages and related expenses are allocated based on the time and effort worked per program. All other cost allocation is a percentage of total gross wages allocated among the programs and supporting services benefited.

Voluntary Contributions

While the Preserve is exempt from property tax on the land it owns for public access and conservation purposes, it is organizational policy to make annual voluntary contributions to the municipality in which the public conservation areas that it owns are located.

Advertising and Promotion Expenses

Advertising and promotion expenses are recognized when incurred.

Donated Goods and Services

Contributions of donated noncash assets, if any, are recorded at their fair values in the period received.

The Preserve receives donated services from a substantial number of volunteers who have contributed a considerable number of hours to the Preserve's program services and fundraising campaigns. However, those services did not meet the criteria for recognition and have not been recognized in the financial statements.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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 Preserve's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions	\$ -	\$ 1,500
Capital Campaign	513,202	8,163
Land Acquisition	-	45,000
Endowment	<u>2,000</u>	<u>2,000</u>
	515,202	56,663
Less: discounted amount	<u>(26,718)</u>	<u>(3,336)</u>
Total	<u>\$ 488,484</u>	<u>\$ 53,327</u>

The interest rate used for the discounted amount is based on a 5-year treasury rate effective as of the end of the year. At December 31, 2018 and 2017, the interest rate was 2.51% and 2.20%, respectively. Contributions receivable to be collected at December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 182,085	\$ 56,663
One to five years	<u>333,117</u>	<u>-</u>
	515,202	56,663
Less: discounted amount	<u>(26,718)</u>	<u>(3,336)</u>
Total	<u>\$ 488,484</u>	<u>\$ 53,327</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. BENEFICIAL INTEREST IN TRUST

The Preserve's assets at the Community Foundation of Ulster County (Foundation) are held in an endowment pool. The Foundation invests the endowment pool assets in a portfolio consisting principally of domestic and international equity funds, and fixed income investments. The following table provides a summary of changes in fair value for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance as of January 1	\$ 332,386	\$ 292,383
Realized and Unrealized (Losses) Gains	(39,546)	30,761
Interest, Dividends and Capital Gain Distributions	13,089	12,708
Grant Expense	(11,000)	-
Management Fee Expense	<u>(3,720)</u>	<u>(3,466)</u>
Balance as of December 31	<u>\$ 291,209</u>	<u>\$ 332,386</u>

5. INVESTMENTS

Investments consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money Market/Cash Funds	\$ 857,101	\$ 744,468
Bonds (Asset Backed Securities)	2,924	19,140
Exchange Traded Products:		
Bond Funds	2,412,161	2,403,183
Equity Funds	<u>5,734,683</u>	<u>6,765,969</u>
Total Investments	<u>\$ 9,006,869</u>	<u>\$ 9,932,760</u>

Investment income consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 230,476	\$ 193,362
Realized and unrealized (loss) gain	<u>(560,016)</u>	<u>1,223,242</u>
Total Investment Income	<u>\$ (329,540)</u>	<u>\$ 1,416,604</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, the Preserve had approximately 8,000 acres of land, including easements. At December 31, 2018 and 2017, property and equipment is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 6,678,263	\$ 6,602,390
Buildings	5,314,073	5,314,073
Land and building improvements	3,441,778	3,378,349
Computers and equipment	500,962	448,029
Automobiles and trucks	533,852	502,556
Exhibits	573,166	570,798
Bridges	<u>1,221,315</u>	<u>1,205,544</u>
Total	11,585,146	11,419,349
Less Accumulated Depreciation	<u>4,491,041</u>	<u>4,098,600</u>
Depreciable Assets, Net	7,094,105	7,320,749
Construction in progress	<u>815,106</u>	<u>690,005</u>
Property and Equipment, Net	<u>7,909,211</u>	<u>8,010,754</u>
Total	<u>\$ 14,587,474</u>	<u>\$ 14,613,144</u>

Depreciation expense totaled \$400,505 and \$367,633 during the years ended December 31, 2018 and 2017, respectively.

7. GIFT ANNUITY PAYABLE

Gift annuity payable represents the actuarial present value of amounts due under annuity agreements paid over various periods, generally the life of the donor. Present value is based on applicable mortality tables and discount rates. Changes in the gift annuity payable during the years ended December 31, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Payable, January 1	\$ 115,530	\$ 120,719
Annuity Payments	(25,932)	(15,559)
Increase in Gift Annuity Payable	<u>13,633</u>	<u>10,370</u>
Payable, December 31	<u>\$ 103,231</u>	<u>\$ 115,530</u>

During the years ended December 31, 2018 and 2017, no new charitable gift annuities were received. At the end of a specified time, the remaining assets are available for the Preserve's use. The Preserve 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 Preserve 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.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. GIFT ANNUITY PAYABLE (CONTINUED)

As of December 31, 2018 and 2017, investments - gift annuity totaled \$282,222 and \$328,347, respectively, and are separately listed on the Statement of Financial Position. The assets are invested in cash and/or exchange traded products, principally equity mutual funds.

8. DEBT

Line of credit and mortgages payable are summarized as follows:

Revolving demand note payable to M&T Bank with maximum credit available of \$2,500,000. The loan is payable on demand. The interest rate during the draw period is variable at the one-month LIBOR plus 65 basis points, adjusted daily. The interest rate at December 31, 2018 and 2017 was 3.21% and 2.28%, respectively. The balance of this loan as of December 31, 2018 and 2017 was \$1,241,380 and \$1,453,527, respectively. The loan is collateralized by investments held in a separate account with a fair market value of \$5,685,259 and 5,861,751 as of December 31, 2018 and 2017, respectively.

The Preserve borrowed \$672,500 from Open Space Institute Land Trust, Inc. to fund in part the purchase of the Preserve's Foothills property. The indebtedness is secured with a mortgage on the property purchased. Payments of interest only shall be made on the fifth and tenth anniversary dates of the promissory note dated December 17, 2014. The initial interest rate shall be the one year LIBOR rate published most recently immediately prior to execution of this note plus 1.5%. The subsequent interest rates shall be the one-year LIBOR rate published immediately prior to each anniversary date of the note plus 1.5%. The interest rate at December 31, 2018 and 2017 was 4.60% and 3.55%, respectively. The entire principal sum together with all accrued interest shall be due and payable on the 10th anniversary of the note. As of the years ended December 31, 2018 and 2017, the interest payable on this note totaled \$76,808 and \$58,683, respectively.

The Preserve borrowed \$1,125,000 from the Marty and Dorothy Silverman Foundation to fund in part the purchase of the Preserve's Foothills property. The indebtedness is secured in part with a mortgage on the property purchased in the amount of \$787,500. The remainder is collateralized by a security interest in investments held in a separate account with a fair market value of \$427,131 and \$426,543 at December 31, 2018 and 2017, respectively, and the assignment of certain leases and rents. Repayment of the loan shall be made as follows: simple interest shall be payable quarterly for each outstanding day on the then-unpaid principal amount thereof until the entire loan is repaid at an interest rate equal to 1.5% for the first five years of the loan and 2.0% for the sixth year of the loan through the maturity date, December 31, 2020, when the entire principal amount remaining on the loan shall be due and payable.

The following is a schedule of principal maturities of long-term debt at December 31, 2018:

<u>Year</u>	<u>Amount</u>
2019	\$ -
2020	1,125,000
2021	-
2022	-
2023	-
Thereafter	672,500

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. NET ASSETS

The net assets of the Preserve by class are as follows:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions		
Undesignated	\$ 14,549,648	\$ 15,617,793
Board Designated Endowment	2,061,551	2,331,818
Board Designated for Capital Campaign	<u>1,960,820</u>	<u>-</u>
Total Without Donor Restrictions	<u>18,572,019</u>	<u>17,949,611</u>
With Donor Restrictions		
Temporary		
Non-Endowment	1,933,704	756,496
Endowment	1,368,301	1,491,446
Permanent		
Endowment	<u>3,150,162</u>	<u>3,050,951</u>
Total With Donor Restrictions	<u>6,452,167</u>	<u>5,298,893</u>
 Total Net Assets	 <u>\$ 25,024,186</u>	 <u>\$ 23,248,504</u>

Board designated endowment is a capital base without restrictions to support long-term stability. Net assets with temporary donor restrictions are available for program services. Net assets with permanent donor restrictions are restricted to investment in perpetuity, the income from which is used for program and supporting services. No net assets with permanent donor restrictions were less than their original value at December 31, 2018 and 2017.

10. ENDOWMENT FUNDS

The Preserve's endowment includes both funds with donor restrictions and funds designated by the Board of Directors to function as endowments. 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 Preserve has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring each person responsible for managing and investing an institutional fund to 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 Preserve as well as the purposes for which the fund was established when managing and investing an institutional fund.

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. ENDOWMENT FUNDS (CONTINUED)

Under NYPMIFA a fund's investments must be diversified unless the Preserve'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 Preserve's governing board at least annually.

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

Spending Policy

Funds with permanent restrictions are principally invested in exchange traded products. Distributions for operating and programmatic expenses are determined annually by management based upon an approved policy. The distribution policy allows for a calculated draw based on the most recent twenty quarters' average market value of the investments.

Return Objectives and Risk Parameters

Investment objectives focus on generating a return to cover inflation, and preserving and enhancing over time, the purchasing power of investments while minimizing investment risk in the portfolio. Total return, utilizing a balanced portfolio, is the primary goal of the Preserve. Total return is expected to meet industry benchmarks by fund asset class and includes income, plus realized and unrealized gains and losses on fund assets, less investment fees. Risk exposure and returns are regularly evaluated by management.

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2018 were as follows:

	<u>Without Donor Restrictions Board Designated</u>	<u>With Donor Restrictions</u>		
		<u>Temporary</u>	<u>Permanent</u>	<u>Total</u>
Endowment Funds, January 1, 2018	\$ 2,331,818	\$ 1,491,446	\$ 3,050,951	\$ 6,874,215
Contributions	5,000	-	99,211	104,211
Investment Income	94,157	40,060	-	134,217
Net Appreciation/ (Depreciation)	(127,784)	(112,505)	-	(240,289)
Released or Transferred for Expenditures	<u>(241,640)</u>	<u>(50,700)</u>	<u>-</u>	<u>(292,340)</u>
Endowment Funds, December 31, 2018	<u>\$ 2,061,551</u>	<u>\$ 1,368,301</u>	<u>\$ 3,150,162</u>	<u>\$ 6,580,014</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. ENDOWMENT FUNDS (CONTINUED)

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2017 were as follows:

	Without Donor Restrictions Board Designated	With Donor Restrictions		Total
		Temporary	Permanent	
Endowment Funds, January 1, 2017	\$ 2,175,061	\$ 1,309,406	\$ 2,958,849	\$ 6,443,316
Contributions	19	-	95,602	95,621
Investment Income	81,114	34,439	-	115,553
Net Appreciation/ (Depreciation)	533,590	226,644	-	760,234
Released or Transferred for Expenditures	<u>(457,966)</u>	<u>(79,043)</u>	<u>(3,500)</u>	<u>(540,509)</u>
Endowment Funds, December 31, 2017	<u>\$ 2,331,818</u>	<u>\$ 1,491,446</u>	<u>\$ 3,050,951</u>	<u>\$ 6,874,215</u>

11. PENSION PLAN

The Preserve has a defined contribution plan. The plan covers all employees after attaining age 21, who have worked a minimum of one year of service with the Preserve, who work at least 1,000 hours annually, and who are employed on the last day of the plan year. The plan provides that the Preserve will contribute 7% of each eligible employee's annual wages. The Preserve contributed \$121,458 and \$110,865 on behalf of eligible employees' in 2018 and 2017, respectively.

12. RELATED PARTY TRANSACTIONS

Two members of the Preserve's Board of Directors have ownership interests in Smiley Brothers, Inc., which operates a resort hotel, Mohonk Mountain House, adjoining the Preserve's property. During the years ended December 31, 2018 and 2017, the Preserve incurred expenses to Smiley Brother's Inc. and Mohonk Mountain House for goods and services totaling \$48,584 and \$50,641, respectively. Additionally, the Preserve earned revenue for services provided to Smiley Brothers, Inc. and Mohonk Mountain House totaling \$3,500 and \$3,900, respectively, during the years ended December 31, 2018 and 2017. Accounts payable to Smiley Brothers, Inc. totaled \$623 and \$0 at December 31, 2018 and 2017, respectively.

During the year ended December 31, 2003, in order to provide access to their properties, the Preserve entered into three license agreements with Smiley Brothers, Inc. In two of the agreements, the 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 the Preserve's visitors and the public. In the third, the 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.

**MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

13. FAIR VALUE MEASUREMENTS

The Preserve values certain assets and liabilities at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2018 and 2017.

Fair value measurements for assets and liabilities at fair value on a recurring basis at December 31, 2018 and 2017 were determined based on the following:

	Quoted Prices in Active Markets for Identical Assets (Level1)	
	<u>2018</u>	<u>2017</u>
Investments - Gift Annuity		
Money Market/Cash Funds	\$ 20,400	\$ 328,347
Equity Funds	257,396	-
Other Funds	<u>4,426</u>	<u>-</u>
	<u>\$ 282,222</u>	<u>\$ 328,347</u>
 Quoted Prices in Active Markets for Identical Assets (Level1)		
	<u>2018</u>	<u>2017</u>
Investments		
Money Market/Cash Funds	\$ 857,101	\$ 744,468
Bonds (Asset Backed Securities)	2,924	19,140
Exchange Traded Products:		
Bond Funds	2,412,161	2,403,183
Equity Funds	<u>5,734,683</u>	<u>6,765,969</u>
	<u>\$ 9,006,869</u>	<u>\$ 9,932,760</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. FAIR VALUE MEASUREMENTS (CONTINUED)

	Significant Unobservable Inputs (Level 3)	
	<u>2018</u>	<u>2017</u>
Investments - Beneficial Interest in Trust	\$ <u>291,209</u>	\$ <u>332,386</u>

The valuation of the benefit interest in trust falls under level 3, as there are no significant observable inputs. The valuation is based on the Preserve's interest in the fair value of the underlying assets.

	<u>2018</u>	<u>2017</u>
Gift Annuity Payable	\$ <u>103,231</u>	\$ <u>115,530</u>

The fair value of the gift annuity payable is determined through level three inputs. The Preserve values the liability based on the present value of expected future annuity payments using a discount rate of 1.7% and 5.0% at December 31, 2018 and 2017, respectively, and applicable mortality tables.

14. RISKS AND UNCERTAINTIES

The Preserve invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Preserve's account balances and amounts reported on the Statement of Financial Position.

15. LIQUIDITY

As part of the Preserve's liquidity management, it invests cash in excess of daily requirements in short-term investments (cash and cash equivalents, including cash/money market funds held in investment accounts). Occasionally, the Board designates a portion of any operating surplus to its Mohonk Fund (board designated endowment), which was \$-0- as of December 31, 2018. This is an established board-designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated need, the Preserve could also draw upon \$2,500,000 of an available line of credit (Note 8) in addition to its board designated endowment fund.

The following reflects the Preserve's financial assets as of the statement of financial position date, including amounts not available within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the board designated endowment fund.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. LIQUIDITY (CONTINUED)

Total assets without restriction as of December 31, 2018	\$ 22,047,600
Less non-financial assets:	
Prepaid expenses	109,188
Property and equipment, net	7,909,211
Land	<u>6,678,263</u>
Total financial assets as of December 31, 2018	7,350,938
Less unavailable for general expenditures within one year:	
Board designated for capital campaign	1,960,820
Beneficial interest in trust	291,209
Board designated endowment fund, primarily for long-term investing	2,061,551
Investments held as security for debt	<u>1,889,225</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,148,133</u>

16. SUBSEQUENT EVENTS

The Preserve's management has evaluated subsequent events through March 26, 2019, the date on which the financial statements were available to be issued, and determined that there were no subsequent events requiring recording or disclosure.