

**MOHONK PRESERVE, INC.
FINANCIAL REPORT
DECEMBER 31, 2017**

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	7-18

INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Mohonk Preserve, Inc. as of December 31, 2016, were audited by other auditors whose report dated March 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marvin and Company, P.C.

Latham, New York
April 13, 2018

MOHONK PRESERVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Assets					
Cash	\$ 441,611	\$ 386,967	\$ 37,601	\$ 866,179	\$ 1,196,745
Accounts Receivable	91,708	-	-	91,708	84,312
Contributions Receivable	1,500	49,827	2,000	53,327	173,979
Accrued Interest Receivable	20,814	-	-	20,814	20,745
Contracts and Grants Receivable	652,157	-	-	652,157	656,504
Other Receivable	10,000	-	-	10,000	10,000
Investments - Beneficial Interest in Trust	332,386	-	-	332,386	292,383
Investments - Gift Annuity	-	328,347	-	328,347	297,162
Investments	5,323,079	1,598,331	3,011,350	9,932,760	8,865,196
Prepaid Expenses	117,641	-	-	117,641	112,654
Property and Equipment, Net	8,010,754	-	-	8,010,754	7,083,507
Land	6,602,390	-	-	6,602,390	6,684,487
TOTAL ASSETS	\$ 21,604,040	\$ 2,363,472	\$ 3,050,951	\$ 27,018,463	\$ 25,477,674

LIABILITIES AND NET ASSETS

Liabilities					
Accounts Payable	\$ 137,069	\$ -	\$ -	\$ 137,069	\$ 81,839
Gift Annuity Payable	-	115,530	-	115,530	120,719
Accrued Salaries and Related Items	202,360	-	-	202,360	198,367
Security Deposits Payable	2,735	-	-	2,735	2,685
Unearned Revenue	2,555	-	-	2,555	7,105
Line of Credit	1,453,527	-	-	1,453,527	1,282,704
Accrued Interest Payable	58,683	-	-	58,683	36,278
Mortgages Payable	1,797,500	-	-	1,797,500	1,797,500
TOTAL LIABILITIES	3,654,429	115,530	-	3,769,959	3,527,197
Net Assets	17,949,611	2,247,942	3,050,951	23,248,504	21,950,477
TOTAL LIABILITIES AND NET ASSETS	\$ 21,604,040	\$ 2,363,472	\$ 3,050,951	\$ 27,018,463	\$ 25,477,674

MOHONK PRESERVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Public Support					
Memberships	\$ 870,489	\$ -	\$ -	\$ 870,489	\$ 816,823
Contributions	607,424	225,268	90,102	922,794	929,571
Contracts and Grants	875,619	110,772	-	986,391	359,633
Special Event Income	485,074	-	-	485,074	552,334
Bequests	19	-	2,000	2,019	824,309
Total Public Support	<u>2,838,625</u>	<u>336,040</u>	<u>92,102</u>	<u>3,266,767</u>	<u>3,482,670</u>
Revenue					
Day Use Fees	600,410	-	-	600,410	567,244
Program Fees	174,982	-	-	174,982	180,042
Rental Income	58,344	-	-	58,344	50,920
Gift Shop Sales	49,809	-	-	49,809	51,598
Other Income	7,714	-	-	7,714	46,663
Interest and Dividends	155,412	37,950	-	193,362	191,875
Gain on Sale of Investments	57,677	83,182	-	140,859	135,275
Unrealized Gain on Investments	889,968	192,415	-	1,082,383	412,060
Change in Value of Gift Annuity Payable	-	(10,370)	-	(10,370)	(13,712)
(Loss) on Disposal of Property and Equipment	(6,680)	-	-	(6,680)	-
Total Revenue	<u>1,987,636</u>	<u>303,177</u>	<u>-</u>	<u>2,290,813</u>	<u>1,621,965</u>
Net Assets Released from Restrictions	<u>1,016,365</u>	<u>(1,016,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>5,842,626</u>	<u>(377,148)</u>	<u>92,102</u>	<u>5,557,580</u>	<u>5,104,635</u>
Expenses					
Program Services	2,931,445	-	-	2,931,445	2,877,510
Supporting Services	1,328,108	-	-	1,328,108	1,309,784
Total Expenses	<u>4,259,553</u>	<u>-</u>	<u>-</u>	<u>4,259,553</u>	<u>4,187,294</u>
Changes in Net Assets	<u>1,583,073</u>	<u>(377,148)</u>	<u>92,102</u>	<u>1,298,027</u>	<u>917,341</u>
Net Assets, Beginning of Year	<u>16,366,538</u>	<u>2,625,090</u>	<u>2,958,849</u>	<u>21,950,477</u>	<u>21,033,136</u>
Net Assets, End of Year	<u>\$ 17,949,611</u>	<u>\$ 2,247,942</u>	<u>\$ 3,050,951</u>	<u>\$ 23,248,504</u>	<u>\$ 21,950,477</u>

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Environmental Education	Land Stewardship	Land Protection	Conservation Science	Total	Management & General	Development & Fundraising	Total	Total 2017	Total 2016
Wages	\$ 501,584	\$ 644,991	\$ 133,391	\$ 246,938	\$ 1,526,904	\$ 184,720	\$ 343,707	\$ 528,427	\$ 2,055,331	\$ 2,029,948
Payroll Taxes	36,296	48,522	9,635	18,379	112,832	11,959	25,641	37,600	150,432	148,266
Payroll Related Insurance	70,081	91,739	26,124	39,649	227,593	38,640	71,878	110,518	338,111	308,561
Pension Expense	23,282	27,716	8,869	13,304	73,171	13,304	24,390	37,694	110,865	100,782
Total Wages and Related Expenses	631,243	812,968	178,019	318,270	1,940,500	248,623	465,616	714,239	2,654,739	2,587,557
Contract Services and Consulting	24,600	9,672	18,916	2,450	55,638	4,866	12,541	17,407	73,045	60,144
Legal and Accounting	5,227	8,624	8,334	2,875	25,060	4,048	19,158	23,206	48,266	69,059
Honoraria	7,638	-	-	6,624	14,262	-	-	-	14,262	18,492
Occupancy	3,870	19,180	1,355	7,012	31,417	1,935	3,677	5,612	37,029	34,073
Auto and Truck Expense	-	38,465	52	1,163	39,680	-	-	-	39,680	43,028
Advertising and Promotion	7,320	-	-	-	7,320	-	-	-	7,320	15,402
Printing and Publications	19,669	18,957	115	351	39,092	93	11,562	11,655	50,747	53,542
Exhibit Supplies and Materials	4,589	-	-	-	4,589	-	-	-	4,589	6,731
Insurance	10,789	37,263	4,917	5,614	58,583	5,033	9,840	14,873	73,456	78,513
Maintenance Supplies and Materials	-	82,946	-	320	83,266	-	-	-	83,266	63,608
Program Supplies	30,499	26,211	1,340	13,449	71,499	-	4,968	4,968	76,467	80,811
Office Supplies and Materials	2,967	5,250	1,121	1,789	11,127	1,252	3,441	4,693	15,820	19,816
Information Technology	7,143	9,733	2,502	4,514	23,892	2,769	21,060	23,829	47,721	39,818
Dues and Subscriptions	800	6,458	8,261	1,908	17,427	2,250	942	3,192	20,619	14,828
Telephone and Internet	4,507	10,384	1,710	6,071	22,672	2,857	2,890	5,747	28,419	25,922
Postage	11,140	1,064	138	99	12,441	132	6,970	7,102	19,543	21,950
Travel	24,127	7,293	5,776	6,512	43,708	584	2,246	2,830	46,538	49,890
Special Events	-	-	-	-	-	-	281,607	281,607	281,607	315,339
Meetings and Professional Development	4,676	4,937	3,986	3,196	16,795	1,389	1,873	3,262	20,057	23,702
Community Grant Expenses	-	-	-	-	-	-	-	-	-	4,600
Board of Director's Expense	-	-	-	-	-	7,097	-	7,097	7,097	2,989
Investment Management Fees	-	-	-	-	-	4,644	-	4,644	4,644	4,807
Contributions	-	1,000	12,000	-	13,000	500	-	500	13,500	10,000
Personnel Recruitment	461	2,245	1,679	451	4,836	43	26,773	26,816	31,652	4,167
Interest Expense	6,180	10,144	19,272	3,399	38,995	25,442	5,976	31,418	70,413	52,189
Cost of Sales	-	27,214	-	-	27,214	-	-	-	27,214	30,235
Credit Card Fees	7,767	12,816	2,719	4,272	27,574	3,884	7,379	11,263	38,837	36,744
Bad Debt Expense	-	1,060	-	-	1,060	-	10,000	10,000	11,060	9,250
Miscellaneous Administration Expense	4,583	859	211	187	5,840	5,125	410	5,535	11,375	13,664
Real Estate Taxes	-	-	32,938	-	32,938	-	-	-	32,938	31,740
Total Expenses Before Depreciation	819,795	1,154,743	305,361	390,526	2,670,425	322,566	898,929	1,221,495	1,237,181	1,235,053
Depreciation	73,527	121,319	25,734	40,440	261,020	36,763	69,850	106,613	367,633	364,684
Total Expenses	\$ 893,322	\$ 1,276,062	\$ 331,095	\$ 430,966	\$ 2,931,445	\$ 359,329	\$ 968,779	\$ 1,328,108	\$ 4,259,553	\$ 4,187,294

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,298,027	\$ 917,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	367,633	364,684
Contributed Property and Equipment	(4,015)	(79,507)
Loss on Disposal of Property and Equipment	6,680	-
Gain on Sale of Investments	(140,859)	(135,275)
Unrealized Gain on Investments	(1,082,383)	(412,060)
Change in Value of Gift Annuity Payable	10,370	13,712
Contributions Restricted for Investment in Endowments	(92,102)	(245,252)
Changes in operating assets and liabilities:		
Accounts Receivable	(7,396)	(57,392)
Contributions Receivable	120,652	102,173
Accrued Interest Receivable	(69)	(1,852)
Contracts and Grants Receivable	4,347	48,893
Prepaid Expenses	(4,987)	(12,499)
Accounts Payable	55,230	(26,556)
Accrued Salaries and Related Items	3,993	23,634
Security Deposits Payable	50	1,000
Unearned Revenue	(4,550)	7,000
Accrued Interest Payable	22,405	19,716
Net Cash Provided By Operating Activities	<u>553,026</u>	<u>527,760</u>
Cash Flows From Investing Activities		
Proceeds from Sale of Investments	645,805	501,359
Purchases of Investments	(561,315)	(106,542)
Other Receivable	-	40,000
Purchases of Property and Equipment	(1,293,448)	(909,621)
Proceeds from Sale of Property and Equipment	78,000	3,225
Net Cash (Used For) Investing Activities	<u>(1,130,958)</u>	<u>(471,579)</u>
Cash Flows From Financing Activities		
Contributions Restricted for Investment in Endowments	92,102	245,252
Payments of Annuities	(15,559)	(20,905)
Proceeds from Line of Credit	989,071	181,369
Payments on Line of Credit	(818,248)	(26,000)
Net Cash Provided By Financing Activities	<u>247,366</u>	<u>379,716</u>
Net (Decrease) Increase in Cash	<u>(330,566)</u>	<u>435,897</u>
Cash, Beginning of Year	<u>1,196,745</u>	<u>760,848</u>
Cash, End of Year	<u><u>\$ 866,179</u></u>	<u><u>\$ 1,196,745</u></u>
Supplemental Disclosures		
Donated Securities Immediately Sold	<u>\$ 54,481</u>	<u>\$ 38,139</u>
Interest Paid	<u>\$ 46,499</u>	<u>\$ 32,473</u>
Non-Cash Transactions		
Receipt of Contributed Property and Equipment	<u>\$ 4,015</u>	<u>\$ 79,507</u>

See accompanying notes to financial statements

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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: land protection and stewardship, conservation science, and environmental education. 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.

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:

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

Temporarily Restricted - net assets subject to donor-imposed or legal stipulations that can be fulfilled by actions of the Preserve and/or the passage of time.

Permanently Restricted - net assets subject to externally imposed stipulations that they 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.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Public support, consisting principally of contributions, grants and memberships, including unconditional promises to give, is recognized as revenues in the period in which the public support is received, and is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of 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. 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 \$560,168 and \$909,853 at December 31, 2017 and 2016, 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, 2017 and 2016, management determined that all outstanding receivables were collectible. There is no provision for doubtful accounts in the accompanying financial statements.

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 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 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, 2017 and 2016.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beneficial Interest in Trust

The Preserve's beneficial interest in a fund with the Community Foundation of Ulster County (Foundation) is recognized as an unrestricted asset. 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 on 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 unrestricted net assets unless the income is restricted by donor or law.

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 (5 to 40 years).

Property and equipment are 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, 2017 and 2016.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Voluntary Contributions

While the Preserve is exempt from property tax on the lands 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.

Reclassifications

Certain reclassifications have been made to the 2016 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, 2016, from which the summarized information was derived. Those financial statements were audited by other auditors whose report dated March 30, 2017, expressed an unmodified opinion on those audited financial statements.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 1,500	\$ 7,375
Capital Campaign	8,163	66,213
Land Acquisition	45,000	100,900
Endowment	<u>2,000</u>	<u>4,000</u>
	56,663	178,488
Less: discounted amount	<u>(3,336)</u>	<u>(4,509)</u>
Total	<u>\$ 53,327</u>	<u>\$ 173,979</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, 2017 and 2016, the interest rate was 2.20% and 1.93%, respectively. All contributions receivable are expected to be collected within one year.

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 year ended December 31, 2017:

Balance as of January 1, 2017	\$ 292,383
Realized and Unrealized Gains on Investments	30,761
Interest, Dividends and Capital Gain Distributions	12,708
Management Fee Expense	<u>(3,466)</u>
Balance as of December 31, 2017	<u>\$ 332,386</u>

5. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money Market/Cash Funds	\$ 744,468	\$ 594,950
Bonds (Asset Backed Securities)	19,140	23,101
Exchange Traded Products:		
Bond Funds	2,403,183	2,441,400
Equity Funds	<u>6,765,969</u>	<u>5,805,745</u>
Total Investments	<u>\$ 9,932,760</u>	<u>\$ 8,865,196</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. INVESTMENTS

Investment income consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 193,362	\$ 191,875
Realized and unrealized gain	<u>1,223,242</u>	<u>547,335</u>
Total Investment Income	<u><u>\$ 1,416,604</u></u>	<u><u>\$ 739,210</u></u>

6. PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, the Preserve had approximately 8,000 acres of land, including easements. At December 31, 2017 and 2016, property and equipment is as follows:

	<u>2017</u>	<u>2016</u>
Land	<u>\$ 6,602,390</u>	<u>\$ 6,684,487</u>
Buildings	5,314,073	5,312,573
Land and building improvements	3,378,349	3,345,174
Computers and equipment	448,029	425,216
Automobiles and trucks	502,556	503,885
Exhibits	570,798	554,488
Bridges	<u>1,205,544</u>	<u>-</u>
Total	11,419,349	10,141,336
Less Accumulated Depreciation	<u>4,098,600</u>	<u>3,758,669</u>
Depreciable Assets, Net	7,320,749	6,382,667
Construction in progress	<u>690,005</u>	<u>700,840</u>
Property and Equipment, Net	<u>8,010,754</u>	<u>7,083,507</u>
Total	<u><u>\$ 14,613,144</u></u>	<u><u>\$ 13,767,994</u></u>

Depreciation expense totaled \$367,633 and \$364,684 during the years ended December 31, 2017 and 2016, respectively.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 follows:

	<u>2017</u>	<u>2016</u>
Payable, Beginning of Year	\$ 120,719	\$ 127,912
Annuity Payments	(15,559)	(20,905)
Increase in Gift Annuity Payable	<u>10,370</u>	<u>13,712</u>
Payable, End of Year	<u>\$ 115,530</u>	<u>\$ 120,719</u>

During the years ended December 31, 2017 and 2016, 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.

As of December 31, 2017 and 2016, investments - gift annuity totaled \$328,347 and \$297,162, respectively, and are separately listed on the Statement of Financial Position. The assets are invested in cash and/or 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 LIBOR plus 65 basis points. The interest rate at December 31, 2017 and 2016 was 2.28% and 1.5%, respectively. The balance of this loan as of December 31, 2017 and 2016 was \$1,453,527 and \$1,282,704, respectively. The loan is collateralized by investments held in a separate account with a fair market value of \$5,861,751 and 5,077,531 as of December 31, 2017 and 2016, 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, 2017 and 2016 was 3.55% and 2.58%, 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, 2017 and 2016, the interest payable on this note totaled \$58,683 and \$36,278, respectively.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. DEBT

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 \$426,543 and \$412,725 at December 31, 2017 and 2016, 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, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ -
2019	-
2020	1,125,000
2021	-
2022	-
Thereafter	672,500

9. NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Unrestricted		
Undesignated	\$ 15,617,793	\$ 14,191,477
Board Designated Endowment	<u>2,331,818</u>	<u>2,175,061</u>
Total Unrestricted	<u>17,949,611</u>	<u>16,366,538</u>
Temporarily Restricted		
Non-Endowment	756,496	1,315,684
Endowment	<u>1,491,446</u>	<u>1,309,406</u>
Total Restricted	<u>2,247,942</u>	<u>2,625,090</u>
Permanently Restricted		
Endowments	<u>3,050,951</u>	<u>2,958,849</u>
Total Net Assets	<u>\$ 23,248,504</u>	<u>\$ 21,950,477</u>

Board designated endowment is an unrestricted capital base to support long-term stability. Temporarily restricted net assets are available for program services. Permanently restricted net assets are restricted to investment in perpetuity, the income on which is used for program and supporting services. No permanently restricted net assets were less than their original value at December 31, 2017 and 2016.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. ENDOWMENT FUNDS

The Preserve's endowment includes both donor-restricted funds 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.

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

Permanently restricted funds of the Preserve 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, includes income plus realized and unrealized gains and losses on fund assets, which are expected to meet industry benchmarks by fund asset class. Risk exposure and returns are regularly evaluated by management.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. ENDOWMENT FUNDS

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	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>

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, January 1, 2016	\$ 1,531,833	\$ 1,257,765	\$ 2,713,597	\$ 5,503,195
Contributions	612,048	-	245,252	857,300
Investment Income	74,352	32,600	-	106,952
Net Appreciation	240,412	99,769	-	340,181
Released or Transferred for Expenditures	<u>(283,584)</u>	<u>(80,728)</u>	<u>-</u>	<u>(364,312)</u>
Endowment Funds, December 31, 2016	<u>\$ 2,175,061</u>	<u>\$ 1,309,406</u>	<u>\$ 2,958,849</u>	<u>\$ 6,443,316</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 \$110,865 and \$100,782 on behalf of eligible employees' in 2017 and 2016, 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, 2017 and 2016, the Preserve incurred expenses to Smiley Brother's Inc. and Mohonk Mountain House for goods and services totaling \$50,641 and \$4,073, respectively. Additionally, the Preserve earned revenue for services provided to Smiley Brothers, Inc. and Mohonk Mountain House totaling \$3,900 and \$3,860, respectively, during the years ended December 31, 2017 and 2016.

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. RELATED PARTY TRANSACTIONS

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.

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, 2017 and 2016.

Fair value measurements for assets and liabilities at fair value on a recurring basis at December 31, 2017 and 2016 were determined based on the following:

	Quoted Prices in Active Markets for Identical Assets (Level1)	
	<u>2017</u>	<u>2016</u>
Investments - Gift Annuity		
Money Market/Cash Funds	\$ 328,347	\$ 19,368
Bond Funds	-	105,539
Equity Funds	-	172,255
	<u>\$ 328,347</u>	<u>\$ 297,162</u>
Investments		
Money Market/Cash Funds	\$ 744,468	\$ 594,950
Bonds (Asset Backed Securities)	19,140	23,101
Exchange Traded Products:		
Bond Funds	2,403,183	2,441,400
Equity Funds	6,765,969	5,805,745
	<u>\$ 9,932,760</u>	<u>\$ 8,865,196</u>

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

13. FAIR VALUE MEASUREMENTS

	Significant Unobservable Inputs (Level 3)	
	<u>2017</u>	<u>2016</u>
Investments - Beneficial Interest in Trust	\$ <u>332,386</u>	\$ <u>292,383</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>2017</u>	<u>2016</u>
Gift Annuity Payable	\$ <u>115,530</u>	\$ <u>120,719</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 (5.0%) in effect at the time the annuity was established 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 reasonable 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 in the Statement of Financial Position.

15. SUBSEQUENT EVENTS

The Preserve's management has evaluated subsequent through April 13, 2018, the date on which the financial statements were available to be issued, and determined that there were no subsequent events requiring recording or disclosure.