

Sylvester Manor Educational Farm

REPORT ON FINANCIAL STATEMENTS

For the years ended October 31, 2023 and 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Statement of Functional Expenses	8
Notes to Financial Statements	9 – 23

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sylvester Manor Educational Farm
Shelter Island, New York

Opinion

I have audited the accompanying financial statements of Sylvester Manor Educational Farm (a nonprofit organization), which comprise the statement of financial position as of October 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sylvester Manor Educational Farm as of October 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Sylvester Manor Educational Farm and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sylvester Manor Educational Farm's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

(continued)

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sylvester Manor Educational Farm's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sylvester Manor Educational Farm's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

GNFerraris, LLC

Certified Public Accountants
Sag Harbor, New York

February 27, 2024

SYLVESTER MANOR EDUCATIONAL FARM

STATEMENT OF FINANCIAL POSITION

October 31,

	<u>2023</u>	<u>Memo only 2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 648,588	\$ 186,703
Restricted	1,891,143	121,046
Marketable securities, at fair value	6,076,885	7,960,452
Pledges receivable	2,102,956	24,186
Interest receivable	22,241	
Prepaid insurance	30,866	31,326
Inventory	22,594	21,701
Security deposit	7,500	7,500
Other current asset	490	
Total current assets	<u>10,803,263</u>	<u>8,352,914</u>
PROPERTY, PLANT AND EQUIPMENT , at cost, net of accumulated depreciation	<u>17,461,546</u>	<u>15,281,931</u>
OTHER ASSETS		
Restricted easement	<u>450,000</u>	<u>450,000</u>
Total assets	<u><u>\$ 28,714,809</u></u>	<u><u>\$ 24,084,845</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 154,352	\$ 92,135
Accrued expenses	14,000	26,882
Accrued payroll	43,867	33,533
Taxes payable	3,303	2,134
Contract liabilities	4,344,962	5,000
Promissory note payable	-	2,200,000
Total current liabilities	<u>4,560,484</u>	<u>2,359,684</u>
Total liabilities	4,560,484	2,359,684
NET ASSETS		
Without donor restrictions	23,586,773	21,140,708
With donor restrictions	567,552	584,453
Total net assets	<u>24,154,325</u>	<u>21,725,161</u>
Total liabilities and net assets	<u><u>\$ 28,714,809</u></u>	<u><u>\$ 24,084,845</u></u>

See accompanying auditor's report and notes to financial statements.

SYLVESTER MANOR EDUCATIONAL FARM

STATEMENT OF ACTIVITIES

Years ending October 31,

	<u>2023</u>	<u>Memo only 2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE		
Revenue, Gains and Other Support		
Grants	\$ 498,638	\$ 215,000
Programs	446,560	438,164
Sales	389,932	358,751
Miscellaneous	2,045	2,931
Facility Use	100	1,100
Total revenue, gains and other support	<u>1,337,275</u>	<u>1,015,946</u>
Investment income	530,269	1,394,200
Contributions	309,572	325,467
Donated Land	2,000,000	-
Special events	469,361	532,949
Less: direct benefit to donors	(171,642)	(157,811)
ERC credits received	-	117,471
Interest income	27,681	157
Realized gain (loss) on marketable securities	51,468	(25,587)
Unrealized loss on marketable securities	(102,225)	(2,892,326)
Net assets released from restrictions	323,568	169,745
Total operating revenue	<u>4,775,327</u>	<u>480,211</u>
OPERATING EXPENSES		
Farm programs	813,262	904,282
Organizational support	564,503	457,943
Facilities	405,989	380,251
Arts and education programs	322,825	289,230
Depreciation	191,977	164,299
History and heritage program	30,706	32,273
Total operating expenses	<u>2,329,262</u>	<u>2,228,278</u>
Change in net assets without donor restrictions	2,446,065	(1,748,067)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	306,667	141,618
Net assets released from restrictions	<u>(323,568)</u>	<u>(169,745)</u>
Change in net assets with donor restrictions	(16,901)	(28,127)
Change in net assets	2,429,164	(1,776,194)
NET ASSETS		
Beginning of year	21,725,161	23,501,355
End of year	<u>\$ 24,154,325</u>	<u>\$ 21,725,161</u>

See accompanying auditor's report and notes to financial statements.

SYLVESTER MANOR EDUCATIONAL FARM

STATEMENT OF CASH FLOWS

Years ended October 31,

	2023	Memo only 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,429,164	\$ (1,776,194)
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	191,977	164,299
Realized (gain) loss on marketable securities	(51,468)	25,587
Unrealized loss on marketable securities	102,225	2,892,326
Change in asset accounts affecting cash from operations:		
Accounts receivable	-	528
Pledges receivable	(2,078,770)	(11,640)
Interest receivable	(22,241)	
Prepaid insurance	460	3,538
Inventory	(893)	4,297
Security deposit	-	-
Due from employee	(490)	-
Change in liability accounts affecting cash from operations:		
Accounts payable	62,217	48,759
Accrued expenses	(2,548)	37,767
Taxes payable	1,169	39
Contract liabilities	4,339,962	(15,000)
Promissory note payable	(2,200,000)	2,200,000
Net cash provided by operating activities	<u>2,770,764</u>	<u>3,574,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,850,622	619,741
Purchase of investments	(17,812)	(1,699,728)
Purchase of property, plant and equipment	(2,371,592)	(2,501,499)
Net cash used in investing activities	<u>(538,782)</u>	<u>(3,581,486)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,231,982	(7,180)
CASH AND CASH EQUIVALENTS, beginning of year	<u>307,749</u>	<u>314,929</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,539,731</u></u>	<u><u>\$ 307,749</u></u>
Supplemental disclosure of cash flow information:		
Interest	<u>\$ 31,735</u>	<u>\$ 16,890</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Fixed assets included in accounts payable	<u>\$ -</u>	<u>\$ -</u>

See accompanying auditor's report and notes to financial statements.

SYLVESTER MANOR EDUCATIONAL FARM

STATEMENT OF FUNCTIONAL EXPENSES

Years ended October 31,

	Program Services			Total	Supporting Services		Total	(Memo Only)
	Farm	History and Heritage	Arts and Education		Administrative	Fundraising	2023	2022
FUNCTIONAL EXPENSES								
Payroll	\$ 372,690	\$ 296,111	\$ 213,649	\$ 882,450	\$ 9,382	\$ 212,566	\$ 1,104,398	\$ 1,113,320
Payroll taxes and benefits	67,779	53,851	38,854	160,484	1,706	38,657	200,847	206,076
Cost of sales	193,393			193,393			193,393	198,335
Depreciation	189,887			189,887	2,090		191,977	164,299
Program		30,706	70,322	101,028		18,272	119,300	90,258
Insurance		77,871		77,871	15,017		92,888	82,901
Professional fees		54,456		54,456	16,000		70,456	55,620
Occupancy	60,989			60,989			60,989	49,167
Other	44,217			44,217	12,877	650	57,744	56,950
Cost of livestock	42,578			42,578			42,578	58,298
Utilities	21,106	19,877		40,983			40,983	35,031
Events				-		39,281	39,281	37,340
Repairs and maintenance	2,361	36,150		38,511			38,511	27,945
Interest				-	31,735		31,735	16,890
Office supplies				-	16,651		16,651	14,850
Travel	6,784			6,784	5,478		12,262	7,393
Professional development	1,365			1,365	5,076		6,441	6,224
Advertising and education				-	970	4,924	5,894	6,111
Outreach				-		2,934	2,934	1,270
Total functional expenses	<u>\$ 1,003,149</u>	<u>\$ 569,022</u>	<u>\$ 322,825</u>	<u>\$ 1,894,996</u>	<u>\$ 116,982</u>	<u>\$ 317,284</u>	<u>\$ 2,329,262</u>	<u>\$ 2,228,278</u>

See accompanying auditor's report and notes to financial statements.

Nature of Organization

Sylvester Manor Educational Farm (the “Farm”) is a not-for-profit organization located on a 236-acre property on Shelter Island, New York. Since 1652 the property has been home to eleven generations of its original European settler family and is now considered to be the most intact plantation remnant north of Virginia. On December 27, 2010 the Farm was determined to be exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code (and a similar provision of the New York State income tax law).

The Farm’s mission is to preserve, cultivate and share the historic Sylvester Manor. Its exempt purpose includes the conservation of natural resources, including land, water, beaches and open spaces; the preservation of scenic and historic sites; and education of the general public. These activities present as an organic educational farm that provides the community with fresh produce much of the year, a Summer Youth Educational Program and numerous educational arts and cultural initiatives. The Manor House is open on a seasonal basis with exhibitions and tours highlighting family history, artifacts and possessions. The grounds are open seasonally March through October with gardens and trails to explore. Support and revenue of the operation primarily comes from Shelter Island, the East End of Long Island, and the New York metropolitan area. The Farm acquires by contributions, purchase, or otherwise, real or personal property that furthers its mission.

The Farm’s programs are classified as follows:

History and Heritage – Since the founding of the farm, Sylvester Manor has been committed to sharing the stories and histories of all the people of Sylvester Manor (Indigenous, Enslaved African and European) who built, worked and sustained the Manor. Programming includes in-person and self-guided tours of the 1735 Manor House and surrounding 235 acres; curation, archiving and research of Sylvester Manor’s extensive collection, and; partnerships with local, regional and national organizations and educational institutions. Efforts are also ongoing to preserve and sustain the existing Manor House, its historic garden and unique cultural landscape, and to make the property — its waterways, trails and open spaces — accessible to the community.

Farm — Sylvester Manor has a deep agricultural history dating back thousands of years when it was first under cultivation by the indigenous Manhassetts. The farm was originally founded to re-establish agriculture. The farm consists of a vegetable and livestock operation on approximately 4 acres using organic methods. It serves a community supported agriculture program of approximately 125 families, a farmstand located on the property and other local/regional markets. Excess produce is donated to the local food pantry. Sylvester Manor hosts agricultural education workshops on the farm, including a residential apprentice farmer training program. The farm is developing plans to greatly expand the farming operation in order to meet local demand.

Nature of Organization, (continued)

Arts and Education – Sylvester Manor educates and offers the public cultural experiences including summer youth programs, outdoor performances of Shakespeare at the Manor, farm-oriented and place-based programming for families, and an annual multicultural American “Roots” music concert series. The farm also hosts numerous tours and field trips for schools, historical societies and special interest groups that explore agriculture, food systems, sustainability and resilience, historic preservation, and the vast history of the property.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The accounts of the Farm are maintained and the financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Under accounting principles generally accepted in the United States of America, the Farm is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- *Net assets without donor restriction* are not subject to or are no longer subject to donor-imposed stipulations and are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion.
- *Net assets with donor restrictions* contain donor-imposed restrictions that permit the Farm to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Farm. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Farm to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

There was \$567,552 and \$584,453 of net assets with donor restrictions as of October 31, 2023 and 2022, respectively.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Revenue and Support Recognition****Revenue Recognition**

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions

The Farm recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Other Revenues

Revenues without donor restrictions are obtained from the admission fees, food services, rental income, sale of merchandise, special events, and program fees. These revenues are recorded when the service is provided, or the merchandise is sold. Admission revenues are recorded when the tickets are used, which is generally within a short time period as these tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Educational program fees are recorded as revenues on the date the program occurs. Merchandise sales are recorded as revenues upon transfer of the goods to the purchaser, with a very limited right of return. Rental revenues are recorded when the event has taken place. Educational program revenues, rental revenue and admission fees received in advance of their usage are classified as deferred program revenue in the consolidated statements of financial position.

Cash and Cash Equivalents

For financial statement purposes, the Farm considers all investments with original maturities of three months or less as cash equivalents.

Pledges Receivable

The farm considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Investments**

Under accounting principles generally accepted in the United States of America, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. The value initially assigned to investments received by gift is the market value at the date of donation. Realized gain or loss is recognized on date of sale.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Recent market conditions have resulted in an unusually high degree of volatility and increased risks and may affect the short-term liquidity associated with certain investments held by the Farm which could impact the value of investments after the date of these consolidated financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

Fair Value Measurements

Financial assets required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy for fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Inputs may include pricing information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" may require significant judgment. The Farm considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the risks associated with that instrument. Application of these provisions has not resulted in any change in the measurement of the carrying value of any of the Farm's financial assets or liabilities.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Inventory**

Inventory consists of items to be sold by the Farm. Inventory is recorded at cost. Inventory is valued at the lower of standard cost or net realizable value, with cost being determined by first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Additions, renewals, and betterments of property, plant and equipment, unless of a relatively minor amount, are capitalized. Expenditures for repairs and maintenance are charged to support. Depreciation is computed by using an accelerated method based on the estimated useful lives of the assets ranging from five to thirty-nine years.

Valuation of Long-Lived Assets

In accordance with the provision of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Farm reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Collections

The Farm has elected not to include the value of its collections on the Statement of Financial Position. The collection includes many artifacts from the manor house dating back to the 17th century when the house was first built. Each item is catalogued, preserved, cared for and maintained for the enjoyment of the public.

Donated Assets

Noncash donations are recognized at their estimated fair values at the date of donation. Donations of land and easements are generally recorded as revenue and Farm assets based upon appraised value as determined by qualified independent appraisers. In the event there is a substantial time lag between when a property or easement is donated to the Farm and when the appraised values are available to the Farm, management may use estimates to determine the value at the date of donation. Gifts of easements are, in most instances, perpetual and therefore recorded as net assets with donor restriction.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Donated Services**

A substantial number of unpaid volunteers, including Board Members, have made significant contributions of their time in the Farm's program services, administration and fundraising campaigns. The value of contributed time and services is not reflected in these statements as they do not meet the criteria for recognition. Approximately 300 hours of volunteer services were donated in 2023, which includes volunteer hours on the farm by WWOOFers and CSA members.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and amounts of support and expense during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Farm is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, and whose net earnings do not inure to the benefit of any member or individual.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the Farm to evaluate tax positions taken and recognize a tax liability (or asset) if the Farm has taken an uncertain tax position that more likely than not would be sustained upon examination by taxing authorities. The Farm has analyzed the tax positions taken, and had concluded that as of October 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Farm is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any periods in progress. The Farm believes it is no longer subject to income tax examinations for years prior to 2020.

Advertising Expense

The Farm follows the policy of charging costs of advertising to expense when the advertisements are made. Advertising expense totaled \$970 and \$869 for the years ended October 31, 2023 and 2022, respectively.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**Functional Allocation of Expenses**

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

Prior Year Summarized 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 in the United States of America. Accordingly, such information should only be read in conjunction with the Farm's financial statements for the year ended October 31, 2022 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

2 – DATE OF MANAGEMENT'S REVIEW

Under accounting principles generally accepted in the United States of America, the Farm has evaluated events that occurred after October 31, 2023, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued. Such date was February 27, 2024 for the accompanying financial statements. The Farm did not identify any subsequent events that had a material effect on the accompanying financial statements.

3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at October 31:

	2023	2022
Unrestricted:		
Checking	\$ 592,255	\$ 31,951
Investment cash	55,738	154,157
Petty cash	595	595
Total unrestricted cash	<u>648,588</u>	<u>186,703</u>
Restricted:		
Checking	131,412	115,059
Certificates of Deposit	1,753,744	
Savings	5,987	5,987
Total Restricted Cash	<u>1,891,143</u>	<u>121,046</u>
 Total Cash and Cash Equivalents	 <u>\$ 2,539,731</u>	 <u>\$ 307,749</u>

4 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Farm to concentrations of credit risk include cash and investments. The Farm maintains its cash in bank deposit accounts which may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). To minimize this risk, the Farm uses several banks and reviews the banks' financial condition to ensure the safety of its deposits. Investments held by a broker in customer accounts are protected against physical loss by the Securities Investor Protection Corporation (SIPC). Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts is protected up to \$500,000 for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments. All investments held in brokerage accounts by the Farm at October 31, 2023 are highly liquid. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Farm.

5 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities are reported at fair value based on quoted market prices (Level 1 inputs). Investments as of October 31, are summarized as follows:

	2023	2022
Mutual funds	\$ 6,076,885	\$ 7,960,452
	<u>\$ 6,076,885</u>	<u>\$ 7,960,452</u>

5 – INVESTMENTS IN MARKETABLE SECURITIES, (continued)

The following schedule summarizes the unrestricted investment return in the statement of activities for the years ended October 31, 2023 and 2022:

	2023	2022
Unrealized gain (loss) on marketable securities	\$ (102,225)	\$ (2,892,326)
Dividend income	123,075	478,267
Capital gain distributions	407,194	915,933
Interest income	27,681	157
Realized gain (loss) on sale of marketable securities	51,468	(25,857)
	<u>\$ 507,193</u>	<u>\$ (1,523,826)</u>

6 – RECURRING FAIR VALUE MEASUREMENTS

The Farm has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets and liabilities, the Farm values such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Farm values such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Farm develops measurement criteria based on the best information available.

Fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Farm has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets or liability and rely on management's own estimates about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Farm's own data.)

6 – RECURRING FAIR VALUE MEASUREMENTS, (continued)

The following table summarizes assets which have been accounted for at fair value on a recurring basis along with the basis of the determination of fair value as of October 31, 2023 and 2022:

	2023			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
	Mutual funds	\$ 6,076,885	\$ 6,076,885	\$ -
Total Investments	\$ 6,076,885	\$ 6,076,885	\$ -	\$ -

	2022			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
	Mutual funds	\$ 7,960,452	\$ 7,960,452	\$ -
Total Investments	\$ 7,960,452	\$ 7,960,452	\$ -	\$ -

7 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at October 31, 2023 and 2022:

	Asset Cost		Accumulated Depreciation	
	2023	2022	2023	2022
Land	\$15,530,699	\$13,523,656		
Buildings	832,247	832,247	\$ 126,483	\$ 93,193
Leasehold improvements	751,190	459,772	186,460	156,692
Land improvements	1,012,259	986,376	336,814	286,546
Furniture and fixtures	28,080	28,080	21,536	19,446
Machinery and equipment	336,012	336,012	271,081	247,397
Farm	552,401	505,153	188,968	136,091
Total	\$19,042,888	\$16,671,296	\$ 1,131,342	\$ 939,365

Depreciation expense totaled \$191,977 and \$164,299 for the years ended October 31, 2023 and 2022 respectively.

7 – PROPERTY, PLANT AND EQUIPMENT, (continued)

On August 27, November 12, 2012 and June 23, 2014 the Farm received donations of seven parcels of real property in fee title, consisting of approximately 225 acres from a member of the Farm's board of directors, Eben Ostby. The parcels were appraised at an estimated value of \$12.3 million inclusive of the building costs of \$415,590 and land improvement costs of \$250,554 which were already incurred by the Farm, reducing the donated value to \$11.9 million. One parcel is subject to a permanent conservation easement on 22 waterfront acres, donated in 2009 by Eben Ostby to Peconic Land Trust and to a 99-year Ground Lease executed between Mr. Ostby and Gunnar Wissemann and assigned to the Farm at the time of the property donation. Two parcels are subject to permanent conservation easements on 88.5 acres under the Suffolk County Farmland Protection Program. All donated real property is subject to the condition that the land be used only to further the purposes of the non-profit, included to this end the right of future sales of asset lands.

See *footnote # 13* for specific detail on the purchase of real property located at 82 North Ferry Road on June 28, 2022.

8 – GRANT REVENUE

The Farm was awarded a grant of \$3,750,000 from The Andrew W. Mellon Foundation (the "Foundation") on March 9, 2023. The grant is to be used for the renovation of the Manor House and expanded History & Heritage Department programming and staffing. \$2,175,000 was received on March 22, 2023 and the remainder of \$1,575,000 is scheduled to be received after the Farm furnishes their first interim report to the Foundation. The full grant amount of \$3,750,000 is recorded in these financial statements.

The Farm was awarded a grant of \$1,037,000 from the Foundation on June 8, 2023. The grant is to be used for scholarly and educational projects between the Farm and partnering educational institutions. \$518,500 was received on June 21, 2023 and the remainder of \$518,500 is scheduled to be received on July 11, 2024. The full grant amount of \$1,037,000 is recorded in these financial statements.

Both above grants must be used within 36 months of the date of each grant. See *footnote # 9* for specific detail on the portion of grants not yet earned as of October 31, 2023.

SYLVESTER MANOR EDUCATIONAL FARM

NOTES TO FINANCIAL STATEMENTS

Years ended October 31, 2023 and 2022

9 – CONTRACT LIABILITIES

Grants are earned subject to expenditure for the following purposes at October 31, 2023:

	<u>Balance</u> <u>11/1/22</u>	<u>2023</u> <u>Contributions</u>	<u>2023</u> <u>Spending</u>	<u>Balance</u> <u>10/31/23</u>
Mellon – Manor House & Historical Preservation		\$ 3,750,000	\$ (417,942)	\$ 3,332,058
Mellon – Education		1,037,000	(29,096)	1,007,904
Gordon Family Fdtn – Farm		25,000	(25,000)	
Concordia Fdtn - Farm		20,000	(20,000)	
Suffolk County – Omnibus Preservation League - Survey	\$ 5,000	5,000	(5,000)	5,000
Total	<u>\$ 5,000</u>	<u>\$ 4,838,600</u>	<u>\$ (498,638)</u>	<u>\$ 4,344,962</u>

10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted subject to the passage of time for the following purposes or periods at October 31, 2023:

	<u>Balance</u> <u>11/1/22</u>	<u>2023</u> <u>Contributions</u>	<u>2023</u> <u>Spending</u>	<u>Balance</u> <u>10/31/23</u>
Windmill Manor House Preservation	\$ 72,535	\$	\$ (25,883)	\$ 46,652
Education	61,918	211,500	(202,518)	70,900
Sheep Enclosure		40,000	(40,000)	
Farm Rental		1,000	(1,000)	
Permanent Easement	450,000	54,167	(54,167)	450,000
Total	<u>\$ 584,453</u>	<u>\$ 306,667</u>	<u>\$ (323,568)</u>	<u>\$ 567,552</u>

10 – NET ASSETS WITH DONOR RESTRICTIONS, (continued)

On June 23, 2014 the Farm received a donation of 141 acres of land, 22 of which were subject to a permanent conservation easement. Conservation easements of perpetual duration are booked at their donated value as net assets with donor restriction to be maintained in perpetuity. The only possibility of the Farm realizing value is in the unlikely event of an eminent domain proceeding. Since this is the only possibility of realizing the value of conservation easements, the actual value of such assets is substantially less than the fair market value reflected. Under New York State Conservation Law, a conservation easement held by a not-for-profit conservation organization may only be modified or extinguished:

- As provided in the instrument creating the easement; or
- In a proceeding pursuant to section nineteen hundred fifty-one of the real property actions and proceedings law; or
- Upon exercise of the power of eminent domain.

Certain donor restricted net assets have been reclassified as of November 1, 2021 to more accurately capture and report the intended purpose of the restriction.

11 – ENDOWMENTS

The Farm's endowments consist of the value of donated land subject to a permanently restricted easement. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. There were no principal additions to the endowment fund in 2023 and 2022.

Endowment net assets consist of the following:

	<u>2023</u>	<u>2022</u>
Land	<u>\$ 450,000</u>	<u>\$ 450,000</u>

12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Farm’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Farm’s financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows at October 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents and restricted cash	\$ 2,539,731	\$ 307,749
Marketable securities	6,076,885	7,960,452
Contractual or donor-imposed restrictions:		
Cash restricted by others to specific uses		
Windmill	(46,652)	(72,535)
Manor House Preservation	(70,900)	(61,918)
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 8,499,064</u>	<u>\$ 8,133,748</u>

The Farm manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets to operate the Farm over the long term
- The Board has set policy, in accordance with its fiduciary responsibility, self-restrict/designate financial assets.

The Farm’s board of directors and senior management meet regularly to review Farm operations, making fiscal decisions based on prior knowledge, current conditions and budgeted amounts.

13 – COMMITMENTS AND CONTINGENCIES**Leases**

The Farm entered into an agreement on February 1, 2021 to lease residential property. The agreement calls for monthly payments of \$3,750, with a security deposit of \$7,500. The lease term is from February 1, 2021 through January 31, 2024, with annual rent increases of \$5,000 each year.

Rent expense for the years ended October 31, 2023 and 2022 was \$54,167 and \$49,167, respectively.

13 – COMMITMENTS AND CONTINGENCIES, (continued)**Purchase of 82 North Ferry Road**

On June 28, 2022, the Farm purchased the building and land located at 82 North Ferry Road at a sale price of \$2,200,000. The Farm funded the purchase of the property with the proceeds of a promissory note from LaVon Kellner and Thomas Roush. The terms of the promissory note state that the full \$2,200,000 principal is due to the lender on June 28, 2023. The Farm must also pay accrued interest on the unpaid principal amount from the date hereof until the date of full repayment, at the interest rate per annum equal to the applicable Federal Rate in effect for short-term loans, as defined under Section 1274(d) of the Internal Revenue Code. Any overdue principal amount not paid by June 28, 2023 will accrue interest at a rate equal to the Prime Rate announced by Citibank, N.A. from time to time plus 3% annum. On June 28, 2023 the Farm paid the full principal and interest accrued on the promissory note. Mutual funds in the Schwab investment account were sold to cover the balance due.

Upon purchase of the land and building located at 82 North Ferry Road the Farm immediately put the property into use for the objective of furthering the Farm's purposes.

Donated Land of 80 North Ferry Road

On January 18, 2023, the Farm received a donation of land located at 80 North Ferry Road. The donor provided an appraisal for the land, dated February 16, 2023, reporting a fair market value of \$2,000,000, which has been recorded as contribution revenue for the year ended October 31, 2023.

Upon receipt of the land located at 80 North Ferry Road the Farm immediately put the property into use for the objective of furthering the Farm's purposes.