MOHONK PRESERVE, INC.
FINANCIAL REPORT
DECEMBER 31, 2019

MOHONK PRESERVE, INC

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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, 2019, 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, 2019, 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.

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Emphasis of Matter - Adopting New Accounting Standards

As discussed in Note 2, Mohonk Preserve, Inc. adopted the following Financial Accounting Standards Board's Accounting Standards Updates: ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*; and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Mohonk Preserve, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 27, 2020

MOHONK PRESERVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Assets				
Cash	$ 1,522,001	$ 811,548	$ 2,333,549	$ 3,458,589
Accounts Receivable	43,670	-	43,670	118,407
Contributions Receivable	30,020	477,168	507,188	488,484
Accrued Interest Receivable	231	-	231	22,406
Contracts and Grants Receivable	43,340	-	43,340	228,150
Other Receivable	10,000	-	10,000	10,000
Investments - Beneficial Interest in Trust	328,589	-	328,589	291,209
Investments - Gift Annuity	-	305,381	305,381	282,222
Investments	4,025,832	4,833,129	8,858,961	9,006,869
Prepaid Expenses	101,788	-	101,788	109,188
Property and Equipment, Net	9,337,052	-	9,337,052	7,909,211
Land	6,820,709	-	6,820,709	6,678,263
TOTAL ASSETS	$ 22,263,232	$ 6,427,226	$ 28,690,458	$ 28,602,998

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Liabilities				
Accounts Payable	$ 212,014	$ -	$ 212,014	$ 101,761
Gift Annuity Payable	-	96,370	96,370	103,231
Accrued Salaries and Related Items	252,024	-	252,024	252,292
Security Deposits Payable	3,350	-	3,350	2,735
Unearned Revenue	13,000	-	13,000	3,105
Line of Credit	-	-	-	1,241,380
Accrued Interest Payable	-	-	-	76,808
Mortgage Payable	1,125,000	-	1,125,000	1,797,500
TOTAL LIABILITIES	1,605,388	96,370	1,701,758	3,578,812
Net Assets	20,657,844	6,330,856	26,988,700	25,024,186
TOTAL LIABILITIES AND NET ASSETS	$ 22,263,232	$ 6,427,226	$ 28,690,458	$ 28,602,998

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Public Support				
Memberships	$ 946,825	$ -	$ 946,825	$ 852,305
Contributions	1,086,296	706,554	1,792,850	1,911,767
Contracts and Grants	177,203	133,550	310,753	385,130
Special Event Income	705,022	-	705,022	675,258
Bequests	392,736	-	392,736	2,121,017
Total Public Support	3,308,082	840,104	4,148,186	5,945,477
Revenue				
Day Use Fees	646,285	-	646,285	528,115
Program Fees	167,217	-	167,217	187,238
Rental Income	83,230	-	83,230	68,495
Gift Shop Sales	51,505	-	51,505	46,690
Other Income	21,847	-	21,847	797
Interest and Dividends	190,135	58,581	248,716	230,476
Gain on Sale of Investments	2,166,402	599,975	2,766,377	1,659,543
Unrealized (Loss) Gain on Investments	(1,053,618)	(267,382)	(1,321,000)	(2,219,559)
Investment Fees	(8,847)	(15,000)	(23,847)	(11,574)
Change in Value of Gift Annuity Payable	-	(13,884)	(13,884)	(13,633)
Gain (Loss) on Disposal of Property and Equipment	4,000	-	4,000	3,368
Total Revenue	2,268,156	362,290	2,630,446	479,956
Net Assets Released from Restrictions	1,323,705	(1,323,705)	-	-
Total Public Support and Revenue	6,899,943	(121,311)	6,778,632	6,425,433
Expenses				
Program Services	3,258,792	-	3,258,792	3,178,032
Supporting Services	1,555,326	-	1,555,326	1,471,719
Total Expenses	4,814,118	-	4,814,118	4,649,751
Changes in Net Assets	2,085,825	(121,311)	1,964,514	1,775,682
Net Assets, Beginning of Year	18,572,019	6,452,167	25,024,186	23,248,504
Net Assets, End of Year	$ 20,657,844	$ 6,330,856	$ 26,988,700	$ 25,024,186

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Environmental Education	Land Stewardship	Land Protection	Conservation Science	Total	Management & General	Development & Fundraising	Total	Total 2019	Total 2018
Wages	$ 565,601	$ 807,943	$ 190,105	$ 233,319	$ 1,796,968	$ 239,720	$ 434,930	$ 674,650	$ 2,471,618	$ 2,351,229
Payroll Taxes	41,400	60,264	14,441	17,253	133,358	15,586	32,844	48,430	181,788	171,986
Payroll Related Insurance	89,308	115,247	26,457	50,376	281,388	47,794	112,283	160,077	441,465	392,727
Pension Expense	27,920	34,049	8,172	15,662	85,803	14,982	35,411	50,393	136,196	121,458
Total Wages and Related Expenses	724,229	1,017,503	239,175	316,610	2,297,517	318,082	615,468	933,550	3,231,067	3,037,400
Contract Services and Consulting	21,859	14,315	4,014	14,923	55,111	8,919	19,455	28,374	83,485	77,307
Legal and Accounting	6,999	13,924	11,910	4,052	36,885	7,304	19,781	27,085	63,970	54,165
Honoraria	3,070	-	-	95	3,165	-	-	-	3,165	6,831
Occupancy	3,512	28,103	1,109	7,239	39,963	1,848	4,251	6,099	46,062	50,864
Auto and Truck Expense	255	51,652	-	1,537	53,444	-	-	-	53,444	48,996
Advertising and Promotion	5,536	-	-	-	5,536	-	-	-	5,536	6,840
Printing and Publications	24,369	9,942	10	129	34,450	395	23,985	24,380	58,830	39,979
Exhibit Supplies and Materials	5,433	-	-	-	5,433	-	-	-	5,433	6,205
Insurance	10,659	42,216	4,613	5,745	63,233	5,223	12,013	17,236	80,469	80,046
Maintenance Supplies and Materials	-	86,583	-	-	86,583	-	-	-	86,583	91,870
Program Supplies	22,524	22,494	916	4,213	50,147	-	5,161	5,161	55,308	65,408
Office Supplies and Materials	4,002	4,929	985	1,869	11,785	1,770	4,349	6,119	17,904	16,226
Information Technology	7,951	9,904	2,162	4,614	24,631	3,142	22,512	25,654	50,285	46,824
Dues and Subscriptions	1,055	4,319	8,726	415	14,515	1,272	1,745	3,017	17,532	30,192
Telephone and Internet	5,405	9,917	1,968	3,769	21,059	2,592	4,146	6,738	27,797	29,983
Postage	8,624	645	142	107	9,518	151	8,747	8,898	18,416	18,941
Travel	18,301	5,936	3,147	3,281	30,665	645	3,231	3,876	34,541	44,934
Special Events	-	-	-	-	-	-	231,818	231,818	231,818	248,775
Meetings and Professional Development	4,723	6,896	2,478	2,149	16,246	6,700	2,683	9,383	25,629	37,183
Board of Director's Expense	-	-	-	-	-	3,294	-	3,294	3,294	2,581
Contributions	-	1,000	9,500	-	10,500	-	-	-	10,500	13,000
Personnel Recruitment	2,002	1,509	-	666	4,177	41,808	-	41,808	45,985	4,886
Interest Expense	1,595	2,603	17,613	924	22,735	6,766	1,931	8,697	31,432	76,424
Cost of Sales	-	27,407	-	-	27,407	-	-	-	27,407	26,100
Credit Card Fees	8,076	13,177	2,550	4,676	28,479	4,251	9,777	14,028	42,507	39,601
Bad Debt Expense	-	-	-	-	-	17,202	-	17,202	17,202	1,678
Miscellaneous Administration Expense	4,770	3,411	138	279	8,598	4,900	1,316	6,216	14,814	10,597
Real Estate Taxes	-	-	41,599	-	41,599	-	-	-	41,599	35,410
Total Expenses Before Depreciation	894,949	1,378,385	352,755	377,292	3,003,381	436,264	992,369	1,428,633	4,432,014	4,249,246
Depreciation	72,825	117,554	22,926	42,106	255,411	38,360	88,333	126,693	382,104	400,505
Total Expenses	$ 967,774	$ 1,495,939	$ 375,681	$ 419,398	$ 3,258,792	$ 474,624	$ 1,080,702	$ 1,555,326	$ 4,814,118	$ 4,649,751

See accompanying notes to financial statements.

MOHONK PRESERVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	$ 1,964,514	$ 1,775,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	382,104	400,505
Contributed Property, Equipment and Land	(442,200)	(75,000)
(Gain) on Disposal of Property and Equipment	(4,000)	(3,368)
(Gain) on Sale of Investments	(2,766,377)	(1,659,543)
Unrealized Loss on Investments	1,321,000	2,219,559
Change in Value of Gift Annuity Payable	13,884	13,633
Contributions Restricted for Investment in Endowments	(87,285)	(99,211)
Changes in operating assets and liabilities:		
Accounts Receivable	74,737	(26,699)
Contributions Receivable	(18,704)	(435,157)
Accrued Interest Receivable	22,175	(1,592)
Contracts and Grants Receivable	184,810	424,007
Prepaid Expenses	7,400	8,453
Accounts Payable	110,253	(35,308)
Accrued Salaries and Related Items	(268)	49,932
Security Deposits Payable	615	-
Unearned Revenue	9,895	550
Accrued Interest Payable	(76,808)	18,125
Net Cash Provided By Operating Activities	695,745	2,574,568
Cash Flows From Investing Activities		
Proceeds from Sale of Investments	6,479,802	3,920,381
Purchases of Investments	(4,947,056)	(3,467,204)
Purchases of Property and Equipment	(1,510,191)	(303,022)
Proceeds from Sale of Property and Equipment	4,000	6,555
Net Cash Provided By Investing Activities	26,555	156,710
Cash Flows From Financing Activities		
Contributions Restricted for Investment in Endowments	87,285	99,211
Payments of Annuities	(20,745)	(25,932)
Proceeds from Line of Credit	-	189,353
Payments on Line of Credit	(1,241,380)	(401,500)
Payments on Mortgages Payable	(672,500)	-
Net Cash (Used For) Financing Activities	(1,847,340)	(138,868)
Net (Decrease) Increase in Cash	(1,125,040)	2,592,410
Cash, Beginning of Year	3,458,589	866,179
Cash, End of Year	$ 2,333,549	$ 3,458,589
Supplemental Disclosures		
Donated Securities Immediately Sold	$ 27,399	$ 43,510
Interest Paid	$ 108,240	$ 58,104
Non-Cash Transactions		
Receipt of Contributed Property, Equipment and Land	$ 442,200	$ 75,000

MOHONK PRESERVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 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

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities*, the Preserve presents information regarding its financial position and activities based upon the existence or absence of donor-imposed restrictions according to two classes of net assets:

> 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.
>
> 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.

Adoption of New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 clarifies the principles for recognizing revenue and requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. As a result of adopting this standard using retrospective application, no prior year amounts were reclassified to conform to the presentation requirements. There was no material impact to the financial statements as a result of adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

In June 2018, the FASB issued standard ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which shifts the accounting for revenue recognition for most cost reimbursement contracts and grants from an exchange model to a contribution model, resulting in most cost reimbursement contracts and grants being accounted for as donor-restricted conditional contributions. Revenue is triggered by incurring reimbursable costs and timing of revenue recognition is not materially impacted by this standard. ASU 2018-08 also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Preserve adopted this standard for 2019 on a modified prospective basis, meaning there is no cumulative effect adjustment to opening net assets as a result of adoption. The adoption did not result in a material change to how the Preserve accounts for revenue from contributions, grants and cost reimbursement contracts.

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, memberships, special events and grants, 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. Conditional promises to give are not recognized until the conditions on which they depend are met.

Membership generally allows the member access to the Preserve’s land for one year. The price of the membership is dependent on the level of access. All membership sales are final. Memberships are not refundable or exchangeable, and are not for resale. The full year of access to benefits is conferred at the time of purchase, whether or not a member elects to use them. The Preserve recognizes revenue from membership sales at the time of purchase. Preserver membership levels, totaling $43,500 during the year ended December 31, 2019, are included in contributions on the Statement of Activities.

Revenue from contracts and grants are primarily considered to be contribution transactions, the majority of which are cost-reimbursable grants. Revenue is recognized when eligible cost reimbursement expenses are incurred. The Preserve has elected the “simultaneous release” accounting policy option such that grants received and used within the same period are reported in net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Special event income is generally recognized in the year in which the event is conducted.

Day use fees, program fees and gift shop sales are recognized as earned, which is when goods or services are provided to customers at an amount (transaction price) that reflects the consideration to which the Preserve expects to be entitled in exchange for those goods or services. Obligations for these services are generally provided at a point in time and are not left unsatisfied at the end of the reporting period.

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 $2,019,552 and $3,157,766 at December 31, 2019 and 2018, 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, 2019 and 2018, management determined that all outstanding receivables were collectible. There is no provision for doubtful accounts in the accompanying financial statements.

The Preserve has conditional government contracts and grants for educational programs and a bridge replacement totaling $207,505 and $181,500 at December 31, 2019, respectively.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

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, 2019 and 2018.

Beneficial Interest in Trust

The Preserve's beneficial interest in a fund with the Community Foundations of the Hudson Valley (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 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.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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, 2019 and 2018.

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.

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, 2018, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at December 31, 2019 and 2018 are as follows:

	2019	2018
Without Donor Restrictions	$ 30,020	$ -
Capital Campaign	490,961	513,202
Endowment	2,053	2,000
	523,034	515,202
Discounted amount	(15,846)	(26,718)
Total	$ 507,188	$ 488,484

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, 2019 and 2018, the interest rate was 1.69% and 2.51%, respectively. Contributions receivable to be collected at December 31, 2019 and 2018, are as follows:

	2019	2018
Less than one year	$ 234,957	$ 182,085
One to five years	288,077	333,117
	523,034	515,202
Discounted amount	(15,846)	(26,718)
Total	$ 507,188	$ 488,484

4. BENEFICIAL INTEREST IN TRUST

The Preserve's assets at the Community Foundations of the Hudson Valley (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, 2019 and 2018:

	2019	2018
Balance as of January 1	$ 291,209	$ 332,386
Realized and Unrealized Gains (Losses)	42,486	(39,546)
Interest, Dividends and Capital Gain Distributions	10,147	13,089
Grant Expense	(11,705)	(11,000)
Management Fee Expense	(3,548)	(3,720)
Balance as of December 31	$ 328,589	$ 291,209

5. INVESTMENTS

Investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Money Market/Cash Funds	$ 238,782	$ 857,101
Bonds (Asset Backed Securities)	2,524	2,924
Exchange Traded Products:		
Bond Funds	3,132,171	2,412,161
Equity Funds	5,485,484	5,734,683
Total Investments	$ 8,858,961	$ 9,006,869

Investment income consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	$ 248,716	$ 230,476
Realized and unrealized gain (loss)	1,445,377	(560,016)
Total Investment Income	$ 1,694,093	$ (329,540)

6. PROPERTY AND EQUIPMENT

As of December 31, 2019 and 2018, the Preserve had approximately 8,000 acres of land, including easements. At December 31, 2019 and 2018, property and equipment is as follows:

	2019	2018
Land	$ 6,820,709	$ 6,678,263
Buildings	5,314,073	5,314,073
Land and building improvements	3,813,887	3,441,778
Computers and equipment	536,177	500,962
Automobiles and trucks	570,723	533,852
Exhibits	577,393	573,166
Bridges	1,221,315	1,221,315
Total	12,033,568	11,585,146
Less Accumulated Depreciation	4,834,850	4,491,041
Depreciable Assets, Net	7,198,718	7,094,105
Construction in progress	2,138,334	815,106
Property and Equipment, Net	9,337,052	7,909,211
Total	$ 16,157,761	$ 14,587,474

Depreciation expense totaled $382,104 and $400,505 during the years ended December 31, 2019 and 2018, 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, 2019 and 2018 follows:

	2019	2018
Payable, January 1	$ 103,231	$ 115,530
Annuity Payments	(20,745)	(25,932)
Increase in Gift Annuity Payable	13,884	13,633
Payable, December 31	$ 96,370	$ 103,231

During the years ended December 31, 2019 and 2018, 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, 2019 and 2018, investments - gift annuity totaled $305,381 and $282,222, 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, 2019 and 2018 was 2.41% and 3.21%, respectively. The balance of this loan as of December 31, 2019 and 2018 was $-0- and $1,241,380, respectively. The loan is collateralized by investments held in a separate account with a fair market value of $2,228,184 and $5,685,259 as of December 31, 2019 and 2018, 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 was secured with a mortgage on the property purchased. Payments of interest only were required to be made on the fifth and tenth anniversary dates of the promissory note dated December 17, 2014. The initial interest rate was the one year LIBOR rate published most recently immediately prior to execution of this note plus 1.5%. The subsequent interest rates were 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 was 3.55%. As of December 31, 2018, the interest payable on this note totaled $76,808. The entire principal sum together with all accrued interest was paid April 2019.

8. DEBT (CONTINUED)

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 $460,054 and $427,131 at December 31, 2019 and 2018, 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.

9. NET ASSETS

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

	2019	2018
Without Donor Restrictions		
Undesignated	$ 16,486,676	$ 14,549,648
Board Designated Endowment	2,613,573	2,061,551
Board Designated for Capital Campaign	1,557,595	1,960,820
Total Without Donor Restrictions	20,657,844	18,572,019
With Donor Restrictions		
Temporary		
Non-Endowment	1,489,468	1,933,704
Endowment	1,603,941	1,368,301
Permanent		
Endowment	3,237,447	3,150,162
Total With Donor Restrictions	6,330,856	6,452,167
Total Net Assets	$ 26,988,700	$ 25,024,186

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 which are disclosed in Note 1. 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, 2019 and 2018.

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.

10. ENDOWMENT FUNDS (CONTINUED)

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.

<u>Spending Policy</u>
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.

<u>Return Objectives and Risk Parameters</u>
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.

10. ENDOWMENT FUNDS (CONTINUED)

The composition of endowment net assets and the changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Temporary	Permanent	Total
Endowment Funds, January 1, 2019	$ 2,061,551	$ 1,368,301	$ 3,150,162	$ 6,580,014
Contributions	-	-	87,285	87,285
Investment Income	118,372	36,584	-	154,956
Net Appreciation/ (Depreciation)	651,438	281,684	-	933,122
Released or Transferred for Expenditures	(217,788)	(82,628)	-	(300,416)
Endowment Funds, December 31, 2019	$ 2,613,573	$ 1,603,941	$ 3,237,447	$ 7,454,961

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

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Temporary	Permanent	Total
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	(241,640)	(50,700)	-	(292,340)
Endowment Funds, December 31, 2018	$ 2,061,551	$ 1,368,301	$ 3,150,162	$ 6,580,014

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 $136,196 and $121,458 on behalf of eligible employees' in 2019 and 2018, 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, 2019 and 2018, the Preserve incurred expenses to Smiley Brother's Inc. and Mohonk Mountain House for goods and services totaling $42,684 and $48,584, respectively. Additionally, the Preserve earned revenue for services provided to Smiley Brothers, Inc. and Mohonk Mountain House totaling $3,725 and $3,500, respectively, during the years ended December 31, 2019 and 2018. Accounts payable to Smiley Brothers, Inc. totaled $757 and $623 at December 31, 2019 and 2018, 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.

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, 2019 and 2018.

13. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements for assets and liabilities at fair value on a recurring basis at December 31, 2019 and 2018 were determined based on the following:

	Quoted Prices in Active Markets for Identical Assets (Level1)	
	2019	**2018**
Investments - Gift Annuity		
Money Market/Cash Funds	$ 6,636	$ 20,400
Equity Funds	284,759	257,396
Other Funds	13,986	4,426
	$ 305,381	$ 282,222

	Quoted Prices in Active Markets for Identical Assets (Level1)	
	2019	**2018**
Investments		
Money Market/Cash Funds	$ 238,782	$ 857,101
Bonds (Asset Backed Securities)	2,524	2,924
Exchange Traded Products:		
Bond Funds	3,132,171	2,412,161
Equity Funds	5,485,484	5,734,683
	$ 8,858,961	$ 9,006,869

	Significant Unobservable Inputs (Level 3)	
	2019	**2018**
Investments - Beneficial Interest in Trust	$ 328,589	$ 291,209

The valuation of the beneficial 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.

	2019	**2018**
Gift Annuity Payable	$ 96,370	$ 103,231

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 1.9% and 1.7% at December 31, 2019 and 2018, 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. CONSTRUCTION COMMITMENT

During the year ended December 31, 2019, the Preserve entered into a contract for a capital improvement project. The total contract is $1,379,263. The project has commenced and as of December 31, 2019, $1,034,030 of the cost has been incurred. The commitment to finish at December 31, 2019 was $345,233.

16. 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. 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 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.

	2019	2018
Assets without restriction as of December 31	$ 22,263,232	$ 22,047,600
Less non-financial assets:		
Prepaid expenses	101,788	109,188
Property and equipment, net	9,337,052	7,909,211
Land	6,820,709	6,678,263
Financial assets without restriction as of December 31	6,003,683	7,350,938
Less unavailable for general expenditures within one year:		
Board designated for capital campaign	1,557,595	1,960,820
Beneficial interest in trust	328,589	291,209
Board designated endowment fund, primarily for long-term investing	2,613,573	2,061,551
Investments held as security for debt	337,500	1,889,225
Financial assets available to meet cash needs for general expenditures within one year	$ 1,166,426	$ 1,148,133

17. FUTURE ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which was effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Subsequently, in November 2019, the FASB issued ASU 2019-10 extending the effective date to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The standard requires a change in the way the Preserve will account for its leases, eliminating operating leases and requiring lease obligations to be recorded as a liability on the balance sheet with a corresponding right to use asset.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,* which removes the requirement to disclose the valuation process for Level 3 fair value measurements and modifies other disclosures related to Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019.

The Preserve is currently evaluating the impact these standards will have on its financial statements and related disclosures.

18. SUBSEQUENT EVENTS

During January 2020, the Preserve entered into a contract in the normal course of business for the conversion of information technology systems. The cost estimate ranges from $68,000 to $115,000.

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Preserve and its future results and financial position is not presently determinable.

The Preserve's management has evaluated subsequent events through March 27, 2020, the date on which the financial statements were available to be issued, and determined that, except as disclosed above, there were no subsequent events requiring recording or disclosure.