

**MOHONK PRESERVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

**with summarized comparative information
for December 31, 2013**

**MOHONK PRESERVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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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, 2014, 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, 2014, 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.

Report on Comparative Information

The 2013 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Accounting Offices of Tom Fucito CPA, P.C.

THE ACCOUNTING OFFICES OF TOM FUCITO CPA, P.C.
Cairo, New York
March 24, 2015

MOHONK PRESERVE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013
(with summarized comparative information for December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
CURRENT ASSETS					
Cash	\$ 445,913	\$ 560,724	\$ 40,557	\$ 1,047,194	\$ 1,228,496
Accounts Receivable	10,629	-	-	10,629	3,043
Unconditional Promises to Give, net	3,625	460,976	12,000	476,601	716,955
Accrued Interest Receivable	17,534	-	-	17,534	17,881
Grants Receivable	164,446	671,134	-	835,580	500,000
Investments-Gift Annuity	-	333,078	-	333,078	343,723
Investments	5,648,459	1,382,432	2,555,360	9,586,251	9,485,214
Prepaid Expenses	76,972	-	-	76,972	33,313
Deposit on Land	22,500	-	-	22,500	1,035,275
TOTAL CURRENT ASSETS	6,390,078	3,408,344	2,607,917	12,406,339	13,363,900
FIXED ASSETS, NET	6,666,300	-	-	6,666,300	6,176,121
LAND	6,154,755	-	-	6,154,755	2,521,491
TOTAL ASSETS	\$ 19,211,133	\$ 3,408,344	\$ 2,607,917	\$ 25,227,394	\$ 22,061,512
CURRENT LIABILITIES					
Accounts Payable	\$ 61,942	\$ -	\$ -	\$ 61,942	\$ 72,555
Sales Tax Payable	230	-	-	230	242
Gift Annuity Payable	-	137,725	-	137,725	145,768
Accrued Salaries and Payroll Taxes	215,482	-	-	215,482	190,879
Employee Benefit Payable	88	-	-	88	1,597
Security Deposit Payable	3,185	-	-	3,185	3,185
Unearned Revenue	5,250	-	-	5,250	7,550
Notes Payable	1,627,335	-	-	1,627,335	1,627,335
TOTAL CURRENT LIABILITIES	1,913,512	137,725	-	2,051,237	2,049,111
NON CURRENT LIABILITIES					
Notes Payable	1,797,500	-	-	1,797,500	-
NET ASSETS	15,500,121	3,270,619	2,607,917	21,378,657	20,012,401
TOTAL LIABILITIES AND NET ASSETS	\$ 19,211,133	\$ 3,408,344	\$ 2,607,917	\$ 25,227,394	\$ 22,061,512

See auditor's report and accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(with summarized comparative information for December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
PUBLIC SUPPORT AND REVENUE					
<u>PUBLIC SUPPORT</u>					
Memberships	\$ 717,533	\$ -	\$ -	\$ 717,533	\$ 716,886
Life Memberships	97,480	-	-	97,480	63,690
Contributions	363,176	357,829	45,942	766,947	1,086,547
Grants	197,008	415,300	-	612,308	242,518
Special Event Income	326,776	198,145	-	524,921	347,700
Bequests	978,293	-	3	978,296	1,206,742
TOTAL PUBLIC SUPPORT	2,680,266	971,274	45,945	3,697,485	3,664,083
<u>REVENUE</u>					
Day Use Fees	423,432	-	-	423,432	401,196
Interest and Dividends	162,469	37,832	-	200,301	188,547
Gift Shop Sales	37,761	-	-	37,761	32,296
Gain on Sale of Investments	276,176	73,824	-	350,000	108,575
Program Fees	130,397	-	-	130,397	105,402
Rental Income	60,290	-	-	60,290	57,825
Unrealized Gain on Investments	372,423	62,766	-	435,189	1,344,367
Change in Value of Split Interest Agreements	-	(12,702)	-	(12,702)	(25,966)
Gain(Loss) on Sale of Fixed Assets	-	-	-	-	(2,132)
Other Income	14,034	-	-	14,034	1,021
TOTAL REVENUE	1,476,982	161,720	-	1,638,702	2,211,131
Net Assets Released from Restriction	1,227,794	(1,227,794)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,385,042	(94,800)	45,945	5,336,187	5,875,214
<u>EXPENSES</u>					
Program Services	2,756,169	-	-	2,756,169	2,421,781
Supporting Services	1,213,762	-	-	1,213,762	1,131,130
Total Expenses	3,969,931	-	-	3,969,931	3,552,911
Changes in Net Assets	1,415,111	(94,800)	45,945	1,366,256	2,322,303
NET ASSETS - BEGINNING OF YEAR	14,085,010	3,365,419	2,561,972	20,012,401	17,690,098
NET ASSETS - END OF YEAR	\$ 15,500,121	\$ 3,270,619	\$ 2,607,917	\$ 21,378,657	\$ 20,012,401

See auditor's report and accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(with summarized comparative information for December 31, 2013)

CASH FLOWS FROM OPERATING ACTIVITIES

	2014	2013
Change in Net Assets	\$ 1,366,256	\$ 2,322,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	356,088	358,173
Gain on Sale of Investments	(350,000)	(108,875)
Unrealized Gain on Investments	(435,189)	(1,344,067)
Loss on Sale of Fixed Assets	-	2,132
Changes in Assets and Liabilities:		
Accounts Receivable	(7,586)	(590)
Unconditional Promises to Give, net	240,354	274,260
Accrued Interest Receivable	347	7,488
Grants Receivable	(335,580)	501,500
Prepaid Expenses	(43,659)	(5,483)
Deposit on Land	1,012,775	(858,500)
Accounts Payable	(10,613)	(133,325)
Sales Tax Payable	(12)	97
Gift Annuity Payable	(8,043)	(45,890)
Accrued Salaries and Payroll Taxes	24,603	(7,666)
Employee Benefit Payable	(1,509)	(3,639)
Security Deposit Payable	-	(50)
Unearned Revenue	(2,300)	6,050
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,805,932	963,902

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	1,159,415	740,493
Purchase of Investments	(464,618)	(390,883)
Purchase of Fixed Assets	(4,479,531)	(423,558)
Proceeds from Sale of Fixed Assets	-	82,168
NET CASH PROVIDED BY INVESTING ACTIVITIES	(3,784,734)	8,220

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Long-Term Borrowing	1,797,500	74,273
Repayment of Long-Term Borrowing	-	(500,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,797,500	(425,727)

NET INCREASE IN CASH

(181,302) 546,395

CASH AT BEGINNING OF YEAR

1,228,496 682,101

CASH AT END OF YEAR

\$ 1,047,194 \$ 1,228,496

Supplemental Disclosures

Interest Paid	\$ 15,111	\$ 18,965
Income Taxes Paid	\$ -	\$ -

See auditor's report and accompanying notes to financial statements

MOHONK PRESERVE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(with summarized comparative information for December 31, 2013)

	PROGRAM SERVICES				
	Environmental Education	Land Stewardship	Land Protection	Conservation Science	Total Program Services
Wages	\$ 464,148	\$ 579,962	\$ 150,750	\$ 207,806	\$ 1,402,666
Payroll Taxes	34,506	43,427	10,632	15,754	104,319
Payroll Related Insurance	54,343	70,750	18,886	34,069	178,048
Pension Expense	16,273	19,455	6,000	10,572	52,300
Total Wages and Related Expenses	569,270	713,594	186,268	268,201	1,737,333
Contract Services and Consulting	27,183	47,966	27,800	26,458	129,407
Legal and Accounting	4,497	15,413	80,991	4,406	105,307
Honoraria	4,204	-	-	-	4,204
Occupancy	4,386	22,620	1,426	8,530	36,962
Auto and Truck Expense	-	39,560	60	1,145	40,765
Advertising and Promotion	18,721	-	-	-	18,721
Printing and Publications	23,916	5,613	92	807	30,428
Exhibit Supplies and Materials	3,268	-	-	-	3,268
Insurance	9,120	35,954	4,228	5,337	54,639
Maintenance Supplies and Materials	34	78,800	-	-	78,834
Program Supplies	24,917	20,556	422	2,876	48,771
Office Supplies and Materials	3,534	5,922	1,555	1,931	12,942
Information Technology	6,101	8,959	1,288	3,639	19,987
Dues and Subscriptions	711	2,624	9,159	1,747	14,241
Telephone and Internet	2,524	9,052	1,357	3,483	16,416
Postage	10,128	524	185	204	11,041
Travel	4,786	5,724	2,963	1,417	14,890
Special Events	5,985	387	-	-	6,372
Meetings and Professional Development	4,087	5,886	2,954	3,130	16,057
Board of Director's Expense	-	-	-	-	-
Investment Management Fees	-	-	-	-	-
Contributions	-	3,750	9,500	-	13,250
Personnel Recruitment	1,740	1,507	144	375	3,766
Interest Expense	2,764	4,159	1,601	1,672	10,196
Cost of Sales	-	21,505	-	-	21,505
Credit Card Fees	-	-	-	-	-
Miscellaneous Administration Expense	45	1,513	16	28	1,602
Real Estate Taxes	-	-	60,632	-	60,632
Sub-Total	162,651	337,994	206,373	67,185	774,203
Depreciation	71,218	107,182	23,146	43,087	244,633
TOTAL EXPENSES	\$ 803,139	\$ 1,158,770	\$ 415,787	\$ 378,473	\$ 2,756,169

See auditor's report and accompanying notes to financial statements

MOHONK PRESERVE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(with summarized comparative information for December 31, 2013)

	SUPPORTING SERVICES				
	Management & General	Development & Fund-raising	Total Support Services	TOTAL	
				2014	2013
Wages	\$ 188,169	\$ 284,589	\$ 472,758	\$ 1,875,424	\$ 1,718,710
Payroll Taxes	12,035	20,809	32,844	137,163	127,423
Payroll Related Insurance	29,335	60,989	90,324	268,372	235,096
Pension Expense	9,252	18,799	28,051	80,351	78,136
Total Wages and Related Expenses	238,791	385,186	623,977	2,361,310	2,159,365
Contract Services and Consulting	2,070	92,758	94,828	224,235	243,864
Legal and Accounting	10,030	18,189	28,219	133,526	111,983
Honoraria	-	-	-	4,204	10,638
Occupancy	2,237	4,627	6,864	43,826	36,423
Auto and Truck Expense	-	75	75	40,840	49,865
Advertising and Promotion	-	-	-	18,721	-
Printing and Publications	256	28,222	28,478	58,906	77,889
Exhibit Supplies and Materials	-	-	-	3,268	3,081
Insurance	4,519	9,207	13,726	68,365	57,505
Maintenance Supplies and Materials	-	-	-	78,834	49,789
Program Supplies	57	3,963	4,020	52,791	33,231
Office Supplies and Materials	1,667	4,545	6,212	19,154	15,133
Information Technology	2,925	19,729	22,654	42,641	32,479
Dues and Subscriptions	2,119	4,561	6,680	20,921	14,450
Telephone and Internet	2,308	2,642	4,950	21,366	23,723
Postage	116	13,347	13,463	24,504	25,300
Travel	1,123	4,695	5,818	20,708	21,717
Special Events	-	171,708	171,708	178,080	62,789
Meetings and Professional Development	2,932	1,890	4,822	20,879	32,135
Board of Director's Expense	1,476	-	1,476	1,476	2,945
Investment Management Fees	4,798	-	4,798	4,798	4,552
Contributions	-	-	-	13,250	11,355
Personnel Recruitment	-	2,336	2,336	6,102	5,620
Interest Expense	1,999	2,916	4,915	15,111	18,965
Cost of Sales	-	-	-	21,505	22,623
Credit Card Fees	30,649	-	30,649	30,649	-
Miscellaneous Administration Expense	6,006	15,633	21,639	23,241	65,535
Real Estate Taxes	-	-	-	60,632	1,784
Sub-Total	77,287	401,043	478,330	1,252,533	1,035,373
Depreciation	36,321	75,134	111,455	356,088	358,173
TOTAL EXPENSES	\$ 352,399	\$ 861,363	\$ 1,213,762	\$ 3,969,931	\$ 3,552,911

See auditor's report and accompanying notes to financial statements

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 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 region and inspire people to care for, enjoy, and explore their 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, 2014 AND 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, 2014, management determined that all outstanding receivables were collectible.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 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 Statements of Activities and in the Statements 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 municipality in which the public conservation areas that it owns are located.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 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 Statements of Activities as net assets released from restrictions.

Income Tax Status

The Organization 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 Statements of Activities at their fair value.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 2: Investments in Fixed Assets

The Organization purchased 856 acres known as the Mohonk Preserve Foothills from Open Space Institute Land Trust, Inc. on December 17, 2014. This land, once a part of the Mohonk Mountain House property, is now preserved for perpetuity through the efforts of both the Open Space Institute (OSI) and now the Mohonk Preserve. OSI and the State of New York will hold conservation easements on the property to assure it remains open space. The Mohonk Preserve Foothills include the structures of the Testimonial Gatehouse, the Hasbrouck House, Kleinekill Farm, Brook Farm, Pine Farm, the Turner House and the Breezy Lawn Barn. The total cost recognized for this purchase is \$3,633,264.

As of December 31, 2014, the Organization has a total of 8,112 acres of property and easements that have been transferred from Mohonk Trust, purchased, or donated. Investment in land is \$6,154,755 at December 31, 2014.

At December 31, 2014 and 2013, fixed assets are summarized as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 6,154,755	\$ 2,521,491
Buildings	4,025,544	3,645,544
Land & Building Improvements	3,407,336	3,202,075
Carriage Roads	659,674	588,820
Machinery & Equipment	1,146,223	1,105,820
Automobiles & Trucks	527,657	511,063
Construction In Progress	207,451	76,105
Exhibits	<u>45,778</u>	<u>43,969</u>
Total Cost Basis in Fixed Assets	16,174,418	11,694,887
Less Accumulated Depreciation	<u>(3,353,363)</u>	<u>(2,997,275)</u>
Total Net Fixed Assets	<u>\$ 12,821,055</u>	<u>\$ 8,697,612</u>

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 December 31, 2014 the total uninsured funds subject to credit risk was \$779,820.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 4: Cash and Restrictions on Cash

During the years ended December 31, 2014 and 2013, Mohonk Preserve, Inc. received contributions and grants restricted for various programs. At December 31, 2014 and 2013, the following funds were held in cash accounts unrestricted and restricted for the following purposes:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Checking Cash	\$ 428,565	\$ 510,119	\$ 40,557	\$ 979,241
Capital Campaign Fund	-	50,605	-	50,605
Depreciation Fund	13,748	-	-	13,748
Trail Head Cash	3,250	-	-	3,250
Petty Cash and Other	350	-	-	350
				-
Totals by Restrictions	<u>\$ 445,913</u>	<u>\$ 560,724</u>	<u>\$ 40,557</u>	<u>\$ 1,047,194</u>

At December 31, 2013, the following funds were held in cash accounts unrestricted and restricted for the following purposes:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Checking Cash	\$ 590,126	\$ 569,000	\$ 37,830	\$ 1,196,956
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	<u>\$ 606,524</u>	<u>\$ 584,142</u>	<u>\$ 37,830</u>	<u>\$ 1,228,496</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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:

For the year ended December 31, 2014, investment in marketable securities was as follows:

<u>2014</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Stock Mutual Funds	\$ 3,827,646	\$ 6,681,557	\$ 2,853,910
Bond Mutual Funds	2,660,403	2,832,819	172,416
Bonds	81,199	39,358	(41,841)
Money Market	362,595	365,595	3,000
Total	<u>\$ 6,931,844</u>	<u>\$ 9,919,329</u>	<u>\$ 2,987,485</u>

Investment return is summarized as follows:

	<u>2014</u>
Interest/dividend income	\$ 200,301
Net realized and unrealized gains	<u>785,189</u>
Total investment return	<u>\$ 985,490</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 5: Marketable Securities (continued)

For the year ended December 31, 2013, investment in marketable securities was as follows:

<u>2013</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Stock Mutual Funds	\$ 4,208,073	\$ 6,678,723	\$ 2,470,650
Bond Mutual Funds	2,544,771	2,652,996	108,225
Bonds	116,446	75,905	(40,541)
Money Market	421,313	421,313	-
Total	<u>\$ 7,290,603</u>	<u>\$ 9,828,937</u>	<u>\$ 2,538,334</u>

Investment return is summarized as follows:

	<u>2013</u>
Interest/dividend income	\$ 188,547
Net realized and unrealized gains	<u>1,452,942</u>
Total investment return	<u>\$ 1,641,489</u>

Note 6: Fair Value Measurements

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2014 and 2013 were determined based on level one inputs only. See the table below.

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	
	<u>2014</u>	<u>2013</u>
Stock Mutual Funds	\$ 6,681,557	\$ 6,678,723
Bond Mutual Funds	2,832,819	2,652,996
Bonds	39,358	75,905
Money Market	365,595	421,313
Total	<u>\$ 9,919,329</u>	<u>\$ 9,828,937</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 6: Fair Value Measurements (continued)

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 as of December 31, 2014 and 2013 to be \$137,725 and \$145,768, respectively.

Note 7: Promises to Give

Unconditional promises to give at December 31, 2014 and 2013 are as follows:

	2014	2013
Unrestricted	\$ 3,625	\$ -
Capital Campaign	478,276	727,853
Endowment	12,000	12,000
	493,901	739,853
Less: Discounted amount	(17,300)	(22,898)
Total Unconditional Promises to Give, net	<u>\$ 476,601</u>	<u>\$ 716,955</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, 2014 and 2013, the interest rate was 1.65% and 1.75%, respectively.

The following is a schedule of unconditional promises to give for the next five years:

<u>Year</u>	<u>Amount</u>
2015	\$ 208,775
2016	147,610
2017	51,750
2018	4,000
2019	81,766
	<u>\$ 493,901</u>
Less: Discounted amount	(17,300)
Total Unconditional Promises to Give, net	<u>\$ 476,601</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 8: Deposit on Land

During 2012 the Organization entered into an agreement to purchase real estate known as Mohonk Preserve Foothills. As of December 31, 2013 the total deposits for this purchase totaled \$1,012,775 of the total \$1,035,275 reflected in the Statement of Financial Position. On December 17, 2014 the Organization completed the purchase for the Mohonk Preserve Foothills, thus reducing the amount of deposits on land. See Note 2. As of December 31, 2014 there remains only \$22,500 recognized as Deposit on Land. This amount was deposited during the year 2012 for the future potential acquisition of an additional parcel of property.

Note 9: Notes Payable

Notes payable are summarized as follows:

- (A) Business access line of credit payable to M&T Bank with a maximum credit available of \$75,000. The loan was payable on demand with interest at a rate of 1½ % above Prime Rate and was secured by all assets of the Organization. There was no amount due on this line of credit as of both December 31, 2014 and 2013. As of December 31, 2014 this line of credit is closed.
- (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, 2014 was 0.8%. The balance of this loan as of both December 31, 2014 and 2013 was \$1,627,335. The loan is secured by investments held in a separate account with a fair market value of \$4,633,011 as of December 31, 2014.
- (C) The Organization borrowed \$672,500 from Open Space Institute Land Trust, Inc. to fund in part the purchase of the Mohonk Preserve Foothills property. See Note 2. 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%. Payments shall be based upon simple interest only and shall be applied to the unpaid principal sum owed on the note. The entire principal sum together with all accrued interest shall be due and payable on the 10th anniversary of the note.
- (D) The Organization borrowed \$1,125,000 from the Marty and Dorothy Silverman Foundation to fund in part the purchase of the Mohonk Preserve Foothills property. See Note 2. The indebtedness is secured with a mortgage on the property purchased. 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 one and one half percent (1.5%) for the first five years of the loan and two percent (2%) 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.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 9: Notes Payable (continued)

The following is a schedule of anticipated principle maturities of debt for each of the next five years and thereafter:

<u>Year</u>	<u>Amount</u>
2015	\$ 1,627,335
2016	-
2017	-
2018	-
2019	-
Thereafter	1,797,500
Total Debt	<u>\$ 3,424,835</u>

Note 10: Related Party Transactions

During the years ended December 31, 2014 and 2013, Mohonk Preserve, Inc. expensed payments totaling \$1,986 and \$1,600, respectively, 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 for the years ended December 31, 2014 and 2013 are \$3,325 and \$3,180, respectively, of payments received from Smiley Brothers, Inc. at regular rates for services provided.

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.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 11: 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.

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

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 11: Endowment Funds (continued)

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, 1/1/14	\$ 1,368,428	\$ 1,199,997	\$ 2,561,972	\$ 5,130,397
Contributions	-	-	45,945	45,945
Investment income	72,455	31,003	-	103,458
Net appreciation	297,025	128,332	-	425,357
Released or Transferred for Expenditures	(152,937)	(56,372)	-	(209,309)
Endowment funds, 12/31/14	<u>\$ 1,584,971</u>	<u>\$ 1,302,960</u>	<u>\$ 2,607,917</u>	<u>\$ 5,495,848</u>

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2013 were 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	(141,535)	(73,596)	-	(215,131)
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>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 12: 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, 2014 and 2013 amounted to \$80,351 and \$78,136, respectively.

Note 13: 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 2014 and 2013:

	2014	2013
Beginning of Year	\$ 145,768	\$ 191,658
Annuity Payments	(20,745)	(22,645)
Derecognition of liability	-	(49,211)
Increase in Split Interest liability	12,702	25,966
Ending of Year	<u>\$ 137,725</u>	<u>\$ 145,768</u>

MOHONK PRESERVE, INC.
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Note 14: **Net Assets by Restriction**

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

	2014	2013
Unrestricted		
Unrestricted - Undesignated	\$ 13,915,150	\$ 12,716,582
Board Designated Endowment	1,584,971	1,368,428
Total Unrestricted	<u>15,500,121</u>	<u>14,085,010</u>
Temporarily Restricted		
Non-Endowment	1,967,659	2,165,422
Endowment	1,302,960	1,199,997
Total Restricted	<u>3,270,619</u>	<u>3,365,419</u>
Permanently Restricted Endowments	<u>2,607,917</u>	<u>2,561,972</u>
Total Net Assets	<u><u>\$ 21,378,657</u></u>	<u><u>\$ 20,012,401</u></u>

Note 15: **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 activities of the Organization through March 24, 2015 (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.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 16: 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	2,604,168	57,593	(2,500)	2,659,261
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	\$17,874,742	\$ -	\$ (184,644)	\$17,690,098