

THE OLANA PARTNERSHIP
AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2006
(with comparative totals for 2005)

THE OLANA PARTNERSHIP
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expense	5
Notes to Financial Statements	6-11

PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2880 U.S. Route 9
VALATIE, NY 12184-5423
(518)-758-6776
FAX (518)-758-6779
mcollier@pkhbcpa.com

REGINALD H. PATTISON, CPA (1910-2002)
RICHARD P. KOSKEY, CPA, PFS
JON RATH, CPA (RETIRED)
NED HOWE, CPA, PFS *
A. MICHAEL BUCCI, CPA
CAROL OLSTA, CPA
SUZANNE E. MULDOON, CPA
NANCY K. PATZWahl, CPA **
BRAD CUMMINGS, CPA
SUSAN L. TRUE, CPA

MICHAEL COLLIER, CPA
JEAN HOWE LOSSI
MELISSA W. WISHON
BETSY CULLEN

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
* ALSO LICENSED IN CONNECTICUT
** ALSO LICENSED IN VERMONT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Olana Partnership:

We have audited the accompanying statement of financial position of The Olana Partnership (a New York State not-for-profit corporation) as of December 31, 2006 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated July 26, 2006, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Olana Partnership as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Valatie, New York
May 25, 2007
(except for Note 7, as to which
the date is December 6, 2007)

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

THE OLANA PARTNERSHIP
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2006
 (with comparative totals as of December 31, 2005)

 ASSETS

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 987,114	\$ 737,363
Contributions receivable	161,331	215,271
Inventory	46,246	53,631
Investments	314,428	320,044
Prepaid expenses	<u>90,000</u>	<u>90,000</u>
Total current assets	<u>1,599,119</u>	<u>1,416,309</u>
Furniture and equipment, net of accumulated depreciation of \$42,128 in 2006 and \$36,285 in 2005	<u>27,544</u>	<u>26,124</u>
Total assets	<u>\$ 1,626,663</u>	<u>\$ 1,442,433</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 16,244	\$ 8,501
Accrued expenses	31,948	32,501
Line of credit	<u>82,707</u>	<u>157,707</u>
Total current liabilities	<u>130,899</u>	<u>198,709</u>
Net assets:		
Unrestricted	516,537	524,939
Temporarily restricted	<u>979,227</u>	<u>718,785</u>
Total net assets	<u>1,495,764</u>	<u>1,243,724</u>
Total liabilities and net assets	<u>\$ 1,626,663</u>	<u>\$ 1,442,433</u>

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
 STATEMENTS OF ACTIVITIES
 for the year ended December 31, 2006
 (with comparative totals for the year ended December 31, 2005)

	<u>2006</u>	<u>2005</u>
Change in unrestricted net assets:		
Revenues:		
Membership dues	\$ 179,502	\$ 160,614
Contributions	190,417	373,887
Donated services	200,864	121,678
Grants	56,600	500
Bookstore and gift shop sales, net of cost of goods sold of \$32,700 and \$66,285	21,301	71,774
Program and special events, net of direct expenses of \$250,732 and \$245,615	138,862	332,134
Royalty income	379	332
Interest and dividend income	27,200	12,518
Unrealized gain on marketable securities	30,461	4,291
Loss on sale of marketable securities	(3,625)	(328)
Loss on sale of artwork	-	(1,000)
Total unrestricted revenue	<u>841,961</u>	<u>1,076,400</u>
Net assets released from restrictions	<u>241,557</u>	<u>412,353</u>
Total unrestricted revenue and other support	<u>1,083,518</u>	<u>1,488,753</u>
Expenses:		
Program	581,301	1,056,792
Management and general	295,165	198,193
Fund-raising	215,454	174,956
Total expenses	<u>1,091,920</u>	<u>1,429,941</u>
Change in unrestricted net assets	<u>(8,402)</u>	<u>58,812</u>
Change in temporarily restricted net assets:		
Contributions	501,999	247,057
Net assets released from restrictions	<u>(241,557)</u>	<u>(412,353)</u>
Change in temporarily restricted net assets	<u>260,442</u>	<u>(165,296)</u>
Change in net assets	252,040	(106,484)
Net assets, beginning of year	<u>1,243,724</u>	<u>1,350,209</u>
Net assets, end of year	<u>\$ 1,495,764</u>	<u>\$ 1,243,724</u>

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
 STATEMENTS OF CASH FLOWS
 for the year ended December 31, 2006
 (with comparative totals for the year ended December 31, 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 252,040	\$ (106,484)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,843	6,850
(Gain)/loss on sale of marketable securities	3,625	328
(Gain)/loss on sale of artwork	-	1,000
Unrealized gain on marketable securities	(30,461)	(4,291)
(Increase) decrease in:		
Contributions receivable	53,940	29,626
Inventory	7,385	(12,226)
Prepaid expenses	-	6,483
Increase (decrease) in:		
Accounts payable	7,743	(3,787)
Accrued expenses	(553)	11,155
Total adjustments	<u>47,522</u>	<u>35,138</u>
Net cash provided by (used for) operating activities	<u>299,562</u>	<u>(71,346)</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(7,263)	(15,146)
Sale of investments	<u>32,452</u>	<u>(114,402)</u>
Net cash provided by (used for) investing activities	<u>25,189</u>	<u>(129,548)</u>
Cash flows from financing activities:		
Payments on line of credit, net	<u>(75,000)</u>	<u>157,707</u>
Net cash provided (used for) by financing activities	<u>(75,000)</u>	<u>157,707</u>
Net increase (decrease) in cash	249,751	(43,187)
Cash and cash equivalents, beginning of year	<u>737,363</u>	<u>780,550</u>
Cash and cash equivalents, end of year	<u>\$ 987,114</u>	<u>\$ 737,363</u>
Supplemental Disclosures to the Statement of Cash Flows:		
Interest expense	\$ 8,297	\$ 9,153
Donated investments	<u>66,364</u>	<u>128,194</u>

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENTS OF FUNCTIONAL EXPENSES
for the year ended December 31, 2006

(with comparative totals for the year ended December 31, 2005)

	2006		2005	
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 192,288	\$ 96,585	\$ 139,166	\$ 428,039
Employee benefits	5,958	2,993	4,313	13,264
Payroll tax	18,345	9,215	13,277	40,837
Insurance	7,311	5,982	-	13,293
Supplies and office	38,650	35,482	-	74,132
Development	-	-	18,106	18,106
Programs	291,554	-	-	291,554
Landscaping	24,273	-	-	24,273
Professional fees	-	143,447	38,132	181,579
Depreciation	2,922	1,461	1,461	5,843
Uncollectible pledges	-	-	1,000	1,000
	\$ 581,301	\$ 295,165	\$ 215,454	\$ 1,091,920
				\$ 1,429,941

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Olana Partnership (the “Organization”) is a non-profit organization based in Hudson, New York, that encourages public appreciation of, acts as an advocate for, and provides supplementary support for the preservation and interpretation of Olana, the home of one of America’s premier landscape artists, Frederic Edwin Church. Olana is a National Historic Landmark and is a New York State Historic Site administered by the New York State Office of Parks, Recreation and Historic Preservation.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. The financial statements are presented in accordance with the Statement of Financial Accounting Standards No. 117, “*Financial Statements for Not-for-Profit Organizations*”, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets whose use is subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. The Organization has no permanently restricted net assets.

Amounts shown for December 31, 2005 in the accompanying financial statements are included to provide a basis for comparison with December 31, 2006 and present summarized totals only. Accordingly, the December 31, 2005 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles and should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2006.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that will affect the reported amounts of assets and liabilities and disclosure of contingent assets and

See auditors’ report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted, highly liquid investments with maturities of three months or less at the time of acquisition.

Contributions Receivable

Contributions receivable, totaling \$161,331, consist primarily of pledges and grants from private foundations and government agencies, that are scheduled to be collected within the current year. Management believes that all contributions receivable at December 31, 2006 are fully collectible.

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost or market, with cost determined on a first-in, first-out basis and market based on the lower of replacement cost or realizable value. Inventory includes books, periodicals and other items available for resale at the bookstore and gift shop.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless donor or law restricts the income or loss. Investment management fees for the year ended December 31, 2006 were \$1,004.

Investments, stated at fair value, at December 31, 2006 include:

<u>Cost</u>	<u>Unrealized gain</u>	<u>Market value</u>
\$ 269,898	\$ 44,530	\$ 314,428

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

Furniture, Equipment and Depreciation

Furniture and equipment are recorded at cost or, if donated, at the estimated fair value at the time of donation. Expenditures for routine repairs and maintenance that do not add to an asset's utility are expensed in the period in which they are incurred. Asset additions and expenditures that extend the useful lives of existing assets are capitalized and

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture, Equipment and Depreciation (Continued)

depreciated. Gains and losses from disposals of property and equipment are included in current operations. Depreciation on furniture and equipment is recorded using the straight-line method over the various estimated useful lives of the assets.

Donated Services

The Organization recognizes revenue for certain services received at the fair value of those services. These services include professional services donated by doctors and counselors to clients and donated advertising and legal services. The fair value of the donated services is reflected in revenues and included in expenses in the following functional categories:

Professional fees	\$ 175,403
Landscape architect	5,520
Printing and publication	1,131
Catering	17,790
Editorial services	<u>1,020</u>
	<u>\$ 200,864</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under SFAS No. 116.

NOTE 2 – COLLECTIONS

The Organization does not capitalize its collections. Costs of collection items purchased are shown as decreases in net assets in the statement of activities, proceeds from sales of collection items and insurance recoveries of lost or destroyed collection items are presented as increases in net assets. There were no such increases or decrease for the year ended December 31, 2006.

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

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

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – PROGRAM AND SPECIAL EVENTS

During the year ended December 31, 2006, the Foundation held various program and special events. A financial summary is as follows:

	<u>Program</u>	<u>Strabo</u>	<u>Gala</u>	<u>Other</u>	<u>Total</u>
Gross event income	\$ 103,194	\$ 49,851	\$ 194,633	\$ 41,916	\$ 389,594
Event expenses	<u>66,025</u>	<u>38,529</u>	<u>99,198</u>	<u>46,980</u>	<u>250,732</u>
Net profit (loss)	<u>\$ 37,169</u>	<u>\$ 11,322</u>	<u>\$ 95,435</u>	<u>\$ (5,064)</u>	<u>\$ 138,862</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent grants available for the following specific purposes or program services:

Artist-in-residence	\$ 4,478
Hudson River Improvement	115,000
Farm Complex	115,133
Traveling Exhibit	64,752
Landscaping	3,000
Corporate Sponsorship	750
Mexico Tour	600
Museum Center	319,475
HUD Grant	212,601
SLC Donations	1,259
Main House Improvement	21,200
Cozy Cottage	62,929
Strabo – Cape Branch	5,046
Strabo – Conservation	46,881
Robison Family	3,000
Library Books	12
Education	<u>3,111</u>
	<u>\$979,227</u>

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – LINE OF CREDIT

In May 2005, the Organization was extended an unsecured construction line of credit of up to \$230,000 for the renovation of Cozy Cottage. This line of credit consolidated an existing \$100,000 line of credit from the same lender, which was opened earlier in 2005. Interest on the loan is paid monthly and principal payments of \$50,000 are to be made annually through January 1, 2009. The Organization paid an additional \$25,000 in principal during the year resulting in a balance outstanding at year-end of \$82,707. Interest payments for the year ended December 31, 2006 were \$8,297 based on a floating rate of prime plus 100 basis points.

NOTE 7 – CORRECTION OF ERROR

Subsequent to the release of the Independent Auditors' Report, dated May 25, 2007, certain errors were discovered which had resulted in overstatements of the Contributions Receivable and Unrestricted Net Asset balances. Accordingly, an adjustment to reverse \$55,000 in previously recognized contribution revenue and a corresponding write down of Contributions Receivable has been made to correct the misstatements.

See auditors' report.