

MOHONK PRESERVE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2012
With Comparative Totals for 2011

Prepared by:

FOSTER & SCHMALKUCHE, P.C.
Certified Public Accountants

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THE INSTITUTE OF
BUSINESS APPRAISERS, INC.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mohonk Preserve, Inc.

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, 2012, 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, 2012, 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

We have previously audited the Mohonk Preserve, Inc.'s 2011 financial statements, and our report dated May 31, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Frederick W. Schmalkuche
Foster & Schmalkuche, P.C.
Gardiner, New York

June 27, 2013

MOHONK PRESERVE, INC.

Statement of Financial Position
December 31, 2012
With Comparative Totals For 2011

ASSETS

CURRENT ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
Cash	\$ 164,164	\$ 492,921	\$ 25,000	\$ 682,085	\$ 394,116
Accounts Receivable	2,453	-	-	2,453	8,459
Unconditional Promises to Give, net	15,878	955,337	20,000	991,215	-
Accrued Interest Receivable	25,369	-	-	25,369	25,369
Grants Receivable	450,000	551,500	-	1,001,500	94,620
Other Receivable	-	-	-	-	1,915
Investments-Gift Annuity	-	366,259	-	366,259	313,269
Investments	4,768,808	1,103,396	2,487,142	8,359,346	7,944,388
Inventory	-	-	-	-	7,144
Prepaid Expenses	27,830	-	-	27,830	25,648
Deposit on Land	150,000	-	-	150,000	-
Due from Unrestricted Fund	-	-	-	-	247,682
Total Current Assets	5,604,502	3,469,413	2,532,142	11,606,057	9,062,610
FIXED ASSETS, NET	5,652,451	-	-	5,652,451	3,626,756
LAND	3,220,402	-	-	3,220,402	3,216,127
TOTAL ASSETS	\$ 14,477,355	\$ 3,469,413	\$ 2,532,142	\$ 20,478,910	\$ 15,905,493
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Accounts Payable	\$ 205,880	\$ -	\$ -	\$ 205,880	\$ 72,403
Sales Tax Payable	145	-	-	145	132
Gift Annuity Payable	-	152,246	-	152,246	169,373
Accrued Salaries and Payroll Taxes	180,365	-	-	180,365	171,490
Employee Benefit Payable	5,236	-	-	5,236	8,859
Security Deposit Payable	3,235	-	-	3,235	3,235
Unearned Revenue	1,500	-	-	1,500	6,500
Other Liabilities	2,500	-	-	2,500	73,750
Notes Payable	2,053,062	-	-	2,053,062	11,779
Due to Gift Annuity Fund	-	-	-	-	51,608
Due to Restricted Fund	-	-	-	-	196,074
TOTAL CURRENT LIABILITIES	2,451,923	152,246	-	2,604,169	765,203
NET ASSETS	12,025,432	3,317,167	2,532,142	17,874,741	15,140,290
TOTAL LIABILITIES AND NET ASSETS	\$ 14,477,355	\$ 3,469,413	\$ 2,532,142	\$ 20,478,910	\$ 15,905,493

The accompanying notes are an integral part of the financial statements.

MOHONK PRESERVE, INC.

Statement of Activities
 Year Ended December 31, 2012
 With Comparative Totals For 2011

PUBLIC SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
<u>PUBLIC SUPPORT</u>					
Memberships	\$ 673,411	\$ -	\$ -	\$ 673,411	\$ 673,124
Life Memberships	73,821	-	-	73,821	41,925
Contributions	528,628	1,537,144	45,000	2,110,772	849,338
Grants	723,434	681,000	-	1,404,434	435,698
Bequests	11,178	-	-	11,178	20,888
Total Public Support	2,010,472	2,218,144	45,000	4,273,616	2,020,973
<u>REVENUE</u>					
Land Fees	394,832	-	-	394,832	390,026
Interest and Dividends	153,212	37,491	-	190,703	211,981
Gift Shop Sales	16,976	-	-	16,976	15,164
Gain on Sale of Investments	64,128	15,200	-	79,328	50,171
Fees for Services	125,809	-	-	125,809	91,612
Special Event Income	209,000	-	-	209,000	220,902
Rental Income	53,197	-	-	53,197	44,270
Unrealized Gain on Investments	510,872	117,093	-	627,965	13,322
Change in Value of Split Interest Agreements	-	(11,219)	-	(11,219)	(11,719)
Gain on Sale of Fixed Assets	-	-	-	-	11,186
Other Income	648	-	-	648	4,053
Total Revenue	1,528,674	158,565	-	1,687,239	1,040,968
Net Assets Released from Restriction	330,403	(330,403)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,869,549	2,046,306	45,000	5,960,855	3,061,941
<u>EXPENSES</u>					
Program Services	2,319,009	-	-	2,319,009	2,262,813
Supporting Services	907,395	-	-	907,395	764,412
Total Expenses	3,226,404	-	-	3,226,404	3,027,225
Changes in Net Assets	643,145	2,046,306	45,000	2,734,451	34,716
NET ASSETS - BEGINNING OF YEAR	10,697,197	1,955,951	2,487,142	15,140,290	15,105,574
INTERFUND TRANSFERS	685,090	(685,090)	-	-	-
NET ASSETS - END OF YEAR	\$ 12,025,432	\$ 3,317,167	\$ 2,532,142	\$ 17,874,741	\$ 15,140,290

The accompanying notes are an integral part of the financial statements.

MOHONK PRESERVE, INC.

Statement of Cash Flows
 Year Ended December 31, 2012
 With Comparative Totals For 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
Change in Net Assets	\$ 2,734,451	\$ 34,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	245,042	203,258
Gain on Sale of Investments	(79,328)	(50,171)
Unrealized Gain on Investments	(627,965)	(13,322)
Gain on Sale of Fixed Assets	-	(11,186)
Donated Assets	(116,354)	(79,802)
Changes in Assets and Liabilities:		
Accounts Receivable	6,006	(7,872)
Unconditional Promises to Give, net	(991,215)	-
Accrued Interest Receivable	-	813
Grants Receivable	(906,880)	(81,420)
Other Receivable	1,915	(1,915)
Inventory	7,144	572
Prepaid Expenses	(2,182)	(5,447)
Deposit on Land	(150,000)	-
Accounts Payable	133,477	(11,051)
Sales Tax Payable	13	(124)
Gift Annuity Payable	(17,127)	(16,627)
Accrued Salaries and Payroll Taxes	8,875	70,466
Employee Benefit Payable	(3,623)	7,507
Security Deposits Payable	-	(100)
Unearned Revenue	(5,000)	5,000
Other Liabilities	(71,250)	71,250
	165,999	114,545
NET CASH PROVIDED BY OPERATING ACTIVITIES	165,999	114,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	583,863	892,544
Purchase of Improvements and Equipment	(2,270,749)	(639,538)
Purchase of Land	(4,275)	(22,905)
Purchase of Investments	(228,152)	(165,210)
Proceeds from Short-Term Borrowing	2,053,062	11,779
Repayment of Short-Term Borrowing	(11,779)	-
Proceeds from Sale of Fixed Asset	-	23,500
	121,970	100,170
NET CASH PROVIDED BY INVESTING ACTIVITIES	121,970	100,170
NET INCREASE IN CASH	287,969	214,715
CASH AT BEGINNING OF YEAR	394,116	179,401
CASH AT END OF YEAR	\$ 682,085	\$ 394,116

The accompanying notes are an integral part of the financial statements.

MOHONK PRESERVE, INC.

Statement of Functional Expenses

Year Ended December 31, 2012

With Comparative Totals For 2011

	PROGRAM SERVICES			
	Environmental Education	Land Stewardship	Land Protection	Conservation Science
Wages	\$ 435,350	\$ 548,721	\$ 101,431	\$ 212,081
Payroll Taxes	35,401	44,579	7,867	17,045
Payroll Related Insurance	33,662	55,668	17,448	27,998
Pension Expense	12,064	22,846	7,087	10,756
Total Wages and Related Expenses	516,477	671,814	133,833	267,880
Contract Services and Consulting	22,949	32,254	49,436	28,264
Legal and Accounting	9,245	11,335	3,292	6,084
Honoraria	2,672	-	-	10,000
Occupancy	2,490	17,647	1,459	7,041
Auto and Truck Expense	-	54,749	-	1,693
Printing and Publications	28,177	3,983	532	142
Exhibit Supplies and Materials	290	-	-	-
Insurance	5,542	30,005	3,256	5,127
Maintenance Supplies and Materials	680	45,259	351	1,674
Program Supplies	14,906	7,679	1,387	5,363
Office Supplies and Materials	2,279	3,546	826	1,973
Information Technology	10,929	3,121	1,068	2,741
Dues and Subscriptions	1,755	3,190	3,592	1,044
Telephone and Internet	2,091	9,116	1,784	3,105
Postage	12,132	697	158	184
Travel	3,176	3,282	2,422	5,072
Special Events	6,533	-	-	-
Meetings and Professional Development	892	1,232	911	4,041
Board of Director's Expense	-	-	-	-
Investment Management Fees	-	-	-	-
Contributions	-	10,000	-	-
Personnel Recruitment	239	1,164	140	634
Interest Expense	580	1,098	341	536
Cost of Sales	-	17,229	-	-
Miscellaneous Administration Expense	383	1,556	34	89
Real Estate Taxes	-	-	8,247	-
Sub-Total	644,417	929,956	213,069	352,687
Depreciation	24,504	105,368	24,504	24,504
TOTAL EXPENSES	\$ 668,921	\$ 1,035,324	\$ 237,573	\$ 377,191

The accompanying notes are an integral part of the financial statements.

SUPPORTING SERVICES

Total Program Services	Management & General	Membership & Fund-raising	Total Support Services	TOTAL EXPENSES	
				2012	2011
\$ 1,297,583	\$ 79,774	\$ 253,692	\$ 333,466	\$ 1,631,049	\$ 1,483,509
104,892	6,556	19,666	26,222	131,114	110,821
134,776	27,160	27,317	54,477	189,253	190,859
52,753	11,159	11,084	22,243	74,996	67,419
1,590,004	124,649	311,759	436,408	2,026,412	1,852,608
132,903	6,957	128,931	135,888	268,791	279,921
29,956	18,565	6,415	24,980	54,936	150,962
12,672	-	-	-	12,672	16,421
28,637	2,618	2,287	4,905	33,542	38,148
56,442	-	-	-	56,442	47,655
32,834	393	22,400	22,793	55,627	64,237
290	-	-	-	290	4,772
43,930	6,505	5,179	11,684	55,614	60,707
47,964	552	550	1,102	49,066	30,306
29,335	1,453	3,307	4,760	34,095	26,013
8,624	3,408	1,920	5,328	13,952	30,559
17,859	8,486	5,088	13,574	31,433	-
9,581	4,794	725	5,519	15,100	18,000
16,096	1,951	1,926	3,877	19,973	15,145
13,171	184	13,215	13,399	26,570	23,393
13,952	1,992	5,553	7,545	21,497	19,606
6,533	-	77,450	77,450	83,983	48,639
7,076	2,759	5,083	7,842	14,918	14,826
-	7,037	-	7,037	7,037	2,988
-	4,319	-	4,319	4,319	4,300
10,000	-	-	-	10,000	10,000
2,177	4,156	887	5,043	7,220	8,696
2,555	1,048	533	1,581	4,136	283
17,229	-	-	-	17,229	7,386
2,062	45,991	208	46,199	48,261	40,519
8,247	-	-	-	8,247	7,877
2,140,129	247,817	593,416	841,233	2,981,362	2,823,967
178,880	66,162	-	66,162	245,042	203,258
<u>\$ 2,319,009</u>	<u>\$ 313,979</u>	<u>\$ 593,416</u>	<u>\$ 907,395</u>	<u>\$ 3,226,404</u>	<u>\$ 3,027,225</u>

MOHONK PRESERVE, INC.

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies

Nature of Activities

With over 8,000 acres of cliffs, forests, fields, and streams, Mohonk Preserve, Inc. is the largest member and visitor-supported nature preserve in New York State.

Our mission is to protect the Shawangunk Mountains by inspiring people to care for, enjoy, and explore the natural world.

We accomplish the mission through land protection and stewardship, conservation science, and environmental education.

Basis of Accounting

The financial statements of Mohonk Preserve, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

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

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Property, Equipment and Land

Land and equipment are recorded at cost, if purchased or at the fair market value at date of gift, if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Inventory

Due to the significant reduction in the gift shop inventory, management has elected to no longer value inventory as of December 31, 2012. As a result, the prior year inventory balance of \$7,144 was expensed through cost of sales in 2012. In prior years, inventory was stated at the lower of cost or market determined on the first-in, first-out basis.

Note 1: Summary of Significant Accounting Policies (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments, held outside the investment accounts, with an initial maturity of three months or less to be cash equivalents.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2011, from which the summarized information was derived.

Promises to Give

Unconditional promises to give, instituted in 2012, are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions to be received after one year are discounted at the risk free rate. As of December 31, 2012, the risk free rate was 2 ½%. Management deems all the promises to give to be collectible, based on the small donor base and historical collection rate from a prior campaign; therefore no allowance for uncollectible promises to give has been recorded.

Note 1: Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 2: Investment in Land, Equipment and Land Improvements

Land consists of 7,251 acres of property and easements that have been either transferred from the Mohonk Trust, purchased or donated. Investment in land is \$3,220,402 at December 31, 2012.

At December 31, 2012 and 2011, fixed assets are summarized as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 1,085,742	\$ 531,917
Automobiles and Trucks	417,546	398,838
Land, Carriage Road and Building Improvements	1,954,638	1,362,463
Visitor Center	<u>4,741,576</u>	<u>3,645,559</u>
	8,199,502	5,938,777
Less Accumulated Depreciation	<u>(2,547,051)</u>	<u>(2,312,021)</u>
Total Fixed Assets	<u>\$ 5,652,451</u>	<u>\$ 3,626,756</u>

Note 3: Accounts Receivable

Management has deemed all receivables to be collectible and, therefore, no allowance for bad debts has been made.

Note 4: Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). However, as of the balance sheet date the uninsured balance was \$415,749.

Note 5: Restrictions on Cash

During 2012, the Mohonk Preserve, Inc. received contributions and grants restricted for various programs. At December 31, 2012, the following funds were held in cash accounts restricted for the following purposes:

Temporarily Restricted:

Conservation Science	\$	28,217
Land Protection		16,671
Survival of the Shawangunks		7,826
Cedar Bridge Repair		10,000
Land Acquisition		1,000
Capital Campaign		<u>429,207</u>
Total	\$	<u>492,921</u>

Permanently Restricted:

Mohonk Endowment	\$	<u>25,000</u>
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Note 6: Marketable Securities

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

	Cost	Fair Market Value	Unrealized Appreciation/ (Depreciation)
Stock Mutual Funds	\$ 4,337,880	\$ 5,404,586	\$ 1,066,706
Bond Mutual Funds	2,653,465	2,899,700	246,235
Bonds	181,962	146,847	(35,115)
Money Market	274,472	274,472	—
Total	<u>\$ 7,447,779</u>	<u>\$ 8,725,605</u>	<u>\$ 1,277,826</u>

Note 6: Marketable Securities (continued)

Investment return is summarized as follows:

Interest/dividend income	\$ 190,703
Net realized and unrealized gains	<u> 707,293</u>
Total investment return	<u>\$ 897,996</u>

Note 7: Fair Value Measurements

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2012 were determined based on:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stocks	\$ 7,969,672
Bonds	481,461
Money Market	274,472
Total	<u><u>\$ 8,725,605</u></u>

Note 8: Promises to Give

Unconditional promises to give at December 31, 2012, are as follows:

Unrestricted	\$ 15,878
Capital Campaign	955,337
Endowment	<u> 20,000</u>
	<u>\$ 991,215</u>
Receivable in less than one year	\$ 264,230
Receivable in one to five years	<u> 771,428</u>
Total unconditional promises to give	1,035,658
Less: discounts to net present value	<u> (44,443)</u>
Net unconditional promises to give	<u><u>\$ 991,215</u></u>

Note 9: Deposit on Land

During 2012, Mohonk Preserve, Inc. entered into an agreement with Open Space Conservancy, Inc. to purchase real estate located in the Town of New Paltz, Ulster County, New York for \$2,150,000. A deposit of \$150,000 was paid in 2012 upon the execution of the Agreement of Sale. The balance of the purchase price is to be paid as follows: \$850,000 on or before December 31, 2013; \$575,000 on or before September 1, 2014; \$575,000 at the closing.

Note 10: Notes Payable

Notes payable are summarized as follows:

<u>Holder</u>	<u>Total</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Status</u>
M&T Bank	\$ —	\$ —	\$ —	(A)
M&T Bank	<u>2,053,062</u>	<u>2,053,062</u>	<u>—</u>	(B)
Totals	<u>\$ 2,053,062</u>	<u>\$ 2,053,062</u>	<u>\$ —</u>	

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

(B) Revolving demand note payable to M&T Bank with a maximum credit available of \$2,500,000. The loan is payable on demand. The interest rate during the draw period is variable at LIBOR plus 65 basis points. The interest rate at December 31, 2012 was 0.9%. The loan is secured by investments held in a separate account with a fair market value of \$3,503,269 at December 31, 2012.

Note 11: Donated Assets and Services

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

Mohonk Preserve, Inc. received contributed investments during the year ended December 31, 2012, with an estimated fair market value on the date of donation of \$116,354.

Note 12: Related Party Transactions

During the year ended December 31, 2012, Mohonk Preserve, Inc. expensed payments totaling \$4,164 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 Smiley Family members and both participate in the operations of Smiley Brothers, Inc., a resort hotel which adjoins the Mohonk Preserve, Inc. property. Also included in revenue on the accompanying financial statements are \$3,125 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.

Note 13: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

Purpose restrictions accomplished:

For Gift Annuity:		\$	2,140
For Expenses:			
Capital Campaign	100,000		
Volunteer	5,000		
Education	38,306		
Conservation Science	124,047		
Land Protection	50,361		
Stewardship	10,549		
			<u>328,263</u>
Total Restrictions Released			<u>\$ 330,403</u>

Note 14: 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.

Note 14: Endowment Funds

The composition of endowment net assets and the changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, 1/1/12	\$ 726,928	\$ 911,536	\$ 2,487,142	\$ 4,125,606
Contributions	5,593	10,826	45,000	61,419
Investment income	65,400	29,088	—	94,488
Net appreciation	244,179	106,517	—	350,696
Amounts appropriated for expenditure	<u>(136,049)</u>	<u>(53,510)</u>	<u>—</u>	<u>(189,559)</u>
Endowment net assets, 12/31/12	<u>\$ 906,051</u>	<u>\$ 1,004,457</u>	<u>\$ 2,532,142</u>	<u>\$ 4,442,650</u>

Note 15: 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 is an employee 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, 2012 and 2011 amounted to \$74,996 and \$67,419, respectively.

Note 16: 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.

Note 17: Temporarily Restricted Net Assets

During 2012, the Mohonk Preserve, Inc. received contributions and grants restricted for various programs. At December 31, 2012, \$3,317,167 remained unspent and is reflected on the financial statements as temporarily restricted net assets which consist of the following:

Other Current Assets:		
Gift Annuity	\$ 214,013	
Capital Campaign	1,489,493	
Conservation Science	78,217	
Education	1,500	
Land Protection	516,671	
Land Stewardship	<u>10,000</u>	
Total Other Current Assets		2,309,894
Land Acquisition Fund		2,819
Schaefer Research Intern Fund		146,437
Scheuer Stewardship Intern Fund		56,900
Scheuer Memorial Fund		221,915
Stewardship Endowment Fund		17,041
Education Endowment Fund		15,552
Dan Smiley Research Endowment Fund		541,102
Longhouse Endowment Fund		<u>5,507</u>
Total Temporarily Restricted Net Assets		<u>\$ 3,317,167</u>

Note 18: Permanently Restricted Net Assets

At December 31, 2012, permanently restricted net assets totaled \$2,532,142. The permanently restricted net assets consist of the following, which represents the historical principal:

Mohonk Endowment	\$2,189,735
Schaefer Research Intern Fund	50,000
Scheuer Stewardship Intern Fund	14,944
Stewardship Endowment Fund	71,933
Education Endowment Fund	123,733
Dan Smiley Research Endowment Fund	50,100
Longhouse Endowment Fund	<u>31,697</u>
Total Permanently Restricted Net Assets	<u>\$2,532,142</u>

Note 19: Cash Flow Information

Interest paid for the year was \$4,136.

Note 20: Memorial Fund

The Memorial Fund is a Board restricted fund classified through December 31, 2011 as temporarily restricted. In prior years each time an unrestricted bequest was received, a portion was transferred into this fund. On the Statement of Activities for the year ended December 31, 2012 an inter-fund transfer was made of \$685,090 to properly reclassify the Memorial Fund as unrestricted.

Note 21: Subsequent Events

Subsequent events were evaluated through June 27, 2013, which is the date the financial statements were available to be issued.

Note 22: Net Assets by Fund

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
Current Funds					
Fixed Assets, net	\$ 5,652,451	\$ -	\$ -	\$ 5,652,451	\$ 3,626,756
Land	3,220,402	-	-	3,220,402	3,216,127
Capital Campaign Line of Credit	(2,053,062)	-	-	(2,053,062)	-
Other Current Assets	684,451	2,309,894	45,000	3,039,345	514,500
Mohonk Fund	3,571,571	-	-	3,571,571	3,585,328
Land Acquisition Fund	-	2,819	-	2,819	3,176
W.R. Ginsberg Conservation Fund	-	-	-	-	17,959
Schaefer Research Intern Fund	-	146,437	50,000	196,437	185,342
Scheuer Stewardship Intern Fund	-	56,900	14,944	71,844	67,779
Scheuer Memorial Fund	-	221,915	-	221,915	200,251
Memorial Fund	726,121	-	-	726,121	685,090
Mohonk Endowment Fund	223,498	-	2,144,735	2,368,233	2,237,411
Stewardship Endowment Fund	-	17,041	71,933	88,974	83,942
Education Endowment Fund	-	15,552	123,733	139,285	123,733
Dan Smiley Research Endowment Fund	-	541,102	50,100	591,202	557,796
Longhouse Endowment Fund	-	5,507	31,697	37,204	35,100
Total Net Assets	<u>\$ 12,025,432</u>	<u>\$ 3,317,167</u>	<u>\$ 2,532,142</u>	<u>\$ 17,874,741</u>	<u>\$ 15,140,290</u>