

HUDSON HIGHLANDS LAND TRUST, INC.

AUDITED FINANCIAL STATEMENTS

For the year ended September 30, 2020
(with memorandum totals for the
year ended September 30, 2019)

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INDEPENDENT AUDITOR'S 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, 2020 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 Hudson Highlands Land Trust, Inc. as of September 30, 2020, 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

Pattison, Koskey, Howe, & Bucci, CPAs, P.C., who combined with UHY LLP effective January 1, 2020, previously audited Hudson Highlands Land Trust, Inc.'s September 30, 2019 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Hudson, New York
December 23, 2020

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2020
(with memorandum totals for September 30, 2019)

	2020	2019 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 51,956	\$ 64,032
Money market funds	437,764	327,807
Grants receivable	-	15,677
Prepaid expenses	9,717	8,746
Total current assets	<u>499,437</u>	<u>416,262</u>
OTHER LONG-TERM ASSETS		
Notes receivable (note 9)	346,591	-
Money market funds	1,173,491	1,598,638
Investments (note 4)	6,114,366	6,206,313
Land (note 3)	2,388,690	2,403,724
Deposits	1,613	1,613
Equipment, net of accumulated depreciation	2,303	3,634
Total other long-term assets	<u>10,027,054</u>	<u>10,213,922</u>
Total assets	<u>\$ 10,526,491</u>	<u>\$ 10,630,184</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 431	\$ 5,885
Accrued expenses	20,122	12,670
Deferred revenue	-	50,000
Total current liabilities	<u>20,553</u>	<u>68,555</u>
LONG-TERM LIABILITIES		
Notes payable (note 5)	1,075,000	1,075,000
Total long-term liabilities	<u>1,075,000</u>	<u>1,075,000</u>
Total liabilities	<u>1,095,553</u>	<u>1,143,555</u>
NET ASSETS		
Without donor restrictions (note 6)	9,367,973	9,431,355
With donor restrictions (note 6)	62,965	55,274
Total net assets	<u>9,430,938</u>	<u>9,486,629</u>
Total liabilities and net assets	<u>\$ 10,526,491</u>	<u>\$ 10,630,184</u>

See notes to financial statements.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020
(with memorandum totals for the year ended September 30, 2019)

	2020			2019 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES				
SUPPORT AND REVENUE				
Contributions	\$ 667,840	\$ -	\$ 667,840	\$ 640,158
Grants	113,009	37,500	150,509	161,027
Fundraising events, net	64,743	-	64,743	14,996
Other events	60	-	60	8,100
Other income	1,200	25	1,225	7,226
Interest and dividend income	107,815	4	107,819	74,965
Assets released from restrictions	29,838	(29,838)	-	-
Total support and revenue	<u>984,505</u>	<u>7,691</u>	<u>992,196</u>	<u>906,472</u>
EXPENSES				
Land Conservation	395,778	-	395,778	476,616
Natural Resource Planning	157,051	-	157,051	207,212
Outreach and Education	146,573	-	146,573	113,954
Management and general	78,454	-	78,454	100,848
Fundraising	116,096	-	116,096	107,261
Total expenses	<u>893,952</u>	<u>-</u>	<u>893,952</u>	<u>1,005,891</u>
Change in net assets from operating activities	<u>90,553</u>	<u>7,691</u>	<u>98,244</u>	<u>(99,419)</u>
NON-OPERATING ACTIVITIES				
Grant	-	-	-	70,461
Discount on notes receivable	(20,909)	-	(20,909)	-
Interest and dividend income	-	-	-	57,515
Investment (loss) income, net	(138,886)	-	(138,886)	267,810
Realized gain on sale of land	5,860	-	5,860	-
Change in net assets from non-operating activities	<u>(153,935)</u>	<u>-</u>	<u>(153,935)</u>	<u>395,786</u>
CHANGE IN NET ASSETS	(63,382)	7,691	(55,691)	296,368
NET ASSETS, Beginning of year	<u>9,431,355</u>	<u>55,274</u>	<u>9,486,629</u>	<u>9,190,261</u>
NET ASSETS, End of year	<u>\$ 9,367,973</u>	<u>\$ 62,965</u>	<u>\$ 9,430,938</u>	<u>\$ 9,486,629</u>

See notes to financial statements.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2020
(with memorandum totals for the year ended September 30, 2019)

	2020							2019 (memorandum only)
	Land Conservation	Natural Resource Planning	Outreach and Education	Total Programs	Management and General	Fundraising	Total	
Salaries	\$ 200,822	\$ 88,455	\$ 98,200	\$ 387,477	\$ 46,757	\$ 87,371	\$ 521,605	\$ 531,119
Payroll taxes	14,555	6,411	7,117	28,083	3,389	6,333	37,805	40,150
Employee benefits	27,711	12,241	11,741	51,693	5,716	9,578	66,987	10,125
Occupancy	9,844	4,348	4,171	18,363	2,031	3,402	23,796	23,448
Communications and publicity	-	-	-	-	-	-	-	15,463
Contractors	89,864	33,569	12,710	136,143	-	-	136,143	203,430
Legal	19,401	-	-	19,401	-	-	19,401	33,188
Office	14,205	6,274	6,019	26,498	2,930	4,910	34,338	38,888
Fjord Trail Project	-	-	-	-	-	-	-	26
Training and education	1,405	621	595	2,621	290	486	3,397	17,470
Events	-	-	1,098	1,098	-	-	1,098	9,799
Accounting	-	-	-	-	13,613	-	13,613	10,384
Telephone	1,410	623	597	2,630	291	487	3,408	3,677
Insurance	7,330	3,238	3,106	13,674	1,512	2,534	17,720	28,252
Depreciation	-	-	-	-	1,331	-	1,331	1,331
Natural resource studies	-	-	-	-	-	-	-	2,876
Accreditation	-	-	-	-	-	-	-	9,876
Other	2,878	1,271	1,219	5,368	594	995	6,957	7,817
Property taxes	6,353	-	-	6,353	-	-	6,353	18,573
Subtotal	395,778	157,051	146,573	699,402	78,454	116,096	893,952	1,005,891
Cost of direct benefit to donors:								
Rent/facility costs	-	-	-	-	-	530	530	-
Food and beverages	-	-	-	-	-	2,663	2,663	-
Other direct expenses	-	-	-	-	-	1,719	1,719	-
Total cost of direct benefit to donors	-	-	-	-	-	4,912	4,912	-
Total expenses	\$ 395,778	\$ 157,051	\$ 146,573	\$ 699,402	\$ 78,454	\$ 121,008	\$ 898,864	\$ 1,005,891

See notes to financial statements.

HUDSON HIGHLANDS LAND TRUST, INC.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2020
(with memorandum totals for the year ended September 30, 2019)

	2020	2019 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (55,691)	\$ 296,368
Adjustments to reconcile change in net assets to net cash from operating activities		
Cimarron property loss	9,369	-
Depreciation	1,331	1,331
Discount on notes receivable	20,909	-
Non-operating grant	-	(70,461)
Unrealized and realized loss (gain) on investments	138,886	(267,810)
Increase in prepaid expenses	(971)	(8,746)
Realized gain on sale of land	(5,860)	-
Decrease in pledges receivable	-	175
Decrease (increase) in grants receivable	15,677	(15,677)
(Decrease) increase in accounts payable	(5,454)	5,885
Increase (decrease) in accrued expenses	7,452	(1,696)
(Decrease) increase in deferred revenue	(50,000)	50,000
Total adjustments	<u>131,339</u>	<u>(306,999)</u>
Net cash provided by (used for) operating activities	<u>75,648</u>	<u>(10,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal disbursed on notes receivable	(367,500)	-
Purchase of land parcels	(48,475)	(1,088,819)
Purchase of fixed assets	-	(3,840)
Sales of investments	198,627	1,342,779
Purchases of investments	(245,566)	(404,996)
Sales (purchases) of money market funds, net	315,190	(279,546)
Proceeds from sale of land	10,000	400,000
Proceeds from voided contract on purchase of land - Cimarron	50,000	-
Net cash used for investing activities	<u>(87,724)</u>	<u>(34,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-operating grant	-	70,461
Net cash provided by financing activities	<u>-</u>	<u>70,461</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,076)	25,408
CASH AND CASH EQUIVALENTS, Beginning of year	<u>64,032</u>	<u>38,624</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 51,956</u>	<u>\$ 64,032</u>
NON CASH ACTIVITY		
Donated investments	<u>\$ 5,325</u>	<u>\$ 15,407</u>
Property acquisition cost paid directly by loans	<u>\$ -</u>	<u>\$ 500,000</u>

See notes to financial statements.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 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, 2020, the Land Trust held 92 conservation easements protecting 2,547 acres of property and an additional 595 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, facilitating conservation partners’ fee acquisitions, 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. Recognizing the importance of connectivity of protected lands in natural resource protection, the Land Trust founded and coordinates the “New York Highlands Network” – a 15-member coalition of land trusts and government agencies that conserve land throughout the New York Highlands. This work includes advocacy for local, state, federal, and private 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. The Land Trust recently launched several initiatives to make their conservation work more inclusive of diverse populations across the New York Highlands.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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. 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.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Financial Statement Presentation (Continued)

Under the provisions of the ASC 958, 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.

Prior Year Amounts

Amounts shown for September 30, 2019, in the accompanying statements, are included to provide a basis for comparison with September 30, 2020 and present summarized totals only. Accordingly, the September 30, 2019 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

Unconditional pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional 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.

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

Support

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.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support (Continued)

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.

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, 2020.

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.

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.

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. None of the Land Trust’s returns are currently under examination.

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 statements of activities and functional expenses.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. All FDIC accounts are fully covered as of September 30, 2020.

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

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. Generally collateral is not required.

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 fair value on a trade date basis. The value of publicly traded common stocks is based upon quoted market prices. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

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.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and Effort
Payroll Taxes	Time and Effort
Employee Benefits	Time and Effort
Occupancy	Time and Effort
Telephone	Time and Effort
Insurance	Time and Effort
Office Expenses	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 of a nonrecurring nature.

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and has subsequently issued supplemental and/or clarifying Accounting Standards Updates (ASU) (collectively "ASC 606"). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Policies related to the recognition of revenue for the Land Trust are discussed above. On October 1, 2019, the Land Trust adopted ASU 2014-09 using the modified retrospective application method. There was no material impact as a result of this accounting change.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles (Continued)

The Land Trust also implemented ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of October 1, 2019. The implementation of this ASU had no significant effect on the financial statements for the year ended September 30, 2020.

Risks and Uncertainties

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

After March 11, 2020, the Land Trust took several actions to comply with laws and regulations and address the impact of COVID-19: closed the office to employee and visitor use and employees began to work remotely most of the time. The Land Trust also cancelled all in person events, including fundraising events, for the year.

The extent of COVID-19’s effect on the Land Trust’s operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Land Trust’s finances. However, if the pandemic continues to endure, the disease could have an adverse material effect on the Land Trust’s activities, results of operations, financial condition, and cash flow.

Subsequent Events

Subsequent events have been evaluated through December 23, 2020, which is the date the financial statements were available to be issued.

NOTE 3 – LAND

The Land Trust owns the following land:

Land		Years Acquired
Granite Mountain	\$ 1,155,548	2017
Rosenbaum	628,218	2019
Garrison - AT Buffer	281,513	2018
Putnam Valley - Granite Mountain Buffer	323,411	2018 2020
Total	\$ 2,388,690	

During the year ended September 30, 2020, the Land Trust acquired 17+ acres in Putnam Valley, NY as an addition to the Granite Mountain Preserve.

During the year ended September 30, 2020, the Land Trust sold a half acre parcel of land from the Garrison – AT Buffer for \$10,000. The land had a basis of \$4,140, resulting in a \$5,860 gain on the sale.

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 any related loans (Note 5).

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – INVESTMENTS

Investments, stated at fair value, at September 30, 2020, are as follows:

	Cost	Unrealized Gain	Fair Market Value	Fair Value Level
Common Stocks	<u>\$ 3,250,665</u>	<u>\$ 2,863,701</u>	<u>\$ 6,114,366</u>	Level 1

Net investment income (loss) included the following at September 30, 2020:

Realized gains on investments	\$ 140,646
Unrealized loss on investments	<u>(279,532)</u>
Total	<u>\$ (138,886)</u>

NOTE 5 – 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 2020 was \$23,796. Future rent expense under the lease agreement is as follows:

Fiscal 2021	<u>\$ 14,301</u>
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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.

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. Subsequent to the year ended September 30, 2020, the Land Trust fully paid off the note payable balance of \$500,000.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – 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, 2020 consist of the following:

Subject to expenditure for specified purpose:

Land Conservation:	
Land acquisition grant	\$ 25,000
Network for Landscape Conservation grant	25,000
Natural Resource Planning:	
NYS DEC HREP grant	6,810
Land Use for Clean Water grant	225
Outreach and Education:	
Map project	695
Poetry Garden	5,235
Total	<u>\$ 62,965</u>

Releases from Donor Restricted Net Assets for the year ended September 30, 2020, are as follows:

Subject to expenditure for specified purpose:

Management and general:	
403(b) match	\$ 270
Land Conservation:	
Granite Mountain grant	161
403(b) match	1,380
Natural Resource Planning:	
NYS DEC HREP grant	5,690
Land Use for Clean Water grant	14,355
403(b) match	570
Outreach and Education:	
Map project	6,632
403(b) match	360
Fundraising:	
403(b) match	420
Total releases from restrictions	<u>\$ 29,838</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – NET ASSETS (Continued)

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, 2020:

Land subject to board oversight, net of notes payable	\$ 1,313,690
Conservation Easement Monitoring and Enforcement Fund	400,000
Stewardship Fund	2,747,203
Acquisition Funds	4,115,654
Partner Financing Notes	346,591
	<u>\$ 8,923,138</u>

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

Board restricted financial assets	\$ 7,287,857
Partner Financing Notes	346,591
Land Subject to Board Oversight	2,388,690
Less Notes Payable	(1,075,000)
Less Donor Restricted Net Assets held in Investments	(25,000)
Board restricted net assets	<u>\$ 8,923,138</u>

Board restricted financial assets consist of \$6,114,366 in public securities and \$1,173,491 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, 2020, the board restricted financial asset’s investment loss was \$34,083 (\$138,886 of losses and \$104,804 of interest and dividends). All interest and dividends were reinvested. The funds also received \$13,875 in grants and contributions. In terms of outflows from the fund, \$86,914 was used to finance real estate transactions, \$311,500 was used to finance land trust partner real estate transactions, \$28,358 was used to maintain and improve existing properties, and \$70,115 was transferred to operating accounts with board approval.

HUDSON HIGHLANDS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – SIGNIFICANT CONTRIBUTORS

During the year ended September 30, 2020, two contributors donated a total of \$375,000 to the Land Trust. One of the contributors is a foundation related to a Land Trust board member.

NOTE 8 – LIQUIDITY

The Land Trust's financial assets available within one year of September 30, 2020 for general expenditure are as follows:

Current financial assets at year end:	
Cash and cash equivalents	\$ 51,956
Money market funds	<u>437,764</u>
Total financial assets	489,720
Less: amounts unavailable for general expenditure within one year, due to:	
Restricted by donor with purpose restrictions	<u>(62,965)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 426,755</u></u>

As discussed in Note 6, the Land Trust has certain board designated funds available in the event they are needed.

In addition to the liquid funds available to meet general expenditures within one year, the board designated fund also includes another \$1,173,491 in money market funds to fund a number of significant transactions that could occur in fiscal 2021.

HUDSON HIGHLANDS LAND TRUST, INC.
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NOTE 9 – NOTES RECEIVABLE

During the year ended September 30, 2020, the Land Trust entered into two real estate financing transactions, whereby it loaned money to partner land trusts to purchase land parcels that are priority future additions to New York State Parks. In both cases the money was loaned at zero interest and is unsecured. Both transactions were documented using a Conservation Participation Agreement and a Promissory Note dated the same as the purchase date. In both cases the loan will be repaid at the maturity date or an earlier mandatory prepayment when the State of New York (or other suitable conservation buyer) purchases the land from the partner land trust.

The contract terms are as follows:

<u>Issuance Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Mandatory Prepayment</u>
11/14/2019	\$ 187,500	0%	11/14/2026	Upon purchase of the property by the State of New York, or another suitable conservation buyer.
4/24/2020	<u>180,000</u>	0%	4/24/2025	Upon purchase of the property by the State of New York, or another suitable conservation buyer.
	<u>367,500</u>			
Discount on notes receivable	<u>(20,909)</u>			
Notes receivable, net	<u>\$ 346,591</u>			

The note receivable issued on November 14, 2019 was discounted at a rate of 3%. This note was discounted to adjust for the term of the loan and the fact that the loan is unsecured, but supported by the proceeds of the sale to New York State or other conservation buyer.

The note receivable issued on April 24, 2020 was not discounted because the Land Trust believes that a sale of this property is imminent in fiscal year 2021 and the mandatory prepayment terms will be met.

NOTE 10 – PENSION PLAN

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 \$36,331 for the year ended September 30, 2020.