



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

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2011 and 2010

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

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Basic Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities.....	3
Consolidated Statements of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5-23
Supplementary Information:	
Consolidating Schedules of Financial Position as of June 30, 2011 and 2010.....	24
Consolidating Schedule of Activities for the Year Ended June 30, 2011	25
Consolidating Schedule of Activities for the Year Ended June 30, 2010	26
Schedules of Functional Expenses (Scenic Hudson, Inc.) for the Years Ended June 30, 2011 and 2010.....	27
Schedules of Functional Expenses (The Scenic Hudson Land Trust, Inc.) for the Years Ended June 30, 2011 and 2010	28
Schedules of Land Areas (The Scenic Hudson Land Trust, Inc.) as of June 30, 2011 and 2010	29



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (collectively, the "Organization") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted 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 on pages 24 through 29 is presented for the purpose of additional analysis of the basic 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. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Marks Paneth & Shron LLP

New York, NY
September 9, 2011

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes 2C and 15A)	\$ 8,787,249	\$ 7,506,272
Pledges receivable, net (Notes 2D, 2E, 3, 10 and 15B)	27,085,400	22,017,515
Investments, at fair value (Notes 2F, 6, 10, 13H and 16)	150,672,620	132,170,897
Prepaid expenses and other assets (Notes 8 and 13A)	444,942	599,682
Property and equipment, net (Notes 2G and 4)	42,832	22,163
Land areas, at cost (Notes 2L, 5, 13D, 13E, 13F and 13G)	59,314,474	57,687,845
Assets held in split-interest agreements (Notes 2K, 7 and 14B)	83,005	76,069
Assets whose use is limited - donor restricted (Note 17)	<u>-</u>	<u>1,200,805</u>
TOTAL ASSETS	<u>\$ 246,430,522</u>	<u>\$ 221,281,248</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,595,006	\$ 1,630,908
Grants payable (Note 9)	40,256	1,401,390
Notes and mortgages payable (Note 10)	<u>6,000,000</u>	<u>6,000,000</u>
TOTAL LIABILITIES	<u>8,635,262</u>	<u>9,032,298</u>
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Note 2B)		
Unrestricted:		
Operating	69,786,947	67,319,329
Board designated - other endowment (Notes 14A and 14C)	10,869,157	9,326,869
Board designated - easement enforcement fund (Notes 14A and 14C)	991,973	856,070
Total unrestricted	<u>81,648,077</u>	<u>77,502,268</u>
Temporarily restricted (Note 14B):		
Endowment (Note 14C)	138,821,213	118,478,529
Other temporarily restricted	17,325,970	16,268,153
Total temporarily restricted	<u>156,147,183</u>	<u>134,746,682</u>
TOTAL NET ASSETS	<u>237,795,260</u>	<u>212,248,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 246,430,522</u>	<u>\$ 221,281,248</u>

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010		
	Unrestricted	Temporarily Restricted	Total 2011	Unrestricted	Temporarily Restricted	Total 2010
OPERATING REVENUES AND SUPPORT (Note 2H):						
Contributions (Notes 2D, 10 and 11)	\$ 11,302,351	\$ 2,808,988	\$ 14,111,339	\$ 5,422,659	\$ 2,428,179	\$ 7,850,838
Endowment earnings used to meet spending policy (Note 14)	7,032,294	-	7,032,294	7,448,000	-	7,448,000
Investment activity other than endowment earnings	10,568	-	10,568	6,392	-	6,392
Loss on disposition of property and equipment (Note 4)	(3,692)	-	(3,692)	-	-	-
Other revenues	18,837	-	18,837	23,978	-	23,978
Net assets released from restrictions (Note 14)	<u>1,758,107</u>	<u>(1,758,107)</u>	-	<u>6,826,171</u>	<u>(6,826,171)</u>	-
Total Operating Revenues and Support	<u>20,118,465</u>	<u>1,050,881</u>	<u>21,169,346</u>	<u>19,727,200</u>	<u>(4,397,992)</u>	<u>15,329,208</u>
OPERATING EXPENSES (Note 2I):						
Program services (Notes 5, 8 and 10)	15,835,830	-	15,835,830	16,160,755	-	16,160,755
Management and general	779,554	-	779,554	627,963	-	627,963
Fundraising	<u>1,035,463</u>	-	<u>1,035,463</u>	<u>1,198,376</u>	-	<u>1,198,376</u>
Total Operating Expenses	<u>17,650,847</u>	-	<u>17,650,847</u>	<u>17,987,094</u>	-	<u>17,987,094</u>
NET OPERATING ACTIVITY	<u>2,467,618</u>	<u>1,050,881</u>	<u>3,518,499</u>	<u>1,740,106</u>	<u>(4,397,992)</u>	<u>(2,657,886)</u>
Transfers to board designated endowment	-	-	-	<u>(366,578)</u>	-	<u>(366,578)</u>
NET OPERATING ACTIVITY AFTER TRANSFERS	<u>2,467,618</u>	<u>1,050,881</u>	<u>3,518,499</u>	<u>1,373,528</u>	<u>(4,397,992)</u>	<u>(3,024,464)</u>
NON-OPERATING ACTIVITIES (Note 2H):						
Bequests and additions to Board designated funds (Notes 2H and 2J)	47,200	-	47,200	1,119,976	(112,939)	1,007,037
Transfers from operating activities	-	-	-	366,578	-	366,578
Change in value of split-interest agreements (Note 7)	-	6,936	6,936	-	31,593	31,593
Easement monitoring expenses	-	-	-	(128)	-	(128)
Investment activity (Note 6)	2,081,885	26,924,084	29,005,969	1,319,034	16,901,581	18,220,615
Endowment earnings used to meet spending policy (Note 14)	<u>(450,894)</u>	<u>(6,581,400)</u>	<u>(7,032,294)</u>	<u>(353,000)</u>	<u>(7,095,000)</u>	<u>(7,448,000)</u>
NET NON-OPERATING ACTIVITY	<u>1,678,191</u>	<u>20,349,620</u>	<u>22,027,811</u>	<u>2,452,460</u>	<u>9,725,235</u>	<u>12,177,695</u>
CHANGE IN TOTAL NET ASSETS	<u>4,145,809</u>	<u>21,400,501</u>	<u>25,546,310</u>	<u>3,825,988</u>	<u>5,327,243</u>	<u>9,153,231</u>
Net Assets - Beginning of Year	<u>77,502,268</u>	<u>134,746,682</u>	<u>212,248,950</u>	<u>73,676,280</u>	<u>129,419,439</u>	<u>203,095,719</u>
NET ASSETS - END OF YEAR	<u>\$ 81,648,077</u>	<u>\$ 156,147,183</u>	<u>\$ 237,795,260</u>	<u>\$ 77,502,268</u>	<u>\$ 134,746,682</u>	<u>\$ 212,248,950</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,546,310	\$ 9,153,231
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	8,259	5,661
Change in value of split-interest agreements	(6,936)	(31,593)
Change in discount on pledges receivable	172,095	(883,272)
Realized gain on sales of investments	(4,975,662)	(4,294,251)
Unrealized gain on investments	(21,494,724)	(11,592,970)
Loss on disposition of property and equipment	3,692	-
Loss on sale/transfer of property interests to state and local governmental agencies and other nonprofit organizations	2,242,889	385,251
Write down of development costs	-	958,130
Donated securities	<u>(434,726)</u>	<u>(1,075,845)</u>
Subtotal	1,061,197	(7,375,658)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(5,239,980)	(28,473)
Prepaid expenses and other assets	154,740	(225,919)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	964,098	428,903
Grants payable	<u>(1,361,134)</u>	<u>1,231,850</u>
Net Cash Used by Operating Activities	<u>(4,421,079)</u>	<u>(5,969,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from termination of split-interest agreement	-	115,612
Proceeds from sales of investments	20,785,001	56,075,472
Purchases of investments	(12,381,612)	(43,369,307)
Acquisitions of land areas and property and equipment	(5,430,556)	(5,579,025)
Proceeds from sales of land areas and property and equipment	1,528,418	1,332,202
Decrease in assets whose use is limited - donor restricted	<u>1,200,805</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>5,702,056</u>	<u>8,574,954</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes and mortgages payable	(1,000,000)	-
Proceeds from notes and mortgages payable	<u>1,000,000</u>	<u>1,000,000</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>1,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,280,977	3,605,657
Cash and Cash Equivalents - Beginning of Year	<u>7,506,272</u>	<u>3,900,615</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,787,249</u>	<u>\$ 7,506,272</u>
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities:		
Write down of development costs	<u>\$ -</u>	<u>\$ 958,130</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, 2011 AND 2010

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

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

The Organization works to protect and restore the Hudson River and its majestic landscape as an irreplaceable national treasure and a vital resource for residents and visitors. A crusader for the Hudson River Valley since 1963, the Organization is credited with saving fabled Storm King Mountain from a destructive industrial project and launching the modern grass-roots environmental movement. Today, with approximately 26,000 supporters, the Organization is the largest environmental group focused on the Hudson River Valley. The Organization’s teams of experts combines land 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 (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- B. ***Basis of Presentation*** – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those which have no external restrictions. Temporarily restricted net assets are those for which use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. As of June 30, 2011 and 2010, the Organization did not have any permanently restricted net assets.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- D. ***Pledges Receivable/Contributions*** – Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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

Donated services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization records contributed services at their fair value on the date received. For the years ended June 30, 2011 and 2010, the Organization received contributed legal services which amounted to approximately \$492,000 and \$0, respectively. Such amounts are reflected as contributions and expense in the accompanying consolidated statements of activities.

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 determines whether an allowance for uncollectible pledges and other unrestricted receivables should be provided based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2011 and 2010, the Organization determined an allowance of \$50,000 was necessary.

- F. ***Investments*** – The Organization reflects investments at fair value in the accompanying consolidated statements of financial position. Interest, dividends and gains and losses on investments are reflected in the consolidated statements of activities as increases 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.

Investments are stated at fair value. Equities and fixed income securities are reported at publicly quoted market prices. The fair values of alternative investments that are not readily marketable are based on values provided by the general partners or investment managers, which are reviewed for reasonableness by management.

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 values of the respective endowments, at the end of the rolling twelve fiscal quarters ending December 31, 2009 and December 31, 2008. For the years ended June 30, 2011 and 2010, the amount to support operations was 5%.

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

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 greater than \$10,000 and additions to the easement enforcement fund. All activities related to the Board designated endowment and easement enforcement fund are recognized as non-operating activities.
- I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- J. ***Bequests and Legacies*** – The Organization is the beneficiary of bequests and legacies under various wills, the ultimate realization of which is not always readily determinable. The Organization recognizes bequests and legacies when the proceeds are measurable and an irrevocable right to the proceeds has been established by the Organization. As of June 30, 2011 and 2010, the Organization received indications of gifts in the form of bequests, which are revocable during the donors' lifetime, amounting to \$2,500,000. Such amounts have not been recognized as an asset or contribution revenue due to the uncertain nature of these intentions.
- K. ***Split-Interest Agreements*** – The Organization's split-interest agreements with donors consist of assets in a pooled income fund (the "Fund"), held by third parties. The Fund provides for the payment of income to designated beneficiaries over their lifetimes, based on their interests in the Fund. Upon the termination of the income interest of the designated beneficiary, the related remaining assets are available to the Organization. Payments to the donors are made based on the rate of return earned by the Fund.

The Organization recognizes assets and temporarily restricted contribution revenue for its split-interest agreements at the date the 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. Contributions for the purpose of purchasing conservation easements are temporarily restricted at year end if the purchase of the easement has not been completed.
- M. ***Subsequent Events*** – Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through September 9, 2011, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through September 9, 2011 that would require adjustment to or disclosure in the consolidated financial statements.
- N. ***Fair Value Measurements*** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 16.

During the year ended June 30, 2010, the Organization adopted Accounting Standards Update No. 2009-12 ("ASU No. 2009-12"), "Fair Value Measurement" (Topic 820, "Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)" issued by the Financial Accounting Standards Board ("FASB") in September 2009, for investments which will be redeemed with the investee at net asset value per share. Such investments have been categorized under Level 2 fair value measurements, as defined in Note 16, in accordance with ASU No. 2009-12.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended June 30, 2011, the Organization partially adopted Accounting Standards Update 2010-6 ("ASU 2010-6"), "Fair Value Measurement" (Topic 820), "Improving Disclosure about Fair Value Measurements." ASU 2010-6 modified existing disclosures to require disclosures by asset or liability class when providing fair value measurement disclosures, as disclosed in Note 16.

- O. **Income Taxes** – The Organization has no uncertain tax positions as of June 30, 2011 and 2010 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2008 and prior years.
- P. **Reclassifications** – Certain line items in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation. The reclassifications do not affect net assets.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 6,038,012	\$ 1,023,534
Restricted to future programs and periods	<u>21,047,388</u>	<u>20,993,981</u>
Total pledges receivable, net	<u>\$ 27,085,400</u>	<u>\$ 22,017,515</u>

Pledges receivable are scheduled to be collected as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 6,361,557	\$ 2,347,577
One to five years	<u>21,775,000</u>	<u>20,549,000</u>
	28,136,557	22,896,577
Less: Discount to net present value	(1,001,157)	(829,062)
Reserve for uncollectible pledges	<u>(50,000)</u>	<u>(50,000)</u>
Total pledges receivable, net	<u>\$ 27,085,400</u>	<u>\$ 22,017,515</u>

Pledges receivable due after one year are discounted to net present value using the risk-adjusted discount rate in effect on the date of the gifts. Interest rates used to discount the unconditional promises ranged from .52% to 4.75% as of June 30, 2011 and 2010.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 72,374	\$ 72,628	3-7 Years
Transportation equipment	52,488	48,184	4-5 Years
Leasehold improvements	<u>23,910</u>	<u>23,910</u>	5 Years
Total cost	148,772	144,722	
Less: Accumulated depreciation and amortization	<u>(105,940)</u>	<u>(122,559)</u>	
Net book value	<u>\$ 42,832</u>	<u>\$ 22,163</u>	

During the year ended June 30, 2011, the Organization disposed of property and equipment with an original cost of \$40,870 and accumulated depreciation of \$24,878. The Organization received proceeds of \$12,300 resulting in a loss on disposition of property and equipment of \$3,692.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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, 2011 and 2010, the Organization acquired land areas for a total of \$5,385,636 and \$5,579,025, respectively. For the year ended June 30, 2011, the Organization sold three properties with a carrying value of \$3,741,007, for proceeds of \$1,498,118, resulting in a net realized loss of \$2,242,889, which is included in the accompanying consolidated statements of activities as program services expense. During the year ended June 30, 2010, the Organization sold three properties with a carrying value of \$1,699,453, for proceeds of \$1,314,202, resulting in a net realized loss of \$385,251, which is included in the accompanying consolidated statements of activities as program services expense.

In addition, the Organization and the Village of Haverstraw (the "Village of Haverstraw") are tenants-in-common in certain property. The agreement provides that the Village of Haverstraw's ownership interest will increase by 5% each year, provided the Village of Haverstraw makes semi-annual payments of \$9,000 to the Organization. The \$18,000 in payments received by the Organization each year reduces the cost basis of the land area and are reflected as proceeds from the sales of land areas in the accompanying consolidated financial statements. See Note 13E for additional information related to this agreement.

The Organization held conservation easements on various properties in the State as of June 30, 2011 and 2010. During the years ended June 30, 2011 and 2010, the Organization purchased easements, inclusive of closing costs, for \$1,805,889 and \$3,081,891, respectively.

NOTE 6 – INVESTMENTS

Investments consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money Market Funds		
Money Market Funds	\$ 1,165,792	\$ 1,321,224
Total Money Market Funds	<u>1,165,792</u>	<u>1,321,224</u>
Equity Securities		
Vanguard S&P 500 Index Fund	18,845,978	19,498,615
U.S. Exchange Traded Funds - I Shares S&P 100 Index Fund	15,968,763	13,147,035
U.S. Mutual Funds	63,184	52,439
U.S. Regulated Equity Securities	20,136,563	19,152,767
Ex-U.S. Commingled Funds	35,780,140	28,412,197
Ex-U.S. Exchange Traded Funds -		
I Shares MSI EAFE Growth Index Fund	3,287,948	2,884,200
Vanguard MSI Emerging Markets	7,453,309	5,725,093
Total Equity Securities	<u>101,535,885</u>	<u>88,872,346</u>
Fixed Income		
U.S. Mutual Funds	30,776,735	29,052,596
Mutual Funds - Ex-U.S.	3,188,462	-
Total Fixed Income	<u>33,965,197</u>	<u>29,052,596</u>
Alternative Investments		
Hedge Fund of Funds	6,462,397	6,072,370
Private Equity Funds	7,543,349	6,852,361
Total Alternative Investments	<u>14,005,746</u>	<u>12,924,731</u>
Total Investments	<u>\$ 150,672,620</u>	<u>\$ 132,170,897</u>

Certain investments serve as collateral for the Organization's note payable and line of credit as further described in Notes 10 and 13H to the consolidated financial statements.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 – INVESTMENTS (Continued)

Investments in commingled funds and alternative investments are recorded at fair value, as determined by the general partners or investment manager. Hedge funds may trade in derivative instruments that involve varying degrees of market risk including credit exposure, liquidity and interest rates. Due to the level of risk associated with securities and the level of uncertainty related to changes in their value, it is possible that market conditions could have a near-term material effect on balances reported in the accompanying consolidated statements of financial position and activities. The fair values and a description of the fair value methodologies are disclosed in Note 16.

As of June 30, 2011, concentrations of the Organization's investments in excess of 10% of the fair value of its portfolio included approximately 20% invested in a PIMCO fixed income mutual fund, 18% in the Silchester International Investors International Value Equity Trust ("Silchester"), 13% in a Vanguard mutual fund and 13% in the iShares S&P 100 Index Fund. As of June 30, 2010, concentrations of the Organization's investments in excess of 10% of the fair value of its portfolio included approximately 22% invested in a PIMCO fixed income mutual fund, 16% invested in Silchester, 15% invested in a Vanguard mutual fund and 13% in the iShares S&P 100 Index Fund.

The components of investment activity by entity for the year ended June 30, 2011 is as follows:

	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total
Investments, at fair value as of June 30, 2010	\$ 9,380,561	\$ 122,790,336	\$ 132,170,897
Interest and dividends	224,300	2,886,552	3,110,852
Net change in realized/unrealized gain on investments reported at fair value from 7/1/10-6/30/11	1,769,388	24,700,998	26,470,386
Investment fees	(38,300)	(536,969)	(575,269)
Total investment activity	1,955,388	27,050,581	29,005,969
Purchases of new investments/donated securities	11,552	434,089	445,641
Investments sold to fund program activities	(415,161)	(10,534,726)	(10,949,887)
Subtotal	(403,609)	(10,100,637)	(10,504,246)
Net increase in investments	1,551,779	16,949,944	18,501,723
Investments, at fair value as of June 30, 2011	\$ 10,932,340	\$ 139,740,280	\$ 150,672,620
Net return on investments during the year	19.25%	20.61%	20.51%

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 – INVESTMENTS (Continued)

The components of investment activity by entity for the year ended June 30, 2010 is as follows:

	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Total
Investments, at fair value as of June 30, 2009	\$ 6,943,436	\$ 120,970,560	\$ 127,913,996
Interest and dividends	183,632	2,673,341	2,856,973
Net change in realized/unrealized gain on investments reported at fair value from 7/1/09-6/30/10	982,300	14,904,921	15,887,221
Investment fees	(24,083)	(499,496)	(523,579)
Total investment activity	1,141,849	17,078,766	18,220,615
Purchases of new investments/donated securities	1,316,163	-	1,316,163
Investments sold to fund program activities	(20,887)	(15,258,990)	(15,279,877)
Subtotal	1,295,276	(15,298,990)	(13,963,714)
Net increase in investments	2,437,125	1,819,776	4,256,901
Investments, at fair value as of June 30, 2010	\$ 9,380,561	\$ 122,790,336	\$ 132,170,897
Net return on investments during the year	16.45%	14.12%	14.24%

The classification of investment activity in the consolidated statement of activities for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 224,300	\$ 2,886,552	\$ 3,110,852
Realized gains	354,300	4,621,362	4,975,662
Unrealized gains	1,415,088	20,079,636	21,494,724
Investment fees	(38,300)	(536,969)	(575,269)
Total return on investments	1,955,388	27,050,581	29,005,969
Earnings allocated to Board designated easement enforcement fund (Note 14A)	126,497	(126,497)	-
	2,081,855	26,924,084	29,005,969
Endowment earnings used to meet spending policy (Note 2F)	7,032,294	-	7,032,294
Endowment earnings used to meet spending policy for Board designated – other (Note 14A)	(413,100)	-	(413,100)
Endowment earnings used to meet spending policy for Board designated – easement enforcement fund (Note 14A)	(37,794)	-	(37,794)
Endowment earnings used to meet spending policy for Wallace Endowment (Note 14B)	-	(6,581,400)	(6,581,400)
	\$ 8,663,285	\$ 20,342,684	\$ 29,005,969

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 – INVESTMENTS (Continued)

The classification of investment activity in the consolidated statement of activities for the year ended June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 183,632	\$ 2,673,341	\$ 2,856,973
Realized gains	383,224	3,911,027	4,294,251
Unrealized gains	599,076	10,993,894	11,592,970
Investment fees	(24,083)	(499,496)	(523,579)
Total return on investments	1,141,849	17,078,766	18,220,615
Earnings allocated to Board designated easement enforcement fund (Note 14A)	177,185	(177,185)	-
	1,319,034	16,901,581	18,220,615
Endowment earnings used to meet spending policy (Note 2F)	7,448,000	-	7,448,000
Endowment earnings used to meet spending policy for Board designated – other (Note 14A)	(353,000)	-	(353,000)
Endowment earnings used to meet spending policy for Wallace Endowment (Note 14B)	-	(7,095,000)	(7,095,000)
	\$ 8,414,034	\$ 9,806,581	\$ 18,220,615

NOTE 7 – SPLIT-INTEREST AGREEMENTS

The present value of the future interest in the Fund is summarized as follows as of June 30, 2011 and 2010:

	2011	2010
Fair value	\$ 97,118	\$ 91,595
Less: Estimated future liability	(14,113)	(15,526)
Present value of future interest	\$ 83,005	\$ 76,069

The present value of the estimated future interest is calculated using a discount rate of 4.103% and 4.592%, respectively, as of June 30, 2011 and 2010 and applicable life expectancy tables. The majority of the underlying assets of the Fund are held in equities and fixed income securities.

NOTE 8 – DEVELOPMENT COSTS

In prior years, the Organization made substantial park improvements to a 25-acre parcel of land it owns on the City of Beacon waterfront, including remediation of contaminants from the site's industrial past, construction of boardwalks, landscaping, parking facilities and a waterfront sculpture that also serves as a public fishing pier. In addition, the Organization incurred approximately \$1,025,000 in support of the development of an environmentally sensitive hotel on the site by a private development team under a development agreement with the Organization. Such costs were written-down by \$958,530 during the year ended June 30, 2010 due to uncertainties about the timing of resuming work on the hotel project. The Organization recognized the write-down of development costs as program services expense in the accompanying consolidated statements of activities for the year ended June 30, 2010. Development costs of approximately \$67,000 remained capitalized as of June 30, 2011 and 2010, and are reflected as prepaid expenses and other assets in the accompanying consolidated statements of financial position.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 – GRANTS PAYABLE

As of June 30, 2011 and 2010, grants payable are scheduled to be paid as follows:

	<u>2011</u>	<u>2010</u>
Payable within one year	\$ <u>40,256</u>	\$ <u>1,401,390</u>

The grants payable as of June 30, 2010 represent grants payable to another nonprofit organization for the Kathryn W. Davis Riverwalk Center, of which the construction was substantially completed during the year ended June 30, 2011.

NOTE 10 – NOTES AND MORTGAGES PAYABLE

In fiscal year 2008, the Organization secured an interest-free loan in the amount of \$5,000,000 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 \$250,000 and \$255,000 were recognized for the loan for the years ended June 30, 2011 and 2010, respectively. Such amounts are included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

In fiscal year 2010, the Organization secured a ten-year, \$1 million interest-free loan, which was repayable in full in January 2020. The proceeds from the loan were used for the purchase of and preservation from commercial and residential development on a parcel of land in Orange County, New York and the loan was secured by a first mortgage on such property. The loan was discounted using the Organization's estimated borrowing rate of 0.98% over the term of the loan. Imputed interest expense and a related contribution in-kind of \$8,207 and \$3,687 were recognized for the loan for the years ended June 30, 2011 and 2010, respectively. Such amounts are included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

During the year ended June 30, 2011, the State communicated its interest in purchasing the parcel. In June 2011, the Organization paid off the mortgage associated with the parcel in order to clear the property title. As of June 30, 2011, title was not transferred to the State so the property is included in land areas in the accompanying consolidated statements of financial position.

In June 2011, the Organization secured a separate ten-year, \$1 million interest-free loan, which is repayable in full in June 2021. The proceeds from the loan were used for the purchase of and preservation from commercial and residential development on a parcel of land also in Orange County, New York. The loan was secured by a first mortgage on such property. The loan has been discounted using the Organization's estimated borrowing rate of 5.11%. The discount is being amortized over the term of the loan. Imputed interest expense and a related contribution in-kind of \$280 were recognized for the loan for the year ended June 30, 2011. Such amount is included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

The notes and mortgages payable are as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Present value of the notes and mortgages payable	\$ 5,607,519	\$ 5,657,082
Imputed interest	<u>392,481</u>	<u>342,918</u>
Total notes and mortgages payable	\$ <u>6,000,000</u>	\$ <u>6,000,000</u>

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 11 – SPECIAL EVENTS INCOME

Special events income, net of costs of direct benefits to donors such as meals and facilities rental, is included in contributions in the accompanying consolidated statements of activities and consists of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Proceeds from special events	\$ 753,924	\$ 458,367
Less: costs of direct benefits to donors	<u>(149,183)</u>	<u>(80,639)</u>
Special events income, net	<u>\$ 604,741</u>	<u>\$ 377,728</u>

NOTE 12 – PENSION PLANS

The Organization has a tax deferred annuity 403(b) plan for eligible employees. The Organization contributes 3% of eligible employees' salaries to the plan and a matching contribution equal to 1% for those employees who contribute at least 2% to the plan. The cost to the Organization for this plan for the years ended June 30, 2011 and 2010 amounted to \$132,745 and \$59,246, respectively.

The Organization also offers a deferred compensation arrangement under Section 457(b) of the Internal Revenue Code for key employees. The Organization does not make any contributions to the 457(b) plan. The Organization and certain key employees are also parties to a 457(f) plan. The Organization contributed \$108,333 and \$107,845 to the 457(f) plan for the years ended June 30, 2011 and 2010, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A. As of June 30, 2011 and 2010, the Organization had deposits of \$151,158 and \$281,158, respectively, on contracts to purchase land areas. Such amounts are included as prepaid expenses and other assets in the accompanying consolidated statements of financial position and pertained to the purchase of land areas and conservation easements as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Shanok property	\$ 131,158	\$ 131,158
Frog Hollow farm	20,000	-
Plotkin property	<u>-</u>	<u>150,000</u>
	<u>\$ 151,158</u>	<u>\$ 281,158</u>

The deposit associated with the Plotkin property was reclassified to land areas during the year ended June 30, 2011 upon the purchase of the land area by the Organization.

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

2012	\$ 289,100
2013	289,100
2014	289,100
2015	289,100
2016	289,100
Thereafter	<u>216,825</u>
	<u>\$ 1,662,325</u>

The rent expense for the years ended June 30, 2011 and 2010 amounted to approximately \$296,000 and \$278,000, respectively.

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

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

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

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

- E. The Organization and the Village of Haverstraw are tenants-in-common with a 25% and 75% undivided interest, respectively, in certain riverfront property located in the Village of Haverstraw. 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 of Haverstraw's ownership interest of the property and corresponding semi-annual payments of \$9,000 commencing August 1, 1998 through February 1, 2013 (see Note 5). If the Village of Haverstraw 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, for both the "Northerly" and "Southerly" portions. The "Northerly" portion shall remain in the ownership of the Organization until the fifteenth anniversary of the commencement date, which will be July 10, 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.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

- H. During the year ended June 30, 2011, the Organization secured a line of credit with a bank with a maximum borrowing amount of \$5,000,000. Interest is at the one-month London Interbank Offered Rate ("LIBOR") plus 2.5%. The line of credit expires on December 31, 2012. The Organization has pledged certain of its investments as collateral for the borrowings on the line of credit in an amount equal to twice the outstanding borrowings for a maximum collateral amount of \$10,000,000. As of June 30, 2011, there were no borrowings outstanding.

NOTE 14 – 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 \$413,100 and \$353,000, 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, 2011 and 2010, respectively.

In fiscal year 2004, the Board of Directors established a Board designated easement enforcement fund. The Board of Directors restricted the fund as a reserve to pay legal and other easement monitoring costs that may be incurred to defend the Organization's contractual rights and privileges established through conservation easements owned. Investment income of \$37,794 and \$0, designated as endowment gains used to meet spending policy in the accompanying consolidated statements of activities, was appropriated from the easement enforcement fund to support operations for the years ended June 30, 2011 and 2010, respectively. The easement enforcement fund net asset balance amounted to \$991,973 and \$856,070 as of June 30, 2011 and 2010, respectively.

B. *Temporarily Restricted Net Assets*

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

The Wallace Endowment is classified as temporarily restricted due to the Organization's ability to spend a percentage of the Wallace Endowment, as established by the Board of Directors, so long as the spending policy is in accordance with the spending policy adopted for other endowments of the Organization. The Board of Directors approved that amounts released for spending from the Board Designated Endowment and the Wallace Endowment for the years ended June 30, 2011 and 2010, shall be an amount equal to 5% of the average asset fair values of the respective endowments, at the end of the rolling twelve fiscal quarters ending December 31, 2009 and December 31, 2008, and that management may withdraw these amounts at their discretion to meet program needs. Accordingly, investment income of \$6,581,400 and \$7,095,000, 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, 2011 and 2010, respectively.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 14 – RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net assets consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Scenic Hudson, Inc.:		
Restricted to future programs and periods	\$ 13,400,029	\$ 13,444,242
Future interest in pooled income fund	<u>83,005</u>	<u>76,069</u>
	<u>13,483,034</u>	<u>13,520,311</u>
The Scenic Hudson Land Trust, Inc.:		
Lila Acheson and DeWitt Wallace Hudson Valley		
Land Preservation Endowment	138,821,213	118,478,529
Land acquisitions and other land preservation and		
conservation expenses	<u>3,842,936</u>	<u>2,747,842</u>
	<u>142,664,149</u>	<u>121,226,371</u>
Total temporarily restricted net assets	<u>\$ 156,147,183</u>	<u>\$ 134,746,682</u>

During the years ended June 30, 2011 and 2010, the Organization released temporarily restricted net assets by incurring expenses or the passage of time, thus satisfying the restrictions.

C. *Endowment Net Assets*

The Organization recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaces the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). In addition, NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. The Organization has no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of June 30, 2011 and 2010.

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

The Organization maintains three endowment funds as further described in Notes 14A and 14B. However, such Board designated and term endowment funds are not subject to the appropriation provisions of NYPMIFA and therefore the Organization has implemented only the disclosure guidance provided for in ASC 958-205.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The Organization has no donor-restricted endowment funds required to be maintained in perpetuity as of June 30, 2011 and 2010.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 14 – RESTRICTIONS ON NET ASSETS (Continued)

The Organization's endowment investment policy is to invest primarily in a mix of equities, fixed income securities and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described in Notes 2F, 14A and 14B.

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Board Designated - Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 10,182,939	\$ 118,478,529	\$ 128,661,468
Investment activity:			
Interest and dividends	224,300	2,886,552	3,110,852
Realized gains	354,300	4,621,362	4,975,662
Unrealized gains	1,415,088	20,079,636	21,494,724
Investment fees	(38,300)	(536,969)	(575,269)
Total return on investments	1,955,388	27,050,581	29,005,969
Earnings allocated to Board designated easement enforcement fund (Note 14A)	126,497	(126,497)	-
	2,081,885	26,924,084	29,005,969
Bequests and additions to Board designated fund and temporarily restricted fund	47,200	-	47,200
Endowment earnings used to meet spending policy for Board designated – other (Note 14A)	(413,100)	-	(413,100)
Endowment earnings used to meet spending policy for easement enforcement fund (Note 14A)	(37,794)	-	(37,794)
Endowment earnings used to meet spending for Wallace Endowment (Note 14B)	-	(6,581,400)	(6,581,400)
	1,678,191	20,342,684	22,020,875
Endowment net assets, end of year	\$ 11,861,130	\$ 138,821,213	\$ 150,682,343

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 14 – RESTRICTIONS ON NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Board Designated - Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 7,730,479	\$ 108,669,275	\$ 116,399,754
Investment activity:			
Interest and dividends	183,632	2,673,341	2,856,973
Realized gains	383,224	3,911,027	4,294,251
Unrealized gains	599,076	10,993,894	11,592,970
Investment fees	(24,083)	(499,496)	(523,579)
Total return on investments	1,141,849	17,078,766	18,220,615
Earnings allocated to Board designated easement enforcement fund (Note 14A)	177,185	(177,185)	-
	1,319,034	16,901,581	18,220,615
Bequests and additions to Board designated fund and temporarily restricted fund	1,004,364	2,673	1,007,037
Proceeds from termination of split-interest Agreement	115,612	-	115,612
Transfers from operating activities	366,578	-	366,578
Easement monitoring expenses	(128)	-	(128)
Endowment earnings used to meet spending policy for Board designated – other (Note 14A)	(353,000)	-	(353,000)
Endowment earnings used to meet spending for Wallace Endowment (Note 14B)	-	(7,095,000)	(7,095,000)
	2,452,460	9,809,254	12,261,714
Endowment net assets, end of year	\$ 10,182,939	\$ 118,478,529	\$ 128,661,468

NOTE 15 – CONCENTRATIONS

A. *Concentration of Credit Risk*

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 that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. In 2010, the FDIC insurance limit was permanently increased to \$250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions. As of June 30, 2011, the Organization had cash accounts that exceeded the FDIC insurance limits by approximately \$5,855,000. In addition, the Organization had cash held in money market funds that were not insured by the FDIC, which amounted to approximately \$1,046,000 as of June 30, 2011.

B. *Concentration of Pledges Receivable*

During 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. As of June 30, 2011 and 2010, the net pledge receivable associated with this contribution amounted to approximately 70% and 87%, respectively, of the total net pledges receivable.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets carried at fair value at June 30, 2011 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
Investments:				
Money Market Funds				
Money Market Funds	\$ 1,165,792	\$ -	\$ -	\$ 1,165,792
Total Money Market Funds	<u>1,165,792</u>	<u>-</u>	<u>-</u>	<u>1,165,792</u>
Equity Securities				
Vanguard S&P 500 Index Fund	18,845,978	-	-	18,845,978
U.S. Exchange Traded Funds - I Shares				
S&P 100 Index Fund	15,968,763	-	-	15,968,763
U.S. Mutual Funds	63,184	-	-	63,184
U.S. Regulated Equity Securities	20,136,563	-	-	20,136,563
Ex-U.S. Commingled Funds	-	27,175,336	8,604,804	35,780,140
Ex-U.S. Exchange Traded Funds -				
I Shares MSI EAFE Growth Index Fund	3,287,948	-	-	3,287,948
Vanguard MSI Emerging Markets	7,453,309	-	-	7,453,309
Total Equity Securities	<u>65,755,745</u>	<u>27,175,336</u>	<u>8,604,804</u>	<u>101,535,885</u>
Fixed Income				
Mutual Funds - U.S.	30,776,735	-	-	30,776,735
Mutual Funds - Ex U.S.	3,188,462	-	-	3,188,462
Total Fixed Income	<u>33,965,197</u>	<u>-</u>	<u>-</u>	<u>33,965,197</u>
Alternative Investments				
Hedge Funds and Fund of Funds	-	-	6,462,397	6,462,397
Private Equity Funds	-	-	7,543,349	7,543,349
Total Alternative Investments	<u>-</u>	<u>-</u>	<u>14,005,746</u>	<u>14,005,746</u>
Total Investments	<u>\$ 100,886,734</u>	<u>\$ 27,175,336</u>	<u>\$ 22,610,550</u>	<u>\$ 150,672,620</u>

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets carried at fair value at June 30, 2010 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2010</u>
Investments:				
Money Market Funds				
Money Market Funds	\$ 1,321,224	\$ -	\$ -	\$ 1,321,224
Total Money Market Funds	<u>1,321,224</u>	<u>-</u>	<u>-</u>	<u>1,321,224</u>
Equity Securities				
Vanguard S&P 500 Index Fund	19,498,615	-	-	19,498,615
U.S. Exchange Traded Funds - I Shares				
S&P 100 Index Fund	13,147,035	-	-	13,147,035
U.S. Mutual Funds	52,439	-	-	52,439
U.S. Regulated Equity Securities	19,152,767	-	-	19,152,767
Ex-U.S. Commingled Funds	-	21,512,800	6,899,397	28,412,197
Ex-U.S. Exchange Traded Funds -				
I Shares MSI EAFE Growth Index Fund	2,884,200	-	-	2,884,200
Vanguard MSI Emerging Markets	5,725,093	-	-	5,725,093
Total Equity Securities	<u>60,460,149</u>	<u>21,512,800</u>	<u>6,899,397</u>	<u>88,872,346</u>
Fixed Income				
Mutual Funds - U.S.	29,052,596	-	-	29,052,596
Total Fixed Income	<u>29,052,596</u>	<u>-</u>	<u>-</u>	<u>29,052,596</u>
Alternative Investments				
Hedge Funds and Fund of Funds	-	-	6,072,370	6,072,370
Private Equity Funds	-	-	6,852,361	6,852,361
Total Alternative Investments	<u>-</u>	<u>-</u>	<u>12,924,731</u>	<u>12,924,731</u>
Total Investments	<u>\$ 90,833,969</u>	<u>\$ 21,512,800</u>	<u>\$ 19,824,128</u>	<u>\$ 132,170,897</u>

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equity and Fixed Income Securities, Mutual Funds and Money Market Funds:

Valued at the closing price reported on the active market on which the individual securities are traded or the net asset value ("NAV") of shares held by the Organization at year end (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Organization's investment in Silchester, which is classified as Equity Securities - Ex-U.S. Commingled Funds, is recorded at fair value in an amount equal to the NAV, as reported by the investment manager, of shares or units held by the Organization at year end. The investment in Silchester is categorized under Level 2 fair value measurements in accordance with ASU No. 2009-12 (see Note 2N). As of June 30, 2011, the Organization had no unfunded capital commitments to invest in Silchester.

Silchester's investment objective is to principally invest in a diversified portfolio of equity securities of companies located in any country other than the United States of America. The Silchester NAV is recalculated monthly and the Organization can redeem its investment on a monthly basis as of the first business day of each month. Investors must provide six business days' notice of redemption. All contributions or redemptions take place at the NAV as of the last business day of the month preceding the contribution or redemption. Silchester does not impose any redemption restrictions or impose any gates, side pockets, NAV waivers, suspensions in valuations, restrictions on the maximum amount of capital that could be redeemed or limit the ability of investors to access their invested funds.

Alternative Investments and Commingled Funds:

Alternative investments in hedge funds and funds of funds, private equity funds and commingled funds (other than Silchester) are designated as Level 3 as indicative of the investment manager's classification of the Organization's investment in the funds. It is not meant to be indicative of the classification of the investments in the underlying portfolio of the investment into the fair value hierarchy. The fair value of alternative investments is provided by the general partner or fund manager, and may be based on historical cost, appraisals and obtainable prices for similar assets or other estimates. The Organization's investments which are classified as being valued using Level 3 inputs are further described as follows:

- The Organization's investment in the Lazard Asset Management, LLC's Emerging World Investors Limited Partnership ("Lazard") is classified as Equity Securities - Ex-U.S. Commingled Funds. Lazard's investment objective is to seek long-term capital appreciation through investing in a diversified portfolio of closed-end funds and investment trusts that invest in equity securities of companies in or more emerging market countries. Withdrawals are permitted at June 30 and December 31 upon 60 days' prior written notice.
- The Organization's investment in Arden Endowment Advisers, Ltd. ("Arden") is classified as Alternative Investments – Hedge Fund of Funds. Arden's investment objective is to achieve capital appreciation through the allocation of its assets among a select group of money managers, limited partnerships and investment funds, each of which employs a variety of investment strategies. Shares may be redeemed upon written request on the last business day of each calendar quarter with 65 days' prior notice. Redemption proceeds are based on the NAV at the end of the quarter for the tranches of a series redeemed and are paid as soon as reasonably practicable after Arden's receipt of the corresponding redemption proceeds from the underlying investment funds. The Organization anticipates fully redeeming its investment in Arden during the year ended June 30, 2012.
- The Organization's investment in the PIMCO Distressed Senior Credit Opportunities Fund Offshore Feeder I, L.P. ("PIMCO DSCO") is classified as Alternative Investments – Private Equity Funds. PIMCO DSCO was formed for the purpose of investing substantially all of its assets in the PIMCO Distressed Senior Credit Opportunities Fund, L.P. (the "Master Fund"). The Master Fund's investment strategy is to seek to provide investors enhanced returns principally through long-biased opportunistic investments in undervalued senior and super senior structured credit securities. Generally, no limited partner may withdraw from PIMCO DSCO or make a demand for or receive paid-in-capital until the termination of PIMCO DSCO, which is expected to occur during the fiscal year ended June 30, 2012.

As of June 30, 2011, the Organization had no unfunded capital commitments to invest in Lazard, Arden or PIMCO DSCO.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The changes in assets measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 19,824,128	\$ 10,067,209
Transfers out of Level 3 due to adoption of ASU 2009-12	-	(5,598,255)
Transfer from Level 2 to Level 3	-	6,072,370
Purchases	-	7,725,000
Redemptions	-	(225,000)
Realized loss	-	(23,414)
Net appreciation	<u>2,786,422</u>	<u>1,806,218</u>
Balance, end of year	<u>\$ 22,610,550</u>	<u>\$ 19,824,128</u>

The Organization's policy is to recognize transfers in and transfers out as of the beginning of the reporting period of the event or change in circumstance that caused the transfer.

The carrying amounts of all other financial instruments approximate fair value because of their short maturities.

NOTE 17 – ASSETS WHOSE USE IS LIMITED – DONOR RESTRICTED

As of June 30, 2010, the Organization had received cash of \$200,805, including accumulated earnings, from a donor, which was to be invested in a high yield money market account and was subject to future designation by the donor. In addition, as of June 30, 2010, assets whose use is limited – donor restricted included \$1,000,000 with donor-imposed restrictions designated for a specific project. Such assets were expended for the purposes designated by the donors during the year ended June 30, 2011.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	As of June 30, 2011				As of June 30, 2010			
	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Eliminations	Consolidated Total 2011	Scenic Hudson, Inc.	The Scenic Hudson Land Trust, Inc.	Consolidating Eliminations	Consolidated Total 2010
ASSETS								
Cash and cash equivalents	\$ 1,878,592	\$ 6,908,657	\$ -	\$ 8,787,249	\$ 1,739,974	\$ 5,766,298	\$ -	\$ 7,506,272
Pledges receivable, net	19,982,509	7,102,891	-	27,085,400	19,952,721	2,064,794	-	22,017,515
Investments, at fair value	10,932,340	139,740,280	-	150,672,620	9,380,561	122,790,336	-	132,170,897
Due from related party	-	2,025,239	(2,025,239)	-	-	1,995,107	(1,995,107)	-
Prepaid expenses and other assets	58,446	386,496	-	444,942	50,420	549,262	-	599,682
Property and equipment, net	42,832	-	-	42,832	22,163	-	-	22,163
Land areas, at cost	-	59,314,474	-	59,314,474	-	57,687,845	-	57,687,845
Assets held in split-interest agreements	83,005	-	-	83,005	76,069	-	-	76,069
Assets whose use is limited - donor restricted	-	-	-	-	200,805	1,000,000	-	1,200,805
TOTAL ASSETS	\$ 32,977,724	\$ 215,478,037	\$ (2,025,239)	\$ 246,430,522	\$ 31,422,713	\$ 191,853,642	\$ (1,995,107)	\$ 221,281,248
LIABILITIES								
Accounts payable and accrued expenses	\$ 298,508	\$ 2,296,498	\$ -	\$ 2,595,006	\$ 407,128	\$ 1,223,780	\$ -	\$ 1,630,908
Grants payable	-	40,256	-	40,256	-	1,401,390	-	1,401,390
Due to related party	2,025,239	-	(2,025,239)	-	1,995,107	-	(1,995,107)	-
Notes and mortgages payable	5,000,000	1,000,000	-	6,000,000	5,000,000	1,000,000	-	6,000,000
TOTAL LIABILITIES	7,323,747	3,336,754	(2,025,239)	8,635,262	7,402,235	3,625,170	(1,995,107)	9,032,298
NET ASSETS								
Unrestricted:								
Operating	1,301,786	68,485,161	-	69,786,947	1,173,298	66,146,031	-	67,319,329
Board designated - other endowment	10,869,157	-	-	10,869,157	9,326,869	-	-	9,326,869
Board designated - easement enforcement fund	-	991,973	-	991,973	-	856,070	-	856,070
Total unrestricted	12,170,943	69,477,134	-	81,648,077	10,500,167	67,002,101	-	77,502,268
Temporarily restricted:								
Endowment	-	138,821,213	-	138,821,213	-	118,478,529	-	118,478,529
Other temporarily restricted	13,483,034	3,842,936	-	17,325,970	13,520,311	2,747,842	-	16,268,153
Total temporarily restricted	13,483,034	142,664,149	-	156,147,183	13,520,311	121,226,371	-	134,746,682
TOTAL NET ASSETS	25,653,977	212,141,283	-	237,795,260	24,020,478	188,228,472	-	212,248,950
TOTAL LIABILITIES AND NET ASSETS	\$ 32,977,724	\$ 215,478,037	\$ (2,025,239)	\$ 246,430,522	\$ 31,422,713	\$ 191,853,642	\$ (1,995,107)	\$ 221,281,248

See independent auditors' report.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Scenic Hudson, Inc.			The Scenic Hudson Land Trust, Inc.			
	Unrestricted	Temporarily Restricted	Total 2011	Unrestricted	Temporarily Restricted	Total 2011	Consolidated 2011 Total
OPERATING REVENUES AND SUPPORT:							
Contributions	\$ 4,672,674	\$ 800,529	\$ 5,473,203	\$ 8,307,821	\$ 2,008,459	\$ 10,316,280	\$ 14,111,339
Endowment earnings used to meet spending policy	413,100	-	413,100	6,619,194	-	6,619,194	7,032,294
Investment activity other than endowment earnings	8,037	-	8,037	2,531	-	2,531	10,568
Loss on disposition of property and equipment	(3,692)	-	(3,692)	-	-	-	(3,692)
Other revenues	1,246	-	1,246	17,591	-	17,591	18,837
Net assets released from restrictions	543,937	(844,742)	(300,805)	1,214,170	(913,365)	300,805	-
Total Operating Revenues and Support	5,635,302	(44,213)	5,591,089	16,161,307	1,095,094	17,256,401	21,169,346
OPERATING EXPENSES:							
Program services	3,940,975	-	3,940,975	13,572,959	-	13,572,959	15,635,630
Management and general	551,105	-	551,105	228,449	-	228,449	779,554
Fundraising	1,014,734	-	1,014,734	20,729	-	20,729	1,035,463
Total Operating Expenses	5,506,814	-	5,506,814	13,822,177	-	13,822,177	17,650,847
NET OPERATING ACTIVITY	128,488	(44,213)	84,275	2,339,130	1,095,094	3,434,224	3,518,499
NON-OPERATING ACTIVITIES:							
Bequests and additions to Board designated funds	-	-	-	47,200	-	47,200	47,200
Change in value of split-interest agreements	-	6,936	6,936	-	-	-	6,936
Investment activity	1,955,388	-	1,955,388	126,497	26,924,084	27,050,581	29,005,969
Endowment earnings used to meet spending policy	(413,100)	-	(413,100)	(37,794)	(6,581,400)	(6,619,194)	(7,032,294)
NET NON-OPERATING ACTIVITY	1,542,288	6,936	1,549,224	135,903	20,342,684	20,478,587	22,027,811
CHANGE IN TOTAL NET ASSETS	1,670,776	(37,277)	1,633,499	2,475,033	21,437,778	23,912,811	25,546,310
Net assets - Beginning of Year	10,500,167	13,520,311	24,020,478	67,002,101	121,226,371	188,228,472	212,248,950
NET ASSETS - END OF YEAR	\$ 12,170,943	\$ 13,483,034	\$ 25,653,977	\$ 69,477,134	\$ 142,664,149	\$ 212,141,283	\$ 237,795,260

See independent auditors' report.

-26-

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
SUPPLEMENTARY INFORMATION
(SCENIC HUDSON, INC.)
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010				
	Program Services	Management and Administration	Fundraising	Total 2011	Program Services	Management and Administration	Fundraising	Total 2010
Salaries	\$ 2,451,452	\$ 345,240	\$ 686,085	\$ 3,482,777	\$ 2,433,435	\$ 311,326	\$ 651,431	\$ 3,396,192
Payroll taxes and employee benefits	496,715	69,953	139,015	705,683	454,147	58,101	121,575	633,823
Total salaries and related costs	<u>2,948,167</u>	<u>415,193</u>	<u>825,100</u>	<u>4,188,460</u>	<u>2,887,582</u>	<u>369,427</u>	<u>773,006</u>	<u>4,030,015</u>
Occupancy	281,705	35,079	66,175	382,959	266,807	32,228	64,545	363,580
Consultants and experts	92,417	12,640	344	105,401	10,517	16,142	835	27,494
Legal and audit	74,909	26,000	-	100,909	12,474	45,306	-	57,780
Employee travel and training	94,066	8,172	17,152	119,390	78,085	10,002	18,968	107,045
Office - general	84,089	12,275	21,482	117,846	77,757	7,955	17,555	103,267
Equipment	10,080	6,502	-	16,582	35,809	3,169	6,598	45,576
Program and public outreach costs	97,283	35,244	84,481	217,008	73,109	24,268	234,494	331,871
Interest	250,000	-	-	250,000	255,000	-	-	255,000
Depreciation and amortization	8,259	-	-	8,259	5,661	-	-	5,661
Costs of direct benefits to donors	-	-	149,183	149,183	-	-	80,639	80,639
Subtotal	3,940,975	551,105	1,163,917	5,655,997	3,702,801	508,497	1,196,630	5,407,928
Less: expenses deducted directly from revenues on the consolidated statements of activities	-	-	(149,183)	(149,183)	-	-	(80,639)	(80,639)
TOTAL	\$ 3,940,975	\$ 551,105	\$ 1,014,734	\$ 5,506,814	\$ 3,702,801	\$ 508,497	\$ 1,115,991	\$ 5,327,289

See independent auditors' report.

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
SUPPLEMENTARY INFORMATION
(THE SCENIC HUDSON LAND TRUST, INC.)
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010				
	Program Services	Management and Administration	Fundraising	Total 2011	Program Services	Management and Administration	Fundraising	Total 2010
Conservation easements and closing costs	\$ 1,810,839	\$ -	\$ -	\$ 1,810,839	\$ 3,081,891	\$ -	\$ -	\$ 3,081,891
Land project expenses	6,742,250	-	-	6,742,250	3,128,981	-	-	3,128,981
Program management services	1,657,415	108,333	20,729	1,786,477	1,691,615	107,845	82,385	1,881,845
Grants and contributions	361,001	-	-	361,001	5,113,380	-	-	5,113,380
Remediation expense	20,602	-	-	20,602	465,741	-	-	465,741
Loss on sale/transfer of property interests to state and local government agencies and other Not for profit organizations.	-	-	-	-	-	-	-	-
Property taxes	2,242,889	-	-	2,242,889	385,251	-	-	385,251
Insurance	237,466	-	-	237,466	239,978	-	-	239,978
Legal and audit fees	76,305	2,656	-	78,961	70,985	-	-	70,985
Rental expenses	356,340	117,460	-	473,800	45,690	8,292	-	53,982
Interest	-	-	-	-	2,439	-	-	2,439
Miscellaneous	61,893	-	-	61,893	6,003	-	-	6,003
	5,999	-	-	5,999	-	3,329	-	3,329
TOTAL	\$ 13,572,999	\$ 228,449	\$ 20,729	\$ 13,822,177	\$ 14,231,954	\$ 119,466	\$ 82,385	\$ 14,433,805

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.
SUPPLEMENTARY INFORMATION
(THE SCENIC HUDSON LAND TRUST, INC.)
SCHEDULES OF LAND AREAS
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Fishkill Ridge, Mt. Beacon	\$ 1,217,448	\$ 1,217,608
Fishkill Ridge, Mt. Beacon, Fishkill (Capolino)	89,400	89,400
Fishkill Ridge, NVC	99,447	99,447
Fishkill Ridge, Reichenstein	249,190	249,190
Mt. Beacon (Bradley), Fishkill	502,799	502,799
Mt. Beacon, Base of Beacon	443,510	443,510
Beacon Terminal, Madam Brett Park	320,886	320,886
Beacon Waterfront - Park	1,707,684	1,707,684
Beacon Waterfront LLC	1,563,969	1,563,969
Beacon, University Settlement Camp	36,001	36,001
Franny Reese State Park - Djirdjirian	88,362	-
Shaupeneak Ridge, Venditti	26,598	-
Poet's Walk/Astor Cove I/Mandara	1,726,922	1,726,922
New Hamburg, Wappingers Greenway	229,920	229,920
Hyde Park, Clear View Farm	1,269,218	1,269,218
Hyde Park, Golden	410,825	410,825
Hyde Park, Drive-In	-	3,230,347
Hyde Park, FDR/Valkill Link	-	327,356
Hyde Park, Piney Property	-	162,916
Tivoli Bays	516,409	516,409
Bear Mountain - Rose's Camp	2,835,960	-
Binnen Kill - Chi	413,472	413,472
Little Nutton Hook (Plotkin)	2,031,725	-
Four Mile Point Road, Cocksackie (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
Vosburgh Swamp, (Bock), Athens	229,664	229,664
Stockport - Saurusaitis	75,172	75,172
Stockport - Almstead	1,174,442	1,174,442
King James Weyant, Ft. Montgomery	272,040	272,040
Snake Hill, New Windsor	1,092,921	1,092,921
Bear Mountain - RMH	1,641,321	1,641,321
Illinois Mountain	1,410,218	1,410,218
FDR Viewshed - WA Lloyd	2,117,223	2,117,223
FDR Viewshed - Murillo	964,368	964,368
Philipstown, Route 9D (Osborn)	19,612	40,000
Philipstown, Canada Hill (Gilbert)	25,364	25,364
Garrison, Route 9D, Manitou (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
Westpoint Foundry Preserve (Campbell), Cold Spring	666,832	666,832
Haverstraw, Palmieri Property	381,033	399,033
Esopus Meadows, River Road, Esopus	1,010,803	1,010,803
Esopus Meadows, Mazza, Esopus	164,320	164,320
Esopus Meadows, River Road, (Waskew/EMEC), Esopus	267,274	267,274
Esopus Meadows, River Road, Esopus	714,583	714,583
Esopus Meadows, River Road (Patchoros) , Esopus	513,447	513,447
Black Creek - Matera	403,151	-
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	1,108,701
Black Creek - Laties	714,137	714,137
Black Creek - Mahairas	141,977	141,977
Shaupeneak Ridge, Esopus	989,779	989,779
Shaupeneak Ridge, Additions	91,303	91,303
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>\$ 59,314,474</u>	<u>\$ 57,687,845</u>

See independent auditors' report.