



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**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
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)	<u>850,000</u>	<u>250,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 248,542,811</u>	<u>\$ 253,230,067</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 988,957	\$ 847,844
Grants payable (Note 10)	1,000,000	3,842
Note payable (Note 11)	<u>5,000,000</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>6,988,957</u>	<u>851,686</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 14)		
<b>NET ASSETS</b> (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)	<u>833,428</u>	<u>682,331</u>
Total unrestricted	<u>75,866,576</u>	<u>72,156,241</u>
Temporarily restricted (Note 15B):		
Endowment	144,952,445	159,109,428
Other temporarily restricted	<u>20,734,833</u>	<u>21,112,712</u>
Total temporarily restricted	<u>165,687,278</u>	<u>180,222,140</u>
<b>TOTAL NET ASSETS</b>	<u>241,553,854</u>	<u>252,378,381</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 248,542,811</u>	<u>\$ 253,230,067</u>

**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 2008	Unrestricted	Temporarily Restricted	Total 2007
<b>OPERATING REVENUES AND SUPPORT (Note 2H):</b>						
Contributions (Notes 2D, 11, 12 and 16B)	\$ 3,469,485	\$ 3,111,421	\$ 6,580,906	\$ 2,480,293	\$ 18,680,812	\$ 21,161,105
Endowment used to meet spending policy (Notes 6 and 15)	6,806,300	-	6,806,300	6,189,314	-	6,189,314
Interest and dividends other than endowment earnings	280,103	-	280,103	153,630	-	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	-	64,680
Net assets released from restrictions (Note 15)	<u>3,472,223</u>	<u>(3,472,223)</u>	-	<u>1,021,844</u>	<u>(1,021,844)</u>	-
<b>Total Operating Revenues and Support</b>	<u>14,490,274</u>	<u>(360,802)</u>	<u>14,129,472</u>	<u>9,909,761</u>	<u>17,658,968</u>	<u>27,568,729</u>
<b>OPERATING EXPENSES (Note 2I):</b>						
Program services (Notes 5 and 11)	9,432,311	-	9,432,311	9,103,684	-	9,103,684
Management and general	564,775	-	564,775	536,559	-	536,559
Fundraising	<u>1,113,135</u>	-	<u>1,113,135</u>	<u>965,242</u>	-	<u>965,242</u>
<b>Total Operating Expenses</b>	<u>11,110,221</u>	-	<u>11,110,221</u>	<u>10,605,485</u>	-	<u>10,605,485</u>
Transfers to board designated endowment	<u>(148,646)</u>	-	<u>(148,646)</u>	<u>(77,862)</u>	-	<u>(77,862)</u>
<b>NET OPERATING ACTIVITY</b>	<u>3,231,407</u>	<u>(360,802)</u>	<u>2,870,605</u>	<u>(773,586)</u>	<u>17,658,968</u>	<u>16,885,382</u>
<b>NON-OPERATING ACTIVITIES (Note 2H):</b>						
Bequests and additions to easement enforcement fund (Notes 2H and 2J)	622,218	-	622,218	75,000	-	75,000
Transfers from operating activities	148,646	-	148,646	77,862	-	77,862
Change in value of split-interest agreements (Note 7)	-	(17,077)	(17,077)	-	16,421	16,421
Easement monitoring expenses	(5,932)	-	(5,932)	(7,811)	-	(7,811)
Investment activity (Note 6)	(704)	(7,635,983)	(7,636,687)	1,115,733	27,111,653	28,227,386
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>(233,400)</u>	<u>(5,955,914)</u>	<u>(6,189,314)</u>
<b>NET NON-OPERATING ACTIVITY</b>	<u>478,928</u>	<u>(14,174,060)</u>	<u>(13,695,132)</u>	<u>1,027,384</u>	<u>21,172,160</u>	<u>22,199,544</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>3,710,335</u>	<u>(14,534,862)</u>	<u>(10,824,527)</u>	<u>253,798</u>	<u>38,831,128</u>	<u>39,084,926</u>
Net assets - beginning of year	<u>72,156,241</u>	<u>180,222,140</u>	<u>252,378,381</u>	<u>71,902,443</u>	<u>141,391,012</u>	<u>213,293,455</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 75,866,576</u>	<u>\$ 165,687,278</u>	<u>\$ 241,553,854</u>	<u>\$ 72,156,241</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**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>380,238</u>	<u>(5,096,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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)	-
<b>Net Cash (Used) Provided by Investing Activities</b>	<u>(4,048,381)</u>	<u>5,087,247</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	5,000,000	-
Cash collected on restricted contributions	600,000	250,000
<b>Net Cash Provided by Financing Activities</b>	<u>5,600,000</u>	<u>250,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,931,857	241,005
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,104,957</u>	<u>1,863,952</u>
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<u>\$ 4,036,814</u>	<u>\$ 2,104,957</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Non-cash investing activities:		
Donated property	<u>\$ 26,000</u>	<u>-</u>

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, 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.



**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)**

It is the Organization's policy, at the discretion of the Board of Directors, to make an annual election for the support of operations an amount equal to a designated percentage of the average asset fair market values of the respective endowments, at the end of the rolling twelve fiscal quarters ending December 31, 2006 and December 31, 2005. For the years ended June 30, 2008 and 2007, the amount to support operations was 5%.

- G. ***Property and Equipment*** - Property and equipment is capitalized by the Organization, provided their cost is \$5,000 or more and their 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 and supporting activities, including an authorized investment income allocation and all contributions, except for bequests 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 program and supporting services has been summarized on a functional basis in the 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 has been established by the Organization.
- K. ***Split-Interest Agreements*** - The Organization's split-interest agreements with donors consist primarily of assets held in a pooled income fund (the "Fund") and an irrevocable charitable remainder unitrust, which are held by third parties. The Fund is governed by an agreement called the Pooled Income Fund Trust Agreement. The Fund 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 to the Organization. Payments to the donor are made based on the rate of return earned by the Fund. The Organization's charitable remainder unitrust is a time-restricted contribution that is not available to the Organization until after the death of the donor and other beneficiaries, who, while living, receive payouts from the trust based on a fixed percentage of the market value of the invested funds each year as stated in the trust agreement.

The Organization recognizes assets and temporarily restricted contribution revenue for its split-interest agreements at the date the agreements are established, net of the liability recorded for the present value of the estimated future payments to be made to the donors 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 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.
- M. ***Reclassifications*** - Certain line items in the June 30, 2007 consolidated financial statements have been reclassified to conform to the June 30, 2008 presentation.

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

**NOTE 3 – PLEDGES RECEIVABLE AND OTHER UNRESTRICTED RECEIVABLES**

Pledges receivable as of June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 2,309,509	\$ 1,433,330
Restricted to future programs and periods	<u>18,030,561</u>	<u>18,417,849</u>
Total pledges receivable, net	<u>\$ 20,340,070</u>	<u>\$ 19,851,179</u>

Pledges receivable are scheduled to be collected as follows as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 1,706,280	\$ 2,382,560
One to four years	<u>20,996,000</u>	<u>20,547,250</u>
	22,702,280	22,929,810
Less: Discount to net present value	(2,329,460)	(3,045,881)
Reserve for uncollectible pledges	<u>(32,750)</u>	<u>(32,750)</u>
Total pledges receivable, net	<u>\$ 20,340,070</u>	<u>\$ 19,851,179</u>

Pledges receivable 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 1.8% to 4.75% and 4% to 5% as of June 30, 2008 and 2007, respectively.

During the year ended June 30, 2007, the Organization secured a \$1,000,000 conditional pledge. Pledge payments due over the ensuing two to three years are conditional based on progress and reporting satisfactory to the donor. Accordingly, the Organization has only recorded revenue of \$500,000 and \$250,000 related to this pledge for the years ended June 30, 2008 and 2007, respectively, the extent to which the donor has made payments. As of June 30, 2008 and 2007, the payments received from the donor amounted to \$750,000 and \$250,000, respectively, and have been included in assets whose use is limited - donor restricted in the accompanying consolidated statements of financial position (see Note 9).

Other unrestricted receivables consist predominantly of amounts due from government agencies related to the sales of land areas and completion of certain projects.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 75,093	\$ 69,039	3-7 Years
Transportation equipment	48,184	47,095	4-5 Years
Leasehold improvements	<u>23,910</u>	<u>23,910</u>	5 Years
Total cost	147,187	140,044	
Less: accumulated depreciation and amortization	<u>(111,680)</u>	<u>(125,513)</u>	
Net book value	<u>\$ 35,507</u>	<u>\$ 14,531</u>	

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

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

Land areas for the public benefit consist of land held for conservation or for transfer/resale. During the years ended June 30, 2008 and 2007, the Organization acquired land areas for a total of \$3,857,759 (includes donated land valued at \$26,000) and \$753,887, respectively. For the year ending June 30, 2008, the Organization sold six properties that cost \$3,722,605 for proceeds of \$4,131,770, incurring a net realized net gain of \$409,165 which is included in the consolidated statements of activities as realized gain on sale of land and other assets. During the year ended June 30, 2007, the Organization sold six properties that cost \$4,080,581 for proceeds of \$3,408,109, incurring a net expense of \$672,472 which is included in the consolidated statements of activities as program services expense.

The Organization held conservation easements on various properties in New York State as of June 30, 2008 and 2007. During the years ended June 30, 2008 and 2007, the Organization purchased easements, inclusive of closing costs, for \$2,258,092 and \$2,653,488, respectively.

**NOTE 6 – INVESTMENTS**

Investments consist of the following as of June 30, 2008 and 2007:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Equity securities	\$ 59,470,767	\$ 55,321,515	\$ 45,409,494	\$ 33,828,254
Limited partnerships - equity securities	21,644,290	20,281,469	23,862,914	16,776,877
Mutual funds - equity securities	38,756,723	29,323,570	62,254,783	47,187,816
Fixed income - securities and mutual funds	28,300,126	28,018,764	29,247,006	30,072,190
Alternative investments (hedge funds and funds of funds)	16,228,403	11,156,353	16,683,132	11,148,272
Money market funds	6,027,469	6,027,469	521,763	521,763
	<u>\$ 170,427,778</u>	<u>\$ 150,129,140</u>	<u>\$ 177,979,092</u>	<u>\$ 139,535,172</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 effect on balances reported in the consolidated statements of financial position and the consolidated statements of activities.

As of June 30, 2008, concentrations of the Organization's investments in excess of 10% of fair value of its portfolio included approximately 15% invested in the PIMCO mutual funds, 14% in a Vanguard mutual fund and 13% in Silchester, LP. As of June 30, 2007, concentrations of the Organization's 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.

Certain fixed income investments serve as collateral for the Organization's note payable as further described in Note 11 of the consolidated financial statements.

In July 2008, the Organization made a commitment to invest \$5 million in capital to a limited partnership. As of August 15, 2008, the Organization had invested \$1 million of this commitment.

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

**NOTE 6 – INVESTMENTS (Continued)**

The components of investment activity by entity for the year ended June 30, 2008 follows:

	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total
Investments, at fair value as of June 30, 2007	\$ 8,155,002	\$ 169,824,090	\$ 177,979,092
Interest and dividends	210,590	3,506,370	3,716,960
Net change in realized/unrealized gain/(loss) on investments reported at fair value from 7/1/07-6/30/08	(273,179)	(10,467,254)	(10,740,433)
Investment fees	(23,612)	(589,602)	(613,214)
Total investment activity	(86,201)	(7,550,486)	(7,636,687)
Investment activity allocated to operating activities	24,819	38,264	63,083
Purchases of new investments	22,290	-	22,290
Subtotal	47,109	38,264	85,373
Net decrease in investments	(39,092)	(7,512,222)	(7,551,314)
Investments, at fair value as of June 30, 2008	\$ 8,115,910	\$ 162,311,868	\$ 170,427,778
Net return on investments during the year	(1.06%)	(4.45%)	(4.29%)

The components of investment activity by entity for the year ended June 30, 2007 follows:

	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total
Investments, at fair value as of June 30, 2006	\$ 7,099,305	\$ 148,042,857	\$ 155,142,162
Interest and dividends	186,649	3,197,302	3,383,951
Net change in realized/unrealized gain/(loss) on investments reported at fair value from 7/1/06-6/30/07	873,720	24,646,233	25,519,953
Investment fees	(22,809)	(653,709)	(676,518)
Total investment activity	1,037,560	27,189,826	28,227,386
Investment activity allocated to operating activities	18,137	91,407	109,544
Investments sold to fund program activities	-	(5,500,000)	(5,500,000)
Subtotal	18,137	(5,408,593)	(5,390,456)
Net increase in investments	1,055,697	21,781,233	22,836,930
Investments, at fair value as of June 30, 2007	\$ 8,155,002	\$ 169,824,090	\$ 177,979,092
Net return on investments during the year	14.6%	18.4%	18.2%

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

**NOTE 6 – INVESTMENTS (Continued)**

The classification of investment activity in the consolidated statement of activities for the year ended June 30, 2008 follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 210,590	\$ 3,506,370	\$ 3,716,960
Realized gains	239,108	7,165,740	7,404,848
Unrealized losses	(512,287)	(17,632,994)	(18,145,281)
Investment fees	(23,612)	(589,602)	(613,214)
Total return on investments	(86,201)	(7,550,486)	(7,636,687)
Earnings allocated to Board designated easement enforcement fund (Note 15A)	85,497	(85,497)	-
	(704)	(7,635,983)	(7,636,687)
Endowment used to meet spending policy (Note 2F)	6,806,300	-	6,806,300
Endowment used to meet spending policy for Board designated – other (Note 15A)	(285,300)	-	(285,300)
Endowment used to meet spending policy for Wallace Endowment (Note 15B)	-	(6,521,000)	(6,521,000)
	<u>\$ 6,520,296</u>	<u>\$ (14,156,983)</u>	<u>\$ (7,636,687)</u>

The classification of investment activity in the consolidated statement of activities for the year ended June 30, 2007 follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 186,649	\$ 3,197,302	\$ 3,383,951
Realized gains	322,710	11,259,827	11,582,537
Unrealized gains	551,010	13,386,406	13,937,416
Investment fees	(22,809)	(653,709)	(676,518)
	1,037,560	27,189,826	28,227,386
Earnings allocated to Board designated easement enforcement fund (Note 15A)	78,173	(78,173)	-
	1,115,733	27,111,653	28,227,386
Endowment used to meet spending policy (Note 2F)	6,189,314	-	6,189,314
Endowment used to meet spending policy for Board designated – other (Note 15A)	(233,400)	-	(233,400)
Endowment used to meet spending policy for Wallace Endowment (Note 15B)	-	(5,955,914)	(5,955,914)
	<u>\$ 7,071,647</u>	<u>\$ 21,155,739</u>	<u>\$ 28,227,386</u>



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

**NOTE 7 – SPLIT-INTEREST AGREEMENTS**

A. ***Pooled Income Fund*** - The present value of the future interest is summarized as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Fair market value	\$ 90,350	\$ 94,097
Less: Estimated future liability	<u>(18,248)</u>	<u>(20,079)</u>
Present value of future interest	<u>\$ 72,102</u>	<u>\$ 74,018</u>

The present value of the estimated future interest is calculated using a discount rate of 4.948% as of June 30, 2008 and 2007 and applicable life expectancy tables.

B. ***Charitable Remainder Unitrust*** - The present value of the future interest is summarized as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Fair market value	\$ 133,515	\$ 152,006
Less: Estimated future liability	<u>(17,525)</u>	<u>(20,855)</u>
Present value of future interest	<u>\$ 115,990</u>	<u>\$ 131,151</u>

The present value of the estimated future interest is calculated using a discount rate of 3.8% and 5.6% as of June 30, 2008 and 2007, respectively, and applicable life expectancy tables.

The majority of the underlying assets of the Organization's split interest agreements are held in equities and fixed income securities.

**NOTE 8 – DEVELOPMENT COSTS**

During the year ended June 30, 2008, the Organization incurred costs, through Beacon Waterfront, LLC, in engineering and architectural designs and plans for the development of the City of Beacon waterfront. As of June 30, 2008, the Organization has capitalized costs of \$825,032 related to this project which are reflected as development costs in the accompanying consolidated statements of financial position. These capitalized costs may be reimbursed by the developer of the project upon completion.

**NOTE 9 – ASSETS WHOSE USE IS LIMITED – DONOR RESTRICTED**

As of June 30, 2008 and 2007, the Organization had received cash of \$100,000 and \$0, respectively, from a donor which is to be invested in a high yield money market account and is subject to future designation by the donor. In addition, as of June 30, 2008 and 2007, the Organization had received \$750,000 and \$250,000, respectively, with donor imposed restrictions designated for a specific project.

**NOTE 10 – GRANTS PAYABLE**

In 2008, the Organization made a grant to another nonprofit organization for the Walkway Over the Hudson project. As of June 30, 2008 and 2007, grants payable are scheduled to be paid as follows:

	<u>2008</u>	<u>2007</u>
Payable within one year	<u>\$ 1,000,000</u>	<u>\$ 3,842</u>



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

**NOTE 11 – NOTE PAYABLE**

In fiscal year 2008, the Organization secured an interest-free loan from a donor 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 is repayable upon the collection of certain pledges receivable and the life (maturity date) of the loan is estimated based on the estimated date of collection of the pledges receivable. The loan has been discounted using the Organization's estimated borrowing rate of 5.68%. The discount is being amortized over the expected life of the loan. Imputed interest expense and a related contribution in-kind of \$187,000 were recognized for the loan for the year ended June 30, 2008. Such amounts are included in contribution revenue and program services expense in the accompanying consolidated statements of activities. The note payable was as follows as of June 30, 2008:

Present value of the note payable	\$ 4,253,000
Imputed interest	<u>747,000</u>
Total note payable	<u>\$ 5,000,000</u>

**NOTE 12 – SPECIAL EVENTS INCOME**

Special events income, net of costs of direct benefits to donors (example: meals, facilities rental, etc.), is included in contributions in the accompanying consolidated statements of activities and consists of the following for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Proceeds	\$ 357,508	\$ 409,848
Less: costs of direct benefits to donors	<u>(80,118)</u>	<u>(45,500)</u>
Special events income, net of direct expenses	<u>\$ 277,390</u>	<u>\$ 364,348</u>

**NOTE 13 – PENSION PLAN**

The Organization has a tax deferred annuity 403(b) plan for eligible employees. The Organization contributes 6% of eligible employees' salaries to the plan annually. The cost to the Organization for this plan for the years ended June 30, 2008 and 2007 amounted to \$163,474 and \$154,379, respectively. The Organization also offers a deferred compensation arrangement under Section 457(b) of the IRC for key employees. The Organization does not make any contributions to the 457(b) plan. The Organization and the President are also parties to a 457(f) plan. The Organization contributed \$44,703 and \$20,690 to the 457(f) plan for the years ended June 30, 2008 and 2007, respectively.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

- A. As of June 30, 2008 and 2007, the Organization had deposits of \$80,000 and \$65,000, respectively, on contracts to purchase land areas and conservation easements. Such amounts are included as prepaid expenses and other assets in the accompanying consolidated statements of financial position and were for the purchase of land areas and conservation easements as follows as of June 30:

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

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

	<u>2008</u>	<u>2007</u>
Stockport Holdings	\$ 1,150,000	\$ -
Illinois Mountain	1,412,827	-
Timber Cove	652,641	-
Conservation Easements	1,388,650	-
Black Creek Parcel	-	1,048,000
Beacon Parcel	-	1,240,000
	<u>\$ 4,604,118</u>	<u>\$ 2,288,000</u>

- B. The Organization's lease agreement for office space provides for future minimum rental payments as follows:

2009	\$ 289,100
2010	289,100
2011	289,100
2012	<u>216,825</u>
	<u>\$ 1,084,125</u>

The minimum rental payments are subject to adjustments based on increases in real estate taxes, insurance and other operating expenses. The rent expense for the years ended June 30, 2008 and 2007 amounted to approximately \$300,000 and \$269,000, respectively.

- C. 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 consolidated financial statements.
- D. The Organization and The Village of Irvington (the "Village") are tenants-in-common with a 60% and 40% undivided interest, respectively, in certain property and have entered into a co-ownership agreement on February 11, 1997 with a twenty-year term. The Organization 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 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 cannot sell, lease, mortgage or otherwise encumber the property without the Organization's prior approval. The Village 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 has fulfilled its obligations, the Village 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.

- E. The Organization and the Village of Haverstraw (the "Village") 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.

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

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

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 Organization which dedicates the use of the land to public park purposes in perpetuity.

- F. 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.

Provided that the Agreement is in full force and effect on the fifteenth anniversary of the commencement date, 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 insuring its management and use as a public park and not-for-profit touristic, interpretive and educational amenity.

- G. 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, both the "Northerly" and "Southerly" portions. The "Northerly" portion shall remain in the ownership of the Organization until the 15<sup>th</sup> anniversary of the commencement date, which will be July 10, 2014. 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.
- H. Highlands Battlesite Properties, 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 at below fair market value.

**NOTE 15 – RESTRICTIONS ON NET ASSETS**

- A. **Board Designated Net Assets** - Board designated net assets, reflected as Board designated – other 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 \$285,300 and \$233,400, designated as endowment gains 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, 2008 and 2007, 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 Organization's contractual rights and privileges established through conservation easements owned. The easement enforcement fund net asset balance amounted to \$833,428 and \$682,331 as of June 30, 2008 and 2007, respectively.

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

**NOTE 15 – RESTRICTIONS ON NET ASSETS (Continued)**

- 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 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.

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, 2008 and 2007, 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, 2006 and December 31, 2005, and that management may withdraw these amounts at their discretion to meet program needs. Accordingly, investment income of \$6,521,000 and \$5,955,914, 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, 2008 and 2007, respectively.

Temporarily restricted net assets consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Scenic Hudson, Inc.:		
Restricted to future programs and periods	\$ 18,310,095	\$ 19,047,109
Future interest in pooled income fund	72,102	74,018
Future interest in charitable remainder trust	<u>115,990</u>	<u>131,151</u>
	<u>18,498,187</u>	<u>19,252,278</u>
The Scenic Hudson Land Trust, Inc.:		
Lila Acheson and DeWitt Wallace Hudson Valley Land Preservation Endowment	144,952,445	159,109,428
Land acquisitions and other land preservation and conservation expenses	<u>2,236,646</u>	<u>1,860,434</u>
	<u>147,189,091</u>	<u>160,969,862</u>
Total temporarily restricted net assets	<u>\$ 165,687,278</u>	<u>\$ 180,222,140</u>

During the years ended June 30, 2008 and 2007, the Organization released temporarily restricted net assets by incurring expenses or the passage of time, thus satisfying the restrictions.

**NOTE 16 – CONCENTRATIONS**

- A. The Organization maintains its cash and cash equivalent balances in financial institutions located in the United States of America. Cash accounts that potentially subject the Organization to a concentration of credit risk include cash accounts with banks in excess of FDIC insurance limits (\$100,000) by approximately \$88,000 and \$26,000, as of June 30, 2008 and 2007, respectively. In addition, the Organization has cash held in money market funds that were not insured which amounted to approximately \$4,771,000 and \$2,229,000 as of June 30, 2008 and 2007, respectively.



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

**NOTE 16 – CONCENTRATIONS (Continued)**

- B. For the year ended June 30, 2007, a single donor contributed \$20,000,000 to the Organization. Such promise to give was recorded net of a discount to present value and the net contribution amounted to approximately 80% of total contributions and approximately 34% of total revenue for the year ended June 30, 2007. As of June 30, 2008 and 2007, the net pledge receivable associated with this contribution amounted to approximately 86% and 86%, respectively, of the total pledges receivable.

**NOTE 17 – 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 pledges receivable and fair value of investments and notes payable have been presented in Notes 3, 6 and 11, respectively. The carrying amount of all other financial instruments approximates fair value because of their short maturity.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2008 AND 2007**

	As of June 30, 2008				As of June 30, 2007			
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Eliminations	Consolidated Total 2008	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Eliminations	Consolidated Total 2007
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,340,505	\$ 1,696,309	\$ -	\$ 4,036,814	\$ 1,304,101	\$ 800,856	\$ -	\$ 2,104,957
Pledges receivable, net	19,453,590	886,480	-	20,340,070	18,884,761	966,418	-	19,851,179
Other unrestricted receivables	-	1,260,664	-	1,260,664	-	2,380,363	-	2,380,363
Investments, at fair value	8,115,910	162,311,868	-	170,427,778	8,155,002	169,824,090	-	177,979,092
Due from related party	2,914,716	-	(2,914,716)	-	-	-	-	-
Prepaid expenses and other assets	40,065	227,937	-	268,002	45,367	223,711	-	269,078
Property and equipment, net	33,485	2,022	-	35,507	8,465	6,066	-	14,531
Land areas, at cost	-	50,310,852	-	50,310,852	-	50,175,698	-	50,175,698
Assets held in split-interest agreements	188,092	-	-	188,092	205,169	-	-	205,169
Development costs	-	825,032	-	825,032	-	-	-	-
Assets whose use is limited - donor restricted	100,000	750,000	-	850,000	-	250,000	-	250,000
<b>TOTAL ASSETS</b>	<b>\$ 33,186,363</b>	<b>\$ 218,271,164</b>	<b>\$ (2,914,716)</b>	<b>\$ 248,542,811</b>	<b>\$ 28,602,865</b>	<b>\$ 224,627,202</b>	<b>\$ -</b>	<b>\$ 253,230,067</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 384,395	\$ 604,562	\$ -	\$ 988,957	\$ 448,261	\$ 399,583	\$ -	\$ 847,844
Grants payable	-	1,000,000	-	1,000,000	3,842	-	-	3,842
Due to related party	-	2,914,716	(2,914,716)	-	-	-	-	-
Note payable	5,000,000	-	-	5,000,000	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,384,395</b>	<b>4,519,278</b>	<b>(2,914,716)</b>	<b>6,988,957</b>	<b>452,103</b>	<b>399,583</b>	<b>-</b>	<b>851,686</b>
<b>NET ASSETS</b>								
Unrestricted:								
Operating	1,430,362	65,729,367	-	67,159,729	1,352,896	62,575,426	-	63,928,322
Board designated - other	7,873,419	-	-	7,873,419	7,545,588	-	-	7,545,588
Board designated - easement enforcement fund	-	833,428	-	833,428	-	682,331	-	682,331
Total unrestricted	9,303,781	66,562,795	-	75,866,576	8,898,484	63,257,757	-	72,156,241
Temporarily restricted:								
Endowment	-	144,952,445	-	144,952,445	-	159,109,428	-	159,109,428
Other temporarily restricted	18,498,187	2,236,646	-	20,734,833	19,252,278	1,860,434	-	21,112,712
Total temporarily restricted	18,498,187	147,189,091	-	165,687,278	19,252,278	160,969,862	-	180,222,140
<b>TOTAL NET ASSETS</b>	<b>27,801,968</b>	<b>213,751,886</b>	<b>-</b>	<b>241,553,854</b>	<b>28,150,762</b>	<b>224,227,619</b>	<b>-</b>	<b>252,378,381</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 33,186,363</b>	<b>\$ 218,271,164</b>	<b>\$ (2,914,716)</b>	<b>\$ 248,542,811</b>	<b>\$ 28,602,865</b>	<b>\$ 224,627,202</b>	<b>\$ -</b>	<b>\$ 253,230,067</b>

See independent auditors' report.



### OPERATING REVENUES AND SUPPORT:

### OPERATING REVENUES AND SUPPORT:

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

	Scenic Hudson, Inc.		The Scenic Hudson Land Trust, Inc.			Consolidating Eliminations	Consolidated Total 2007
	Unrestricted	Temporarily Restricted	Total 2007	Unrestricted	Temporarily Restricted		
<b>OPERATING REVENUES AND SUPPORT:</b>							
Contributions	\$ 4,124,237	\$ 18,120,813	\$ 22,245,050	\$ 31,056	\$ 559,999	\$ (1,675,000)	\$ 21,161,105
Endowment used to meet spending policy	233,400	-	233,400	5,955,914	-	-	6,189,314
Interest and dividends other than endowment earnings	63,438	-	63,438	90,192	-	-	153,630
Realized gain on sale of land and other assets	-	-	-	-	-	-	-
Other revenues	344	-	344	64,336	-	-	64,680
Net assets released from restrictions	990,919	(990,919)	-	30,925	(30,925)	-	-
<b>Total Operating Revenues and Support</b>	<b>5,412,338</b>	<b>17,129,894</b>	<b>22,542,232</b>	<b>6,172,423</b>	<b>529,074</b>	<b>(1,675,000)</b>	<b>27,568,729</b>
<b>OPERATING EXPENSES:</b>							
Program services	3,835,648	-	3,835,648	6,758,793	-	(1,490,757)	9,103,684
Management and general	500,902	-	500,902	199,531	-	(163,874)	536,559
Fundraising	965,242	-	965,242	20,369	-	(20,369)	965,242
<b>Total Operating Expenses</b>	<b>5,301,792</b>	<b>-</b>	<b>5,301,792</b>	<b>6,978,693</b>	<b>-</b>	<b>(1,675,000)</b>	<b>10,605,485</b>
Transfers to board designated endowment	(77,862)	-	(77,862)	-	-	-	(77,862)
<b>NET OPERATING ACTIVITY</b>	<b>32,684</b>	<b>17,129,894</b>	<b>17,162,578</b>	<b>(806,270)</b>	<b>529,074</b>	<b>-</b>	<b>16,885,382</b>
<b>NON-OPERATING ACTIVITIES</b>							
Bequests and additions to easement enforcement fund	-	-	-	75,000	-	-	75,000
Transfer from operating activities	77,862	-	77,862	-	-	-	77,862
Change in value of split-interest agreements	-	16,421	16,421	-	-	-	16,421
Easement monitoring expenses	-	-	-	(7,811)	-	-	(7,811)
Investment activity	1,037,560	-	1,037,560	78,173	27,111,653	-	28,227,386
Endowment used to meet spending policy	(233,400)	-	(233,400)	-	(5,955,914)	-	(6,189,314)
<b>NET NON-OPERATING ACTIVITY</b>	<b>882,022</b>	<b>16,421</b>	<b>898,443</b>	<b>145,362</b>	<b>21,155,739</b>	<b>-</b>	<b>22,199,544</b>
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>914,706</b>	<b>17,146,315</b>	<b>18,061,021</b>	<b>(660,908)</b>	<b>21,684,813</b>	<b>-</b>	<b>39,084,926</b>
Net assets - beginning of year	7,983,778	2,105,963	10,089,741	63,918,665	139,285,049	-	213,293,455
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 8,898,484</b>	<b>\$ 19,252,278</b>	<b>\$ 28,150,762</b>	<b>\$ 63,257,757</b>	<b>\$ 160,969,862</b>	<b>\$ -</b>	<b>\$ 252,378,381</b>

See independent auditors' report.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
(SCENIC HUDSON, INC.)  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services				Supporting Services			TOTAL EXPENSES 2008
	Land Acquisition	Parks	Land Use	Communications	Total Program Services	Management and Administration	Fundraising Supporting Services	
Salaries	\$ 820,481	\$ 457,091	\$ 716,024	\$ 535,646	\$ 2,529,242	\$ 280,262	\$ 644,608	\$ 3,454,112
Payroll taxes and employee benefits	162,746	92,197	143,452	108,042	506,437	56,128	130,020	692,585
Total salaries and related costs	983,227	549,288	859,476	643,688	3,035,679	336,390	774,628	4,146,697
Occupancy	81,270	78,759	83,142	46,950	290,121	45,764	59,872	395,757
Consultants and experts	33,248	16,392	116,743	34,597	200,980	1,985	147,371	350,336
Legal and audit	-	-	20,015	-	20,015	31,959	1,855	53,829
Employee travel and training	26,609	22,655	28,787	14,586	92,637	7,049	16,928	116,614
Office - general	53,033	19,833	19,181	13,711	105,758	18,930	24,959	149,647
Equipment	26,999	7,740	3,227	130	38,096	5,802	2,100	45,998
Program and public outreach costs	18,236	49,038	20,149	86,073	173,496	22,685	85,422	281,603
Interest	187,000	-	-	-	187,000	-	-	187,000
Depreciation and amortization	7,937	-	-	-	7,937	-	-	7,937
<b>TOTAL - 2008</b>	<b>\$ 1,417,559</b>	<b>\$ 743,705</b>	<b>\$ 1,150,720</b>	<b>\$ 839,735</b>	<b>\$ 4,151,719</b>	<b>\$ 470,564</b>	<b>\$ 1,113,135</b>	<b>\$ 5,735,418</b>

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
(SCENIC HUDSON, INC.)  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services				Total Program Services	Supporting Services			TOTAL EXPENSES 2007
	Land Acquisition	Parks	Land Use	Communications		Management and Administration	Fundraising	Total Supporting Services	
Salaries	\$ 718,072	\$ 506,169	\$ 790,256	\$ 454,826	\$ 2,469,323	\$ 260,528	\$ 608,036	\$ 868,564	\$ 3,337,887
Payroll taxes and employee benefits	143,799	101,364	158,254	91,082	494,499	52,173	121,763	173,936	668,435
Total salaries and related costs	861,871	607,533	948,510	545,908	2,963,822	312,701	729,799	1,042,500	4,006,322
Occupancy	78,630	72,188	82,522	53,617	286,957	25,834	64,402	90,236	377,193
Consultants and experts	23,847	20,587	168,967	13,036	226,437	38,075	11,485	49,560	275,997
Legal and audit	-	-	26,030	112	26,142	19,850	1,624	21,474	47,616
Employee travel and training	32,539	24,436	19,643	10,474	87,092	21,546	9,324	30,870	117,962
Office - general	22,179	12,419	12,286	14,277	61,161	37,068	24,289	61,357	122,518
Equipment	16,235	980	2,804	7,328	27,347	2,868	542	3,410	30,757
Program and public outreach costs	23,873	14,301	15,238	92,527	145,939	42,960	123,777	166,737	312,676
Depreciation and amortization	10,751	-	-	-	10,751	-	-	-	10,751
TOTAL - 2007	\$ 1,069,925	\$ 752,444	\$ 1,276,000	\$ 737,279	\$ 3,835,648	\$ 500,902	\$ 965,242	\$ 1,466,144	\$ 5,301,792

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
(THE SCENIC HUDSON LAND TRUST, INC.)  
SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	FOR THE YEAR ENDED JUNE 30, 2008				FOR THE YEAR ENDED JUNE 30, 2007			
	Land Management, Preservation and Conservation Easements	Management and Administration	Fundraising	TOTAL EXPENSES 2008	Land Management, Preservation and Conservation Easements	Management and Administration	Fundraising	TOTAL EXPENSES 2007
Conservation easements and closing costs	\$ 2,258,092	\$ -	\$ -	\$ 2,258,092	\$ 2,653,488	\$ -	\$ -	\$ 2,653,488
Land project expenses	1,329,820	-	-	1,329,820	1,072,717	-	-	1,072,717
Program management services	1,538,950	177,133	22,017	1,738,100	1,423,757	55,874	20,369	1,500,000
Grants and contributions	1,141,000	-	-	1,141,000	388,335	-	-	388,335
Grant to Scenic Hudson	-	-	-	-	-	108,000	-	108,000
Loss on sale/transfer of property interests to state and local government agencies and other nonprofit organizations	-	-	-	-	616,838	-	-	616,838
Remediation expense	80,240	-	-	80,240	132,000	-	-	132,000
Property taxes	218,594	-	-	218,594	258,931	-	-	258,931
Insurance	77,184	-	-	77,184	82,165	-	-	82,165
Legal and audit fees	59,697	94,211	-	153,908	46,638	35,657	-	82,295
Rental expenses	23,256	-	-	23,256	32,675	-	-	32,675
Miscellaneous	88,665	-	-	88,665	47,205	-	-	47,205
Depreciation and amortization	4,044	-	-	4,044	4,044	-	-	4,044
<b>TOTAL</b>	<b>\$ 6,819,542</b>	<b>\$ 271,344</b>	<b>\$ 22,017</b>	<b>\$ 7,112,903</b>	<b>\$ 6,758,793</b>	<b>\$ 199,531</b>	<b>\$ 20,369</b>	<b>\$ 6,978,693</b>

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**(THE SCENIC HUDSON LAND TRUST, INC.)**  
**SCHEDULES OF LAND AREAS**  
**AS OF JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Fishkill Ridge, Mt. Beacon	\$ 1,217,608	\$ 1,217,608
Fishkill Ridge, Mt. Beacon, Fishkill (Capolino)	89,400	89,400
Fishkill Ridge, Birznies	-	4,559
Fishkill Ridge, Texaco	-	37,805
Fishkill Ridge, Vassar	-	111,034
Fishkill Ridge, Rodman	-	1,854,940
Fishkill Ridge, NVC	99,447	99,447
Fishkill Ridge, Reichenstein	249,190	234,290
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	3,271,653
Beacon Waterfront LLC	1,563,969	-
Beacon, University Settlement Camp	36,001	-
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	-
Hyde Park, Golden	410,825	-
Hyde Park, Drive-In	3,230,345	3,230,345
Hyde Park, FDR/Valkill Link	327,356	327,356
Hyde Park, Piney Property	162,916	162,916
Tivoli Bays	516,409	516,409
Brandow Point, Athens	264,202	264,202
Binnen Kill - Chi	413,472	1,051,683
Mt. Merino - Olana	1,018,113	-
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
Stockport - Route 9	461,182	461,182
Stockport - Rod & Gun Road	75,172	1,133,227
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
Philipstown, Route 9D (Osborn)	40,000	40,000
Philipstown, Canada Hill (Gilbert)	25,364	25,364
Garrison, Route 9D, 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
Haverstraw, Palmieri Property	435,035	453,035
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
Black Creek - Gordon	1,108,701	-
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
Cortland, Hillpoint	3,523,465	3,523,465
	<u>\$ 50,310,852</u>	<u>\$ 50,175,698</u>

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