



**SCENIC HUDSON, INC.  
AND  
THE SCENIC HUDSON LAND TRUST, INC.**

Consolidated Financial Statements  
(Together with Independent Auditors' Report)

Years Ended June 30, 2014 and 2013

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.

CONSOLIDATED FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2014 AND 2013

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.

We have audited the accompanying consolidated financial statements of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (collectively, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated 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.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



***Report on the Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 24 through 30 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects when considered in relation to the consolidated financial statements as a whole.

*Marks Paneth LLP*

New York, NY  
September 5, 2014

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C, 12I and 14)	\$ 19,085,699	\$ 11,422,919
Pledges and grants receivable, net (Notes 2D, 2E, 3, and 9)	3,600,377	23,517,083
Investments, at fair value (Notes 2F, 6, 9 and 12H)	189,046,203	161,292,890
Prepaid expenses and other assets (Note 12A)	481,153	265,194
Property and equipment, net (Notes 2G and 4)	72,587	51,370
Land areas, net (Notes 2L, 5 and 12)	54,844,406	53,774,667
Assets held in split-interest agreements (Notes 2K, 7 and 13B)	14,497	14,148
<b>TOTAL ASSETS</b>	<b>\$ 267,144,922</b>	<b>\$ 250,338,271</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,255,743	\$ 1,666,160
Grants payable (Notes 8 and 12D)	100,000	345,033
Notes and mortgages payable (Note 9)	-	5,000,000
<b>TOTAL LIABILITIES</b>	<b>1,355,743</b>	<b>7,011,193</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 12)		
<b>NET ASSETS</b> (Note 2B)		
Unrestricted:		
Operating	70,190,534	68,355,317
Board designated - other endowment (Notes 13A and 13C)	14,945,477	13,065,897
Board designated - easement enforcement fund (Notes 13A and 13C)	1,146,833	1,194,833
Total unrestricted	86,282,844	82,616,047
Temporarily restricted (Note 13B):		
Endowment (Note 13C)	166,816,881	143,768,908
Other temporarily restricted	12,689,454	16,942,123
Total temporarily restricted	179,506,335	160,711,031
<b>TOTAL NET ASSETS</b>	<b>265,789,179</b>	<b>243,327,078</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 267,144,922</b>	<b>\$ 250,338,271</b>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>For the Year Ended June 30, 2014</u>			<u>For the Year Ended June 30, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>
<b>OPERATING REVENUES AND SUPPORT</b> (Note 2H):						
Contributions (Notes 2D, 9 and 10)	\$ 5,423,132	\$ 2,256,285	\$ 7,679,417	\$ 5,268,751	\$ 3,279,849	\$ 8,548,600
Government grants (Notes 2D and 12G)	1,344,357	-	1,344,357	3,957,635	-	3,957,635
Endowment earnings used to meet spending policy (Note 13)	7,044,400	-	7,044,400	6,570,239	-	6,570,239
Investment activity other than endowment earnings	9,402	-	9,402	9,565	-	9,565
Other revenues	40,178	-	40,178	108,718	-	108,718
Net assets released from restrictions (Note 13)	1,608,386	(1,608,386)	-	3,843,803	(3,843,803)	-
<b>Total Operating Revenues and Support</b>	<u>15,469,855</u>	<u>647,899</u>	<u>16,117,754</u>	<u>19,758,711</u>	<u>(563,954)</u>	<u>19,194,757</u>
<b>OPERATING EXPENSES</b> (Note 2I):						
Program services (Notes 5, 9 and 12D)	11,268,239	-	11,268,239	21,505,252	-	21,505,252
Management and general	1,046,148	-	1,046,148	841,454	-	841,454
Fundraising	1,143,113	-	1,143,113	1,114,377	-	1,114,377
<b>Total Operating Expenses</b>	<u>13,457,500</u>	<u>-</u>	<u>13,457,500</u>	<u>23,461,083</u>	<u>-</u>	<u>23,461,083</u>
<b>NET OPERATING ACTIVITY</b>	<u>2,012,355</u>	<u>647,899</u>	<u>2,660,254</u>	<u>(3,702,372)</u>	<u>(563,954)</u>	<u>(4,266,326)</u>
Transfers to board designated endowment	(177,138)	-	(177,138)	(1,790)	-	(1,790)
<b>NET OPERATING ACTIVITY AFTER TRANSFERS</b>	<u>1,835,217</u>	<u>647,899</u>	<u>2,483,116</u>	<u>(3,704,162)</u>	<u>(563,954)</u>	<u>(4,268,116)</u>
<b>NON-OPERATING ACTIVITIES</b> (Note 2H):						
Bequests and additions to Board designated funds (Notes 2H and 2J)	293,627	-	293,627	118,872	-	118,872
Change in value of split-interest agreements (Notes 2K and 7)	-	349	349	-	1,689	1,689
Investment activity (Note 6)	2,102,353	24,627,056	26,729,409	1,733,568	18,655,395	20,388,963
Endowment earnings used to meet spending policy (Note 13)	(564,400)	(6,480,000)	(7,044,400)	(496,802)	(6,073,437)	(6,570,239)
<b>NET NON-OPERATING ACTIVITY</b>	<u>1,831,580</u>	<u>18,147,405</u>	<u>19,978,985</u>	<u>1,355,638</u>	<u>12,583,647</u>	<u>13,939,285</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	3,666,797	18,795,304	22,462,101	(2,348,524)	12,019,693	9,671,169
<b>Net Assets - Beginning of Year</b>	<u>82,616,047</u>	<u>160,711,031</u>	<u>243,327,078</u>	<u>84,964,571</u>	<u>148,691,338</u>	<u>233,655,909</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 86,282,844</u>	<u>\$ 179,506,335</u>	<u>\$ 265,789,179</u>	<u>\$ 82,616,047</u>	<u>\$ 160,711,031</u>	<u>\$ 243,327,078</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 22,462,101	\$ 9,671,169
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,701	19,827
Change in value of split-interest agreements	(349)	(1,689)
Change in discount on pledges receivable	-	(656,724)
Realized gain on sales of investments	(5,885,972)	(6,218,632)
Unrealized gain on investments	(17,780,434)	(11,058,030)
Loss on sale/transfer of property interests to state and local governmental agencies and other nonprofit organizations	394,662	2,167,685
Bad debt expense	100,000	-
Subtotal	(685,291)	(6,076,394)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Proceeds from sales of donated securities (Note 2N)	265,019	301,129
Pledges and grants receivable	19,816,706	1,926,857
Prepaid expenses and other assets	(215,959)	113,839
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(410,417)	428,339
Grants payable	100,000	335,033
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>18,870,058</b>	<b>(2,971,197)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	13,197,771	36,755,863
Purchases of investments	(17,549,697)	(35,693,513)
Acquisitions of land areas and property and equipment	(1,855,352)	(3,766,681)
Proceeds from sales of land areas and property and equipment	-	7,719,131
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(6,207,278)</b>	<b>5,014,800</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of notes and mortgages payable	(5,000,000)	(1,000,000)
<b>Net Cash Used in Financing Activities</b>	<b>(5,000,000)</b>	<b>(1,000,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	7,662,780	1,043,603
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>11,422,919</b>	<b>10,379,316</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 19,085,699</b>	<b>\$ 11,422,919</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Non-cash investing activities:		
Transfer of land area to satisfy grant payable	\$ 345,033	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The consolidated financial statements of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (collectively the “Organization”) have been prepared by consolidating the financial statements of Scenic Hudson, Inc. (“Scenic Hudson”) and The Scenic Hudson Land Trust, Inc. (the “Land Trust”), along with two limited liability companies of which the Land Trust holds a 100% interest: Highlands Battlesite Properties, LLC and Beacon Waterfront, LLC. All material intercompany transactions and balances have been eliminated in the consolidation.

Scenic Hudson is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Land Trust was founded exclusively for the benefit of, and to serve the purposes of Scenic Hudson, to the extent that those purposes relate to acquiring and holding land in the Hudson River Valley, in order to preserve and protect such land for the benefit of the public, including transferring lands to federal, state and local governments and other not-for-profit organizations. The Land Trust is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation, as described in Section 509(a)(3), as it is a supporting organization of Scenic Hudson. Scenic Hudson and the Land Trust are incorporated under the laws of the State of New York (the “State”) and are exempt from State and local income and sales taxes.

The Organization works to protect and restore the Hudson River and its majestic landscape as an irreplaceable national treasure and a vital resource for residents and visitors. A crusader for the Hudson River Valley since 1963, the Organization is credited with saving fabled Storm King Mountain from a destructive industrial project and launching the modern grass-roots environmental movement. Today, with approximately 26,000 supporters, the Organization is the largest environmental group focused on the Hudson River Valley. The Organization’s teams of experts combines land conservation, citizen-based advocacy and sophisticated planning tools to create environmentally healthy communities, champion smart economic growth, open up riverfronts to the public and preserve the Hudson River Valley’s inspiring natural beauty.

The Organization is guided by these enduring principles:

- An outstanding quality of life in the Hudson River Valley is achievable only when a clean, healthy environment is a key component of economic growth.
- Everyone has the right to access the Hudson River, to enjoy open space and to have a voice in decisions affecting their community.
- The beauty of the Hudson River Valley is a unique source of spiritual and artistic vitality and must be preserved.

Contributions, government grants and investment income constitute the Organization’s primary sources of revenue.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Accounting and Use of Estimates***

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.



**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. *Basis of Presentation***

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those which have no external restrictions, and include land areas held by the Organization for conservation purposes. Temporarily restricted net assets are those for which use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. As of June 30, 2014 and 2013, the Organization did not have any permanently restricted net assets.

**C. *Cash Equivalents***

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments managed by the Organization's investment managers as part of its long-term investment strategies.

**D. *Pledges and Grants Receivable/Contributions and Government Grants***

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions and promises to give are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization records contributed services at their fair value on the date received. For the years ended June 30, 2014 and 2013, the Organization received contributed legal services which amounted to approximately \$359,000 and \$281,000, respectively. Such amounts are reflected as contributions and expense in the accompanying consolidated statements of activities.

Many volunteers, including the Board of Directors, have made significant contributions of time in furtherance of the Organization's policies and programs. The value of this contributed time does not meet the criteria of recognition and therefore is not reflected in the accompanying consolidated financial statements.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Government grants are recognized as income when reimbursable expenses have been incurred. Earned revenue yet to be billed under contracts in excess of advances is reported as pledges and grants receivable. Advances received from government agencies in excess of expenditures incurred for a contract are reported as government contract advances.

**E. *Allowance for Uncollectible Pledges and Grants Receivable***

The Organization determines whether an allowance for uncollectible pledges and grants receivable should be provided based on prior years' experience and management's analysis of specific pledges and grants made. As of June 30, 2014 and 2013, the Organization determined an allowance of \$50,000 was necessary.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. *Investments***

The Organization reflects investments at fair value in the accompanying consolidated statements of financial position. Interest, dividends and gains and losses on investments are reflected in the consolidated statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income and gains are recognized.

Investments are stated at fair value, as defined in Notes 2M and 6. Equities and fixed income securities are reported at publicly quoted market prices. Investments in commingled funds and alternative investments are recorded at fair value, as determined by the general partners or investment manager. Hedge funds may trade in derivative instruments that involve varying degrees of market risk including credit exposure, liquidity and interest rates. Due to the level of risk associated with securities and the level of uncertainty related to changes in their value, it is possible that market conditions could have a near-term material effect on balances reported in the accompanying consolidated statements of financial position and activities.

It is the Organization's policy, at the discretion of the Board of Directors, to make an annual appropriation for the support of operations an amount equal to a designated percentage of the average asset fair values of the respective endowments, at the end of the rolling twelve fiscal quarters ended December 31, 2012 and December 31, 2011. For the years ended June 30, 2014 and 2013, the amount to support operations was 5%.

**G. *Property and Equipment***

Property and equipment is capitalized by the Organization, provided its cost is \$5,000 or more and its useful life is three years or more. Property and equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated life of the asset or, in the case of leasehold improvements, the term of the lease, whichever is shorter.

**H. *Operating and Non-Operating Activities***

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs, excluding purchases of natural land areas in fee which are recorded at cost, and supporting activities. Operating activities include an authorized investment income allocation from the temporarily restricted endowment (see Note 13B) and all contributions, except for bequests greater than \$10,000 and additions to the easement enforcement fund. All activities related to the Board designated endowment and easement enforcement fund are recognized as non-operating activities.

**I. *Functional Allocation of Expenses***

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**J. *Bequests and Legacies***

The Organization is the beneficiary of bequests and legacies under various wills, the ultimate realization of which is not always readily determinable. The Organization recognizes bequests and legacies when the proceeds are measurable and an irrevocable right to the proceeds by the Organization has been determined after the will is probated. As of June 30, 2014 and 2013, the Organization had received indications of gifts in the form of bequests, which are revocable during the donors' lifetime, amounting to \$2,860,000 and \$2,500,000, respectively. Such amounts have not been recognized as an asset or contribution revenue due to the uncertain nature of these intentions.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. *Split-Interest Agreements***

The Organization's split-interest agreements consist of assets in a pooled income fund (the "Fund"), held by a third party. The Fund provides for the payment of income to designated beneficiaries over their lifetimes, based on their interests in the Fund. Upon the termination of the income interest of the designated beneficiaries, the related remaining assets are available to the Organization. Payments to the beneficiaries are made based on the rate of return earned by the Fund.

The Organization recognizes assets and temporarily restricted contribution revenue for its split-interest agreements at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the donor and other beneficiaries based upon their life expectancies using IRS mortality tables and the appropriate discount rates. The carrying value of the split-interest agreement assets is adjusted to fair value at the end of the year. The adjustment to fair value of the split-interest agreements is reflected as a change in value of split-interest agreements in the accompanying consolidated statements of activities.

**L. *Land Areas and Conservation Easements***

Purchased land areas are recorded at cost. Donated land areas are recognized at fair value at the date of the contribution. Land project expenses, such as park development and management costs, are expensed in the period incurred. Purchased easements are expensed in the period acquired. Contributions for the purpose of purchasing conservation easements are temporarily restricted at year-end if the purchase of the easement has not been completed. Donated conservation easements are not recorded as revenue or expense by the Organization, except those easements (in full or partial) donated by third parties to satisfy the requirements of governmental funding agencies.

The Organization regularly reviews land held for sale for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable and, if so, the carrying value is reduced to the current estimated fair value based on the best information available at the date of issuance of the consolidated financial statements.

**M. *Fair Value Measurements***

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.

**N. *New Accounting Pronouncements***

Effective for the fiscal year ended June 30, 2014, the Organization was required to adopt the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2012-05, "Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows ("ASU 2012-05)." In accordance with ASU 2012-05, the Organization has classified proceeds from the sales of donated financial assets as operating activities in the consolidated statements of cash flows, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts are classified as cash flows from financing activities. The consolidated statement of cash flows for the year ended June 30, 2013 has been reclassified to conform to the provisions of ASU 2012-05.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 – PLEDGES AND GRANTS RECEIVABLE**

Pledges and grants receivable as of June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 1,370,432	\$ 1,175,824
Restricted to future programs and periods	<u>2,229,945</u>	<u>22,341,259</u>
Total pledges and grants receivable, net	<u>\$ 3,600,377</u>	<u>\$ 23,517,083</u>

Pledges and grants receivable were scheduled to be collected as follows as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 2,390,377	\$ 23,102,083
One to five years	<u>1,260,000</u>	<u>465,000</u>
	3,650,377	23,567,083
Less: Reserve for uncollectible receivables	<u>(50,000)</u>	<u>(50,000)</u>
Total pledges and grants receivable, net	<u>\$ 3,600,377</u>	<u>\$ 23,517,083</u>

Pledges and grants receivable due after one year are discounted to net present value using the risk-adjusted discount rate in effect on the date of the gifts. Of the total pledges receivable as of June 30, 2013, \$20 million was from one donor and was collected in full in September 2013 (see Note 9). As a result, no discount was applied to unconditional promises as of June 30, 2014 and 2013 since such discount is not material to the consolidated financial statements.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 57,883	\$ 72,374	3-7 Years
Transportation equipment	91,091	91,709	4-5 Years
Leasehold improvements	<u>23,910</u>	<u>23,910</u>	5 Years
Total cost	172,884	187,993	
Less: accumulated depreciation and amortization	<u>(100,297)</u>	<u>(136,623)</u>	
Net book value	<u>\$ 72,587</u>	<u>\$ 51,370</u>	

Depreciation and amortization amounted to \$24,701 and \$19,827 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 5 – LAND AREAS AND CONSERVATION EASEMENTS**

Land areas and conservation easements consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land areas, at cost	\$ 55,239,068	\$ 53,774,667
Less: reserve for impairment	<u>(394,662)</u>	<u>-</u>
Net book value	<u>\$ 54,844,406</u>	<u>\$ 53,774,667</u>

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**NOTE 5 – LAND AREAS AND CONSERVATION EASEMENTS (Continued)**

Land areas for the public benefit consist of land held for conservation or for transfer/resale.

During the years ended June 30, 2014 and 2013, the Organization acquired land areas for a total of \$1,809,434 and \$3,766,681, respectively.

As further disclosed in Note 12D, a land area with a carrying value of \$345,033 was transferred to the Village of Haverstraw during the year ended June 30, 2014 in satisfaction of a grant payable accrued in the prior year (see Note 8).

During the year ended June 30, 2014, the Organization identified several properties which are anticipated to be sold or transferred to state and local government agencies or other nonprofit organizations in the near term at less than their carrying values. The impairment in value for these properties amounted to \$394,662, which is included in the accompanying consolidated statements of activities as program services expense.

During the year ended June 30, 2013, the Organization sold four properties with a carrying value of \$9,868,816, for proceeds of \$7,701,131, resulting in a net realized loss of \$2,167,685, which is included in the accompanying consolidated statements of activities as program services expense.

The Organization held conservation easements on various properties in the State as of June 30, 2014 and 2013. During the years ended June 30, 2014 and 2013, the Organization purchased easements, inclusive of closing costs, for \$3,447,805 and \$10,177,360, respectively, and such amounts are included in the accompanying consolidated statements of activities as program services expense.

Certain land areas served as collateral for the Organization's notes and mortgages payable as of June 30, 2013. See Note 9 for a further description.

**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

As noted in Note 2F, investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include listed equities and U.S. government debt.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments in this category generally include corporate debt and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity and debt positions in private companies.

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**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

All assets carried at fair value have been valued using a market approach. There were no changes in the valuation techniques during the current year. The following are the valuation techniques used by the Organization to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized:

- Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.
- Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Corporate bonds are valued based on the last reported bid price provided by broker-dealers or independent pricing services. These financial instruments are classified as Level 2 in the fair value hierarchy.
- Investments in pooled investment funds are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as reported to the Organization by the investment fund. The majority of investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the management or sponsor of the respective investment funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Organization's investments in investment funds generally represents the amount the Organization would expect to receive if it were to liquidate its investment in the investment fund, excluding any redemption charges that may apply.

The Organization categorized its investments in pooled investment funds as a Level 2 fair value measurement if the Organization had the ability to redeem its investments at net asset value per share at year-end or within 90 days or less from year-end. Certain investment funds, including those that do not permit redemptions or have lock-ups that restrict redemptions for a specific period of time, are classified as Level 3.

The following methods and assumptions were used in estimating the fair values of other significant financial instruments at June 30, 2014 and 2013.

- Cash and cash equivalents - the carrying amounts approximate fair values because the instruments are liquid in nature.
- Pledges and grants receivable - these are short-term receivables and their carrying amounts approximate fair value.
- Note and mortgages payable - the carrying amount approximates fair value.

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**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

As of June 30, 2014, concentrations of the Organization's investments in excess of 10% of the fair value of its portfolio included approximately 21% in the Silchester International Investors International Value Equity Trust ("Silchester"), 12% invested in a PIMCO total return mutual fund and 13% invested in a Vanguard mutual fund. As of June 30, 2013, concentrations of the Organization's investments in excess of 10% of the fair value of its portfolio included approximately 19% in Silchester, 13% invested in a PIMCO fixed income mutual fund and 12% invested in a Vanguard mutual fund.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value as of June 30, 2014:

Description	2014 Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Money Market Funds	\$ 6,322,340	\$ -	\$ -	\$ 6,322,340
Total Money Market Funds	<u>6,322,340</u>	<u>-</u>	<u>-</u>	<u>6,322,340</u>
Equity Securities				
Vanguard S&P 500 Index Fund	23,924,644	-	-	23,924,644
U.S. Exchange Traded Funds - I Shares				
S&P 100 Index Fund	15,571,679	-	-	15,571,679
U.S. Mutual Funds	127,658	-	-	127,658
U.S. Regulated Equity Securities	30,609,042	-	-	30,609,042
Ex-U.S. Exchange Traded Funds -				
I Shares MSI EAFE Growth Index Fund	-	-	-	-
Vanguard MSI Emerging Markets	7,209,677	-	-	7,209,677
Total Equity Securities	<u>77,442,700</u>	<u>-</u>	<u>-</u>	<u>77,442,700</u>
Fixed Income				
Mutual Funds - U.S.	22,303,674	-	-	22,303,674
Mutual Fund - High Yield	4,048,457	-	-	4,048,457
Mutual Funds - Ex U.S.	6,935,142	-	-	6,935,142
Total Fixed Income	<u>33,287,273</u>	<u>-</u>	<u>-</u>	<u>33,287,273</u>
Pooled Investment Funds				
Ex-U.S. Commingled Funds	-	38,909,485	14,538,959	53,448,444
Alternative Investment Funds	-	-	18,545,446	18,545,446
Total Pooled Investment Funds	<u>-</u>	<u>38,909,485</u>	<u>33,084,405</u>	<u>71,993,890</u>
Total Investments	<u>\$ 117,052,313</u>	<u>\$ 38,909,485</u>	<u>\$ 33,084,405</u>	<u>\$ 189,046,203</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
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**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The following table presents the Organization's fair value hierarchy for those assets measured at fair value as of June 30, 2013:

Description	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Money Market Funds	\$ 7,712,467	\$ -	\$ -	\$ 7,712,467
Total Money Market Funds	<u>7,712,467</u>	<u>-</u>	<u>-</u>	<u>7,712,467</u>
Equity Securities				
Vanguard S&P 500 Index Fund	19,207,943	-	-	19,207,943
U.S. Exchange Traded Funds - I Shares				
S&P 100 Index Fund	12,591,250	-	-	12,591,250
U.S. Mutual Funds	181,385	-	-	181,385
U.S. Regulated Equity Securities	24,426,982	-	-	24,426,982
Ex-U.S. Exchange Traded Funds -				
I Shares MSI EAFE Growth Index Fund	3,576,301	-	-	3,576,301
Vanguard MSI Emerging Markets	6,318,780	-	-	6,318,780
Total Equity Securities	<u>66,302,641</u>	<u>-</u>	<u>-</u>	<u>66,302,641</u>
Fixed Income				
Mutual Funds - U.S.	21,265,450	-	-	21,265,450
Mutual Fund - High Yield	3,619,757	-	-	3,619,757
Mutual Funds - Ex U.S.	4,867,601	-	-	4,867,601
Total Fixed Income	<u>29,752,808</u>	<u>-</u>	<u>-</u>	<u>29,752,808</u>
Pooled Investment Funds				
Ex-U.S. Commingled Funds	-	31,106,196	9,467,630	40,573,826
Alternative Investment Funds	-	-	16,951,148	16,951,148
Total Pooled Investment Funds	<u>-</u>	<u>31,106,196</u>	<u>26,418,778</u>	<u>57,524,974</u>
Total Investments	<u>\$ 103,767,916</u>	<u>\$ 31,106,196</u>	<u>\$ 26,418,778</u>	<u>\$ 161,292,890</u>



**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
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**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The changes in assets measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 26,418,778	\$ 19,323,862
Purchases	5,515,598	10,050,000
Redemptions	(1,800,000)	(5,457,186)
Realized gain	139,753	1,024,241
Net appreciation	<u>2,810,276</u>	<u>1,477,861</u>
Balance, end of year	<u>\$ 33,084,405</u>	<u>\$ 26,418,778</u>

The net change in unrealized appreciation of investments in investment funds shown above, which is included in the net return on investments, is applicable to investments still in position at June 30, 2014 and 2013.

The Organization's policy is to recognize transfers in and transfers out as of the beginning of the reporting period of the event or change in circumstance that caused the transfer. For the years ended June 30, 2014 and 2013, there were no transfers between levels.

The following table summarizes the Organization's investments in pooled investment funds at June 30, 2014:

<u>Investment Objective</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently permitted)</u>	<u>Redemption Notice Period</u>
Long-only securities	\$ 38,909,485	\$ -	Monthly	10 business days
Long-only securities	14,538,959	-	Monthly	1st of month
Fixed Income - Private Equity	8,656,872	-	Quarterly	60 days notice
Fixed Income - Hedge Fund	3,867,817	-	Quarterly	60 days notice
Multi-strategy <sup>(1)</sup>	2,828,757	-	Monthly	30 days notice
Loan Fund <sup>(2)</sup>	<u>3,192,000</u>	<u>1,851,000</u>	Not permitted	6/18/13 to 6/18/2019
Total	<u>\$ 71,993,890</u>	<u>\$ 1,851,000</u>		

<sup>(1)</sup> Fund managers who place the Organization's investments in multi-strategy funds employ a variety of techniques, including event driven, debt and equity portfolios designed to provide above average returns while preserving capital.

<sup>(2)</sup> The Organization's investments in a loan fund are primarily invested in illiquid investments for extended time periods measured in years. Due to the nature of the underlying investments, distributions and redemptions prior to the scheduled fund termination dates are at the sole discretion of these funds. Typically, distributions are made by the funds as the underlying investments are sold or otherwise liquidated.

The Organization's investments in certain funds have liquidity restraints due to lock-up periods. The aggregate fair value of these investments subject to lock-ups was approximately \$3,192,000 with unfunded commitments of approximately \$1,851,000 as of June 30, 2014.

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**NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The components of the net return on investments, including Level 3 investments, as reported in the accompanying consolidated statements of activities included the following for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 3,792,896	\$ 3,731,619
Realized gains	5,885,972	6,218,632
Unrealized gains	17,780,434	11,058,030
Investment fees	<u>(729,893)</u>	<u>(619,318)</u>
Total investment activity, net	<u>\$ 26,729,409</u>	<u>\$ 20,388,963</u>

Certain investments serve as collateral for the Organization's line of credit as further described in Note 12H.

**NOTE 7 – SPLIT-INTEREST AGREEMENTS**

The present values of the future interest in the Fund are summarized as follows as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Fair value	\$ 17,391	\$ 17,151
Less: Estimated future liability	<u>(2,894)</u>	<u>(3,003)</u>
Present value of future interest	<u>\$ 14,497</u>	<u>\$ 14,148</u>

The present value of the estimated future interest is calculated using a discount rate of 3.54% as of June 30, 2014 and 2013 and applicable life expectancy tables. The majority of the underlying assets of the Fund are held in equities and fixed income securities.

**NOTE 8 – GRANTS PAYABLE**

As of June 30, 2014 and 2013, grants payable were scheduled to be paid as follows:

	<u>2014</u>	<u>2013</u>
Payable within one year	<u>\$ 100,000</u>	<u>\$ 345,033</u>

The grant payable as of June 30, 2014 represents a grant payable to Town of Lloyd for funds to assist in the extension of the Hudson Valley Rail Trail. The grant payable as of June 30, 2013 represents a grant payable to the Village of Haverstraw for a land area that had not been transferred as of June 30, 2013 (see Note 12D). The land area was transferred during June 2014 (see Note 5).

**NOTE 9 – NOTES AND MORTGAGES PAYABLE**

In fiscal year 2008, the Organization secured an interest-free loan from a donor in the amount of \$5,000,000 to purchase land and build parks for public use. The loan is collateralized by fixed income securities and the collateral must be at least \$7,500,000. The loan was repayable upon the collection of certain pledges receivable and the life (maturity date) of the loan was estimated based on the estimated date of collection of the pledges receivable. The pledges receivable were collected in full in September 2013 and the loan was paid in full in October 2013.

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**NOTE 9 – NOTES AND MORTGAGES PAYABLE (Continued)**

Imputed interest expense and a related contribution in-kind of \$41,025 and \$126,753 were recognized for the loan for the years ended June 30, 2014 and 2013, respectively. Such amount is included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

In June 2011, the Organization secured a separate ten-year, \$1 million interest-free loan, which was repayable in full in June 2021. The proceeds from the loan were used for the purchase of and preservation from commercial and residential development on a parcel of land in Orange County, New York. The loan was secured by a first mortgage on such property. The loan was repaid in full during the year ended June 30, 2013. The loan had previously been discounted using the Organization's estimated borrowing rate of 5.11%. The discount was being amortized over the term of the loan. Imputed interest expense and a related contribution in-kind of \$20,203 was recognized for the loan for the year ended June 30, 2013. Such amount is included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

**NOTE 10 – SPECIAL EVENTS INCOME**

A gala event was held by the Organization during the year ended June 30, 2013 (a fundraising campaign was held in fiscal year 2014 in lieu of a fundraising event). Special events income, net of costs of direct benefits to donors such as meals and facilities rental, is included in contributions in the accompanying consolidated statements of activities and consisted of the following for the year ended June 30, 2013:

Proceeds from special events	\$ 684,725
Less: costs of direct benefits to donors	<u>(49,519)</u>
Special events income, net	<u>\$ 635,206</u>

**NOTE 11 – PENSION PLANS**

The Organization has a tax deferred annuity 403(b) plan for eligible employees. The Organization contributes 5% of eligible employees' salaries to the plan and a matching contribution equal to 1% for those employees who contribute at least 2% to the plan. The cost to the Organization for this plan for the years ended June 30, 2014 and 2013 amounted to \$232,957 and \$189,318, respectively.

The Organization also offers a deferred compensation arrangement under Section 457(b) of the Internal Revenue Code for key employees. The Organization does not make any contributions to the 457(b) plan. The Organization and certain key employees are also parties to a 457(f) plan. The Organization contributed \$108,333 to the 457(f) plan for each of the years ended June 30, 2014 and 2013, respectively.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

A. As of June 30, 2014 and 2013, the Organization had made deposits of \$306,158 and \$141,158, respectively, on contracts to purchase land areas. Such amounts are included as prepaid expenses and other assets in the accompanying consolidated statements of financial position and pertained to the purchase of land areas and conservation easements as follows as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Shanok property	\$ 131,158	\$ 131,158
Dominican Sisters	125,000	-
Sloan Everett	25,000	-
Thorn Bethlehem	25,000	-
Hyde Park Water Fire District	<u>-</u>	<u>10,000</u>
	<u>\$ 306,158</u>	<u>\$ 141,158</u>

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

B. The Organization's lease agreements for office space provide for future minimum rental payments as follows:

2015	\$ 361,100
2016	311,600
2017	<u>216,825</u>
	<u>\$ 889,525</u>

Rent expense for the years ended June 30, 2014 and 2013 amounted to approximately \$325,000 and \$312,000, respectively.

C. The Organization and the Village of Irvington (the "Village of Irvington") are tenants-in-common with a 60% and 40% undivided interest, respectively, in certain property and entered into a co-ownership agreement on February 11, 1997 with a twenty-year term. The Organization purchased two parcels of land for \$5,493,268 and the Village of Irvington agreed to invest money for planning, remediation of site contamination and for the creation of a park on the land.

The Village of Irvington is solely responsible to manage the property and the project, and the Village of Irvington assumes the total responsibility for costs and expenses associated with carrying out the project. The Organization has the right to enforce it and to approve all of the steps along the way: choice of consultants, design of improvements, etc. The Village of Irvington cannot sell, lease, mortgage or otherwise encumber the property without the Organization's prior approval. The Village of Irvington indemnifies and holds the Organization harmless against costs, expenses and liabilities associated with the project. At the end of the twenty-year term, if the Village of Irvington has fulfilled its obligations, the Village of Irvington may purchase the property from the Organization for \$1, but must grant a conservation easement to the Organization, which dedicates the use of the land to public park purposes in perpetuity.

D. The Organization and the Village of Haverstraw were tenants-in-common with a 20% and 80% undivided interest, respectively, in certain riverfront property located in the Village of Haverstraw as of June 30, 2012. The tenants-in-common entered into a co-ownership agreement on February 11, 1998 (the "Agreement") providing for the use, occupancy, management, development and improvement of the subject property by the Village of Haverstraw.

The Agreement also provided for an annual 5% increase in the Village of Haverstraw's ownership interest of the property and corresponding semi-annual payments of \$9,000 commencing August 1, 1998 through February 1, 2013. The Village of Haverstraw owned a 100% interest in the property as of June 30, 2013. If the Village of Haverstraw had fulfilled its obligations under the terms of the Agreement, it was able to purchase the property at the end of the fifteen-year term for \$1, but had to grant a conservation easement to the Organization, which dedicated the use of the land to public park purposes in perpetuity. As of June 30, 2013, the Village of Haverstraw had fulfilled its obligation under the terms of the Agreement. As such, the carrying value of the property as of June 30, 2013, which amounted to \$345,033, was recorded as a grant payable in the accompanying consolidated statement of financial position and a corresponding program services expense in the accompanying consolidated statement of activities for the year ended June 30, 2013. In June 2014, the Organization transferred its fee interest in the property to the Village of Haverstraw pursuant to the terms of the Agreement (see Note 5).

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

- E. The Organization and the City of Peekskill (the “City”) are tenants-in-common with a 60% and 40% undivided interest, respectively, in certain waterfront property located in the City. The tenants-in-common entered into a co-ownership agreement (the “Agreement”) on July 31, 1998 for a fifteen-year term commencing August 12, 1998. The City is responsible for all costs in connection with the condition, operation, repair, replacement, maintenance and management of the property, including spending not less than \$1.5 million over the first three years to complete Phase 1 and 2 improvements, exclusive of remediation costs, in accordance with an approved land use plan and the other provisions, as more fully described in the Agreement.

As of June 30, 2014 and 2013, the City was in default. As a result, the agreement between the Organization and City is being extended to the later of October 31, 2015 or one year subsequent to the completion of the park construction. At that point, the City will purchase the Organization’s interest in the property for \$1 and will grant the Organization a conservation easement restricting the development of the property, ensuring its management and use as a public park and not-for-profit touristic, interpretive and educational amenity.

- F. The Organization, the County of Westchester and the Town of Cortland (the “Town”) jointly purchased the Hillpoint property in Cortland. The Organization received the “Northerly” portion (203 acres) and the County of Westchester and the Town received the “Southerly” portion (147 acres). The Organization and the Town entered into a park management agreement. The terms of this agreement are summarized as follows: the Town will operate and manage and incur the expenses thereof, for both the “Northerly” and “Southerly” portions. The “Northerly” portion shall remain in the ownership of the Organization until the fifteenth anniversary of the commencement date, which will be July 10, 2015. At that time, the Organization will transfer the “Northerly” portion to the Town. The Town, in turn, will grant the Organization a conservation easement as called for by the agreement.
- G. Government supported programs are subject to audit by the granting agency. The Organization expects that any changes that could result from the audits would not have a material impact on the consolidated financial statements.
- H. The Organization has a line of credit with a bank with a maximum borrowing amount of \$5,000,000. Interest is at the one-month London Interbank Offered Rate (“LIBOR”) plus 2.5% and the line of credit expires on December 31, 2014. The Organization has pledged certain of its investments as collateral for the borrowings on the line of credit in an amount equal to twice the outstanding borrowings for a maximum collateral amount of \$10,000,000. As of June 30, 2014 and 2013, there were no borrowings outstanding.
- I. During the year ended June 30, 2012, the Organization secured an irrevocable standby letter of credit with a bank in favor of the Village of Cold Spring in an amount not to exceed \$250,000. The letter of credit was secured in lieu of purchasing a performance bond. If the Organization failed to install, maintain or repair improvements to the West Point Foundry Preserve property in accordance with the approved site plan then the Village could have drawn down on the letter of credit to make those improvements. The letter of credit was secured by money market funds held with the financial institution, which were included in cash and cash equivalents in the accompanying consolidated financial statements. The West Point Foundry Preserve project was completed prior to the expiration of the letter of credit on October 31, 2013.
- J. The Organization had no uncertain tax positions as of June 30, 2014 and 2013 in accordance with FASB ASC Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before June 30, 2011.

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**NOTE 13 – RESTRICTIONS ON NET ASSETS**

**A. *Board Designated Net Assets***

Board designated net assets, reflected as Board designated – other endowment in the accompanying consolidated statements of financial position, are used to account for funds set aside by Scenic Hudson, Inc.'s Board of Directors (the "Board Designated Endowment"), as well as investment income earned on those funds, to be used as determined upon approval by the Board. Investment income of \$516,400 and \$452,786, designated as endowment earnings used to meet spending policy in the accompanying consolidated statements of activities, was appropriated from the Board Designated Endowment to support operations for the years ended June 30, 2014 and 2013, respectively.

In fiscal year 2004, the Board of Directors established a Board designated easement enforcement fund. The Board of Directors restricted the fund as a reserve to pay legal and other easement monitoring costs that may be incurred to defend the Organization's contractual rights and privileges established through conservation easements owned. Investment income of \$48,000 and \$44,016, designated as endowment earnings used to meet spending policy in the accompanying consolidated statements of activities, was appropriated from the easement enforcement fund to support operations for the years ended June 30, 2014 and 2013, respectively. The easement enforcement fund net asset balance amounted to \$1,146,833 and \$1,194,833 as of June 30, 2014 and 2013, respectively.

**B. *Temporarily Restricted Net Assets***

The Organization was the recipient of an endowment established in accordance with the Order Approving Plan of Dissolution and Distribution issued by the Supreme Court of the State of New York dated June 14, 2001, which distributed the assets of the Lila Acheson and DeWitt Wallace Fund for the Hudson Highlands. The endowment is known as the Lila Acheson and DeWitt Wallace Hudson Valley Land Preservation Endowment (the "Wallace Endowment"), the annual spending from which will be determined by the Board of Directors by applying its established spending policy. In addition, up to 20% of the original fair value of the endowment, valued on the date of distribution, may be spent for certain specified purposes provided that certain conditions are satisfied. The original value of the endowment was established at the fair value of assets on the dates of transfer, consistent with the terms of the endowment agreement. The assets had a fair value of \$124,225,420 on the dates of transfer.

The Wallace Endowment is classified as temporarily restricted due to the Organization's ability to spend a percentage of the Wallace Endowment, as established by the Board of Directors, so long as the spending policy is in accordance with the spending policy adopted for other endowments of the Organization. The Board of Directors approved that amounts released for spending from the Board Designated Endowment and the Wallace Endowment for the years ended June 30, 2014 and 2013, shall be an amount equal to 5% of the average asset fair values of the respective endowments, at the end of the rolling twelve fiscal quarters ending December 31, 2012 and December 31, 2011, and that management may withdraw these amounts at their discretion to meet program needs. Accordingly, investment income of \$6,480,000 and \$6,073,437, designated as endowment gains used to meet spending policy in the accompanying consolidated statements of activities, was appropriated from the Wallace Endowment to support operations for the years ended June 30, 2014 and 2013, respectively.

The Organization established two temporarily restricted funds with a donor-restricted gift from The Shelby Cullom Davis Foundation (the "Foundation"). The Land Trust established The Kathryn W. Davis Fund for Hudson River Parkland Acquisition, funded with \$10,000,000 from the Foundation. The fund shall be used to acquire land for new parks and preserves, and to acquire conservation easements to secure, protect and/or improve land in the Hudson Valley for public recreation, protection of natural habitat and scenery, and public access to the Hudson River.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 13 – RESTRICTIONS ON NET ASSETS (Continued)**

Scenic Hudson, Inc. established the Kathryn W. Davis Fund for Park Planning and Community Land Use, funded with \$5,000,000 from the Foundation and such amount was recorded as temporarily restricted support by the Organization in fiscal year 2008. Expenditures from this fund shall be used to support the Organization's staff, consultants, and other costs for park design, park management and/or acquisition and land use planning. During the year ended June 30, 2014, the Organization received the funds from the Foundation and established an endowment fund for this restricted purpose. Spending from this fund shall be calculated in the same manner as all other endowment funds maintained by the Organization. There were no amounts released for spending from this donor-restricted endowment during the year ended June 30, 2014; however, there were cumulative releases amounting to \$99,083 from this donor-restricted fund through June 30, 2013, and prior to the receipt of the funds from the Foundation. Therefore, the balance in the donor-restricted endowment fund amounted to \$4,900,917 as of June 30, 2014.

Temporarily restricted net assets consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Scenic Hudson, Inc.:		
Restricted to future programs and periods	\$ 1,721,837	\$ 14,627,472
Kathryn W. Davis Fund for Park Planning and Community Land Use Endowment	4,900,917	-
Future interest in pooled income fund	<u>14,497</u>	<u>14,148</u>
	<u>6,637,251</u>	<u>14,641,620</u>
The Scenic Hudson Land Trust, Inc.:		
Lila Acheson and DeWitt Wallace Hudson Valley Land Preservation Endowment	161,915,964	143,768,908
Land acquisitions and other land preservation and conservation expenses	<u>10,953,120</u>	<u>2,300,503</u>
	<u>172,869,084</u>	<u>146,069,411</u>
Total temporarily restricted net assets	<u>\$ 179,506,335</u>	<u>\$ 160,711,031</u>

During the years ended June 30, 2014 and 2013, the Organization released temporarily restricted net assets by incurring expenses or the passage of time, thus satisfying the restrictions.

**C. *Endowment Net Assets***

The Organization recognized that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. The Organization had no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of June 30, 2014 and 2013.

FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds," now codified at ASC 958-205 ("ASC 958-205"), provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). ASC 958-205 also improves disclosure about an organization's endowment funds, whether or not the organization is subject to UPMIFA.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 13 – RESTRICTIONS ON NET ASSETS (Continued)**

The Organization maintains several endowment funds as further described in Notes 13A and 13B. However, such Board designated and term endowment funds are not subject to the appropriation provisions of NYPMIFA and therefore the Organization has implemented only the disclosure guidance provided for in ASC 958-205.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The Organization had no donor-restricted endowment funds required to be maintained in perpetuity as of June 30, 2014 and 2013.

The Organization's endowment investment policy is to invest primarily in a mix of equities, fixed income securities and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. 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). Annual spending from the endowment funds is described in Notes 2F, 13A and 13B.

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

	Board Designated - Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 14,260,730	\$ 143,768,908	\$ 158,029,638
Investment activity:			
Interest and dividends	283,681	3,520,411	3,804,092
Realized gains	369,829	5,519,722	5,889,551
Unrealized gains	1,499,292	16,266,367	17,765,659
Investment fees	(50,449)	(679,444)	(729,893)
Total return on investments	2,102,353	24,627,056	26,729,409
Bequests and additions to Board designated fund and temporarily restricted funds	293,627	4,900,917	5,194,544
Endowment earnings used to meet spending policy for Board designated funds (Note 13A)	(564,400)	-	(517,400)
Endowment earnings used to meet spending policy for Wallace Endowment (Note 13B)	-	(6,480,000)	(6,480,000)
	1,831,580	23,047,973	24,879,553
Endowment net assets, end of year	\$ 16,092,310	\$ 166,816,881	\$ 182,909,191



**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 13 – RESTRICTIONS ON NET ASSETS (Continued)**

Changes in endowment net assets for the year ended June 30, 2013 were as follows:

	Board Designated - Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 12,781,592	\$ 131,186,950	\$ 143,968,542
Investment activity:			
Interest and dividends	289,546	3,442,073	3,731,619
Realized gains	446,520	5,772,112	6,218,632
Unrealized gains	898,857	10,159,173	11,058,030
Investment fees	(41,642)	(577,676)	(619,318)
Total return on investments	1,593,281	18,795,682	20,388,963
Earnings allocated to Board designated easement enforcement fund (Note 13A)	140,287	(140,287)	-
	1,733,568	18,655,395	20,388,963
Bequests and additions to Board designated fund and temporarily restricted funds	118,872	-	118,872
Transfer to board designated easement enforcement fund	123,500	-	123,500
Endowment earnings used to meet spending policy for Board designated funds (Note 13A)	(496,802)	-	(496,802)
Endowment earnings used to meet spending policy for Wallace Endowment (Note 13B)	-	(6,073,437)	(6,073,437)
	1,479,138	12,581,958	14,062,886
Endowment net assets, end of year	\$ 14,260,730	\$ 143,768,908	\$ 158,029,638

**NOTE 14 – CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of June 30, 2014 and 2013, there was approximately \$7,473,000 and \$9,951,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

In addition, the Organization had cash held in money market funds that were not insured by the FDIC, which amounted to approximately \$10,919,000 and \$803,000 as of June 30, 2014 and 2013, respectively.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through September 5, 2014, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through September 5, 2014 that would require adjustment to or disclosure in the consolidated financial statements.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014 AND 2013**

	<u>As of June 30, 2014</u>				<u>As of June 30, 2013</u>			
	<u>Scenic Hudson, Inc.</u>	<u>The Scenic Hudson Land Trust, Inc.</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total 2014</u>	<u>Scenic Hudson, Inc.</u>	<u>The Scenic Hudson Land Trust, Inc.</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total 2013</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,807,669	\$ 17,278,030	\$ -	\$ 19,085,699	\$ 2,113,417	\$ 9,309,502	\$ -	\$ 11,422,919
Pledges and grants receivable, net	2,490,821	1,109,556	-	3,600,377	21,879,136	1,637,947	-	23,517,083
Investments, at fair value	19,612,411	169,433,792	-	189,046,203	12,482,607	148,810,283	-	161,292,890
Due from related party	-	23,127	(23,127)	-	-	1,774,620	(1,774,620)	-
Prepaid expenses and other assets	23,355	457,798	-	481,153	25,313	239,881	-	265,194
Property and equipment, net	52,976	19,611	-	72,587	21,954	29,416	-	51,370
Land areas, at cost	-	54,844,406	-	54,844,406	-	53,774,667	-	53,774,667
Assets held in split-interest agreements	14,497	-	-	14,497	14,148	-	-	14,148
<b>TOTAL ASSETS</b>	<b>\$ 24,001,729</b>	<b>\$ 243,166,320</b>	<b>\$ (23,127)</b>	<b>\$ 267,144,922</b>	<b>\$ 36,536,575</b>	<b>\$ 215,576,316</b>	<b>\$ (1,774,620)</b>	<b>\$ 250,338,271</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 383,042	\$ 872,701	\$ -	\$ 1,255,743	\$ 414,500	\$ 1,251,660	\$ -	\$ 1,666,160
Grants payable	-	100,000	-	100,000	-	345,033	-	345,033
Due to related party	23,127	-	(23,127)	-	1,774,620	-	(1,774,620)	-
Notes and mortgages payable	-	-	-	-	5,000,000	-	-	5,000,000
<b>TOTAL LIABILITIES</b>	<b>406,169</b>	<b>972,701</b>	<b>(23,127)</b>	<b>1,355,743</b>	<b>7,189,120</b>	<b>1,596,693</b>	<b>(1,774,620)</b>	<b>7,011,193</b>
<b>NET ASSETS</b>								
Unrestricted:								
Operating	2,012,832	68,177,702	-	70,190,534	1,639,938	66,715,379	-	68,355,317
Board designated - other endowment	14,945,477	-	-	14,945,477	13,065,897	-	-	13,065,897
Board designated - easement enforcement fund	-	1,146,833	-	1,146,833	-	1,194,833	-	1,194,833
Total unrestricted	<u>16,958,309</u>	<u>69,324,535</u>	<u>-</u>	<u>86,282,844</u>	<u>14,705,835</u>	<u>67,910,212</u>	<u>-</u>	<u>82,616,047</u>
Temporarily restricted:								
Endowment	4,900,917	161,915,964	-	166,816,881	-	143,768,908	-	143,768,908
Other temporarily restricted	1,736,334	10,953,120	-	12,689,454	14,641,620	2,300,503	-	16,942,123
Total temporarily restricted	<u>6,637,251</u>	<u>172,869,084</u>	<u>-</u>	<u>179,506,335</u>	<u>14,641,620</u>	<u>146,069,411</u>	<u>-</u>	<u>160,711,031</u>
<b>TOTAL NET ASSETS</b>	<b>23,595,560</b>	<b>242,193,619</b>	<b>-</b>	<b>265,789,179</b>	<b>29,347,455</b>	<b>213,979,623</b>	<b>-</b>	<b>243,327,078</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,001,729</b>	<b>\$ 243,166,320</b>	<b>\$ (23,127)</b>	<b>\$ 267,144,922</b>	<b>\$ 36,536,575</b>	<b>\$ 215,576,316</b>	<b>\$ (1,774,620)</b>	<b>\$ 250,338,271</b>

See independent auditors' report.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Scenic Hudson, Inc.			The Scenic Hudson Land Trust, Inc.			Consolidating Eliminations	Consolidated 2014 Total
	Unrestricted	Temporarily Restricted	Total 2014	Unrestricted	Temporarily Restricted	Total 2014		
<b>OPERATING REVENUES AND SUPPORT:</b>								
Contributions	\$ 5,459,508	\$ 1,456,285	\$ 6,915,793	\$ 1,623,624	\$ 800,000	\$ 2,423,624	\$ (1,660,000)	\$ 7,679,417
Government grants	83,928	-	83,928	1,260,429	-	1,260,429	-	1,344,357
Endowment earnings used to meet spending policy	516,400	-	516,400	6,528,000	-	6,528,000	-	7,044,400
Investment activity other than endowment earnings	2,141	-	2,141	7,261	-	7,261	-	9,402
Other revenues	16,420	-	16,420	23,758	-	23,758	-	40,178
Net assets released from restrictions	1,157,883	(1,157,883)	-	450,503	(450,503)	-	-	-
<b>Total Operating Revenues and Support</b>	<u>7,236,280</u>	<u>298,402</u>	<u>7,534,682</u>	<u>9,893,575</u>	<u>349,497</u>	<u>10,243,072</u>	<u>(1,660,000)</u>	<u>16,117,754</u>
<b>OPERATING EXPENSES:</b>								
Program services	4,674,555	-	4,674,555	8,253,684	-	8,253,684	(1,660,000)	11,268,239
Management and general	877,401	-	877,401	168,747	-	168,747	-	1,046,148
Fundraising	1,134,292	-	1,134,292	8,821	-	8,821	-	1,143,113
<b>Total Operating Expenses</b>	<u>6,686,248</u>	<u>-</u>	<u>6,686,248</u>	<u>8,431,252</u>	<u>-</u>	<u>8,431,252</u>	<u>(1,660,000)</u>	<u>13,457,500</u>
<b>NET OPERATING ACTIVITY</b>	<u>550,032</u>	<u>298,402</u>	<u>848,434</u>	<u>1,462,323</u>	<u>349,497</u>	<u>1,811,820</u>	<u>-</u>	<u>2,660,254</u>
Transfers to The Scenic Hudson Land Trust, Inc.	-	(8,303,120)	(8,303,120)	-	8,303,120	8,303,120	-	-
Transfers to board designated endowment	(177,138)	-	(177,138)	-	-	-	-	(177,138)
<b>NET OPERATING ACTIVITY AFTER TRANSFERS</b>	<u>372,894</u>	<u>(8,004,718)</u>	<u>(7,631,824)</u>	<u>1,462,323</u>	<u>8,652,617</u>	<u>10,114,940</u>	<u>-</u>	<u>2,483,116</u>
<b>NON-OPERATING ACTIVITIES:</b>								
Bequests and additions to Board designated funds	293,627	-	293,627	-	-	-	-	293,627
Change in value of split-interest agreements	-	349	349	-	-	-	-	349
Investment activity	2,102,353	-	2,102,353	-	24,627,056	24,627,056	-	26,729,409
Endowment earnings used to meet spending policy	(516,400)	-	(516,400)	(48,000)	(6,480,000)	(6,528,000)	-	(7,044,400)
<b>NET NON-OPERATING ACTIVITY</b>	<u>1,879,580</u>	<u>349</u>	<u>1,879,929</u>	<u>(48,000)</u>	<u>18,147,056</u>	<u>18,099,056</u>	<u>-</u>	<u>19,978,985</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>2,252,474</u>	<u>(8,004,369)</u>	<u>(5,751,895)</u>	<u>1,414,323</u>	<u>26,799,673</u>	<u>28,213,996</u>	<u>-</u>	<u>22,462,101</u>
<b>Net assets - Beginning of Year</b>	<u>14,705,835</u>	<u>14,641,620</u>	<u>29,347,455</u>	<u>67,910,212</u>	<u>146,069,411</u>	<u>213,979,623</u>	<u>-</u>	<u>243,327,078</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,958,309</u>	<u>\$ 6,637,251</u>	<u>\$ 23,595,560</u>	<u>\$ 69,324,535</u>	<u>\$ 172,869,084</u>	<u>\$ 242,193,619</u>	<u>\$ -</u>	<u>\$ 265,789,179</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Scenic Hudson, Inc.			The Scenic Hudson Land Trust, Inc.			Consolidating Eliminations	Consolidated 2013 Total
	Unrestricted	Temporarily Restricted	Total 2013	Unrestricted	Temporarily Restricted	Total 2013		
<b>OPERATING REVENUES AND SUPPORT:</b>								
Contributions	\$ 4,885,057	\$ 1,700,170	\$ 6,585,227	\$ 1,942,053	\$ 1,579,679	\$ 3,521,732	\$ (1,558,359)	\$ 8,548,600
Government grants	-	-	-	3,957,635	-	3,957,635	-	3,957,635
Endowment earnings used to meet spending policy	452,786	-	452,786	6,117,453	-	6,117,453	-	6,570,239
Investment activity other than endowment earnings	2,223	-	2,223	7,342	-	7,342	-	9,565
Other revenues	8,815	-	8,815	99,903	-	99,903	-	108,718
Net assets released from restrictions	907,167	(907,167)	-	2,936,636	(2,936,636)	-	-	-
<b>Total Operating Revenues and Support</b>	<u>6,256,048</u>	<u>793,003</u>	<u>7,049,051</u>	<u>15,061,022</u>	<u>(1,356,957)</u>	<u>13,704,065</u>	<u>(1,558,359)</u>	<u>19,194,757</u>
<b>OPERATING EXPENSES:</b>								
Program services	4,197,885	-	4,197,885	18,989,226	-	18,989,226	(1,681,859)	21,505,252
Management and general	660,743	-	660,743	180,711	-	180,711	-	841,454
Fundraising	1,086,188	-	1,086,188	28,189	-	28,189	-	1,114,377
<b>Total Operating Expenses</b>	<u>5,944,816</u>	<u>-</u>	<u>5,944,816</u>	<u>19,198,126</u>	<u>-</u>	<u>19,198,126</u>	<u>(1,681,859)</u>	<u>23,461,083</u>
<b>NET OPERATING ACTIVITY</b>	<u>311,232</u>	<u>793,003</u>	<u>1,104,235</u>	<u>(4,137,104)</u>	<u>(1,356,957)</u>	<u>(5,494,061)</u>	<u>123,500</u>	<u>(4,266,326)</u>
Transfer to board designated endowment	(1,790)	-	(1,790)	-	-	-	-	(1,790)
<b>NET OPERATING ACTIVITY AFTER TRANSFERS</b>	<u>309,442</u>	<u>793,003</u>	<u>1,102,445</u>	<u>(4,137,104)</u>	<u>(1,356,957)</u>	<u>(5,494,061)</u>	<u>123,500</u>	<u>(4,268,116)</u>
<b>NON-OPERATING ACTIVITIES:</b>								
Bequests and additions to Board designated funds	118,872	-	118,872	-	-	-	-	118,872
Transfer to easement enforcement fund	-	-	-	123,500	-	123,500	(123,500)	-
Change in value of split-interest agreements	-	1,689	1,689	-	-	-	-	1,689
Investment activity	1,593,281	-	1,593,281	140,287	18,655,395	18,795,682	-	20,388,963
Endowment earnings used to meet spending policy	(452,786)	-	(452,786)	(44,016)	(6,073,437)	(6,117,453)	-	(6,570,239)
<b>NET NON-OPERATING ACTIVITY</b>	<u>1,259,367</u>	<u>1,689</u>	<u>1,261,056</u>	<u>219,771</u>	<u>12,581,958</u>	<u>12,801,729</u>	<u>(123,500)</u>	<u>13,939,285</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>1,568,809</u>	<u>794,692</u>	<u>2,363,501</u>	<u>(3,917,333)</u>	<u>11,225,001</u>	<u>7,307,668</u>	<u>-</u>	<u>9,671,169</u>
<b>Net assets - Beginning of Year</b>	<u>13,137,026</u>	<u>13,846,928</u>	<u>26,983,954</u>	<u>71,827,545</u>	<u>134,844,410</u>	<u>206,671,955</u>	<u>-</u>	<u>233,655,909</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 14,705,835</u>	<u>\$ 14,641,620</u>	<u>\$ 29,347,455</u>	<u>\$ 67,910,212</u>	<u>\$ 146,069,411</u>	<u>\$ 213,979,623</u>	<u>\$ -</u>	<u>\$ 243,327,078</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**(SCENIC HUDSON, INC.)**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>For the Year Ended June 30, 2014</u>				<u>For the Year Ended June 30, 2013</u>			
	<u>Program Services</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total 2014</u>	<u>Program Services</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total 2013</u>
Salaries	\$ 2,822,493	\$ 507,389	\$ 719,008	\$ 4,048,890	\$ 2,704,465	\$ 454,737	\$ 662,109	\$ 3,821,311
Payroll taxes and employee benefits	644,159	115,798	164,094	924,051	570,276	95,888	139,615	805,779
Total salaries and related costs	<u>3,466,652</u>	<u>623,187</u>	<u>883,102</u>	<u>4,972,941</u>	<u>3,274,741</u>	<u>550,625</u>	<u>801,724</u>	<u>4,627,090</u>
Occupancy	288,504	28,270	65,138	381,912	295,677	27,216	51,534	374,427
Consultants and experts	174,683	10,714	6,813	192,210	168,109	6,865	8,890	183,864
Legal and audit	272,106	43,651	-	315,757	17,466	28,032	-	45,498
Employee travel and training	93,591	11,834	14,315	119,740	93,620	7,027	12,866	113,513
Office - general	74,825	16,460	24,957	116,242	42,047	20,435	24,574	87,056
Equipment	27,632	6,655	2,618	36,905	11,862	433	460	12,755
Program and public outreach costs	220,641	36,630	137,349	394,620	157,588	20,110	186,140	363,838
Interest	41,025	-	-	41,025	126,753	-	-	126,753
Depreciation and amortization	14,896	-	-	14,896	10,022	-	-	10,022
Bad debt expense	-	100,000	-	100,000	-	-	-	-
Costs of direct benefits to donors	-	-	-	-	-	-	49,519	49,519
Subtotal	4,674,555	877,401	1,134,292	6,686,248	4,197,885	660,743	1,135,707	5,994,335
Less: expenses deducted directly from revenues on the consolidated statements of activities	-	-	-	-	-	-	(49,519)	(49,519)
<b>TOTAL</b>	<u>\$ 4,674,555</u>	<u>\$ 877,401</u>	<u>\$ 1,134,292</u>	<u>\$ 6,686,248</u>	<u>\$ 4,197,885</u>	<u>\$ 660,743</u>	<u>\$ 1,086,188</u>	<u>\$ 5,944,816</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**(THE SCENIC HUDSON LAND TRUST, INC.)**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>For the Year Ended June 30, 2014</u>				<u>For the Year Ended June 30, 2013</u>			
	<u>Program Services</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total 2014</u>	<u>Program Services</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total 2013</u>
Conservation easements and monitoring costs	\$ 3,465,838	\$ -	\$ -	\$ 3,465,838	\$ 10,179,177	\$ -	\$ -	\$ 10,179,177
Land project expenses	2,012,620	-	-	2,012,620	4,014,312	-	-	4,014,312
Program and business management services	1,651,179	110,547	8,821	1,770,547	1,530,170	125,511	28,189	1,683,870
Grants and contributions	111,050	-	-	111,050	346,233	-	-	346,233
Remediation expense	12,513	-	-	12,513	82,737	-	-	82,737
Loss on sale/transfer of property interests to state and local government agencies and other nonprofit organizations	394,662	-	-	394,662	2,167,685	-	-	2,167,685
Property taxes	130,423	-	-	130,423	223,124	-	-	223,124
Insurance	100,511	-	-	100,511	112,662	-	-	112,662
Legal and audit fees	365,083	58,200	-	423,283	289,381	55,200	-	344,581
Interest	-	-	-	-	33,940	-	-	33,940
Depreciation and amortization	9,805	-	-	9,805	9,805	-	-	9,805
<b>TOTAL</b>	<u>\$ 8,253,684</u>	<u>\$ 168,747</u>	<u>\$ 8,821</u>	<u>\$ 8,431,252</u>	<u>\$ 18,989,226</u>	<u>\$ 180,711</u>	<u>\$ 28,189</u>	<u>\$ 19,198,126</u>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**(THE SCENIC HUDSON LAND TRUST, INC.)**  
**SCHEDULES OF LAND AREAS**  
**AS OF JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Fishkill Ridge, Mt. Beacon	\$ 1,217,448	\$ 1,217,448
Fishkill Ridge, Mt. Beacon, Fishkill (Capolino)	89,400	89,400
Fishkill Ridge, NVC	99,447	99,447
Fishkill Ridge, Malouf	82,073	82,073
Fishkill Ridge, Reichenstein	249,190	249,190
Mt. Beacon (Bradley), Fishkill	502,799	502,799
Mt. Beacon, Base of Beacon	443,510	443,510
Beacon Terminal, Madam Brett Park	320,886	320,886
Beacon Waterfront - Park	1,707,684	1,707,684
Beacon Waterfront LLC	1,563,969	1,563,969
Beacon, University Settlement Camp	36,001	36,001
Franny Reese State Park - Djirdjirian	88,363	88,363
Shaupeneak Ridge, Venditti	26,598	26,598
Poet's Walk/Astor Cove I/Mandara	1,726,922	1,726,922
New Hamburg, Wappingers Greenway	229,920	229,920
Hyde Park, Clear View Farm	1,269,218	1,269,218
Hyde Park, Golden	410,825	410,825
Tivoli Bays	516,409	516,409
Binnen Kill - Chi	413,472	413,472
Four Mile Point Road, Coxsackie (Four Mile Point)	217,955	217,955
RamsHorn Marsh, Catskill - Blenner	237,484	237,484
RamsHorn Marsh, Catskill - Vincent	402,002	402,002
RamsHorn Marsh, Catskill - Iten	167,468	167,468
Vosburgh Swamp, (Tufano), Athens	1,336,199	1,336,199
Vosburgh Swamp, (Bock), Athens	229,664	229,664
Vosburgh Swamp, (LaChapelle), Athens	301,500	301,500
Stockport - Saurusaitis	75,172	75,172
Stockport - Almstead	1,174,442	1,174,442
King James Weyant, Ft. Montgomery	272,040	272,040
Snake Hill, New Windsor	1,092,921	1,092,921
Illinois Mountain	1,410,218	1,410,218
FDR Viewshed - WA Lloyd	2,117,223	2,117,223
FDR Viewshed - Murillo	964,368	964,368
Philipstown, Route 9D (Osborn)	19,612	19,612
Westpoint Foundry Preserve (Marin), Cold Spring	523,062	523,062
Westpoint Foundry Preserve (Spevak), Cold Spring	1,924,329	1,924,329
Westpoint Foundry Preserve (Campbell), Cold Spring	666,832	666,832
Haverstraw, Palmieri Property	-	345,033
Esopus Meadows, River Road, Esopus	1,010,803	1,010,803
Esopus Meadows, Mazza, Esopus	164,320	164,320
Esopus Meadows, River Road, (Waskew/EMEC), Esopus	267,274	267,274
Esopus Meadows, River Road, Esopus	714,583	714,583
Esopus Meadows, River Road (Patchoros), Esopus	513,447	513,447
Esopus Meadows, River Road (Esopus Lakes), Esopus	3,569,367	3,569,367
Esopus Meadows, River Road (Gordon), Esopus	1,220,433	1,220,433
Esopus Meadows, River Road (DeCicco), Esopus	44,865	44,865
Black Creek - Matera	403,151	403,151
Black Creek - Route 9W, Esopus	2,840,009	2,840,009
Black Creek - Gordon	1,108,701	1,108,701
Black Creek - Laties	714,137	714,137
Black Creek - Mahairas	141,977	141,977
Shaupeneak Ridge, Esopus	989,779	989,779
Shaupeneak Ridge, Additions	91,303	91,303
Shaupeneak Ridge, Rosen Frog Hollow Farm	513,473	513,473
Shaupeneak Ridge, Arnika	1,028,735	1,028,735
Irvington - Downriver Associates	2,259,585	2,259,585
Irvington - Interstate Trading	3,240,065	3,240,065
Peekskill Waterfront	2,045,585	2,045,585
Cortland, Hillpoint	3,523,465	3,523,465
Olana View Shed - ALDD Co. Inc	929,190	929,190
Dansky	578,187	578,187
Fort Montgomery Marina	744,335	744,335
Hohenstein/Bronck Island	420,072	420,072
Brown Farm Property	795,900	-
NBR Enterprises LLC	388,860	-
Lower Esopus River Watch	64,428	-
Esopus River Road - Bamer	508,201	-
Esopus River Road - Bohan	14,521	-
Shaupeneak Ride - Tax Parcel	37,524	-
4269 Route 9	<u>226,168</u>	<u>226,168</u>
Land areas, at cost	55,239,068	53,774,667
Less: reserve for impairment	<u>(394,662)</u>	<u>-</u>
Land areas, net	<u>\$ 54,844,406</u>	<u>\$ 53,774,667</u>

See independent auditors' report.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**SOURCES AND USES OF FUNDS AND OTHER KEY FINANCIAL INFORMATION**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>SOURCES OF FUNDS:</b>		
Unrestricted contributions	\$ 6,767,489	\$ 9,226,386
Releases of temporarily restricted contributions	1,608,386	3,843,803
Endowment earnings used to meet spending policy	7,044,400	6,570,239
Proceeds from sales of natural land areas and improvements	-	7,719,131
Other revenues	49,580	118,283
<b>Total Sources of Funds</b>	<b>15,469,855</b>	<b>27,477,842</b>
<b>USES OF FUNDS:</b>		
Purchases of natural land areas and improvements (in fee)	1,809,434	3,766,681
Program services expenses:		
Purchases of conservation easements and easement monitoring costs	3,465,838	10,179,177
Park construction and management	2,012,620	4,014,312
Salaries and related benefits	3,466,652	3,274,741
Other	2,323,129	4,037,022
Supporting services expenses	2,189,261	1,955,831
<b>Total Uses of Funds</b>	<b>15,266,934</b>	<b>27,227,764</b>
<b>NET SOURCES AND USES OF FUNDS</b>	<b>\$ 202,921</b>	<b>\$ 250,078</b>
<b>OTHER KEY FINANCIAL INFORMATION:</b>		
Land areas, at cost - beginning of year	\$ 53,774,667	\$ 59,894,802
Purchases of natural land areas and improvements (in fee)	1,809,434	3,766,681
Sales/transfers of property interests to state and local governmental agencies and other nonprofit organizations, at cost	(345,033)	(9,886,816)
Land areas, at cost - end of year	<b>\$ 55,239,068</b>	<b>\$ 53,774,667</b>