PENINSULA OPEN SPACE TRUST

Consolidated Financial Statements
June 30, 2007 and 2006

Together with
Independent Auditors' Report

PENINSULA OPEN SPACE TRUST

TABLE OF CONTENTS

June 30, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Peninsula Open Space Trust

We have audited the accompanying consolidated statement of financial position of Peninsula Open Space Trust (the "Organization", a California public benefit corporation), as of June 30, 2007, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows 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 financial statements of the Organization as of June 30, 2006 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated August 18, 2006.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2007, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ireland San Filippo LLP

San Jose, California
November 15, 2007

PENINSULA OPEN SPACE TRUST
Consolidated Statement of Financial Position

ASSETS

	June 30, 2007	June 30, 2006
Cash and cash equivalents	$ 1,366,822	$ 1,376,813
Cash held on behalf of public agencies	1,269,066	2,048,523
Investments	115,004,458	90,420,081
Investments held in charitable remainder unitrusts	5,287,889	4,908,458
Pledges receivable, net	4,245,544	5,220,508
Grants receivable	312,756	212,245
Prepaids and other assets	212,167	70,067
Notes receivable	15,685,211	15,557,387
Interest receivable	2,769,374	1,664,147
Residual interest in charitable remainder unitrusts	229,222	189,468
Property held for conservation	96,290,422	123,299,077
Property and equipment, net	5,980,259	231,918
Conditional asset retirements	479,337	-
Total assets	$ 249,132,527	$ 245,198,692

LIABILITIES AND NET ASSETS

	2007	2006
Accounts payable	$ 212,197	$ 133,405
Note payable	1,921,107	1,838,799
Conditional asset retirement obligations	814,062	-
Other liabilities	799,516	703,436
Funds held in agency trust funds	1,269,066	2,048,523
Liabilities under remainder trusts	3,361,488	3,190,574
Total liabilities	8,377,436	7,914,737
Commitments		
Minority interest	159,224	150,216
Net assets:		
Unrestricted	230,775,493	220,721,363
Board Designated	3,339,293	2,463,207
Total unrestricted net assets	234,114,786	223,184,570
Temporarily restricted	5,928,581	13,647,169
Permanently restricted	552,500	302,000
Total net assets	240,595,867	237,133,739
Total liabilities and net assets	$ 249,132,527	$ 245,198,692

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Consolidated Statement of Activities and Changes in Net Assets

	For the Years Ended June 30,							
	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support and gains:								
Contributions and grants	$ 2,878,811	$ 771,688	$ 250,500	$ 3,900,999	$ 1,506,922	$ 10,500,578	$ -	$ 12,007,500
Contributions of land and easements	15,053,000	-	-	15,053,000	-	-	-	-
Interest and dividends	6,395,882	358,879	-	6,754,761	5,328,527	433,490	-	5,762,017
Net realized and unrealized gains on investments	7,155,471	306,114	-	7,461,585	1,532,151	-	-	1,532,151
Rental and other income	1,154,598	-	-	1,154,598	1,004,197	48,835	-	1,053,032
Net assets released from restriction	9,155,269	(9,155,269)	-	-	7,158,600	(7,158,600)	-	-
Total revenue, support and gains	41,793,031	(7,718,588)	250,500	34,324,943	16,530,397	3,824,303	-	20,354,700
Operating expenses:								
Program services	28,184,292	-	-	28,184,292	7,842,612	-	-	7,842,612
Fundraising	1,490,040	-	-	1,490,040	1,796,132	-	-	1,796,132
Management and support	1,188,483	-	-	1,188,483	613,713	-	-	613,713
Total operating expenses	30,862,815	-	-	30,862,815	10,252,457	-	-	10,252,457
Change in net assets	10,930,216	(7,718,588)	250,500	3,462,128	6,277,940	3,824,303	-	10,102,243
Net assets, beginning of year	223,184,570	13,647,169	302,000	237,133,739	216,906,630	9,822,866	302,000	227,031,496
Net assets, end of year	$ 234,114,786	$ 5,928,581	$ 552,500	$ 240,595,866	$ 223,184,570	$ 13,647,169	$ 302,000	$ 237,133,739

The accompanying notes are integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Consolidated Statement of Functional Expenses

	For the Years Ended June 30,							
	2007				2006			
	Program Services	Fundraising	Management and Support Services	Total	Program Services	Fundraising	Management and Support Services	Total
Land and easement transactions	$ 25,759,203	$ -	$ -	$ 25,759,203	$ 4,846,194	$ -	$ -	$ 4,846,194
Salaries and benefits	930,289	711,710	382,135	2,024,134	850,026	819,863	285,344	1,955,233
Professional services	663,045	413,443	267,689	1,344,177	779,574	401,944	97,872	1,279,390
Property taxes	66,171	-	53,611	119,782	544,905	-	-	544,905
Grants and contributions	60,000	-	261,000	321,000	502,000	38,970	28,000	568,970
Other operating expenses:								
Rent	101,750	94,723	51,005	247,478	88,344	82,879	44,627	215,850
Printing and Postage	59,559	137,280	37,321	234,160	59,270	156,416	33,870	249,556
Other operating	544,275	132,884	53,414	730,573	172,299	296,060	41,692	510,051
Interest expense	-	-	82,308	82,308	-	-	82,308	82,308
Total expenses	$ 28,184,292	$ 1,490,040	$ 1,188,483	$ 30,862,815	$ 7,842,612	$ 1,796,132	$ 613,713	$ 10,252,457

The accompanying notes are integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Consolidated Statement of Cash Flows

		Years Ended June 30,		
		2007		2006
Operating activities				
Change in net assets	$	3,462,128	$	10,102,243
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense		53,118		23,355
Change in conditional asset retirement obligations		334,725		-
Loss from sale or donation of land		14,398,685		3,312,232
Realized gains from sale of investments		(1,745,210)		(455,704)
Net unrealized gains on investments		(5,716,375)		(1,425,379)
Decrease in cash held on behalf of public agencies		779,457		46,362
Proceeds from sale of land		18,312,450		7,951,604
Acquisition of land and land deposits		(5,699,997)		(4,455,358)
In-kind grants and donations made		-		1,495,397
In-kind contributions received		(574,487)		(2,157,650)
Amortization of note receivable discount		(127,824)		(127,824)
Amortization of note payable discount		82,308		82,308
Change in net assets of minority interest		9,008		(20,522)
Increase in working capital				
Grants receivable		874,453		(4,143,676)
Interest receivable		(1,105,227)		(1,063,789)
Prepaids and other assets		(142,100)		42,241
Residual interest in charitable remainder unitrusts		(39,754)		(117,924)
Accounts payable		78,792		22,691
Other liabilities		96,080		(65,256)
Funds held in agency trust funds		(779,457)		(46,362)
Liabilities under remainder trusts		170,914		839,969
Net cash provided by operating activities		22,721,687		9,838,958
Investing activities				
Proceeds from sale of investments		155,464,217		41,457,224
Acquisition of investments		(154,927,364)		(58,982,171)
Decrease (increase) in managed cash and cash equivalents		(17,464,590)		3,730,141
Acquisition of property and equipment		(6,003,941)		(10,059)
Decrease (increase) in deposits		200,000		(200,000)
Net cash used in investing activities		(22,731,678)		(14,004,865)
Financing activities				
Contribution and grants receivable		-		1,878,919
Net cash provided by financing activities		-		1,878,919
Decrease in cash and cash equivalents		(9,991)		(2,286,988)
Cash and cash equivalents, beginning of year		1,376,813		3,663,801
Cash and cash equivalents, end of year	$	1,366,822	$	1,376,813

The accompanying notes are an integral part of these financial statements

Note 1 - Organization and operations:

Peninsula Open Space Trust ("POST" or the "Organization") was incorporated in California as a not-for-profit corporation in 1977. The purpose of POST is to preserve lands in San Mateo, Santa Clara, and Santa Cruz Counties for open space use of all types, including agriculture, forestry, recreation, wildlife, natural resources and scenic preservation. This purpose is accomplished through gifts and purchases of land, placement of deed restrictions on land, acquisition of land for resale or gift to public agencies, and cooperation of private land owners.

In January 2002, in connection with the acquisition of a property, POST acquired a 57.043% interest in the Lake Lucerne Mutual Water Company ("LLMWC"). LLMWC is a California nonprofit corporation formed to administer the water rights of several properties bordering the Little Butano Creek and the Bean Hollow Watershed in accordance with a court judgment.

POST has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Note 2 - Summary of significant accounting policies:

Basis of accounting - The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation - POST presents its consolidated financial statements in accordance with the provisions of Statement of Financial Accounting Standards No. 117 (SFAS 117), Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, POST is required to report information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years. Unrestricted net assets include those expendable resources that have been designated for special use by the Board of Directors. At June 30, 2007, the Board had designated $1,432,550 for restoration of Bair Island, $1,786,635 for the stewardship and defense of conservation easements, and $120,108 related to a supplemental executive retirement plan. At June 30, 2006, the Board had designated $964,900 for restoration of Bair Island, $1,363,388 for the stewardship and defense of conservation easements and $134,919 related to a supplemental executive retirement plan.

Note 2 - Summary of significant accounting policies (continued):

Basis of presentation (continued)

- *Temporarily restricted net assets* are generally those whose use is restricted by the donor, often based on time or purpose. Generally, these assets will be expended over a period of time and are not available for immediate use.

- *Permanently restricted assets* are those whose use is restricted to a specific use in perpetuity. By donor stipulation, up to 5% of the permanently restricted net assets may be used each year for land stewardship purposes. Otherwise the principal is to be maintained intact in perpetuity.

Principles of consolidation **-** The accompanying consolidated financial statements include the accounts of POST and its majority owned subsidiary, LLMWC, after elimination of intercompany accounts and transactions.

Cash and cash equivalents - For purposes of reporting cash flows, POST considers all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.. Cash balances held in managed investment accounts are excluded from cash and cash equivalents.

Investments - All debt securities and equity securities with readily determinable fair values are carried at estimated fair value based on quoted market prices as of the last trading date of POST's fiscal year. POST's Board of Directors has established an investment policy and has engaged the services of an outside investment advisor to assist in such matters.

The investments owned that represent securities, that are not publicly traded, are stated at estimated fair value as determined by the investment manager. In establishing the estimated fair value, the investment manager may give consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. These investments are valued at POST's percentage interest owned in these investment companies. Because of the inherent uncertainty of valuations, however, these estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Note 2 - Summary of significant accounting policies (continued):

Charitable remainder unitrusts - POST is the remainder beneficiary of certain charitable remainder trusts. POST records its interest in these trusts in accordance with SFAS 116. When POST acts as the trustee of the charitable trust, POST records the investment assets held in the trust and records a corresponding liability for the present-value of the estimated payments to be made to the lifetime beneficiaries. When POST is not the trustee, it records a contribution receivable for the present-value of expected future benefit to be received by POST.

Pledges and grants receivable - Contributions that are promised in one year but are expected to be received after the end of that year (or over a number of years) are considered pledges. Pledges are discounted at a reasonable rate of interest and stated at their net present value.

Notes receivable - In accordance with Technical Practice Aid 6140.05, *Accounting for Loans of Cash That are Interest Free or That Have Below-Market Interest Rates,* in lieu of discounting notes receivable having a maturity date that cannot be reasonably determined, the difference between the risk free rate of return at the date of issuance of the notes and the actual interest rate of the notes receivable is calculated and, if material, recorded annually as interest income and grant expense.

Land - Land acquired by purchase is generally recorded at cost. Land acquired at a purchase price significantly below its estimated fair value is recorded at estimated fair value, as determined by management. In such cases, contribution revenue is recognized for the difference between purchase price and the estimated fair value. Contributed land is recorded at estimated fair value determined by management. Costs incurred by POST in the acquisition or improvements of land are added to the carrying value.

POST sells and donates land to various governmental agencies for permanent protection. Donation expense is recognized for the difference between the selling price and the estimated fair value at the transaction date.

Conservation easements - POST periodically receives or purchases conservation easements which limit the allowable uses of the related property to open space uses consistent with POST's mission. Contributed conservation easements received are recorded as land contributions based on the estimated value given up by the land owner by restricting the use of the property with an easement. Because of donor restrictions, contributed conservation easements and conservation easements purchased with restricted donations bear no future benefit to POST and are therefore, expensed as land expense in the year they are acquired. In connection with the transfer or sale of land to governmental agencies, POST may retain a conservation easement on the land. Because these easements bear no possible future financial benefit to POST, they are not recorded on POST's consolidated statement of financial position.

Note 2 - Summary of significant accounting policies (continued):

Conservation easements (continued) - Prior to July 1, 2004, POST capitalized the cost of conservation easements acquired with unrestricted funds that POST determined had commercial resale value and included those amounts in land on the consolidated statement of financial position. Effective July 1, 2004, POST changed the accounting method related to capitalization of both purchased and donated easements. POST now capitalizes cost of purchased easements only when they are expected to be sold or otherwise result in some future financial benefit to POST. POST determined this change in accounting policy better reflects expected future economic benefit of the easements. Additionally, during 2007 and 2006, POST acquired easements with a value of $11,353,000 and $348,529, respectively, that were charged to expense.

Offers to dedicate - POST periodically acquires properties subject to contingent restrictions on the title known as offers to dedicate. Offers to dedicate are sometimes required by grantors as a means to ensure POST maintains the land in a manner consistent with the grantors' wishes. These provisions are consistent with POST's mission and generally include restrictions regarding the preservation of land for conservation purposes, that the land is not used to secure debt, and that the land may not be transferred without prior approval of the grantor. If POST were to violate these provisions or to cease business, the offers to dedicate would automatically transfer title to the grantors. POST held land with a carrying value of $23,725,000 and $29,725,000, subject to offer to dedicate provisions at June 30, 2007 and 2006, respectively.

Property and equipment - Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. POST capitalizes property and equipment with a value over $1,000. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Summary of significant accounting policies (continued):

Conditional asset retirement obligations – During 2007, POST adopted Statement on Financial Accounting Standards No. 143 (SFAS 143) *Accounting for Asset Retirement Obligations,* and the related interpretation, FASB Interpretation No. 47 (As amended), (FIN 47), *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143.* Under the standards, POST is required to recognize a liability for these obligations as of the date the obligation is incurred, which is generally upon acquisition of the asset. The Organization has conditional asset retirement obligations related to removal of in-stream structures and asbestos cleanup related to structures on property held for conservation. At the date of adoption, POST recorded a liability of approximately $800,000 as a retirement obligation which is based on the present value of management's estimates of the costs of in-stream structure removal and asbestos removal. This liability will be adjusted in future periods based on period-to-period changes in the liability resulting from (a) the passage of time and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flows. POST has classified as an asset the amount that has not been amortized, approximately $479,000 as of June 30, 2007.

Revenue recognition - POST records contributions and promises to give in accordance with the provisions of Statement Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made.* SFAS 116 requires that contributions received, including unconditional promises to give, be recognized as revenue at their fair value in the period the contribution or pledge is received. Contributed support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. All other contributed support is recognized as unrestricted revenue when received or un-conditionally promised.

Contributions-in-kind - Contributions-in-kind are recognized in accordance with SFAS 116. Significant donated property and equipment is recorded at estimated fair value at the time of receipt. Contributed services, which require a specialized skill and which POST would have paid for if not contributed, have been recorded at their estimated fair market value as appropriate. Contributions-in-kind of approximately $64,000 and $61,000 for in-kind legal services and donated goods were recognized for 2007 and 2006, respectively. Numerous other volunteers donate significant amounts of their time to POST's fundraising and other activities. No amounts have been recorded for these donated services since they do not meet the criteria noted above.

Note 2 - Summary of significant accounting policies (continued):

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in these consolidated financial statement relate primarily to the valuation of land and conservation easements acquired by or donated to POST.

Concentration of credit risk - Financial instruments which potentially subject POST to concentrations of credit risk consist primarily of investments, pledges and grants receivable, notes receivable and cash. Investments are maintained in a diversified portfolio with the assistance of professional investment advisors. Pledges and grants receivable are from donors who have paid according to agreed-upon payment schedules through June 30, 2015, and POST believes these amounts are fully collectible. The notes receivable are fully secured at June 30, 2007. The majority of POST's cash was held at two financial institutions at June 30, 2007. These accounts are insured up to $100,000 per depositor by an agency of the federal government.

Reclassification - Certain 2006 balances have been reclassified to conform to the 2007 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Recent accounting pronouncements
Accounting for Uncertainty in Income Taxes - In June 2006, the Financial Accounting Standard Board issued FIN 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 is effective for fiscal periods beginning on or after December 15, 2006. The Organization is currently in the process of evaluating the effect of FIN 48 on its Financial Statements, if any.

Accounting for Certain Hybrid Financial Instruments - In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments" (effective for any instruments acquired or issued after the entity's first fiscal year that begins after September 15, 2006). This statement replaces SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement allows financial instruments that have been embedded derivatives to be accounted for as a whole if the holder elects to account the whole instrument at fair value basis. The Organization is currently evaluating what effect, if any, the adoption of SFAS 155 will have on the Organization's Financial Statements.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements (continued)
Fair Value Measurements - In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements," which defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. FAS 157 does not expand or require any new fair value measures and is effective for fiscal periods beginning after November 15, 2007. The Organization is currently evaluating what effect, if any, the adoption of SFAS No. 157 will have on the Organization's Financial Statements.

In February 2007, FASB issued no. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115", (effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The Organization is currently evaluation what effect, if any, the adoption of SFAS No. 159 will have on the Organization's Financial Statements.

Other accounting standards that have been issued or proposed by FASB or other standards – setting bodies that do not require adoption until a future date are not expected to have a material impact on the Organization's financial statements upon adoption.

PENINSULA OPEN SPACE TRUST
Notes to Consolidated Financial Statements
June 30, 2007

Note 3 - Investments:

The estimated fair value of the Organization's investments is as follows at June 30:

	2007	2006
Investment cash and cash equivalents	$ 34,295,370	$ 3,764,154
U.S. Treasury Notes	-	27,889,999
Marketable equity securities	42,520,707	35,548,617
Corporate bond funds	26,253,908	10,487,015
Real Estate, gold and commodities funds	8,548,463	8,345,103
Other alternative investments	3,386,010	4,385,193
Total	$ 115,004,458	$ 90,420,081

In anticipation of a significant purchase of land, POST liquidated approximately $30,000,000 from its investment portfolio as of June 30, 2007.

The following schedule summarizes the investment returns for the years ended June 30:

	2007	2006
Net realized and unrealized gains,	$ 7,840,447	$ 1,881,081
Investment related expenses	(378,862)	(348,930)
	$ 7,461,585	$ 1,532,151
Interest/dividend income	$ 6,754,761	$ 5,762,017

Note 4 - Charitable remainder unitrusts:

POST is a trustee and remainder beneficiary of four irrevocable charitable remainder unitrusts. Provisions of the trusts require distribution of net trust income, or a percentage of the net fair market value of the trusts, to designated beneficiaries on a quarterly basis during their lifetimes. At the end of the trusts' terms, after payments to other remainder beneficiaries, the remaining assets will be available for POST's unrestricted use. The portion of the trusts attributable to the present value of the estimated future benefits to be received by POST was recorded as a temporarily restricted contribution in the period the trust was established. Assets held in the trusts totaled $5,287,889 and $4,908,458 at June 30, 2007 and 2006, respectively, and are reported at fair value. On an annual basis, POST revalues and records a liability for the present value of required distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments ($3,361,488 and $3,190,574 at June 30, 2007 and 2006, respectively) is calculated assuming a 5% investment return, discount rates of 4.37% to 5.11% and life expectancies based on applicable mortality tables.

Note 4 - Charitable remainder unitrusts (continued):

POST is also a remainder beneficiary of two irrevocable charitable remainder unitrusts for which POST does not serve as the trustee. Provisions of these trusts require distribution of a fixed percentage of the net fair market value of the trust assets to the named beneficiaries on a monthly basis during their lifetimes. The assets remaining after the death of the last income beneficiary will be available for POST's unrestricted use. The portion of the trusts attributable to the present value of the estimated future benefits to be received by POST was recorded as a temporarily restricted contribution and is recorded on the consolidated statement of financial position as a residual interest in charitable remainder unitrusts. The present value of the estimated future benefit ($229,222 and $189,468 at June 30, 2007 and 2006, respectively) is calculated using a discount rate of 4.37% to 4.80% (4.37% in 2005) and applicable mortality tables.

Investments held in charitable remainder unitrusts at June 30, are as follows:

	2007	2006
Cash and cash equivalents	$ 151,888	$ 234,672
U.S. Treasury Notes	-	145,978
Marketable equity securities	2,726,212	2,198,585
Corporate bond funds	1,509,803	1,526,622
Real Estate, gold an commodities funds	672,999	625,567
Other alternative investments	226,987	177,034
Total	$ 5,287,889	$ 4,908,458

Note 5 - Pledges receivable:

During the year ended June 30, 2002, POST launched a capital campaign with the goal of raising $200,000,000 over approximately four years. The campaign concluded during the fiscal year ended June 30, 2006. Contributions to the capital campaign are restricted for land acquisition near the San Mateo County coast.

Note 5 - Pledges receivable (continued):

Pledges receivable as of June 30, 2007, are expected to be received as follows:

Year Ending June 30,		Amount
2008	$	593,757
2009		3,647,030
2010		252,668
2011		37,210
2012		20,090
Thereafter		33,973
		4,584,728
Less allowance and discount (at rates ranging from 3.67% - 4.07%) to present value		(339,184)
Total	$	4,245,544

Note 6 - Notes receivable:

POST has advanced money to an individual land owner with the objective of facilitating protection of certain land. During 2005, POST re-negotiated the original note to advance the land owner an additional $4,500,000 and include the accrued interest balance at the date of the re-negotiation of $2,122,500 into a new debt agreement. The principal balance of the revised note is $12,622,500. The note is due March 27, 2035, bears interest at 8.5% and is fully secured by a deed of trust. POST has recorded interest receivable of $2,563,747 and $1,375,901 at June 30, 2007 and 2006, respectively.

During 2005, POST advanced $3,100,000 to a Government entity to facilitate the purchase of potential park land. The note is non-interest bearing and fully secured by a deed of trust. All outstanding principal and interest is due in October 2007. POST has calculated the present value discount of the note to be $383,500 and is amortizing the discount monthly to interest income. POST recognized $128,000 of interest income in both 2007 and 2006.

Note 7 - Property held for conservation:

Land and land deposits are comprised of the following:

Balances, June 30, 2005	$	131,602,952
Purchased land		4,445,980
Land improvements		9,378
Donations of land		(1,495,397)
Dispositions		(11,263,836)
Balances, June 30, 2006		123,299,077
Purchased land and land deposits		5,700,000
Dispositions		(32,708,655)
Balances, June 30, 2007	$	96,290,422

During the year ended June 30, 2006, POST donated to government agencies land with a total value of $1,495,397.

Note 8 - Property and equipment:

Property and equipment consisted of the following at June 30:

		2007		2006
Building	$	3,522,522	$	200,000
Land		2,351,899		-
Furniture		133,112		37,338
Equipment		94,237		109,813
Vehicles		45,281		45,281
Total		6,147,051		392,432
Less: accumulated depreciation		(166,792)		(160,514)
	$	5,980,259	$	231,918

On August 22, 2006, POST purchased an office building in Palo Alto. A condominium plan was subsequently developed and approved by the city, allowing POST to sell a section of the office building. This occurred on May 31, 2007. At June 30, 2007, POST has recorded $5,845,067 for the land and building, net of depreciation. At June 30, 2006, a $200,000 deposit was included in property and equipment.

Note 9 - Temporarily restricted net assets:

Temporarily restricted net assets were available for the following purposes at June 30:

	2007	2006
Land acquisition	$ 3,716,769	$ 10,490,484
Net assets held in unitrust	1,926,401	1,761,046
Land Use Analysis	124,049	212,245
Wilbur's Watch	64,746	64,215
Windy Hill	47,474	46,200
Daniels-Skyline Nature Center	17,285	15,913
Artemis Ginzton Memorial	11,859	11,541
Rancho Corral de Tierra Trail grant	10,160	-
South Bay Mitigation	9,838	9,575
Jean Lauer Memorial Fund	-	1,035,950
Total temporarily restricted net assets	$ 5,928,581	$ 13,647,169

Note 10 - Permanently restricted net assets:

Permanently restricted net assets consist of endowment fund cash and cash equivalents and investments that represent the principal amounts of gifts and bequests accepted with donor stipulation that the principal be maintained intact in perpetuity, with only the income to be utilized for operations.

Permanently restricted net assets were available for the following purposes at June 30:

	2007	2006
Lane Stewardship Endowment	$ 302,000	$ 302,000
Wilbur's Watch	250,500	-
	$ 552,500	$ 302,000

Note 11 - Related party transactions:

The Organization's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately $1,200,000 and $1,300,000 for the years ended June 30, 2007 and 2006, respectively.

PENINSULA OPEN SPACE TRUST
Notes to Consolidated Financial Statements
June 30, 2007

Note 12 - Note payable:

The note payable at June 30, 2007 and 2006 is for the purchase of a property and is non-interest bearing. POST has calculated the present value discount of the note to be $253,800 and amortizes the discount monthly to interest expense. POST recorded $82,300 of interest expense related to the discount in both 2007 and 2006. The $2,000,000 face value of the note is due by the earlier of June 2008 or when the property is transferred. The note was subsequently paid in July 2007.

Note 13 - Cash held on behalf of public agencies:

From time to time, POST enters into agreements with government agencies whereby POST holds funds in a fiduciary capacity that can be disbursed only upon authorization from the respective agencies. As of June 30, 2007, funds were held in trust for the following:

	July 1, 2006	Income Credited	Fund Expenditure	June 30, 2007
California Department of Fish Fish and Game, et al	$ 772,821	$ 36,777	$ (259,137)	$ 550,461
San Francisco Bay Conservation and Development Commission	451,626	22,250	(2,369)	471,507
United States Department of Interior	235,495	11,603	-	247,098
United States Fish and Wildlife Services	588,581	4,608	(593,189)	-
	$ 2,048,523	$ 75,238	$ (854,695)	$ 1,269,066

As of June 30, 2006, funds were held in trust for the following:

	July 1, 2005	Income Credited	Fund Expenditure	June 30, 2006
California Department of Fish Fish and Game, et al	$ 743,387	$ 29,434	$ -	$ 772,821
San Francisco Bay and Development Commission	439,535	16,551	(4,460)	451,626
United States Department of Interior	254,084	9,139	(27,728)	235,495
United States Fish and Wildlife Services	657,879	26,216	(95,514)	588,581
	$ 2,094,885	$ 81,340	$ (127,702)	$ 2,048,523

PENINSULA OPEN SPACE TRUST

Notes to Consolidated Financial Statements

June 30, 2007

Note 14 - Retirement plan:

All POST employees are eligible to participate in POST's Tax-Deferred Annuity plan, in which employees can make voluntary, tax-deferred contributions within specified limits. The plan was established under the provisions of Section 403(b) of the Internal Revenue Code. In addition, POST employees who have worked for POST for at least 12 months and for 1,000 hours or more during those 12 months are eligible to participate in POST's Defined Contribution Plan. As of June 30, 2007 certain employees are also eligible to participate in a non-qualified deferred compensation plan created pursuant to Internal Revenue Codes section 457(b). POST's contributions to the plans were $92,676 and $89,200 for the years ended June 30, 2007 and 2006, respectively.

Note 15 - Commitments:

Facility lease - POST had a non-cancelable operating lease agreement for office space expiring February 28, 2009. Total rent expense for the year ended June 30, 2006, was approximately $216,000. The lease was canceled on June 30, 2007. On June 30, 2007, POST had no outstanding commitment.

Obligation to seller/donor - In September 2005, POST entered into a contract wherein a seller pledged to deliver to POST an unspecified land parcel with a value of at least $6,000,000 for a purchase price of $3,000,000. If the seller is unable to deliver a parcel meeting the terms of the contract by September 2008, the seller will make a $3,000,000 cash donation to POST.

The contract also requires POST to make quarterly cash payments of $37,750 to the seller until the transaction is completed. POST has calculated the present value of the future cash flow streams, assuming delivery from the seller in September 2008, at $385,905 and has reduced the pledge receivable by this amount. If delivery occurs earlier, additional contribution revenue will be recognized. POST reduced this discount by $254,618 and $222,704 for payments made through June 30, 2007 and 2006, respectively. Additionally, the $3,000,000 pledge receivable has been discounted to present value. The net receivable balance for this transaction included in pledges and grants receivable at is $2,824,185 and $2,470,000 at June 30, 2007 and 2006, respectively.

Note 16 - Subsequent events:

On July 6, 2007, POST transferred approximately 627 acres to a governmental agency, removing $3,962,546 from property held for conservation. In addition, POST repaid its note payable on the same day. On August 24, 2007, POST transferred 558 acres to a conservation buyer, removing $11,749,172 from property held for conservation. On October 10, 2007, POST purchased a 1,047 acre property for $28.5 million.