

**Scenic Hudson, Inc. and  
The Scenic Hudson Land  
Trust, Inc.**

**Financial Statements**

**June 30, 2007 and 2006**

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
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**June 30, 2007 and 2006**

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**Report of Independent Auditors**

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

In our opinion, the accompanying consolidating statements of financial position and the related consolidating statements of activities and of cash flows, present fairly, in all material respects, the financial position of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (the "Organizations") at June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

August 10, 2007

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.  
Consolidating Statements of Financial Position  
June 30, 2007 and 2006**

	2007			2006		
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Total	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Total
<b>Assets</b>						
Cash and cash equivalents (Note 1)	\$ 1,304,101	\$ 800,856	\$ 2,104,957	\$ 1,033,988	\$ 829,964	\$ 1,863,952
Short-term investments	424,767	553,066	977,833	406,632	524,113	930,745
Unconditional promises to give, net (Notes 1 and 3)						
Unrestricted	1,383,392	49,938	1,433,330	1,184,150	-	1,184,150
Restricted to future programs and periods	17,501,369	916,480	18,417,849	789,993	874,000	1,663,993
Prepaid expenses and other current assets	26,200	2,539,074	2,565,274	29,726	181,579	211,305
Investments (Notes 1 and 4)	7,730,235	169,271,024	177,001,259	6,692,673	147,518,744	154,211,417
Assets whose use is limited-donor restricted funds	-	250,000	250,000	-	-	-
Deposits on contracts (Note 10)	-	65,000	65,000	-	50,000	50,000
Property and equipment, at cost (net of accumulated depreciation) (Notes 1 and 5)	8,465	6,066	14,531	19,216	10,110	29,326
Land areas, at cost (Note 6)	-	50,175,698	50,175,698	-	53,502,393	53,502,393
Assets held in pooled income fund, net (Note 7)	74,018	-	74,018	68,503	-	68,503
Interest in charitable remainder unitrust, net (Note 8)	131,151	-	131,151	120,245	-	120,245
Security deposit	19,167	-	19,167	19,167	-	19,167
<b>Total assets</b>	<b>\$ 28,602,865</b>	<b>\$ 224,627,202</b>	<b>\$ 253,230,067</b>	<b>\$ 10,364,293</b>	<b>\$ 203,490,903</b>	<b>\$ 213,855,196</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 448,261	\$ 397,583	\$ 845,844	\$ 270,710	\$ 285,189	\$ 555,899
Grants payable	3,842	-	3,842	3,842	-	3,842
Security deposits payable	-	2,000	2,000	-	2,000	2,000
<b>Total liabilities</b>	<b>452,103</b>	<b>399,583</b>	<b>851,686</b>	<b>274,552</b>	<b>287,189</b>	<b>561,741</b>
<b>Commitments and contingencies (Note 10)</b>						
<b>Net assets</b>						
Unrestricted	-	682,331	682,331	-	536,969	536,969
Board designated - easement enforcement fund (Note 2)	7,545,588	-	7,545,588	6,663,566	-	6,663,566
Board designated - other (Note 2)	1,352,896	62,575,426	63,928,322	1,320,212	63,381,696	64,701,908
Other unrestricted	8,898,484	63,257,757	72,156,241	7,983,778	63,918,665	71,902,443
<b>Total unrestricted</b>	<b>19,252,278</b>	<b>159,109,428</b>	<b>159,109,428</b>	<b>15,950,256</b>	<b>137,953,690</b>	<b>137,953,690</b>
Temporarily restricted (Note 2)	-	1,860,434	1,860,434	-	1,331,359	1,331,359
Endowment	19,252,278	160,969,862	180,222,140	2,105,963	139,285,049	141,391,012
Other	28,150,762	224,227,619	252,378,381	10,089,741	203,203,714	213,293,455
<b>Total temporarily restricted</b>	<b>47,403,040</b>	<b>486,057,485</b>	<b>533,465,821</b>	<b>12,195,704</b>	<b>204,538,773</b>	<b>216,185,264</b>
<b>Total net assets</b>	<b>\$ 28,602,865</b>	<b>\$ 224,627,202</b>	<b>\$ 253,230,067</b>	<b>\$ 10,364,293</b>	<b>\$ 203,490,903</b>	<b>\$ 213,855,196</b>

The accompanying notes are an integral part of the financial statements.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.  
Consolidating Statements of Activities  
Years Ended June 30, 2007 and 2006**

	2007			2006				
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Eliminations	Consolidating Total	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Eliminations	Consolidating Total
<b>Changes in unrestricted net assets</b>								
Operating public support, gains and other revenue								
Contributions	\$ 4,093,089	\$ 31,056	\$ (1,675,000)	\$ 2,449,145	\$ 3,570,710	\$ 298,471	\$ (1,560,540)	\$ 2,308,641
Endowment used to meet spending policy (Note 2)	233,400	5,955,914	-	6,189,314	189,000	6,343,009	-	6,532,009
Interest and dividends	63,438	90,192	-	153,630	55,268	60,868	-	116,136
Unrealized losses on investments	(1,714)	(6,830)	-	(8,544)	(2,403)	(3,096)	-	(5,499)
Rental income		69,647	-	69,647		33,043	-	33,043
Miscellaneous	2,058	1,519	-	3,577	15,676	41,310	-	56,986
	4,390,271	6,141,498	(1,675,000)	8,856,769	3,828,251	6,773,605	(1,560,540)	9,041,316
<b>Net assets released from restriction</b>								
Satisfaction of time and program restrictions	990,919	30,925	-	1,021,844	1,108,870	151,159	-	1,260,029
Total operating public support, gains and other revenue	5,381,190	6,172,423	(1,675,000)	9,878,613	4,937,121	6,924,764	(1,560,540)	10,301,345
<b>Operating expenses</b>								
Program services	3,835,648	6,943,036	(1,675,000)	9,103,684	3,856,782	6,083,563	(1,560,540)	8,379,805
Supporting services	500,902	35,657	-	536,559	400,726	28,537	-	429,263
Management and general	934,094	-	-	934,094	622,657	-	-	622,657
Fundraising	5,270,644	6,978,693	(1,675,000)	10,574,337	4,880,165	6,112,100	(1,560,540)	9,431,725
Total operating expenses	110,546	(806,270)	-	(695,724)	56,956	812,664	-	869,620
Change in operating activities	(77,862)	-	-	(77,862)	-	-	-	-
Transfers to board designated endowment	32,684	(806,270)	-	(773,586)	56,956	812,664	-	869,620
Change in other unrestricted net assets								
Nonoperating activities - board designated endowment and easement enforcement fund								
Contributions - endowments	-	15,000	-	15,000	166,497	30,000	-	196,497
Transfer from unrestricted	77,862	60,000	-	137,862	-	-	-	-
Interest and dividends	186,649	78,173	-	264,822	157,634	40,205	-	197,839
Realized gain on sale of investments	322,710	-	-	322,710	247,557	-	-	247,557
Unrealized gain on investments	551,010	-	-	551,010	160,721	-	-	160,721
Less: Investment advisory fees	(22,809)	-	-	(22,809)	(20,132)	(16,769)	-	(20,132)
Easement monitoring expenses	-	(7,811)	-	(7,811)	-	-	-	-
Endowment used to meet spending policy (Note 2)	(233,400)	-	-	(233,400)	(189,000)	-	-	(189,000)
Change in nonoperating activities	882,022	145,362	-	1,027,384	523,277	53,436	-	576,713
Change in unrestricted net assets (carried forward)	914,706	(660,908)	-	253,798	580,233	866,100	-	1,446,333

The accompanying notes are an integral part of the financial statements.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.  
Consolidating Statements of Activities  
Years Ended June 30, 2007 and 2006**

	2007				2006			
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Eliminations	Consolidating Total	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Eliminations	Consolidating Total
Change in unrestricted net assets (brought forward)	914,706	(660,908)	-	253,798	580,233	866,100	-	1,446,333
<b>Changes in temporarily restricted net assets</b>								
Unconditional promises to give, net	18,120,813	559,999	-	18,680,812	722,063	522,500	-	1,244,563
Interest and dividends	-	3,119,129	-	3,119,129	-	2,794,670	-	2,794,670
Unrealized gain on investments	-	13,386,406	-	13,386,406	-	4,524,639	-	4,524,639
Realized gain on sale of investments	-	11,259,827	-	11,259,827	-	8,181,846	-	8,181,846
Investment management and legal fees	-	(653,709)	-	(653,709)	-	(560,717)	-	(560,717)
Endowment used to meet spending policy (Note 2)	-	(5,955,914)	-	(5,955,914)	-	(6,343,009)	-	(6,343,009)
Change in present value of split-interest agreements	16,421	-	-	16,421	3,993	-	-	3,993
Net assets released from restriction	18,137,234	21,715,738	-	39,852,972	726,056	9,119,929	-	9,845,985
Change in temporarily restricted net assets	(990,919)	(30,925)	-	(1,021,844)	(1,109,620)	(151,159)	-	(1,260,779)
Change in net assets	17,146,315	21,684,813	-	38,831,128	(383,564)	8,968,769	-	8,585,205
Net assets, beginning of year	18,061,021	21,023,905	-	39,084,926	196,669	9,834,869	-	10,031,538
Net assets, end of year	10,089,741	203,203,714	-	213,293,455	9,893,072	193,368,845	-	203,261,917
	\$ 28,150,762	\$ 224,227,619	\$ -	\$ 252,378,381	\$ 10,089,741	\$ 203,203,714	\$ -	\$ 213,293,455

The accompanying notes are an integral part of the financial statements.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Consolidating Statements of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	2007			2006		
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Total	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Total
<b>Cash flows from operating activities</b>						
Increase in net assets	\$ 18,061,021	\$ 21,023,905	\$ 39,084,926	\$ 196,669	\$ 9,834,869	\$ 10,031,538
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities						
Depreciation	10,751	4,044	14,795	24,155	4,044	28,199
Change in present value of split-interest agreements	(16,421)	-	(16,421)	(3,993)	-	(3,993)
Change in discount on unconditional promises to give	2,996,005	-	2,996,005	32,719	-	32,719
Realized (gain) loss on sale of investments	(322,710)	(11,259,827)	(11,582,537)	(247,557)	(8,181,846)	(8,429,403)
Unrealized (gain) loss on investments	(551,010)	(13,386,406)	(13,937,416)	(160,722)	(4,524,639)	(4,685,361)
Investment fees paid by endowment	22,809	592,056	614,865	20,135	560,717	580,852
Loss on sale/transfer disposal of property interest	-	672,472	672,472	-	1,612,840	1,612,840
Restricted contributions received	-	(250,000)	(250,000)	-	-	-
(Increase) decrease in						
Unconditional promises to give	(19,906,623)	(92,418)	(19,999,041)	229,393	(666,079)	(436,686)
Prepaid expenses and other current assets	3,526	(2,357,495)	(2,353,969)	(422)	(44,354)	(44,776)
Deposits on contracts	-	(15,000)	(15,000)	-	-	-
Increase (decrease) in						
Accounts payable and accrued expenses	177,550	112,394	289,944	116,778	136,405	253,183
Security deposits payable	-	-	-	-	(125,900)	(125,900)
Net cash provided by (used in) operating activities	474,898	(4,956,275)	(4,481,377)	207,155	(1,393,943)	(1,186,788)
<b>Cash flows from investing activities</b>						
Proceeds from sale of investments	-	5,500,000	5,500,000	-	6,576,372	6,576,372
Purchase of investments	(204,785)	(3,227,055)	(3,431,840)	(170,769)	(2,851,807)	(3,022,576)
Acquisition of land areas, property and equipment	-	(753,887)	(753,887)	-	(3,609,997)	(3,609,997)
Proceeds from sale of land areas, property and equipment	-	3,408,109	3,408,109	-	1,772,152	1,772,152
Increase in assets whose use is limited	-	(250,000)	(250,000)	-	-	-
Net cash provided by (used in) investing activities	(204,785)	4,677,167	4,472,382	(170,769)	1,886,720	1,715,951
<b>Cash flows from financing activities</b>						
Principal repayment of notes payable	-	250,000	250,000	-	(64,143)	(64,143)
Contributions restricted for purchasing land areas	-	250,000	250,000	-	-	-
Net cash used in financing activities	-	250,000	250,000	-	(64,143)	(64,143)
Net increase in cash and cash equivalents	270,113	(29,108)	241,005	36,386	428,634	465,020
Cash and cash equivalents, beginning of year	1,033,988	829,964	1,863,952	997,602	401,330	1,398,932
Cash and cash equivalents, end of year	\$ 1,304,101	\$ 800,856	\$ 2,104,957	\$ 1,033,988	\$ 829,964	\$ 1,863,952
<b>Supplemental data</b>						
Interest paid	-	-	-	-	1,336	1,336

The accompanying notes are an integral part of the financial statements.

# Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.

## Notes to Consolidating Financial Statements

### June 30, 2007 and 2006

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#### 1. Organization and Summary of Significant Accounting Policies

##### Principles of Consolidation

The accompanying consolidating financial statements include Scenic Hudson, Inc. and its supporting organization, The Scenic Hudson Land Trust, Inc. (the "Organizations"). On January 13, 2003, Highlands Battlesite Properties, LLC was formed. The Highlands Battlesite Properties, LLC has been consolidated into Scenic Hudson Land Trust, Inc. as it holds 100% interest in the LLC. All inter-company transactions and balances have been eliminated in the consolidation.

##### Organization

Scenic Hudson, Inc. 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, we are 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, we are the largest environmental group focused on the Hudson River Valley. Our team 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.

We are 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 forever.

Scenic Hudson, Inc. 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 Scenic Hudson Land Trust, Inc. was founded exclusively for the benefit of, and to serve the purposes of, Scenic Hudson, Inc. 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 Scenic Hudson Land Trust, Inc. 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, Inc.

Contributions and investment income constitute the Organizations' primary sources of revenue.

The Scenic Hudson Land Trust, Inc. 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 (Wallace Endowment), the



# Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.

## Notes to Consolidating Financial Statements

### June 30, 2007 and 2006

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annual spending from which will be determined by the Board of Directors of Scenic Hudson, Inc. by applying its established spending policy. In addition, up to 20% of the original fair market 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 market value of assets on the dates of transfer, consistent with the terms of the endowment agreement. The assets had a fair market value of \$124,225,420 on the dates of transfer.

#### **Financial Statement Presentation**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organizations consider 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 Organizations' investment managers as part of their long-term investment strategies. At times, cash balances held at financial institutions were in excess of federally insured limits. To mitigate this risk, the Organizations place cash and cash equivalents with high credit, quality financial institutions.

#### **Unconditional Promises to Give/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 Organizations that is, in substance, unconditional. 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.

The Organizations use the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### **Investments**

Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Organizations reflect investments at fair value in the statement of financial position. Interest, dividends, gains and losses on investments are reflected in the statement 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 is recognized.

#### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated life of the asset or term of the lease, whichever is shorter.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**2. Restrictions on Net Assets**

**Board Designated Net Assets**

Board designated net assets, known as the Board designated other, are used to account for funds set aside by Scenic Hudson, Inc.'s Board of Directors, as well as investment income earned on those funds, to be used as determined upon approval by the Board. Investment income of \$233,400 and \$189,000, designated as endowment gains used to meet spending policy on the consolidating statement of activities, was appropriated to support fiscal 2007 and 2006 operations, respectively.

In fiscal year 2004, the Board of Directors established a Board designated – easement enforcement fund. The Board of Directors has restricted the fund as a reserve to pay legal and other easement monitoring costs that may be incurred to defend the Organizations' contractual rights and privileges established through conservation easements owned. The easement enforcement net asset balance was \$682,331 and \$536,969 on June 30, 2007 and June 30, 2006, respectively.

The Lila Acheson and DeWitt Wallace Hudson Valley Land Preservation Endowment (Endowment) is classified as temporarily restricted due to the Organizations' ability to spend a percentage of the 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 Organizations.

On June 13, 2006 and June 16, 2005, the Board of Directors approved that amounts released for spending from the Board Designated Endowment and the Wallace Endowment for fiscal year ending June 30, 2007 and 2006, shall be an amount equal to 5% of the average asset fair market values of the respective endowments, at the end of the rolling twelve fiscal quarters ending December 31, 2005 and December 31, 2004 and that management may withdraw these amounts at their discretion to meet program needs.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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**Temporarily Restricted Net Assets**

Temporarily restricted net assets are as follows at June 30:

	2007	2006
Scenic Hudson, Inc.		
Restricted to future programs and periods	\$ 19,047,109	\$ 1,917,215
Future interest in pooled income fund	74,018	68,503
Future interest in charitable remainder trust	<u>131,151</u>	<u>120,245</u>
	<u>19,252,278</u>	<u>2,105,963</u>
 The Scenic Hudson Land Trust, Inc.		
Lila Acheson and DeWitt Wallace Hudson Valley Land Preservation Endowment	159,109,428	137,953,690
Land acquisitions and other land preservation and conservation expenses	<u>1,860,434</u>	<u>1,331,359</u>
	<u>160,969,862</u>	<u>139,285,049</u>
	<u>\$ 180,222,140</u>	<u>\$ 141,391,012</u>

**3. Unconditional Promises to Give**

Unconditional promises to give are due as follows at June 30:

	2007	2006
Receivable in less than one year	\$ 2,382,560	\$ 2,090,900
Receivable in one to four years	<u>20,547,250</u>	<u>839,869</u>
	22,929,810	2,930,769
Less: Discount to net present value	(3,045,881)	(49,876)
Reserve for uncollectible pledges	<u>(32,750)</u>	<u>(32,750)</u>
Total unconditional promises to give, net	19,851,179	2,848,143
Unrestricted	<u>(1,433,330)</u>	<u>(1,184,150)</u>
Restricted to future programs and periods	<u>\$ 18,417,849</u>	<u>\$ 1,663,993</u>

Unconditional promises to give due after one year are discounted to net present value using the current risk free interest rate of return, which approximates the net present value which would be obtained if using the risk free interest rate in effect on the date of the gift. Interest rates used to discount the unconditional promises range from 4% to 5% and 2% to 4.5% at June 30, 2007 and 2006, respectively.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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**4. Investments**

Investments are stated at fair value and consist of the following at June 30:

	<b>2007</b>		<b>2006</b>	
	<b>Fair Market Value</b>	<b>Cost</b>	<b>Fair Market Value</b>	<b>Cost</b>
Equity securities	\$ 45,409,494	\$ 33,828,254	\$ 39,268,347	\$ 30,393,547
Equity securities - Limited partnerships	23,862,914	16,776,877	20,153,000	14,498,337
Equity securities - Mutual funds	62,254,783	47,187,816	56,066,593	48,627,067
Fixed income - Securities and mutual funds	28,269,173	29,094,357	23,722,034	24,463,802
Alternative investments (hedge funds, funds of funds)	16,683,132	11,148,272	14,427,549	11,148,272
Money market funds	521,763	521,763	573,894	573,894
	<u>\$ 177,001,259</u>	<u>\$ 138,557,339</u>	<u>\$ 154,211,417</u>	<u>\$ 129,704,919</u>

Equities and fixed income securities are reported at publicly quoted market prices. Limited partnerships and alternative investments are recorded at the 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 market conditions could have a near term material affect on balances reported in the statements of financial position and the statements of activities.

At June 30, 2007, concentration of the Organizations' investments in excess of 10% of the fair value of its portfolio included approximately 11% invested in a GMO mutual fund, 16% invested in PIMCO mutual funds, 14% invested in Silchester, L.P., and 15% invested in a Vanguard mutual fund. At June 30, 2006, concentration of the Organizations' investments in excess of 10% of the fair value of its portfolio included approximately 13% invested in a GMO mutual fund, 15% invested in PIMCO mutual funds, 13% invested in Silchester, L.P., and 14% invested in a Vanguard mutual fund.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

Investment return for the years ended June 30 is summarized as follows:

	2007			2006		
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total
<b>Summary of earnings on investments</b>						
Interest and dividends - Cash, cash equivalents and short term investments	\$63,438	\$ 90,192	\$ 153,630	\$ 55,268	\$ 60,868	\$ 116,136
Interest and dividends-Equities and long term fixed income	186,649	3,197,302	3,383,951	157,634	2,834,875	2,992,509
Realized gains on sale of investments	322,710	11,259,827	11,582,537	247,557	8,181,846	8,429,403
Unrealized gain on investments	551,010	13,386,406	13,937,416	160,271	4,524,639	4,684,910
	<u>\$1,123,807</u>	<u>\$27,933,727</u>	<u>\$29,057,534</u>	<u>\$ 620,730</u>	<u>\$15,602,228</u>	<u>\$16,222,958</u>

**5. Property and Equipment**

Property and equipment at June 30 consist of the following:

	2007	2006	Estimated Useful Lives
Furniture and equipment	\$ 95,914	\$ 96,294	3-7 years
Transportation equipment	20,220	20,220	5 years
Leasehold improvements	23,910	23,910	10 years
	<u>140,044</u>	<u>140,424</u>	
Less: Accumulated depreciation	<u>(125,513)</u>	<u>(111,098)</u>	
	<u>\$ 14,531</u>	<u>\$ 29,326</u>	

Depreciation expense for the years ended June 30, 2007 and 2006 was \$14,795 and \$28,199, respectively.

**6. Land Areas and Conservation Easements**

Land areas, for the public benefit, consist of land held by The Scenic Hudson Land Trust, Inc. for conservation or for transfer/resale. During the years ended June 30, 2007 and 2006, the Organizations acquired land areas for a total of \$753,887 and \$3,609,997, respectively. During the year ended June 30, 2007, the Organizations sold six properties that cost \$4,080,581 for proceeds of \$3,408,109 incurring a net expense of \$672,472. For the year ended June 30, 2006, the Organizations sold two properties to New York State and The Museum of the Hudson Highlands (a not-for-profit) that cost \$2,903,483; including transactions costs, incurring a net expense of \$1,680,192. Also during 2006, the Organizations sold one parcel of land to a third party that cost \$472,509 and realized a net gain of \$40,696.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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The Scenic Hudson Land Trust, Inc. held conservation easements on various properties in New York State at June 30, 2007 and June 30, 2006. Purchased easements are expensed in the period acquired. During the years ended June 30, 2007 and 2006, the Organizations purchased easements, inclusive of closing costs, for \$2,653,488 and \$708,671, respectively.

**7. Pooled Income Fund**

Scenic Hudson, Inc. administers a pooled income fund (split-interest agreement). The trust agreement provides for the payment of income to designated beneficiaries over their lifetime, based on their interest in the fund. Upon the termination of the income interest of the designated beneficiary, the related remaining assets are available for the Organizations' use. Assets held in the trust are reported at fair market value, net of the related estimated future liability. The present value of the future interest is summarized as follows as of June 30:

	<b>2007</b>	<b>2006</b>
Fair market value	\$ 94,097	\$ 88,418
Less: Estimated future liability	<u>(20,079)</u>	<u>(19,915)</u>
Present value of future interest	<u>\$ 74,018</u>	<u>\$ 68,503</u>

The present value of the estimated future interest is calculated using a discount rate of 6% and applicable life expectancy tables.

**8. Charitable Remainder Unitrust**

Scenic Hudson, Inc. is the beneficiary under a Charitable Remainder Unitrust (split-interest agreement) administered by a bank. The trust agreement provides for the payment of 6% of the net fair market value of the trust assets each year valued as of January 1 to the grantor and survivor recipient during their lifetimes. At the end of the trust's term, the remaining assets will be transferred to the Organizations. Assets held in the trust are reported at fair market value, net of the related estimated future liability.

The present value of the future interest is summarized as follows as of June 30:

	<b>2007</b>	<b>2006</b>
Fair market value	\$ 152,006	\$ 140,502
Less: Estimated future liability	<u>(20,855)</u>	<u>(20,257)</u>
Present value of future interest	<u>\$ 131,151</u>	<u>\$ 120,245</u>

The present value of the estimated future interest is calculated using a discount rate of 6% and applicable life expectancy tables.

**9. Concentration of Credit Risk**

The Organizations maintain their cash and cash equivalent balances in financial institutions located in the United States of America. Cash accounts covered by FDIC totaled \$126,281 and \$65,051 for the years ended June 30, 2007 and 2006, respectively. Cash held in money market funds that were not insured totaled \$2,228,676 and \$1,375,569 for the years ended June 30, 2007 and 2006, respectively.

**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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**10. Commitments and Contingencies**

As of June 30, 2007 and 2006, The Scenic Hudson Land Trust, Inc. had deposits of \$65,000 and \$50,000, respectively on contracts to purchase land area as follows:

	2007	2006
Black Creek Parcel	\$ 1,048,000	\$ -
Beacon Parcel	1,240,000	-
Tivioli Bay Inholdings	-	500,000
	<u>\$ 2,288,000</u>	<u>\$ 500,000</u>

Scenic Hudson, Inc.'s lease agreement for office space provides for minimum rental payments as follows:

Year ending June 30, 2008	\$ 289,100
Year ending June 30, 2009	289,100
Year ending June 30, 2010	289,100
Year ending June 30, 2011	289,100
Year ending June 30, 2012	216,825

Rent expense for the years ended June 30, 2007 and 2006 was approximately \$269,190 and \$222,000, respectively.

Government supported programs are subject to audit by the granting agency. Management expects that any changes that could result from the audits would not have a material impact on the financial statements.

The Scenic Hudson Land Trust, Inc. and the other tenant-in-common owning the Manitou property (a.k.a. Mystery Point) have leased the property to another not-for-profit entity, commencing September 1, 1993. The Organizations' interest in the property and carrying value is \$4,975,768 at June 30, 2007 and 2006. The terms of the lease are summarized in part as follows: Under the lease, which has an initial term of ten years and may be renewed for three successive ten year periods, the tenant is responsible for all costs of operating the property including but not limited to repairs, maintenance, taxes, insurance, and the like, in addition to a fixed rent of \$1 per year. At the end of the final lease term extension (i.e., after 40 years), the tenant has the option to purchase the property based on terms as more fully described in the lease. The property would be conveyed at that time subject to a conservation easement severely restricting future development of the property and a purchase money mortgage, the principal amount to be evidenced by a Deferred Purchase Note in the amount of \$9,860,000. The Note will be due on the Maturity Date, the date on which the Tenant sells or transfers the Property, with interest payable under the Deferred Purchase Note also deferred and payable on the Maturity Date in amounts as more fully described in the lease.

## **Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**

### **Notes to Consolidating Financial Statements**

#### **June 30, 2007 and 2006**

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The Scenic Hudson Land Trust, Inc. (60% interest) and The Village of Irvington (40% interest), as tenants in common, entered into a co-ownership agreement on February 11, 1997 with a twenty year term. The Organizations purchased 2 parcels of land for \$5,493,268 and the Village agreed to invest money for planning, remediation of site contamination and for the creation of a park on the land.

The Village is solely responsible to manage the property and the project, and the Village assumes the total responsibility for costs and expenses associated with carrying out the project. The Organizations 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 cannot sell, lease, mortgage or otherwise encumber the property without the Organizations' prior approval. The Village indemnifies and holds the Organizations harmless against costs, expenses, and liabilities associated with the project. At the end of the twenty year term, if the Village has fulfilled its obligations, the Village may purchase the property from the Organizations for \$1, but must grant a conservation easement to the Organizations which dedicates the use of the land to public park purposes in perpetuity.

The Scenic Hudson Land Trust, Inc. and the Village of Haverstraw are tenants-in-common with a 40% and 60% undivided interest, respectively, in certain riverfront property located in the Village. 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 provides for an annual 5% increase in the Village's ownership interest of the property and corresponding semi-annual payments of \$9,000 commencing August 1, 1998 through February 1, 2013. If the Village fulfills its obligations under the terms of the Agreement, it may purchase the property at the end of the fifteen year term for \$1, but must grant a conservation easement to the Organizations which dedicates the use of the land to public park purposes in perpetuity.

The Scenic Hudson Land Trust, Inc. and the City of Peekskill ("City") are tenants in common with a 60% and 40% undivided interest, respectively, in certain waterfront property located in the City of Peekskill. 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 fully and solely 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.

Provided that the Agreement is in full force and effect on the fifteenth anniversary of the commencement date, the City will purchase the Organizations' interest in the property for \$1 and will grant the Organizations a conservation easement restricting the development of the property and insuring its management and use as a public park and not-for-profit touristic, interpretive and educational amenity.

The Organizations, the County of Westchester and the Town of Cortland jointly purchased the Hillpoint property in Cortland. The Organizations received the "Northerly" portion (203 acres) and the County of Westchester and the Town of Cortland received the "Southerly" portion (147 acres). Scenic Hudson 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, both the "Northerly" and "Southerly" portions. The "Northerly" portion shall remain in the ownership of the Organizations until the 15<sup>th</sup> anniversary of the commencement date, which will be July 10, 2014. At that time, the Organizations will transfer the "Northerly" portion to the Town. The Town, in turn, will grant the Organizations a conservation easement as called for by the agreement.



**Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.**  
**Notes to Consolidating Financial Statements**  
**June 30, 2007 and 2006**

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Hudson Highland Battlesite LLC has leased the property known as Fort Montgomery to the Palisades Interstate Park Commission (PIPC) as of December 10, 2002. The agreement states that no rent will be paid by PIPC, however, PIPC is responsible for the management and environmental cleanup of Fort Montgomery.

At the end of the lease term, PIPC will have the right to purchase the property.

**11. Benefit Income**

A benefit was held during the years ended June 30, 2007 and 2006. Benefit income and solicitation included in contributions in the statements of activities consists of the following:

	<b>2007</b>	<b>2006</b>
Proceeds	\$ 409,848	\$ 449,456
Less: Cost of direct benefit to donors	(45,500)	(42,120)
Benefit income, net of direct expenses	<u>364,348</u>	<u>407,336</u>
Less: Indirect expenses	(31,148)	(45,812)
Benefit income, net	<u>\$ 333,200</u>	<u>\$ 361,524</u>

**12. Pension Plan**

Scenic Hudson, Inc. has a tax deferred annuity 403(b) plan for eligible employees. The Organizations contributes 6% of eligible employees' salaries to the plan annually. The cost to the Organizations for this plan for the years ended June 30, 2007 and 2006 was \$154,379 and \$135,792, respectively. Scenic Hudson, Inc. also offers a deferred compensation arrangement under Sections 457(b) of IRC for key employees. The Organizations and President are also parties to a 457(f) plan.

**13. Functional Allocation of Expenses**

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

**14. Fair Value of Financial Instruments**

The provisions of Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, require disclosure of the fair value of financial instruments for which it is practical to estimate the fair value. The unconditional promises to give and fair value of investments have been presented in Notes 3 and 4, respectively. The carrying amount of all other financial instruments approximates fair value because of their short maturity.

**Report of Independent Auditors on Accompanying Information**

To the Boards of Directors of  
Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc.

The report on our audit of the basic consolidating financial statements of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. as of June 30, 2007 and 2006 and for the years then ended appears on page 1 of this document. The audits were conducted for the purpose of forming an opinion on the basic consolidating financial statements taken as a whole. The Schedules of Functional Expenses for Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. for the years ended June 30, 2007 and 2006 and the Schedule of Land Areas at June 30, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

August 10, 2007

**Scenic Hudson, Inc.  
Schedule of Functional Expenses  
Year Ended June 30, 2007**

	Program Services				Supporting Services		2007 Total Expenses
	Land Acquisition	Parks	Land Use	Communication	Management and General	Fund Raising	
Statement of functional expenses							
Personnel cost							
Wages	\$ 718,072	\$ 506,169	\$ 790,256	\$ 454,826	\$ 260,528	\$ 608,036	\$ 3,337,887
Fringe benefits	143,799	101,364	158,254	91,082	52,173	121,763	668,435
Total personnel cost	861,871	607,533	948,510	545,908	312,701	729,799	4,006,322
Legal and audit expenses	-	-	26,030	112	19,850	1,624	47,616
Consultants & experts	23,847	20,587	168,967	13,036	38,075	11,485	275,997
Program and public outreach cost	23,873	14,301	15,238	92,527	42,960	92,629	281,528
Occupancy costs	78,630	72,188	82,522	53,617	25,834	64,402	377,193
Employee travel and training cost	32,539	24,436	19,643	10,474	21,548	9,324	117,964
Equipment and interest expense	16,235	980	2,804	7,328	2,868	542	30,757
Depreciation expense	10,753	-	-	-	-	-	10,753
Office - general	22,179	12,419	12,286	14,275	37,066	24,289	122,514
Total operating expenses	\$ 1,069,927	\$ 752,444	\$ 1,276,000	\$ 737,277	\$ 500,902	\$ 934,094	\$ 5,270,644

**Scenic Hudson, Inc.  
Schedule of Functional Expenses  
Year Ended June 30, 2006**

	Program Services					Supporting Services			2006 Total Expenses
	Land Preservation	Riverfront Communities	Environmental Quality	Education and Volunteers	Communication	Program Services	Management and General	Development	
Salaries	\$ 976,308	\$ 422,967	\$ 365,214	\$ 269,513	\$ 257,129	\$ 2,291,131	\$ 187,959	\$ 333,133	\$ 2,812,223
Payroll taxes and employee benefits	207,525	89,907	77,630	57,288	54,656	487,006	39,953	70,811	597,770
Total salaries and benefits	1,183,833	512,874	442,844	326,801	311,785	2,778,137	227,912	403,944	3,409,993
Consultants									
Outside experts	62,085	78,570	133,820	111,460	39,000	424,935	18,600	25,590	469,125
Legal and audit	-	1,345	117	-	-	1,462	14,594	3,360	19,416
Total consulting costs	62,085	79,915	133,937	111,460	39,000	426,397	33,194	28,950	488,541
Program and public outreach costs	24,409	11,027	5,070	115,003	83,978	239,487	34,431	103,478	377,396
Occupancy costs	96,007	39,590	28,082	27,359	24,254	215,292	47,398	47,829	310,519
Employee travel and training costs	54,181	12,662	8,315	14,176	2,448	91,782	17,853	6,873	116,508
Equipment and interest expense	15,762	1,345	167	4,863	1,316	23,453	8,842	13,455	45,750
Depreciation expense	24,155	-	-	-	-	24,155	-	-	24,155
Office - general	30,069	13,303	3,415	4,648	6,644	58,079	31,096	18,128	107,303
Total expenses	\$ 1,490,501	\$ 670,716	\$ 621,830	\$ 604,310	\$ 469,425	\$ 3,856,782	\$ 400,726	\$ 622,657	\$ 4,880,165

**The Scenic Hudson Land Trust, Inc.**  
**Schedule of Land Areas**  
**June 30, 2007 and 2006**

	Land Management, Preservation and Easements	2007 Total Expenses	Land Management, Preservation and Easements	2006 Total Expenses
Conservation easements and closing costs	\$ 2,653,488	\$ -	\$ 708,671	\$ -
Interest	-	-	1,336	1,336
Property taxes	258,931	258,931	279,965	279,965
Land project expenses	1,072,717	1,072,717	1,628,055	1,628,055
Program management services	1,500,000	1,500,000	1,247,664	1,247,664
Insurance	82,165	82,165	61,513	61,513
Legal and audit fees	46,638	35,657	77,345	28,537
Miscellaneous	47,205	-	40,922	-
Rental expenses	32,675	-	19,230	-
Grants and contributions	388,335	-	61,700	-
Expense of sale/transfer of property interests to state and local government agencies and other not for profit organizations	616,838	-	1,680,192	-
Grant to Scenic Hudson	108,000	-	272,876	-
Remediation expense	132,000	-	50	50
Total expense before depreciation	6,938,992	35,657	6,079,519	28,537
Depreciation	4,044	-	4,044	-
Total expenses	<u>\$ 6,943,036</u>	<u>\$ 35,657</u>	<u>\$ 6,083,563</u>	<u>\$ 28,537</u>
				<u>\$ 6,112,100</u>

**The Scenic Hudson Land Trust, Inc.**  
**Schedule of Land Areas**  
**June 30, 2007 and 2006**

Land areas are held for conservation or for transfer/resale, for the public benefit, and consist of the following at June 30:

	2007	2006
Fishkill Ridge, Mt. Beacon	\$ 1,217,608	\$ 1,217,608
Fishkill Ridge, Mt. Beacon, Fishkill (Capolino)	89,400	89,400
Fishkill Ridge, Birznieks	4,559	4,559
Fishkill Ridge, Texaco	37,805	37,805
Fishkill Ridge, Vassar	111,034	111,034
Fishkill Ridge, NVC	99,447	99,447
Fishkill Ridge, Rodman	1,854,940	1,854,940
Fishkill Ridge, Reichenstein	234,290	-
Mt. Beacon (Bradley), Fishkill	502,799	502,799
Mt. Beacon, Base of, Beacon	443,510	444,256
Beacon Terminal, Beacon	320,886	320,886
Beacon Waterfront - Garrett Storm	881,296	881,296
Beacon Waterfront - Kellam	781,805	781,805
Beacon Waterfront - Cohen	1,608,552	1,608,552
Poet's Walk/Astor Cove I/Mandara	1,726,922	1,726,922
Burger Hill, Rhinebeck	-	339,093
Wappingers Greenway	229,920	229,920
Hyde Park, Drive-In	3,230,345	3,230,345
Hyde Park, FDR/Valkill Link	327,356	1,660,736
Hyde Park - Piney Property	162,916	162,916
Tivoli Bays	516,409	-
Brandow Point, Athens	264,202	264,202
Four Mile Point Road, Coxsackie (Four Mile Point)	217,955	217,955
RamsHorn Marsh, Catskill	237,484	237,484
RamsHorn Marsh, Catskill	402,002	402,002
RamsHorn Marsh, Catskill	167,468	167,468
Vosburgh Swamp, (Rasmussen), Athens	2,426,765	2,426,765
Vosburgh Swamp, (Tufano), Athens	1,336,199	1,336,199
King James Weyant, Ft Montgomery	272,040	272,040
Ft Montgomery Battle Site - Route 9W	417,139	417,139
Snake Hill, New Windsor	1,092,921	1,092,921
Route 9D, Philipstown (Osborn)	40,000	40,000
Canada Hill, Philipstown (Gilbert)	25,364	25,364
Route 9D, Garrison - Manitou (aka Mystery Point)	4,975,768	4,975,768
Westpoint Foundry Preserve (Marin), Cold Spring	523,062	523,062
Westpoint Foundry Preserve (Spevak), Cold Spring	1,924,329	1,924,329
Palmieri Property (Haverstraw)	453,035	480,035
Franny Reese Preserve: Alfano	-	2,299,813
Franny Reese Preserve: Foglia	-	80,550
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
Black Creek - Route 9W, Esopus	2,840,009	2,840,009
Black Creek - Highland Vineyards, Esopus	1,225,303	1,225,303
Shaupeneak Ridge, Esopus	989,779	989,779
Shaupeneak Ridge, Additions	91,303	91,303
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
Hillpoint, Cortland	3,523,465	3,523,465
Binnen Kill - Chi	1,051,683	1,048,495
Stockport - Route 9	461,182	461,182
Stockport - Rod & Gun Road	1,133,227	1,133,227
Totals	<u>\$ 50,175,698</u>	<u>\$ 53,502,393</u>