

HUDSON HIGHLANDS LAND TRUST, INC.

FINANCIAL STATEMENTS
(and Independent Auditors' Report)

September 30, 2019
(with memorandum totals as of and for the
year ended September 30, 2018)

HUDSON HIGHLANDS LAND TRUST, INC.
FINANCIAL STATEMENTS
September 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hudson Highlands Land Trust, Inc.:

Report on Financial Statements

We have audited the accompanying financial statements of Hudson Highlands Land Trust, Inc., (a not-for-profit corporation) (the "Land Trust") which comprise the statement of financial position as of September 30, 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

Table with 6 columns and 4 rows of contact information for various office locations including Hudson City Centre, Catskill, Valatie, Saugerties, Kingston, and Albany.

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 Hudson Highlands Land Trust, Inc. as of September 30, 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.

Emphasis of Matter

As discussed in Note 2, the Land Trust adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Hudson Highlands Land Trust, Inc.'s September 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Hudson, New York
December 23, 2019

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2019
(with memorandum totals for September 30, 2018)

	2019	2018 (memorandum only)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,032	\$ 38,624
Money market funds	327,807	399,654
Grants receivable	15,677	-
Pledges receivable	-	175
Prepaid expenses	8,746	-
Total current assets	416,262	438,453
Other long-term assets:		
Money market funds	1,598,638	1,247,245
Investments (note 5)	6,206,313	6,876,286
Land (note 3)	2,403,724	1,214,905
Deposits (note 4)	1,613	1,613
Equipment, net of accumulated depreciation	3,634	1,125
Total other long-term assets	10,213,922	9,341,174
Total assets	\$ 10,630,184	\$ 9,779,627
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,885	\$ -
Accrued expenses	12,670	14,366
Deferred revenue (note 10)	50,000	-
Total current liabilities	68,555	14,366
Long-term liabilities:		
Notes payable (note 6)	1,075,000	575,000
Total long-term liabilities	1,075,000	575,000
Total liabilities	1,143,555	589,366
Net assets:		
Without donor restrictions (note 7)	9,431,355	9,072,234
With donor restrictions (note 7)	55,274	118,027
Total net assets	9,486,629	9,190,261
Total liabilities and net assets	\$ 10,630,184	\$ 9,779,627

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2019
(with memorandum totals for the year ended September 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total (memorandum only)
Operating Activities:				
Support and revenue:				
Contributions	\$ 636,934	\$ 3,224	\$ 640,158	\$ 663,783
Grants	142,027	19,000	161,027	98,845
Fundraising events	14,996	-	14,996	65,911
Other events	8,100	-	8,100	16,046
Other Income	7,226	-	7,226	9,100
Interest and dividend income	74,965	-	74,965	106,283
Assets released from restrictions	84,996	(84,996)	-	-
Total support and revenue	969,244	(62,772)	906,472	959,968
Expenses:				
Land Conservation	476,616	-	476,616	415,599
Natural Resource Planning	207,212	-	207,212	175,700
Outreach and Education	113,954	-	113,954	249,187
Management and general	100,848	-	100,848	63,988
Fundraising	107,261	-	107,261	63,983
Total expenses	1,005,891	-	1,005,891	968,457
Change in net assets from operating activities	(36,647)	(62,772)	(99,419)	(8,489)
Non-operating Activities:				
Grant	70,461	-	70,461	-
Interest and dividend income	57,496	19	57,515	9,246
Realized and unrealized gains	267,810	-	267,810	953,855
Change in net assets from nonoperating activities	395,767	19	395,786	963,101
Change in nets assets	359,121	(62,753)	296,368	954,612
Net assets, beginning of year	9,072,234	118,027	9,190,261	8,235,649
Net assets, end of year	\$ 9,431,355	\$ 55,274	\$ 9,486,629	\$ 9,190,261

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2019
(with memorandum totals for the year ended September 30, 2018)

	2019							2018
	Land Conservation	Natural Resource Planning	Outreach and Education	Total Programs	Management and General	Fundraising	Total	(memorandum only)
Functional Expenses:								
Salaries	\$ 214,484	\$ 119,662	\$ 70,047	\$ 404,193	\$ 48,180	\$ 78,745	\$ 531,119	\$ 451,125
Payroll taxes	16,214	9,046	5,295	30,555	3,642	5,953	40,150	33,353
Employee benefits	4,724	1,902	1,202	7,828	899	1,397	10,125	38,613
Occupancy	10,939	4,406	2,784	18,130	2,082	3,236	23,448	22,766
Communications and publicity	-	-	15,463	15,463	-	-	15,463	15,859
Grant	-	-	-	-	-	-	-	100,690
Contractors	141,810	54,545	-	196,355	-	7,075	203,430	73,705
Legal	33,188	-	-	33,188	-	-	33,188	14,839
Office	18,143	7,307	4,618	30,067	3,453	5,367	38,888	23,206
Fjord Trail Project	-	-	26	26	-	-	26	117,036
Training and education	-	-	-	-	17,470	-	17,470	9,872
Events	-	-	9,799	9,799	-	-	9,799	15,536
Accounting	-	-	-	-	10,384	-	10,384	10,870
Telephone	1,715	691	437	2,843	327	507	3,677	3,063
Insurance	13,181	5,309	3,355	21,844	2,509	3,899	28,252	21,666
Depreciation	-	-	-	-	1,331	-	1,331	563
Natural resource studies	-	2,876	-	2,876	-	-	2,876	3,631
Accreditation	-	-	-	-	9,876	-	9,876	850
Other	3,646	1,468	928	6,042	694	1,081	7,817	11,214
Property Taxes	18,573	-	-	18,573	-	-	18,573	-
Total Expenses	\$ 476,616	\$ 207,212	\$ 113,954	\$ 797,782	\$ 100,848	\$ 107,261	\$ 1,005,891	\$ 968,457

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF CASH FLOWS
Year ended September 30, 2019
(with memorandum totals for the year ended September 30, 2018)

	2019	2018 (memorandum only)
Cash flows from operating activities:		
Change in net assets	\$ 296,368	\$ 954,612
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,331	563
Non-operating grant	(70,461)	-
Unrealized and realized gain on investments	(267,810)	(953,855)
Decrease in prepaid expenses	(8,746)	-
Decrease (increase) in pledges receivable	175	82,457
Increase in grants receivable	(15,677)	-
(Decrease) increase in accounts payable	5,885	(13,079)
Decrease in accrued expenses	(1,696)	(1,036)
Increase in deferred revenue	50,000	-
Total adjustments	(306,999)	(884,950)
Net cash (used for) provided by operating activities	(10,631)	69,662
Cash flows from investing activities:		
Purchase of land parcels	(1,088,819)	(59,357)
Purchase of fixed assets	(3,840)	-
Sales of investments	1,342,779	1,017,240
Purchases of investments	(404,996)	(440,845)
Purchases of money market funds, net	(279,546)	(587,865)
Proceeds from sale of land	400,000	-
Net cash provided by (used for) investing activities	(34,422)	(70,827)
Cash flows from financing activities -		
Non-operating grant	70,461	-
Net used for financing activities	70,461	-
Net increase (decrease) in cash and cash equivalents	25,408	(1,165)
Cash and cash equivalents at beginning of year	38,624	39,789
Cash and cash equivalents at end of year	\$ 64,032	\$ 38,624
Non cash activity:		
Donated investments	\$ 15,407	\$ 28,198
Property acquisition cost paid directly by loans	\$ 500,000	\$ -

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

1. Nature of Activities:

Hudson Highlands Land Trust, Inc. (the "Land Trust") is a not-for-profit corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Land Trust works to preserve open space in the Hudson Highlands as well as the rural character of the area. At September 30, 2019, the Land Trust held 92 conservation easements protecting 2,547 acres of property and an additional 577 acres are held in fee by the Land Trust in Philipstown, Highlands, Putnam Valley and Cornwall, New York.

The Land Trust has the following programs:

Land Conservation: Acquisition and stewardship of the Land Trust's conservation real estate portfolio. The Land Trust acquires real estate interests in property for conservation purposes through outright fee acquisition, and purchase or donation of conservation easements (and/or public access easements) on high conservation value properties. The Land Trust manages these conservation interests through monitoring and enforcement. Stewardship includes other activities to preserve and enhance conservation values, and to facilitate public access, where applicable.

Natural Resource Planning: Documenting natural resources for municipal planning and advocating for their inclusion in development plans. The Land Trust works with local conservation boards and advisory councils to create inventories of valuable natural resources and priority open spaces. The Land Trust works to ensure those inventories are considered in master planning and in achieving an optimal balance between development and natural resource protection. This work includes advocacy for local, state and federal funding for the protection of natural resources.

Outreach and Education: Building public support for natural resource protection. Through events and communications efforts, the Land Trust provides accessible information to area residents and visitors on the vast natural resources of the Hudson Highlands and ways to protect them. This includes educational forums on natural resources and relevant laws; monthly newsletters; brochures/seminars on conservation options; newspaper articles; press releases; educational pages on the Land Trust's web site; trail steward training at popular hiking trails; and social media posts.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Land Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

2. Summary of Significant Accounting Policies (Continued):

Financial Statement Presentation:

The Land Trust follows standards of accounting and financial reporting for certain not-for-profit organizations. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the ASC, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Land Trust and changes therein are classified as follows:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Land Trust. The Land Trust's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with donor restrictions - Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Land Trust or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions.

Reclassifications:

Certain expenses for the year ended September 30, 2018 have been reclassified to conform to the September 30, 2019 presentation.

Prior Year Amounts:

Amounts shown for September 30, 2018, in the accompanying statements, are included to provide a basis for comparison with September 30, 2019 and present summarized totals only. Accordingly, the September 30, 2018 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the net present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

2. Summary of Significant Accounting Policies (Continued):

Pledges Receivable (Continued):

Conditional promises to give are not included as support until such time as the conditions are substantially met.

Support and expenses:

Contributions received and unconditional promises to give are initially measured at their estimated fair values and are reported as an increase in net assets. The Land Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Land Trust reports gifts of goods, property and equipment as net assets without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Land Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. No such donations were recorded in the financial statements for the year ended September 30, 2019.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Equipment:

Equipment is recorded at cost. Depreciation is computed using the straight-line method over five years (the estimated useful lives of the assets). Depreciation expense was \$1,331 during the year ended September 30, 2019.

Fair Value Measurements:

FASB ASC 820-10 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

2. Summary of Significant Accounting Policies (Continued):

Income Taxes:

The Land Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Land Trust has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2019.

The Land Trust has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Land Trust is no longer subject to examination by federal and state taxing authorities for years prior to the fiscal year ended September 30, 2016.

Conservation Easements

The Land Trust does not record donated easements at fair value. Donated easements are carried at zero book value primarily because a typical conservation easement provides the Land Trust with no affirmative rights except to monitor and enforce the easement. Generally, donated land conservation easements restrict the use of the underlying property, are meant to be held in perpetuity, and are not separately marketable. Costs incurred by the Land Trust for conservation easement stewardship and conservation easement enforcement and to purchase development rights are expensed in the period incurred in the statement of activities.

Donated Services, Goods and Facilities:

A substantial number of volunteers have donated time to the Land Trust's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services and specialized skills, if any, which enhanced or created a financial asset are reflected in the statement of activities at their estimated fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt.

Concentrations of Credit Risk:

Financial instruments that potentially expose the Land Trust to concentrations of credit risk consist primarily of cash equivalents, money market funds, grant receivables, and pledge receivables. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation (FDIC) insured financial institutions and credit exposure is limited to any one institution. The Land Trust has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured balances is minimal.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

2. Summary of Significant Accounting Policies (Continued):

Concentrations of Credit Risk (Continued):

Vanguard money market funds (the "Fund") are not covered by FDIC. Credit risk is considered very low for the Fund because it invests primarily in securities that are considered to be high quality. Although the Fund seeks to preserve the value of the investment of \$1 per share, it is possible to lose money by investing in the Fund.

The Land Trust reviews all outstanding pledges and grants receivable as of the end of the fiscal year for collectability. Reserves are established when management has determined that collection is not probable taking into account payment history and conversations with the donors.

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations" investments in debt and equity securities are reported at fair value on the statement of financial position with corresponding unrealized gains and losses reported in the statement of activities as increases or decreases in net assets.

The Organization accounts for its investments at market value on a trade date basis. The value of publicly traded common stocks is based upon quoted market prices. Investment fees are recorded as a reduction of interest and dividend income for the year ended September 30, 2019. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Pension

In fiscal 2007, the Land Trust adopted a Section 403(b)(7) pension plan under which employees may elect to contribute a portion of their salaries into a retirement account. The Land Trust matches each employee's contributions up to a stated cap which, for all employees, aggregated \$10,125 for the year ended September 30, 2019.

Cash, Cash Equivalents and Money Market Funds

For purposes of reporting cash flows, the Land Trust considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Money market funds are not considered cash equivalents given the composition of such investments.

Functional Expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

2. Summary of Significant Accounting Policies (Continued):

Functional Expenses (Continued):

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Gross Compensation
Payroll Taxes	Gross Compensation
Employee Benefits	Time and Effort
Occupancy	Time and Effort
Telephone	Time and Effort
Insurance	Time and Effort
Office Expenses	Time and Effort
Depreciation	Time and Effort
Other	Time and Effort

Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Land Trust's ongoing activities. This includes investment earnings utilized to fund period expenses. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, capital grants, and other activities considered to be more unusual or nonrecurring nature.

New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Land Trust has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events:

Subsequent events have been evaluated through December 23, 2019, which is the date the financial statements were available to be issued. The Land Trust has not identified any material events or transactions occurring during this period that would require recognition or disclosure in these financial statements.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

3. Land:

The Land Trust owns the following land:

<u>Land</u>		<u>Year Acquired</u>
Granite Mountain	\$ 1,155,548	2017
Rosenbaum	628,218	2019
Garrison - AT Buffer	285,653	2018
Putnam Valley - Granite Mountain Buffer	269,844	2018
Other	64,461	N/A
Total	<u>\$ 2,403,724</u>	

During the year ended September 30, 2017, the Land Trust completed the acquisition of the Granite Mountain Land parcel.

During the year ended September 30, 2019, the Land Trust purchased three properties (Rosenbaum, a Putnam Valley property adjacent to Granite Mountain, and a Garrison property adjacent to the Appalachian Trail). The Rosenbaum purchase was financed in part by a \$500,000 loan, and is expected to be transferred as publicly accessible parkland to a conservation buyer in fiscal 2020. The Garrison Property, adjacent to the Appalachian Trail (“AT”), was subdivided and 40-acres buffering the AT was sold to a neighboring landowner with a “no-build” conservation easement. The Land Trust retains the remainder, at the value shown above, and intends to transfer it, along with a conservation easement, in the next few years. Certain operating and transaction expenses for the three land transactions were funded through grants.

The Land Trust is holding these properties in fulfillment of its exempt purpose. Any future sale of the land parcels is subject to board of directors’ approval, and any proceeds must first be used to repay the related loans (Note 6).

The Other properties are under contract and in their due diligence period. They have not yet closed and the capitalized costs relate to professional fees for due diligence, incurred through September 30, 2019.

4. Deposits:

Deposits at September 30, 2019 include a lease deposit of \$1,613.

See independent auditors’ report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

5. Investments:

Investments, stated at fair value, at September 30, 2019, are as follows:

	Cost	Unrealized Gain	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 3,362,968	\$ 2,843,345	\$ 6,206,313	Level 1

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2, or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs. Level 3 fair value is based on significant unobservable inputs. See above for classification of the Land Trust's investments. The Land Trust does not have any Level 2 or Level 3 investments.

Investment income included the following at September 30, 2019:

Realized gains on investments	\$ 808,267
Unrealized appreciation of investments	(540,457)
Total	\$ 267,810

6. Commitments:

Lease of real property

The Land Trust entered into a three-year lease with 20 Nazareth Way, LLC for office space in Garrison, New York in April 2015. This lease was renewed on April 11, 2018 for three additional years, through April 2021. Rent expense for fiscal 2019 was \$23,448. Rent expense under the renewed lease agreement is as follows:

Fiscal 2020	\$ 24,096
Fiscal 2021	14,301
	\$ 38,397

Long-term debt

During the year ended September 30, 2017, the Land Trust received proceeds from two loans for \$80,000 and \$495,000 to pay for a parcel of land (Note 3). The loans are interest free for the first five years and then incur 0.50% per annum on the unpaid principal balance beginning with the sixth year. A single principal payment plus unpaid interest is due December 15, 2026 for both loans.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

6. Commitments (Continued):

During the year ended September 30, 2019, the Land Trust entered into a loan agreement for \$500,000 for the purchase of 149 acres of property in Putnam Valley, New York (Note 3). The loan is interest free for the first five years and then incur a rate of 3% points below prime for the sixth year. At the end of the sixth year the loan shall be repaid.

7. Net Assets:

Donor Restricted Net Assets

The Land Trust has several funds designated as Donor restricted net assets. Donor restricted net assets as of September 30, 2019 consist of the following:

Subject to expenditure for specified purpose:

Management and general:			
403(b) match		\$	270
Land Conservation:			
Granite Mountain grant			160
Land acquisition grant			25,000
403(b) match			1,380
Natural Resource Planning:			
403(b) match			570
Land Use for Clean Water grant			14,580
Outreach and Education:			
Map project			7,298
Poetry Garden			5,236
403(b) match			360
Fundraising:			
403(b) match			420
Total			\$ 55,274

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

7. Net Assets (Continued):

Donor Restricted Net Assets (Continued)

Releases from Donor Restricted Net Assets for the year ended September 30, 2019, are as follows:

Subject to expenditure for specified purpose:

Management and general:	
403(b) match	\$ 993
Equipment grant	153
Land conservation:	
Granite Mountain grant	36,189
403(b) match	5,077
ATC- Grant 1	15,000
Equipment grant	782
Natural Resource Planning:	
Land Use for Clean Water grant	19,070
403(b) match	2,097
Equipment grant	323
Outreach and Education	
Map project	2,000
403(b) match	1,324
Equipment grant	204
Fundraising	
403(b) match	1,545
Equipment grant	238
Total releases from restriction	<u>\$ 84,996</u>

Board Restricted Net Assets

In fiscal 2008, the Land Trust commenced a capital fund raising campaign to provide for its long-term capital needs. In January 2011 and again in June 2014, the Land Trust's Board of Directors refined an earlier May 2008 resolution updating the designation of the assets. Board designated net assets are as follows at September 30, 2019:

Land subject to board oversight, net of notes payable	\$ 1,328,724
Initial Conservation Easement Monitoring	
Enforcement Fund	400,000
Stewardship Fund	2,694,899
Additional amounts for land acquisitions	
and land conservation projects	4,685,052
	<u>\$ 9,108,675</u>

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

7. Net Assets (Continued):

Board Restricted Net Assets (continued)

The following is a reconciliation of board restricted net assets to the related investment account:

Board restricted financial assets	\$ 7,804,951
Add: Land subject to board action	2,403,724
Less: Mortgage on land	(1,075,000)
Less: Net assets with donor restrictions held in investments	<u>(25,000)</u>
Board restricted net assets	<u><u>\$ 9,108,675</u></u>

Board restricted financial assets consist of \$6,206,313 in public securities and \$1,598,638 in money market funds.

The purposes of the board restricted funds are to fund the likely future costs of monitoring and enforcing the Land Trust's conservation easements; to support the salary of the Highland Steward of the Land Trust, who is also the Executive Director, to support the other annual operating costs of the stewardship and land conservation activities of the Land Trust; and, to pay for land acquisition and land conservation projects, all as directed by the Land Trust Board of Directors. Annually, the Board determines if funds should be released based on the financial results of the Land Trust and ongoing land acquisition and conservation projects. The investment strategy for this fund is to invest in a manner that will balance investment return with preservation of principal, while meeting the daily cash flow needs of the Trust. The S&P 500 is the comparative benchmark for evaluation of the fund's performance. The Land Trust increases the allocation of board designated funds dedicated to Stewardship and Enforcement annually to reflect changes in the CPI.

During the year ended September 30, 2019, the board restricted financial asset's investment return was \$391,836 (\$267,810 of gains and \$124,026 of interest and dividends) and was reinvested. The funds also received \$117,407 in grants and contributions. In terms of outflows from the fund, \$739,917 was used to finance real estate transactions, net of sales proceeds and \$87,906 was used to improve Granite Mountain Preserve.

8. Significant Contributors:

During the year ended September 30, 2019, two contributors donated a total of \$350,000 to the Land Trust. One of the contributors is a foundation related to a Land Trust board member.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019

9. Liquidity:

The Land Trust's financial assets available within one year of September 30, 2019 for general expenditure are as follows:

Current financial assets at year end:	
Cash and cash equivalents	\$ 64,032
Money market funds	327,807
Grants receivable	15,677
Prepaid expenses	<u>8,746</u>
Total financial assets	416,262
Less: amounts unavailable for general expenditure within one year, due to:	
Restricted by donor with purpose restrictions	<u>(30,274)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 385,988</u></u>

The Land Trust's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of September 30, 2019.

As discussed in Note 7, the Land Trust has certain board designated funds available in case needed.

In addition to the liquid funds available to meet general expenditures within one year, the board designated fund also includes another \$1,598,638 in money market funds to fund a number of significant pending land transactions in fiscal 2020. Two of these are pending fee acquisitions referenced in Note 7. Another two transactions expected to close in fiscal 2020 are financing transactions, whereby the Land Trust will be loaning money to partner conservation organizations to help finance their purchases of key conservation targets.

10. Deferred Revenue:

Deferred revenue represents amounts collected prior to September 30, 2019 of \$50,000 for the Land Trust's annual fundraising event that took place in October 2019. The amount will be recognized as income when the event takes place.

See independent auditors' report.