

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY

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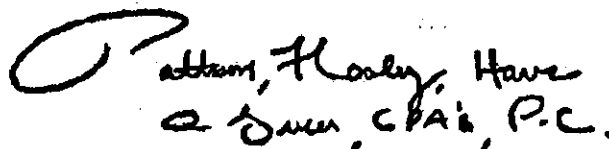
INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Rensselaerville Institute and Subsidiary:

We have audited the accompanying consolidated statement of financial position of The Rensselaerville Institute and Subsidiary (a not-for-profit organization) as of December 31, 2007, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of The Rensselaerville Institute. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements as of December 31, 2006 were audited by other auditors whose report dated August 9, 2007 expressed an unqualified opinion on those 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Rensselaerville Institute and Subsidiary as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



*Pattison, Koskey, Howe
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Catskill, New York
April 23, 2008

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as of December 31, 2007 and 2006

ASSETS

	2007	2006
Current assets:		
Cash and cash equivalents	\$ 757,683	\$ 256,558
Restricted cash	15,088	30,044
Accounts receivable, net of allowance for doubtful accounts (note 1)	482,747	886,282
Pledges receivable (notes 5 and 9)	100,000	321,540
Investments in common stock and money market funds - unrestricted, at estimated fair value (note 2)	441,168	82,194
Loans and projects receivable	1,683	5,441
Inventories (note 3)	42,433	40,891
Prepays and other assets	69,218	58,265
Total current assets	1,910,020	1,681,215
Non-current assets:		
Land, buildings, and equipment, net (note 4)	1,984,114	1,796,627
Restricted endowment investments, at estimated fair value (notes 2 and 8)	1,477,228	1,349,468
Pledges receivable (notes 5 and 9)	18,217	109,948
REIT - unrestricted, at estimated fair value (note 9)	82,301	76,905
Total assets	\$ 5,471,880	\$ 5,014,163

LIABILITIES AND NET ASSETS

Current liabilities:		
Revolving line of credit (note 6)	\$ -	\$ 274,796
Current maturities of long-term debt (notes 6 and 9)	366,558	140,396
Settlement payable, current	-	50,000
Accounts payable and accrued expenses	319,264	527,676
Accrued salaries, wages, and benefits	148,880	135,946
Deferred revenue	395,541	231,175
Total current liabilities	1,230,243	1,359,989
Long-term liabilities:		
Long-term debt, less current installments (notes 6 and 9)	365,756	676,686
Total liabilities	1,595,999	2,036,675
Net assets:		
Unrestricted	1,070,433	578,927
Temporarily restricted	1,309,256	797,369
Permanently restricted	1,496,192	1,601,192
Total net assets	3,875,881	2,977,488
Total liabilities and net assets	\$ 5,471,880	\$ 5,014,163

See accompanying notes and auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions	\$ 684,830	\$ 888,523	\$ 5,000	\$ 1,578,353
Grants and contracts	3,654,519	-	-	3,654,519
The Rensselaerville Conference Center	1,283,375	-	-	1,283,375
Investment income (loss)	20,405	122,760	-	143,165
Net assets released from restriction	609,396	(499,396)	(110,000)	-
Total support and revenue	6,252,525	511,887	(105,000)	6,659,412
Expenses:				
Grants and contracts:				
Salaries, wages, and benefits	1,640,155	-	-	1,640,155
Other direct costs	1,410,031	-	-	1,410,031
Depreciation and amortization	2,911	-	-	2,911
Total grants and contracts	3,053,097	-	-	3,053,097
The Rensselaerville Conference Center:				
Salaries, wages, and benefits	777,692	-	-	777,692
Other direct costs	637,318	-	-	637,318
Depreciation and amortization	221,408	-	-	221,408
Total the Rensselaerville Conference Center	1,636,418	-	-	1,636,418
General and financial management:				
Salaries, wages, and benefits	698,075	-	-	698,075
Other direct costs	338,507	-	-	338,507
Depreciation and amortization	34,922	-	-	34,922
Total general and financial management	1,071,504	-	-	1,071,504
Total expenses	5,761,019	-	-	5,761,019
Change in net assets	491,506	511,887	(105,000)	898,393
Net assets, beginning of year	578,927	797,369	1,601,192	2,977,488
Net assets, end of year	\$ 1,070,433	\$ 1,309,256	\$ 1,496,192	\$ 3,875,881

See accompanying notes and auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions	\$ 671,322	\$ 619,041	\$ 15,000	\$ 1,305,363
Grants and contracts	3,589,889	-	-	3,589,889
The Rensselaerville Conference Center	1,474,931	-	-	1,474,931
Investment income (loss)	22,909	111,659	-	134,568
Net assets released from restriction	260,889	(260,889)	-	-
	<u>6,019,940</u>	<u>469,811</u>	<u>15,000</u>	<u>6,504,751</u>
Total support and revenue				
Expenses:				
Grants and contracts:				
Salaries, wages, and benefits	1,757,049	-	-	1,757,049
Other direct costs	1,237,935	-	-	1,237,935
Depreciation and amortization	6,057	-	-	6,057
	<u>3,001,041</u>	<u>-</u>	<u>-</u>	<u>3,001,041</u>
Total grants and contracts				
The Rensselaerville Conference Center:				
Salaries, wages, and benefits	744,419	-	-	744,419
Other direct costs	641,945	-	-	641,945
Depreciation and amortization	202,087	-	-	202,087
	<u>1,588,451</u>	<u>-</u>	<u>-</u>	<u>1,588,451</u>
Total the Rensselaerville Conference Center				
General and financial management:				
Salaries, wages, and benefits	657,608	-	-	657,608
Other direct costs	269,047	-	-	269,047
Depreciation and amortization	35,999	-	-	35,999
	<u>962,654</u>	<u>-</u>	<u>-</u>	<u>962,654</u>
Total general and financial management				
Total expenses	<u>5,552,146</u>	<u>-</u>	<u>-</u>	<u>5,552,146</u>
Change in net assets	467,794	469,811	15,000	952,605
Net assets, beginning of year	<u>111,133</u>	<u>327,558</u>	<u>1,586,192</u>	<u>2,024,883</u>
Net assets, end of year	<u>\$ 578,927</u>	<u>\$ 797,369</u>	<u>\$ 1,601,192</u>	<u>\$ 2,977,488</u>

See accompanying notes and auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 898,393	\$ 952,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	259,241	244,143
Loss (gain) on investments	(94,630)	(91,375)
Loss on writeoff of capitalized software development costs	(745)	-
Bad debt expense	(96)	15,439
Permanently restricted contributions	(5,000)	(15,000)
Decrease (increase) in:		
Accounts receivable	403,633	(156,921)
Loans and projects receivable	3,758	(83)
Pledges receivable	313,271	169,512
Inventories	(1,542)	(6,119)
Deposits and advances	(10,954)	(40,724)
Increase (decrease) in:		
Accounts payable and accrued expenses	(208,411)	(489,408)
Deferred revenue	164,366	94,583
Accrued salaries, wages, and benefits	12,934	(50,349)
Net cash provided by operating activities	1,734,218	626,303
Cash flows from investing activities:		
Purchases of investments	(2,304,375)	(679,525)
Proceeds from sale of investments	1,906,874	326,426
Capital expenditures, including software	(445,983)	(143,179)
Net cash used by investing activities	(843,484)	(496,278)
Cash flows from financing activities:		
Permanently restricted contributions	5,000	15,000
Decrease (increase) in restricted cash	14,956	(26,081)
Repayment of long-term debt	(117,189)	(69,713)
Proceeds from long-term debt	32,420	70,984
Decrease in settlement liability	(50,000)	(50,000)
Net advancement (repayment) of line of credit	(274,796)	(97,500)
Net cash used for financing activities	(389,609)	(157,310)
Net increase (decrease) in cash and cash equivalents	501,125	(27,285)
Cash and cash equivalents, beginning of year	256,558	283,843
Cash and cash equivalents, end of year	\$ 757,683	\$ 256,558
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 50,875	\$ 45,048
Income taxes paid	\$ 575	\$ 250

See accompanying notes and auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Organization:

The Rensselaerville Institute (the Institute), located in Rensselaerville, New York, was founded in 1963 and chartered as a nonprofit, independent educational institution. The Campus of the Institute serves as a conference center for educational workshops and meetings. The program divisions of the Institute participate in community development and revitalization projects through grants, contracts and consulting arrangements; working to turnaround failing schools, focusing government resources to improve outcomes and coordinating the development and/or improvement of water supply systems in certain small, rural communities. The Institute is tax-exempt under Internal Revenue Code Section 501 (a) as described in Section 501 (c)(3) and has been granted educational institution status for contributions to the organization.

Basis of accounting:

The financial statements of The Rensselaerville Institute have been prepared using the accrual basis of accounting where revenues are recorded when earned and expenses are recognized when incurred. In the case of grant income, revenue is considered earned when the time or use restrictions have been met.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of The Rensselaerville Institute and its wholly owned subsidiary, Weathervane Restaurant, Inc. (the Restaurant). The Restaurant is a taxable stock corporation and files separate income tax returns (see note 11). The Restaurant is operated as a service to the Institute. The results of operations of the Restaurant are included in unrestricted support and revenue expense in the accompanying consolidated financial statements.

Financial statement presentation:

As of January 1, 1996, the Institute adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Institute is required 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. In addition, the Institute is required to present a statement of cash flows. The Institute reported permanently and temporarily restricted net assets at December 31, 2007, as well as Board designated net assets, which are reported among the unrestricted net assets.

Income taxes:

A provision for income taxes has not been included in the accompanying financial statements as The Rensselaerville Institute is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued):

Contributions:

The Institute adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, effective January 1, 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Institute reports any donor-restricted contributions whose restrictions are not in the same accounting period as restricted support.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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.

Cash and cash equivalents:

For the purposes of the statement of cash flows, cash and cash equivalents consist of demand and time deposits as well as short-term debt securities purchased with a maturity of three months or less. Restricted cash represents amounts that are temporarily restricted by contributors and is therefore excluded from cash and cash equivalents for the purposes of the consolidated statements of cash flows.

Accounts Receivable:

Accounts receivable represents amounts owed to the Institute from government, and other nonprofit agencies and corporations for services related to research and training programs, as well as conference center fees. The allowance for doubtful accounts is determined based on management's analysis of delinquent customer accounts and its knowledge of each customer. Amounts are charged off to the allowance once uncollectibility is determined by management. For the years ended December 31, 2007 and 2006 total allowances for doubtful accounts were \$1,496 and \$7,500 respectively.

Investments:

In accordance with the provisions of Statements of Financial Accounting Standards No. 115 "Accounting For Certain Debt and Equity Securities" (SFAS 115), securities are classified as held-to-maturity, available-for-sale or trading.

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued):

Investments (Continued)

At December 31, 2007 and 2006, investments consisted of trading securities. Securities classified as trading are bought and held principally for the purpose of selling them in the near term. Trading securities, in the case of common stocks and government securities are carried at quoted market value and unrealized gains and losses are included in earnings.

The Real Estate Investment Trust (REIT) is carried at estimated fair value with unrealized gains and losses included in the earnings in the consolidated statements of activities. Estimated fair value for the REIT is based on issuer estimated values provided by the general partner, which is updated on a regular basis, generally annually.

The Organization has significant investments in equity and debt securities and is therefore subject to concentrations of market and credit risk. Investments are managed by investment advisors who are supervised by the Board. Though the market value of investments is subject to fluctuation on a year to year basis, the Finance Committee believes that the investment policy is prudent for the long-term welfare of the Organization.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable. The Institute maintains its cash balances in a local financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2007 cash balances are excess of FDIC insured limits. The Institute has not experienced any losses in such accounts and management believes the entity is not exposed to any significant credit risk related to cash.

<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC</u>	<u>Uninsured Balance</u>
\$772,771	\$686,370	\$100,000	\$586,370

The Securities Investor Protection Corporation protects up to \$500,000 of which \$100,000 may be cash and additional protection is obtained by each security corporation for the remaining net equity, if any, of the cash and securities held in an account.

The Institute extends credit to its members. The Institute does not believe that it is exposed to any significant risk in connection with the extension of credit to its members. Historically, the Institute's bad credit debt expense has been extremely low.

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued):

Loans Receivable:

At December 31, 2007, loans receivable represents the unpaid principal balance of a small, short-term loan to a long-term employee, being repaid through payroll withholdings. The December 31, 2006 balance represents the unpaid principal balance of loans to businesses in McDowell County, West Virginia as part of an economic development plan.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market.

Land, Buildings and Equipment:

Land, buildings and equipment are stated at acquisition cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which range from three to thirty-three years. Land is recorded at acquisition cost with no consideration for depreciation. Expenditures for major improvements and betterments are capitalized, and expenditures for repairs and maintenance are expensed as incurred.

Assets recorded as capital leases are amortized over the lease term of the asset or its useful life, if shorter. Lease amortization is included within depreciation and amortization expense.

Restricted Endowment Investments:

Restricted endowment investments are contributed assets that have been invested in perpetuity as required by donor-imposed stipulations and are recorded at quoted market values.

Deferred Revenue:

Grants and contract revenue received in advance of related services being provided are recorded as deferred revenue and are recognized as support and revenue when related expenditures are made.

Allocated Expenses:

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and estimates made by the Institute's management.

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Investments:

Investments at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Unrestricted:		
Common stocks	\$ 28,177	\$ 10,596
Government securities	304,080	47,766
Money market funds	108,911	23,832
REIT	82,301	76,905
	<u>\$ 523,469</u>	<u>\$ 159,099</u>
Restricted endowment investments:		
Common stocks	\$ 1,170,508	\$ 818,964
Government securities	238,838	286,173
Money market funds	67,882	244,331
	<u>\$ 1,477,228</u>	<u>\$ 1,349,468</u>

The components of net investment income (loss) from all sources are as follows:

	<u>2007</u>	<u>2006</u>
Interest income and dividends	\$ 47,791	\$ 43,193
Net realized and unrealized gains (loss)	95,374	91,375
	<u>\$ 143,165</u>	<u>\$ 134,568</u>

3. Inventories:

The components of inventories consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Educational materials	\$ 13,676	\$ 13,671
Restaurant food and supplies	28,757	27,220
	<u>\$ 42,433</u>	<u>\$ 40,891</u>

4. Land, Buildings and Equipment:

Land, buildings and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 646,191	\$ 469,881
Buildings	3,475,290	3,349,887
Furniture and fixtures	752,979	704,811
Vehicles and equipment	458,889	443,462
Information systems	682,122	638,641
	<u>6,015,471</u>	<u>5,606,682</u>
Less accumulated depreciation and amortization	4,031,357	3,810,055
	<u>\$ 1,984,114</u>	<u>\$ 1,796,627</u>

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Land, Buildings and Equipment (Continued):

	<u>Balance @</u> <u>12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance @</u> <u>12/31/2007</u>
Land and improvements	\$ 469,881	\$ 176,310	\$ -	\$ 646,191
Buildings	3,349,887	125,403	-	3,475,290
Furniture and fixtures	704,811	49,868	1,700	752,979
Vehicles and equipment	443,462	54,459	39,032	458,889
Information systems	638,641	43,481	-	682,122
	<u>\$ 5,606,682</u>	<u>\$ 449,521</u>	<u>\$ 40,732</u>	<u>\$ 6,015,471</u>

Net land, buildings and equipment includes approximately \$25,000 and \$48,000 applicable to capital leases at December 31, 2007 and 2006, respectively.

Depreciation and amortization expense was \$259,241 and \$244,143 for the years ended December 31, 2007 and 2006, respectively.

5. Pledges Receivable:

Pledges receivable represent unconditional promises to give and are recognized as revenue in the period the promise is received. Pledges receivable are collectible over future periods and have been recorded at their present value.

The following summarizes the estimated fair value of pledges receivable based on the period in which they are expected to be collected.

	<u>2007</u>	<u>2006</u>
Collectible in less than one year	\$ 100,000	\$ 321,540
Collectible in one to five years	45,517	137,248
Gross pledges receivable	145,517	458,788
Less allowance for doubtful collections	26,331	10,000
Less discount for present value	969	17,300
Net pledges receivable	<u>\$ 118,217</u>	<u>\$ 431,488</u>

Pledges receivable reflect their present value using a risk free discount rate in effect at the time the gift was pledged. The discount rate used was 7.25%.

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt and Revolving Line of Credit:

(a) Debt:

Long-term debt is summarized as follows:

	2007	2006
Bank of Greene County, term loan due in monthly installments of \$4,973, which includes fixed interest of 6.00% and is uncollateralized. Final payment due October 2010.	\$ 155,102	\$ 203,859
Promissory note payable with interest only payments due annually (interest at 4%) through June 30, 2008. Principal is due and payable in full on June 30, 2008.	200,000	200,000
Senior Fellows installment loan payable of \$299,494 due in monthly installments beginning April 2007 of \$5,288, including interest at 8.25%, through March 2013.	269,624	299,494
Senior Fellows demand note payable of \$50,000 bearing no interest or repayment date.	25,000	25,000
Equipment financing obligations for furnaces and boilers for buildings on the Rensselaerville Institute grounds with monthly installments of \$1,322, including interest at 6.00% through September 2009.	27,107	40,891
Capital lease obligations with monthly installments of \$2,162, including interest of 7.45%, through December 2008.	24,867	47,838
Equipment financing obligations with monthly installments of \$762, including interest of 6.04%, through September 2011. Collateralized by 2004 Lexus LS430.	30,614	-
	732,314	817,082
Less current maturities	366,558	140,396
	\$ 365,756	\$ 676,686

Principal payments due on long-term debt for each of the five years subsequent to December 31, 2007 are as follows:

	Principal	Interest	Total
2008	\$ 366,558	\$ 32,523	\$ 399,081
2009	121,881	23,199	145,080
2010	107,291	15,018	122,309
2011	61,465	8,845	70,310
2012	59,471	3,682	63,153
2013 and thereafter	15,648	216	15,864
	\$ 732,314	\$ 83,483	\$ 815,797

See auditors' report.

THE RENSSELAERVILLE INSTITUTE AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt and Revolving Line of Credit (Continued):

(b) Revolving Line of Credit:

The Institute has an unsecured, revolving line of credit with the Bank of Greene County, bearing interest of prime plus 0.5%. The rate at December 31, 2007 and 2006 was 7.75% and 8.75% respectively. Interest expense for the years ended December 31, 2007 and 2006 was \$2,266 and \$18,084, respectively.

7. Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107 "Disclosure about Fair Value of Financial Instruments," requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, investments, loan payables and other assets and liabilities. For these instruments, carrying values approximate fair value.

8. Temporarily and Permanently Restricted Assets:

Temporarily restricted net assets at December 31 are available for the following purposes:

	2007	2006
Capital expansion and improvements advancement	\$ 173,109	\$ 381,830
Advancement of social and human gain to distressed individuals, communities, and organizations	1,136,147	415,539
	\$ 1,309,256	\$ 797,369

Permanently restricted net assets at December 31 are restricted as follows:

	2007	2006
Funds to be held in perpetuity, the income from which is expendable to support the social and human gain to distressed individuals, communities, and organizations	\$ 418,692	\$ 523,692
Funds to be held in perpetuity, the income from which is expendable to support the presidents chair	1,077,500	1,077,500
	\$ 1,496,192	\$ 1,601,192

In 2007 and 2006, net assets were released from donor restrictions by either incurring expenses satisfying the restricted purposes of operating expenses or through the purchases of equipment of \$609,396 and \$260,889, respectively.

See auditors' report.

THE RENNELAERVILLE INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Temporarily and Permanently Restricted Assets (Continued):

Throughout 2004 and 2005, certain donors agreed to loan amount originally contributed to the Institute as permanently restricted endowments to be used temporarily for capital improvements to the Conference Center. Amounts on loan at December 31, 2007 and 2006 are \$210,000. These amounts are to be repaid to the permanently restricted fund in future years.

9. Related Party:

At December 31, 2007 and 2006, gross pledges receivable includes \$53,498 and \$294,098, respectively, due from Institute Trustees and \$86,364 and \$100,000, respectively, due from Institute employees.

At December 31, 2007 and 2006, amounts on loan from a certain Senior Fellow totaled \$294,624 and \$324,494, respectively (see note 6(a)).

Investments with a market value of \$82,301 and \$76,905 at December 31, 2007 and 2006, respectively, are held and managed by an investment company in which certain of the Institute Trustees serve as directors.

10. Pension Plan:

Employees of the Institute participate in a defined contribution retirement annuity plan administered by Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Participation in the plan is limited to employees working more than 1,000 hours per year who have completed one year of employment. Employer contributions to the plan for 2007 and 2006 were \$103,849 and \$121,239, respectively.

11. Income Taxes:

The Weathervane Restaurant, Inc. has unused tax net operating loss carry forwards available to reduce future taxable income of approximately \$1.1 million, which begin to expire in the year 2001 through 2024.

See auditors' report.