THE OLANA PARTNERSHIP

FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2016
(with memorandum totals as of December 31, 2015)

THE OLANA PARTNERSHIP
TABLE OF CONTENTS
December 31, 2016

PKHB CPAs, P.C.
PATTISON, KOSKEY, HOWE & BUCCI
www.pkhbcpas.com

Richard P. Koskey, CPA
Ned Howe, CPA
A. Michael Bucci, CPA
Bradley Cummings, CPA, CVA
Suzanne E. Muldoon, CPA
Nancy K. Patzwahl, CPA
Matthew H. VanDerbeck, CPA
Gary F. Newkirk, CPA
N. Thérèse Wolfe, CPA
Mary A. Kimball, CPA

Reginald H. Pattison, CPA (1910-2002)
Jon Rath, CPA (Retired)

Jean Howe Lossi, EA
Carol LaMont Howe, EA
Dennis A. O'Brien, CPA

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Olana Partnership

## Report on the Financial Statements

We have audited the accompanying financial statements of The Olana Partnership (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses 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.

502 Union Street, Hudson, NY 12534, Tel: 518-828-1565, Fax: 518-828-2672
45 Five Mile Woods Road, Ste 1, Catskill, NY 12414, Phone: 518-943-4502, Fax: 518-943-6532
2880 Route 9, Ste 2, Valatie, NY 12184, Tel: 518-758-6776, Fax: 518-758-6779
340 Main Street, Saugerties, NY 12477, Tel: 845-246-3803, Fax: 845-246-1035
465 Washington Ave., Kingston, NY 12401, Tel: 845-331-5030, Fax: 845-331-0242

***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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited The Olana Partnership's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howe & Bucci, CPA's, P.C.

Hudson, New York
August 2, 2017

THE OLANA PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(with memorandum totals for December 31, 2015)

| | 2016 | 2015 (memorandum only) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 486,009 | $ 483,818 |
| Accounts receivable | - | 2,610 |
| Contributions receivable | 213,200 | 177,320 |
| Government grant receivable | - | 397,252 |
| Inventory | 99,649 | 86,825 |
| Prepaid expenses | 18,772 | 9,620 |
| Total current assets | 817,630 | 1,157,445 |
| Cash and cash equivalents - restricted to museum capital projects | 221,954 | 250,701 |
| Certificates of deposit - restricted to museum capital projects | 74,935 | 99,843 |
| Cash and cash equivalents - restricted to investment in endowment | 31,808 | 14,284 |
| Cash and cash equivalents - restricted to investment in board designated endowment | 12,981 | 13,395 |
| Investments - restricted for endowment | 2,196,640 | 2,038,794 |
| Investments | 196,800 | 261,753 |
| Contributions receivable (long-term), net of a $12,114 discount | 197,886 | 233,159 |
| Property and equipment, net | 65,006 | 63,230 |
| Total assets | $ 3,815,640 | $ 4,132,604 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | $ 14,905 | $ 71,164 |
| Accrued expenses | 56,914 | 57,150 |
| Note payable | - | 350,045 |
| Total current liabilities | 71,819 | 478,359 |
| Net assets: | | |
| Unrestricted | 242,002 | 119,307 |
| Unrestricted - board designated | 204,709 | 275,148 |
| Temporarily restricted | 1,064,624 | 1,036,020 |
| Permanently restricted | 2,232,486 | 2,223,770 |
| Total net assets | 3,743,821 | 3,654,245 |
| Total liabilities and net assets | $ 3,815,640 | $ 4,132,604 |

See accompanying notes and independent auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF ACTIVITIES
Year ended December 31, 2016
(with memorandum totals for the year ended December 31, 2015)

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | 2015 (memorandum only) |
| Revenue and other sources: | | | | | |
| Membership dues | $ 59,851 | $ - | $ - | $ 59,851 | $ 66,070 |
| Contributions | 352,465 | 255,974 | - | 608,439 | 697,480 |
| Discount on pledges | - | 4,727 | - | 4,727 | 5,986 |
| Donated services | 45,338 | - | - | 45,338 | 80,627 |
| Non-cash revenue | 4,533 | - | - | 4,533 | 24,619 |
| Grants | 1,125 | - | - | 1,125 | 469,519 |
| Bookstore and gift shop sales, net of direct expenses of $89,882 in 2016 and $105,126 in 2015, respectively | 116,603 | - | - | 116,603 | 89,754 |
| Admissions and book sales | 24,223 | - | - | 24,223 | 2,190 |
| Program and special events, net of direct expenses of $381,052 in 2016 and $312,005 in 2015, respectively | 252,705 | - | - | 252,705 | 226,973 |
| Interest and dividend income, net of fees | 27,912 | 1,347 | 864 | 30,123 | 5,169 |
| Other income | 1,105 | - | - | 1,105 | 1,080 |
| Unrealized gain (loss) on on marketable securities | 227,074 | - | 12,939 | 240,013 | (101,329) |
| Loss on sale of marketable securities, net | (91,180) | - | (5,087) | (96,267) | (470) |
| Loss on disposal of assets | (9,344) | - | - | (9,344) | - |
| Net assets released from restrictions | 233,444 | (233,444) | - | - | - |
| Total revenue and other sources | 1,245,854 | 28,604 | 8,716 | 1,283,174 | 1,567,668 |
| Expenses: | | | | | |
| Program | 783,984 | - | - | 783,984 | 1,396,108 |
| Management and general | 184,205 | - | - | 184,205 | 201,849 |
| Fundraising | 225,409 | - | - | 225,409 | 237,753 |
| Total expenses | 1,193,598 | - | - | 1,193,598 | 1,835,710 |
| Change in net assets | 52,256 | 28,604 | 8,716 | 89,576 | (268,042) |
| Net assets, beginning of year | 394,455 | 1,036,020 | 2,223,770 | 3,654,245 | 3,922,287 |
| Net assets, end of year | $ 446,711 | $ 1,064,624 | $ 2,232,486 | $ 3,743,821 | $ 3,654,245 |

See accompanying notes and independent auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF CASH FLOWS
Year ended December 31, 2016
(with memorandum totals for December 31, 2015)

| | 2016 | 2015 (memorandum only) |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 89,576 | $ (268,042) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 12,794 | 9,390 |
| Loss on sale of marketable securities | 96,267 | 470 |
| Unrealized (gain) loss on marketable securities | (240,013) | 101,329 |
| Gift of endowment | - | (2,000) |
| Decrease in accounts receivable | 2,610 | 1,357 |
| (Increase) decrease in contributions receivable | (607) | 437 |
| Decrease (increase) in government grant receivable | 397,252 | (232,294) |
| Increase (decrease) in inventory | (12,824) | 23,851 |
| (Increase) decrease in prepaid expenses | (9,152) | 287 |
| Decrease in accounts payable | (56,259) | (12,113) |
| (Increase) decrease in accrued expenses | (236) | 15,012 |
| Total adjustments | 189,832 | (94,274) |
| Net cash provided by (used in) operating activities | 279,408 | (362,316) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (31,008) | (27,258) |
| Sales of investments | 833,085 | 242,812 |
| Purchases of investments | (765,794) | (238,924) |
| Decrease (increase) in cash equivalents and CDs - construction of museum | 53,655 | (616) |
| Decrease (increase) in cash and cash equivalents - restricted to investment in endowment | (17,110) | 28,617 |
| Net cash provided by investing activities | 72,828 | 4,631 |
| Cash flows from financing activities: | | |
| Short-term borrowing on grid note | - | 385,045 |
| Payment on grid note | (350,045) | (35,000) |
| Gift of endowment | - | 2,000 |
| Net cash (used for) provided by financing activities | (350,045) | 352,045 |
| Net increase (decrease) in cash | 2,191 | (5,640) |
| Cash and cash equivalents, beginning of year | 483,818 | 489,458 |
| Cash and cash equivalents, end of year | $ 486,009 | $ 483,818 |
| Non cash activity and disclosure: | | |
| Donated investments | $ 69,139 | $ 41,141 |
| Donated goods | $ 275 | $ 19,840 |
| Interest paid | $ 8,859 | $ 10,282 |
| Non-cash revenue | $ 26,148 | $ 24,619 |

See accompanying notes and independent auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

| | 2016 | | | | 2015 (memorandum only) |
|---|---|---|---|---|---|
| | Program | Management and General | Fund-Raising | Total | Total |
| Expenses: | | | | | |
| Salaries and wages | $ 408,908 | $ 98,832 | $ 127,189 | $ 634,929 | $ 588,685 |
| Employee benefits | 24,284 | 5,892 | 6,371 | 36,547 | 34,271 |
| Payroll tax | 33,108 | 7,056 | 9,809 | 49,973 | 47,608 |
| Insurance | 15,222 | 2,689 | 1,435 | 19,346 | 12,472 |
| Public relations and marketing | 27,457 | - | - | 27,457 | 283,728 |
| Supplies and office | 44,411 | 16,458 | 11,025 | 71,894 | 65,740 |
| Development | 57,712 | - | 64,044 | 121,756 | 92,256 |
| Program - Curatorial/Education | 67,071 | - | - | 67,071 | 197,580 |
| Landscape/Viewshed | 60,117 | - | - | 60,117 | 383,823 |
| Interest | 4,710 | 4,149 | - | 8,859 | 10,282 |
| Professional fees | 3,498 | 27,644 | 1,842 | 32,984 | 24,469 |
| Depreciation | 7,676 | 2,559 | 2,559 | 12,794 | 9,390 |
| | 754,174 | 165,279 | 224,274 | 1,143,727 | 1,750,304 |
| Donated Services (Note 2): | | | | | |
| Development | - | - | 1,135 | 1,135 | 4,240 |
| Professional fees | 15,872 | 18,428 | - | 34,300 | 45,653 |
| Public relations and marketing | 2,089 | - | - | 2,089 | 1,390 |
| Supplies and office | - | 498 | - | 498 | 1,670 |
| Landscape/Viewshed | 2,727 | - | - | 2,727 | 17,345 |
| Program | 9,122 | - | - | 9,122 | 15,108 |
| Total expenses | $ 783,984 | $ 184,205 | $ 225,409 | $ 1,193,598 | $ 1,835,710 |

See accompanying notes and independent auditors' report.

## 1. Nature of Operations:

The Olana Partnership (the "Organization") is a not-for-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.

## 2. Summary of Significant Accounting Policies:

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.

Financial Statement Presentation:

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, "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 by action of the Board of Trustees.

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.

Expenses are presented as decreases in unrestricted net assets when incurred.

Prior Year Amounts:

Amounts shown for December 31, 2015, in the accompanying statements are included to provide a basis for comparison with December 31, 2016 and present summarized totals only. Accordingly, the December 31, 2015 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.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, cash and cash equivalents are considered highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents with donor imposed restrictions for the purpose of acquisitions of fixed assets or endowment are excluded from cash and cash equivalents in the statement of cash flows.

**2. Summary of Significant Accounting Policies (Continued):**

Property and Equipment:

Property 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 useful life 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 depreciated. Gains and losses from disposals of property and equipment are included in current operations.

Depreciation:

Depreciation on property and equipment is recorded using the straight-line method over the various estimated useful lives of the assets.

As the Organization embarks on construction projects in support of its purpose, New York State (the State) and the Organization typically enter into agreements that map out the parameters of the projects. Construction costs incurred by the Organization for assets that it will not own are expensed as incurred.

Income Taxes:

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

Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that will affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

Concentrations of Credit and Market Risks:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is not limited to any one institution. The Organization exceeded the Federal Deposit Insurance Corporation (FDIC) limit (see note 3) as of December 31, 2016. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

At December 31, 2016, there was one donor that individually exceeded 10% of contributions receivables ($250,000 as of December 31, 2016). The Organization has determined no allowance for doubtful accounts is needed based on a review of outstanding receivables, historical collection information, and economic conditions. Management controls credit risk through the use of the above procedures.

**2. Summary of Significant Accounting Policies (Continued):**

Concentrations of Credit and Market Risks (continued):

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Investments:

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-For-Profit Organizations" 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 are shown net against investment income on the statement of activities. Those fees for the year ended December 31, 2016 were $21,155.

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.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined on a first-in, first-out basis. Market value is 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.

Contributions:

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.

## 2. Summary of Significant Accounting Policies (Continued):

Contributions (continued):

FASB accounting standards update, "Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows" requires not-for-profit entities to classify unrestricted cash receipts from the sale of donated financial assets that were nearly immediately converted into cash as cash inflows from operating activities. Cash receipts in which the donor restricts the use of contributed resources to long-term purposes should be classified as financing cash flows.

Donated Services:

The Organization recognizes revenue for certain services received at the fair value of those services. These services include professional services donated by attorneys, accountants and other professionals, as well as 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 for the year ended December 31, 2016:

| | |
|---|---|
| Professional fees | $ 3,000 |
| Professional-legal fees | 31,300 |
| In-kind gifts - donated assets | 4,532 |
| In-kind gifts - shop | 1,884 |
| Professional fees - shop | 373 |
| Printing and publication services | 11,039 |
| Special events (in-kind donations) | 19,731 |
| Special events (professional services) | 17,734 |
| Subtotal | 89,593 |
| Less: Special events | (37,465) |
| Less: Shop | (2,257) |
| | $ 49,871 |

During the year ended December 31, 2016, the Organization received $26,148 in non-cash revenue.

A portion of the donated services were donated by related parties for the amount of $30,856. 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 FASB ASC 958-605.

## 2. Summary of Significant Accounting Policies (Continued):

Revenue Recognition – Government Grants:

Certain revenue is earned on cost reimbursable type contracts as services are provided and expenses are incurred to carry out the objectives of the related contractual arrangements. Cost reimbursable contract revenue is recognized only to the extent the contract allows for the related costs incurred by the Organization and cannot exceed the maximum amount allowed for under the contract. Funds advanced to the Organization prior to the earnings process are deferred and included in the caption "government contract advance" in the accompanying statement of financial position. Revenue earned in excess of payments received from the government agency is accrued as government grant receivable. There were no unearned or deferred revenues from government grants as of December 31, 2016.

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, 2016.

Functional 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.

In addition, it should be noted that the Organization was awarded a New York State Environmental Protection Fund (EPF) grant in December 2015 for the design of the stabilization of Olana's Main Barn in the amount of $195,000. Since the Organization turned management of the contract over to New York State Office of Parks, Recreation, and Historic Preservation (NYS OPRHP), the funds and offsetting expenses are not reflected in these financial statements. The Organization has agreed to make a 1/3 matching contribution as part of the agreement in the amount of $65,000, of which $35,361 was paid to NYS OPRHP in 2016, and the balance of $29,639 will be made in 2017.

Reclassification:

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

Cash and cash equivalents restricted for investment in the board designated endowment were reclassified in the prior year. The balance of $13,395 shown for the year ended December 31, 2015 was removed and reclassified from cash and cash equivalents.

Subsequent Events:

Subsequent events have been evaluated through August 2, 2017, which is the date the financial statements were available to be issued.

### 3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2016, comprised the following:

| Bank | Book Balance | Bank Balance | FDIC Insurance | Excess |
|---|---|---|---|---|
| Key Bank | $ 8,055 | $ 8,055 | $ 250,000 | $ - |
| National Union Bank of Kinderhook | 477,604 | 486,262 | 250,000 | 236,262 |
| Bank of Greene County | 221,954 | 221,954 | 250,000 | - |
| Fidelity | 44,789 | 44,789 | * | - |
| Petty Cash | 350 | - | N/A | |
| | $ 752,752 | $ 761,060 | | $ 236,262 |

*Cash and cash equivalents held in money market accounts were fully insured by SIPC.

Certificates of deposit as of December 31, 2016 were covered by FDIC insurance. The cash and cash equivalents balance of $752,752 includes $31,808 of cash equivalents held in a money market account restricted for the investment in endowment, $12,981 of cash equivalents held in a money market account restricted for investment in the board designated endowment and $221,954 of cash equivalents held in a money market account restricted for the construction of a museum.

**4. Contributions Receivable:**

Contributions receivable consist primarily of pledges and grants from private foundations that are scheduled to be collected over a period of time. The following summarizes the contributions receivable based on the period in which they are expected to be collected. The carrying value is determined by calculating the fair value of the estimated future cash flows, net of an allowance for uncollectible pledges. The interest rates used in determining the fair value of contributions receivable range from 1.13% to 1.64% at December 31, 2016, based on the terms and pledge dates of the gifts. Once the fair value discount rate is applied at the date of pledge (Level 3 measurement) the rate is generally set for the life of the pledge.

The fair value rate is based on a risk free treasury rate adjusted upward for risk based on management's assessment of the donor's expected ability to pay. The expected receipts of multi-year unconditional promises to give are as follows:

| | |
|---|---|
| Amounts to be received in: | |
| 2017 | $ 213,200 |
| 2018 | 60,000 |
| 2019 | 50,000 |
| 2020 | 50,000 |
| 2021 | 50,000 |
| | 423,200 |
| Less: amounts representing interest | (12,114) |
| | $ 411,086 |

The current portion of contributions receivable includes $153,200 of contributions made in 2016 expected to be collected in 2017.

**4. Investments:**

Investments at December 31, 2016, stated at fair value include:

| | Cost | Unrealized Gain | Fair Market Value | FASB ASC 820-10 Measurements |
|---|---|---|---|---|
| Mutual Funds | $ 1,667,652 | $ 2,060 | $ 1,669,712 | Level 1 |
| Stocks | 654,577 | 69,151 | 723,728 | Level 1 |
| | $ 2,322,229 | $ 71,211 | $ 2,393,440 | |

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, and Level 3. Level 1 fair value is based on quoted prices in active markets for identical asset/liabilities. The Organization does not have any Level 2 or 3 investments.

## 5. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2016:

| Category | |
|---|---|
| Furniture/Equipment | $ 118,008 |
| Artwork-Painting | 13,745 |
| Accumulated Depreciation | (66,747) |
| | $ 65,006 |

The depreciation expense for 2016 was $12,794.

## 6. Program and Special Events:

During the year ended December 31, 2016, the Organization held various program and special events. A financial summary is as follows:

| | Program | Gala | Other | Total |
|---|---|---|---|---|
| Gross event income | $ 41,218 | $ 496,057 | $ 96,482 | $ 633,757 |
| Event expenses | 99,081 | 246,680 | 35,291 | 381,052 |
| Net profit | $ (57,863) | $ 249,377 | $ 61,191 | $ 252,705 |

## 7. Line of Credit:

The Organization has a $500,000 line of credit which is collateralized by the assets of the Organization. The interest rate on the line of credit is the prime rate (4.0% at December 31, 2016) plus 0.50%, and has an interest rate floor of 4.0%.

## 8. The Landmarks Collaborative:

The Landmarks Collaborative (LC) is a collaborative marketing venture with other area historic sites and Columbia County tourism. Each participant contributes an annual fee of $200 toward joint promotion and marketing expenses. Expenses in 2016 included annual sponsorship to the Chamber of Commerce for marketing and other promotional expenses. At the close of 2016, $5,166 was held on behalf of other sites, while $704 of Olana funds were also kept aside for the purposes of the venture.

**9. Temporarily Restricted Net Assets:**

Temporarily restricted net assets as of December 31, 2016, represent grants available for the following specific purposes or program services:

| | | |
|---|---|---|
| New Museum | $ | 294,578 |
| Education | | 47,173 |
| Landscape/Viewshed (net of discount of $11,844) | | 537,684 |
| Landscape Tours Initiative | | 57,508 |
| Exhibitions | | 58,466 |
| Curatorial/Main House projects | | 36,938 |
| Time Restricted (net of discount of $270) | | 31,573 |
| Landmarks Collaborative | | 704 |
| | $ | 1,064,624 |

During the year ended December 31, 2016, releases from restriction were comprised of the following:

| | | |
|---|---|---|
| New museum | $ | 55,965 |
| Time Restricted - General | | 35,358 |
| Landscape/Viewshed | | 66,655 |
| Exhibitions | | 28,674 |
| Education | | 46,792 |
| | $ | 233,444 |

**10. Board Designations:**

The board designated unrestricted net assets for contingencies in the amount of $204,709. Prior to December 31, 2016, the Board designated $4,000 of these funds to be used for Capital Campaign support. As of December 31, 2016, these funds remained in the board designated endowment account.

## 11. Permanently Restricted Net Assets:

Permanently restricted net assets represent donor-restricted endowment gifts for the following salaried positions. Donors have intended that the earnings on such gifts be accumulated until each salaried position reaches $1mm goal, then earnings are to be used to fund such positions. During the year ended December 31, 2014, the Organization reached its goal of $1 mm for the President and Educator Endowment Funds. As a result of attaining this goal, the Organization is allowed to drawdown earnings, if available, to fund such positions.

Endowment funds are comprised of the following at December 31, 2016:

| | | |
|---|---|---|
| President Endowment | $ | 1,091,704 |
| Educator Endowment | | 1,017,332 |
| Curator Endowment | | 99,000 |
| Curator Endowment earnings | | 24,450 |
| | $ | 2,232,486 |

The Organization's endowment consists of four funds (one for each endowment fund and one for the board-designated endowment) held with an institutional investment company (Fidelity). The endowment includes donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions and funds designated by the Board of Trustees to function as endowments. The Board of Trustees of the Organization has interpreted the New York State Uniform Management of Institutional Funds Act "UMIFA" as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Presently, (until the $1mm goal per position is met), earnings (dividends and interest), realized and unrealized appreciation (depreciation) on the endowment fund are classified as permanent support as outlined by the donors.

*Return Objectives and Risk Parameters*

The Organization's Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to supplement annual third party contributions and maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce modest results while assuming a low level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return sufficient to cover future draw-downs over the long-term.

## 11. Permanently Restricted Net Assets (Continued):

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization currently targets a diversified asset allocation that places a greater emphasis on fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy of reinvesting dividends and interest earned on an annual basis for board-designated endowment as long as unrestricted donations received for support are sufficient to cover annual operating expenditures. For donor-restricted endowments, investment returns are reinvested until the $1mm goal per position is met. At that time, future earnings are subject to the donors' temporary purpose restrictions. In establishing this policy, the Organization considers the long-term expected return on its endowment.

Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-Restricted Endowment Funds | $ (4,038) | $ - | $ 2,232,486 | $ 2,228,448 |
| Board-Designated Endowment Funds | 204,709 | - | - | 204,709 |
| Total Funds | $ 200,671 | $ - | $ 2,232,486 | $ 2,433,157 |

As of December 31, 2016, the net decrease in donor-restricted endowment funds of $(4,038) is comprised of a cumulative net loss of $(3,299) for the President's Endowment Fund and $(739) for the Educator Endowment Fund. Additionally, the net increase in donor-restricted endowment funds includes one contribution of $12,500 to the President endowment fund during 2016. This amount was recorded as a receivable as of December 31, 2015.

## 11. Permanently Restricted Net Assets (Continued):

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 116,955 | $ - | $ 2,223,770 | $ 2,340,725 |
| Unrealized gain | 227,074 | - | 12,939 | 240,013 |
| Amounts appropriated for expenditure | (75,000) | - | - | (75,000) |
| Realized loss | (88,787) | - | (5,087) | (93,874) |
| Interest and dividends, net | 20,429 | - | 864 | 21,293 |
| Endowment net assets, end of year | $ 200,671 | $ - | $ 2,232,486 | $ 2,433,157 |

| | |
|---|---|
| Endowment Net Assets are comprised of: | |
| Cash and cash equivalents- restricted to investment in endowment | $ 31,808 |
| Cash and cash equivalents- board restricted | 12,981 |
| Investments | 2,388,368 |
| Endowment Net Assets, End of Year | $ 2,433,157 |

During the year ended December 31, 2016, the board of trustees approved the use of $75,000 of board designated endowment funds to pay down the Organization's line of credit.

## 12. Retirement Plan:

The Olana Partnership board of trustees agreed to adopt the plan document, IRS Form 5304-SIMPLE, in order to sponsor a SIMPLE-IRA retirement plan for the employees of Organization as of January 1, 2012. Employees can make pre-tax contributions up to 100% of pay (subject to certain annual caps set by IRS). New employees may enroll in this program immediately, otherwise enrollment months are January and July. There is an employer match of up to 3% of salary for eligible employees. The total employer match expense was $13,943 for year ended December 31, 2016.

Beginning January 1, 2017, the Organization has changed its retirement plan for employees to a 403(b) plan. There is an employer match of 5% of salary for eligible employees.