

THE OLANA PARTNERSHIP

For the Year Ended December 31, 2004

(With Comparative Totals for the Year
Ended December 31, 2003)

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

CERTIFIED PUBLIC ACCOUNTANTS
502 UNION STREET
HUDSON, NEW YORK 12534
(518)-828-1565
FAX (518)-828-2672
ambucci@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. PATZW AHL, CPA
BRAD CUMMINGS, CPA
SUSAN L. TRUE, CPA

CATHERINE S. GOMM, 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

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, 2004 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 2003 financial statements and, in our report November 3, 2004, 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, 2004, 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.

Hudson, New York
September 9, 2005

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

THE OLANA PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
December 31, 2004
(with comparative totals as of December 31, 2003)

	Assets	
	2004	2003 (Memorandum Only)
Current assets:		
Cash and cash equivalents	\$ 780,550	\$ 897,747
Contributions receivable	244,897	215,233
Inventory	41,405	45,130
Investments	209,725	191,216
Prepaid expenses	96,483	78
Total current assets	1,373,060	1,349,404
Property and equipment, net of accumulated depreciation of \$29,435 in 2004 and \$21,839 in 2003	10,783	15,622
Total assets	\$ 1,383,843	\$ 1,365,026
	Liabilities and Net Assets	
Current liabilities:		
Accounts payable	\$ 12,288	\$ 8,794
Accrued expenses	21,346	18,894
Total current liabilities	33,634	27,688
Net assets:		
Unrestricted	462,977	473,896
Temporarily restricted	884,081	863,442
Total net assets	1,347,058	1,337,338
Total liabilities and net assets	\$ 1,380,692	\$ 1,365,026

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF ACTIVITIES
for the year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	2004	2003 (Memorandum Only)
Change in unrestricted net assets:		
Revenues:		
Membership dues	\$ 163,856	\$ 149,871
Contributions	265,332	88,676
Contributed services	60,919	30,075
Interest and dividend income	9,143	6,644
Bookstore and gift shop sales, net of cost of goods sold of \$47,073	81,278	64,883
Grants	-	14,809
Program and special events, net of direct expenses of \$215,395	130,431	123,786
Miscellaneous income	57	29,709
Unrealized gain on marketable securities	16,455	39,768
Gain (loss) on sale of marketable securities	17	(795)
Royalty income	378	636
Total unrestricted revenue	727,866	548,062
Net assets released from restrictions	474,166	349,960
Total unrestricted revenue and other support	1,202,032	898,022
Expenses:		
Program	823,035	650,648
Management and general	148,092	133,187
Fund-raising	238,673	236,420
Total expenses	1,209,800	1,020,255
Change in unrestricted net assets	(7,768)	(122,233)
Change in temporarily restricted net assets:		
Contributions	494,805	490,341
Net assets released from restrictions	(474,166)	(349,960)
Change in temporarily restricted net assets	20,639	140,381
Change in net assets	12,871	18,148
Net assets, beginning of year	1,337,338	1,319,190
Net assets, end of year	\$ 1,350,209	\$ 1,337,338

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF CASH FLOWS
for the year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	2004	2003 (Memorandum Only)
Cash flows from operating activities:		
Change in net assets	\$ 12,871	\$ 18,149
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	7,596	7,194
(Gain) loss on sale of marketable securities	(17)	795
Unrealized (gain) on marketable securities	(16,455)	(39,768)
(Increase) decrease in:		
Contributions receivable	(29,664)	(196,403)
Inventory	3,725	18,344
Prepaid expenses	(96,405)	99,922
Increase (decrease) in:		
Accounts payable	3,494	(706)
Accrued expenses	2,452	(23,841)
Total adjustments	(125,274)	(134,463)
Net cash (used for) operating activities	(112,403)	(116,315)
Cash flows from investing activities:		
Purchases of fixed assets	(2,757)	(4,410)
(Purchases) sales of investments	(2,037)	15,967
Net cash provided by investing activities	(4,794)	11,557
Cash flows from financing activities:	-	-
Net increase (decrease) in cash	(117,197)	(104,758)
Cash and cash equivalents, beginning of year	897,747	1,002,505
Cash and cash equivalents, end of year	\$ 780,550	\$ 897,747
Supplemental Disclosures to the Statement of Cash Flows:		
Donated investments	\$ 12,379	\$ 50,363

See accompanying notes and auditors' report.

THE OLANA PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	2004			2003	
	Program	Management and General	Fund- Raising	Total	Total
Salaries and wages	\$ 172,250	\$ 72,600	\$ 146,096	\$ 390,946	\$ 405,879
Employee benefits	1,536	221	3,513	5,270	6,742
Payroll tax	14,946	6,160	12,188	33,294	32,381
Insurance	6,714	5,186	-	11,900	15,266
Supplies and office	9,356	31,186	990	41,532	36,963
Development	-	-	27,976	27,976	58,498
Programs	558,736	-	-	558,736	381,583
Landscaping	43,485	-	-	43,485	44,959
Professional fees	12,214	30,840	43,861	86,915	30,790
Depreciation	3,798	1,899	1,899	7,596	7,194
Uncollectible pledges	-	-	2,150	2,150	-
	<u>\$ 823,035</u>	<u>\$ 148,092</u>	<u>\$ 238,673</u>	<u>\$ 1,209,800</u>	<u>\$ 1,020,255</u>

(Memorandum Only)

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.

Amounts shown for December 31, 2003 in the accompanying financial statements are included to provide a basis for comparison with December 31, 2004 and present summarized totals only. Accordingly, the December 31, 2003 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, 2004.

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 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).

See auditors’ report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$244,897, consist primarily of pledges and grants from private foundations and government agencies, that are scheduled to be collected within the current year. Therefore, management believes that all contributions receivables are fully collectible at December 31, 2004.

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.

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2004 were \$1,287.

Investments, stated at fair value, at December 31, 2004 include:

<u>Cost</u>	<u>Unrealized gain</u>	<u>Market value</u>
<u>\$ 199,947</u>	<u>\$ 9,778</u>	<u>\$ 209,725</u>

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.

Property, Equipment and Depreciation

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 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 depreciated. Gains and losses from disposals of property and equipment are included in current operations. Depreciation on buildings 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:

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services (continued)

Professional fees	\$ 41,204
Landscape architect	2,640
Printing and publication	16,075
Editorial services	<u>1,000</u>
	<u>\$ 60,919</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, 2004.

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.

NOTE 4 – PROGRAM AND SPECIAL EVENTS

During the year ended December 31, 2004, the Foundation held various program and special events. A financial summary is as follows:

	<u>Program</u>	<u>Strabo</u>	<u>Holiday</u>	<u>Reggae</u>	<u>Total</u>
Gross event income	\$ 15,435	\$ 287,061	\$ 5,292	\$ 38,039	\$ 345,827
Expenses relating to event	<u>23,746</u>	<u>156,486</u>	<u>3,820</u>	<u>31,344</u>	<u>215,396</u>
Excess of revenue over expenses (expenses over revenue) generated from event	<u>\$ (8,311)</u>	<u>\$ 130,575</u>	<u>\$ 1,472</u>	<u>\$ 6,695</u>	<u>\$ 130,431</u>

See auditors' report.

THE OLANA PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

Artist-in-residence	\$ 6,914
Hudson River Improvement	115,000
NYSCA	7,500
Traveling Exhibit	132,575
Corporate Sponsor 2005 programs	1,750
Mexico Tour	4,350
Museum Center	296,605
SLC Donations	52,442
Museum Ramp-Up	81,119
Cosy Cottage	123,886
Estuary Grant	31,290
Arbor Day event	55
Strabo Cape Branch	5,046
Strabo – Conservation	22,765
Robison Family	2,000
Library Books	233
Curatorial	551
	<u>\$884,081</u>

NOTE 6 – SUBSEQUENT EVENT

In May 2005, the Organization was extended an unsecured construction line of credit of up to \$230,000 for the renovation of Cosy Cottage. This line of credit consolidates 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.

See auditors' report.