



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

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2008 and 2007

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

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2008 AND 2007

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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 statement of financial position of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (collectively, the "Organization") as of June 30, 2008 and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidating financial statements of the Organization as of and for the year ended June 30, 2007 were audited by other auditors whose report dated August 10, 2007, expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. taken as a whole. The supplementary information (shown on pages 18, 19, 21, 23 and 24) is the responsibility of the Organization's management and is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual companies and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The additional information as of and for the year ended June 30, 2007 (shown on pages 18, 20, 22, 23 and 24) was subject to the auditing procedures applied in the audit of the June 30, 2007 basic consolidated financial statements by other auditors, whose report for such information stated that it was fairly stated in all material respects in relation to the June 30, 2007 basic consolidated financial statements taken as a whole.

Marks Paneth & Shron LLP

New York, NY
August 15, 2008



SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents (Notes 2C and 16A)	\$ 4,036,814	\$ 2,104,957
Pledges receivable, net (Notes 2D, 2E, 3, 11 and 16B)	20,340,070	19,851,179
Other unrestricted receivables (Notes 2E and 3)	1,260,664	2,380,363
Investments, at fair value (Notes 2F, 6 and 11)	170,427,778	177,979,092
Prepaid expenses and other assets (Note 14A)	268,002	269,078
Property and equipment, net (Notes 2G and 4)	35,507	14,531
Land areas, at cost (Notes 2L, 5, 14D, 14E, 14F, 14G and 14H)	50,310,852	50,175,698
Assets held in split-interest agreements (Notes 2K, 7 and 15B)	188,092	205,169
Development costs (Note 8)	825,032	-
Assets whose use is limited - donor restricted (Note 9)	850,000	250,000
 TOTAL ASSETS	\$ 248,542,811	\$ 253,230,067
 LIABILITIES		
Accounts payable and accrued expenses	\$ 988,957	\$ 847,844
Grants payable (Note 10)	1,000,000	3,842
Note payable (Note 11)	5,000,000	-
 TOTAL LIABILITIES	6,988,957	851,686
 COMMITMENTS AND CONTINGENCIES (Note 14)		
 NET ASSETS (Note 2B)		
Unrestricted:		
Operating	67,159,729	63,928,322
Board designated - other (Note 15A)	7,873,419	7,545,588
Board designated - easement enforcement fund (Note 15A)	833,428	682,331
Total unrestricted	75,866,576	72,156,241
Temporarily restricted (Note 15B):		
Endowment	144,952,445	159,109,428
Other temporarily restricted	20,734,833	21,112,712
Total temporarily restricted	165,687,278	180,222,140
 TOTAL NET ASSETS	241,553,854	252,378,381
 TOTAL LIABILITIES AND NET ASSETS	\$ 248,542,811	\$ 253,230,067

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

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	Year Ended June 30, 2008		Year Ended June 30, 2007	
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUES AND SUPPORT (Note 2H):				
Contributions (Notes 2D, 11, 12 and 16B)	\$ 3,469,485	\$ 3,111,421	\$ 6,580,906	\$ 21,161,105
Endowment used to meet spending policy (Notes 6 and 15)	6,806,300	-	6,806,300	6,189,314
Interest and dividends other than endowment earnings	280,103	-	280,103	153,630
Realized gain on sale of land and other assets (Note 5)	417,486	-	417,486	-
Other revenues	44,677	-	44,677	64,680
Net assets released from restrictions (Note 15)	<u>3,472,223</u>	<u>(3,472,223)</u>	<u>-</u>	<u>(1,021,844)</u>
Total Operating Revenues and Support	<u>14,490,274</u>	<u>(360,802)</u>	<u>14,129,472</u>	<u>27,568,729</u>
OPERATING EXPENSES (Note 2I):				
Program services (Notes 5 and 11)	9,432,311	-	9,432,311	9,103,684
Management and general	564,775	-	564,775	536,559
Fundraising	1,113,135	-	1,113,135	965,242
Total Operating Expenses	<u>11,110,221</u>	<u>-</u>	<u>11,110,221</u>	<u>10,605,485</u>
Transfers to board designated endowment	<u>(148,646)</u>	<u>-</u>	<u>(148,646)</u>	<u>(77,862)</u>
NET OPERATING ACTIVITY	<u>3,231,407</u>	<u>(360,802)</u>	<u>2,870,605</u>	<u>16,885,382</u>
NON-OPERATING ACTIVITIES (Note 2H):				
Bequests and additions to easement enforcement fund (Notes 2H and 2J)	622,218	-	622,218	75,000
Transfers from operating activities	148,646	-	148,646	77,862
Change in value of split-interest agreements (Note 7)	-	(17,077)	(17,077)	16,421
Easement monitoring expenses	(5,932)	-	(5,932)	(7,811)
Investment activity (Note 6)	(704)	(7,635,983)	(7,636,687)	27,111,653
Endowment used to meet spending policy (Notes 6, 15A and 15B)	<u>(285,300)</u>	<u>(6,521,000)</u>	<u>(6,806,300)</u>	<u>(5,955,914)</u>
NET NON-OPERATING ACTIVITY	<u>478,928</u>	<u>(14,174,060)</u>	<u>(13,695,132)</u>	<u>21,172,160</u>
CHANGE IN TOTAL NET ASSETS	<u>3,710,335</u>	<u>(14,534,862)</u>	<u>(10,824,527)</u>	<u>38,831,128</u>
Net assets - beginning of year	<u>72,156,241</u>	<u>180,222,140</u>	<u>252,378,381</u>	<u>141,391,012</u>
NET ASSETS - END OF YEAR	<u>\$ 75,866,576</u>	<u>\$ 165,687,278</u>	<u>\$ 241,553,854</u>	<u>\$ 180,222,140</u>
				<u>\$ 252,378,381</u>

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

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (10,824,527)	\$ 39,084,926
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	11,981	14,795
Change in value of split-interest agreements	17,077	(16,421)
Change in discount on pledges receivable	(716,421)	2,996,005
Realized gain on sales of investments	(7,404,848)	(11,582,537)
Unrealized loss (gain) on investments	18,145,281	(13,937,416)
Realized (gain) loss on sales of land and other assets	(417,486)	672,472
Donated securities	(290,395)	-
Donated land	(26,000)	-
Restricted contributions	(600,000)	(250,000)
	-	-
Subtotal	(2,105,338)	16,981,824
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	227,530	(19,999,041)
Other unrestricted receivables	1,119,699	(2,296,197)
Prepaid expenses and other assets	1,076	(72,772)
Changes in operating assets and liabilities:		
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	141,113	289,944
Grants payable	996,158	-
Net Cash Provided (Used) by Operating Activities	380,238	(5,096,242)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	28,006,857	5,500,000
Purchases of investments	(30,905,581)	(2,816,975)
Acquisitions of land areas and property and equipment	(3,868,075)	(753,887)
Proceeds from sales of land areas and property and equipment	4,143,450	3,408,109
Increase in assets whose use is limited - donor restricted	(600,000)	(250,000)
Increase in development costs	(825,032)	-
Net Cash (Used) Provided by Investing Activities	(4,048,381)	5,087,247
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	5,000,000	-
Cash collected on restricted contributions	600,000	250,000
Net Cash Provided by Financing Activities	5,600,000	250,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,931,857	241,005
Cash and Cash Equivalents - Beginning of Year	2,104,957	1,863,952
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 4,036,814	\$ 2,104,957
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities:		
Donated property	\$ 26,000	-

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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"). The Land Trust has organized two limited liability companies: 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.

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 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 20,000 ardent supporters, the Organization is the largest environmental group focused on the Hudson River Valley. The Organization's teams of experts combines land acquisition, 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 valley's inspiring natural beauty.

The Organization is guided by these enduring principles:

- An outstanding quality of life 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 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 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, 2008 AND 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- B. **Financial Statement Presentation** - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*, 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. 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.
- C. **Cash and Cash Equivalents** - For purposes of the consolidated statements of cash flows, 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 their long-term investment strategies.
- D. **Pledges Receivable/Contributions** - Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

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.

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

- E. **Allowance for Uncollectible Receivables** - The Organization uses the allowance method to determine uncollectible pledges and other unrestricted receivables. Such estimates are based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2008 and 2007, the Organization determined an allowance of \$32,750 was necessary.
- F. **Investments** - Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Organization reflects investments at fair value in the consolidated statements of financial position. Interest, dividends and gains and losses on investments are reflected in the consolidated statements of activities as increases and 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 the income is recognized.

Investments are stated at fair value. The fair values of alternative investments that are not readily marketable are based on values provided by the investment managers, which are reviewed for reasonableness by management.

