



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

Consolidated Financial Statements  
(Together with Independent Auditors' Report)

Years Ended June 30, 2012 and 2011

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Marks Paneth & Shron LLP

*Certified Public Accountants & Consultants*

**IT ALL ADDS UP.**

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

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

**YEARS ENDED JUNE 30, 2012 AND 2011**

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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 statements of financial position of Scenic Hudson, Inc. and The Scenic Hudson Land Trust, Inc. (collectively, the "Organization") as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 26 through 30 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 supplementary information on pages 31 and 32 also 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 11, 2012

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012 AND 2011**

|                                                                  | <u>2012</u>           | <u>2011</u>           |
|------------------------------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                                    |                       |                       |
| Cash and cash equivalents (Notes 2C, 12I and 14A)                | \$ 10,379,316         | \$ 8,787,249          |
| Pledges and grants receivable, net (Notes 2D, 2E, 3, 9 and 14B)  | 24,787,216            | 27,085,400            |
| Investments, at fair value (Notes 2F, 6, 10, 12H and 15)         | 145,379,707           | 150,672,620           |
| Prepaid expenses and other assets (Note 12A)                     | 379,033               | 444,942               |
| Property and equipment, net (Notes 2G and 4)                     | 71,197                | 42,832                |
| Land areas, at cost (Notes 2L, 5, 12C, 12D, 12E and 12F)         | 59,894,802            | 59,314,474            |
| Assets held in split-interest agreements (Notes 2K, 7 and 13B)   | <u>12,459</u>         | <u>83,005</u>         |
| <b>TOTAL ASSETS</b>                                              | <u>\$ 240,903,730</u> | <u>\$ 246,430,522</u> |
| <b>LIABILITIES</b>                                               |                       |                       |
| Accounts payable and accrued expenses                            | \$ 1,237,821          | \$ 2,595,006          |
| Grants payable (Note 8)                                          | 10,000                | 40,256                |
| Notes and mortgages payable (Note 9)                             | <u>6,000,000</u>      | <u>6,000,000</u>      |
| <b>TOTAL LIABILITIES</b>                                         | <u>7,247,821</u>      | <u>8,635,262</u>      |
| <b>COMMITMENTS AND CONTINGENCIES</b> (Note 12)                   |                       |                       |
| <b>NET ASSETS</b> (Note 2B)                                      |                       |                       |
| Unrestricted:                                                    |                       |                       |
| Operating                                                        | 72,182,979            | 69,786,947            |
| Board designated - other endowment (Notes 13A and 13C)           | 11,806,530            | 10,869,157            |
| Board designated - easement enforcement fund (Notes 13A and 13C) | <u>975,062</u>        | <u>991,973</u>        |
| Total unrestricted                                               | <u>84,964,571</u>     | <u>81,648,077</u>     |
| Temporarily restricted (Note 13B):                               |                       |                       |
| Endowment (Note 13C)                                             | 131,186,950           | 138,821,213           |
| Other temporarily restricted                                     | <u>17,504,388</u>     | <u>17,325,970</u>     |
| Total temporarily restricted                                     | <u>148,691,338</u>    | <u>156,147,183</u>    |
| <b>TOTAL NET ASSETS</b>                                          | <u>233,655,909</u>    | <u>237,795,260</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                          | <u>\$ 240,903,730</u> | <u>\$ 246,430,522</u> |

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

|                                                                    | For the Year Ended June 30, 2012 |                        |                       | For the Year Ended June 30, 2011 |                        |                       |
|--------------------------------------------------------------------|----------------------------------|------------------------|-----------------------|----------------------------------|------------------------|-----------------------|
|                                                                    | Unrestricted                     | Temporarily Restricted | Total 2012            | Unrestricted                     | Temporarily Restricted | Total 2011            |
| <b>OPERATING REVENUES AND SUPPORT (Note 2H):</b>                   |                                  |                        |                       |                                  |                        |                       |
| Contributions (Notes 2D, 9 and 10)                                 | \$ 5,239,769                     | \$ 1,531,859           | \$ 6,771,628          | \$ 6,162,978                     | \$ 2,808,988           | \$ 8,971,966          |
| Government grants (Notes 2D and 12G)                               | 3,402,490                        | -                      | 3,402,490             | 5,139,373                        | -                      | 5,139,373             |
| Endowment earnings used to meet spending policy (Note 13)          | 6,502,700                        | -                      | 6,502,700             | 7,032,294                        | -                      | 7,032,294             |
| Investment activity other than endowment earnings                  | 21,471                           | -                      | 21,471                | 10,568                           | -                      | 10,568                |
| Loss on disposition of property and equipment (Note 4)             | -                                | -                      | -                     | (3,692)                          | -                      | (3,692)               |
| Other revenues                                                     | 36,725                           | -                      | 36,725                | 18,837                           | -                      | 18,837                |
| Net assets released from restrictions (Note 13)                    | 1,282,895                        | (1,282,895)            | -                     | 1,758,107                        | (1,758,107)            | -                     |
| <b>Total Operating Revenues and Support</b>                        | <b>16,486,050</b>                | <b>248,964</b>         | <b>16,735,014</b>     | <b>20,118,465</b>                | <b>1,050,881</b>       | <b>21,169,346</b>     |
| <b>OPERATING EXPENSES (Note 2I):</b>                               |                                  |                        |                       |                                  |                        |                       |
| Program services (Notes 5 and 9)                                   | 12,168,452                       | -                      | 12,168,452            | 15,835,830                       | -                      | 15,835,830            |
| Management and general                                             | 829,256                          | -                      | 829,256               | 779,554                          | -                      | 779,554               |
| Fundraising                                                        | 1,092,310                        | -                      | 1,092,310             | 1,035,463                        | -                      | 1,035,463             |
| <b>Total Operating Expenses</b>                                    | <b>14,090,018</b>                | <b>-</b>               | <b>14,090,018</b>     | <b>17,650,847</b>                | <b>-</b>               | <b>17,650,847</b>     |
| <b>NET OPERATING ACTIVITY</b>                                      | <b>2,396,032</b>                 | <b>248,964</b>         | <b>2,644,996</b>      | <b>2,467,618</b>                 | <b>1,050,881</b>       | <b>3,518,499</b>      |
| <b>NON-OPERATING ACTIVITIES (Note 2H):</b>                         |                                  |                        |                       |                                  |                        |                       |
| Bequests and additions to Board designated funds (Notes 2H and 2J) | 1,329,450                        | -                      | 1,329,450             | 47,200                           | -                      | 47,200                |
| Transfer to board designated endowment (Note 7)                    | 81,641                           | (81,641)               | -                     | -                                | -                      | -                     |
| Change in value of split-interest agreements (Note 7)              | -                                | 11,095                 | 11,095                | -                                | 6,936                  | 6,936                 |
| Investment activity (Note 6)                                       | (50,429)                         | (1,571,763)            | (1,622,192)           | 2,081,885                        | 26,924,084             | 29,005,969            |
| Endowment earnings used to meet spending policy (Note 13)          | (440,200)                        | (6,062,500)            | (6,502,700)           | (450,894)                        | (6,581,400)            | (7,032,294)           |
| <b>NET NON-OPERATING ACTIVITY</b>                                  | <b>920,462</b>                   | <b>(7,704,809)</b>     | <b>(6,784,347)</b>    | <b>1,678,191</b>                 | <b>20,349,620</b>      | <b>22,027,811</b>     |
| <b>CHANGE IN TOTAL NET ASSETS</b>                                  | <b>3,316,494</b>                 | <b>(7,455,845)</b>     | <b>(4,139,351)</b>    | <b>4,145,809</b>                 | <b>21,400,501</b>      | <b>25,546,310</b>     |
| <b>Net Assets - Beginning of Year</b>                              | <b>81,648,077</b>                | <b>156,147,183</b>     | <b>237,795,260</b>    | <b>77,502,268</b>                | <b>134,746,682</b>     | <b>212,248,950</b>    |
| <b>NET ASSETS - END OF YEAR</b>                                    | <b>\$ 84,964,571</b>             | <b>\$ 148,691,338</b>  | <b>\$ 233,655,909</b> | <b>\$ 81,648,077</b>             | <b>\$ 156,147,183</b>  | <b>\$ 237,795,260</b> |

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, 2012 AND 2011**

|                                                                                                                        | <u>2012</u>          | <u>2011</u>         |
|------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                                           |                      |                     |
| Change in net assets                                                                                                   | \$ (4,139,351)       | \$ 25,546,310       |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:                     |                      |                     |
| Depreciation and amortization                                                                                          | 10,856               | 8,259               |
| Change in value of split-interest agreements                                                                           | (11,095)             | (6,936)             |
| Change in discount on pledges receivable                                                                               | (344,433)            | 172,095             |
| Realized gain on sales of investments                                                                                  | (4,515,611)          | (4,975,662)         |
| Unrealized loss (gain) on investments                                                                                  | 8,827,483            | (21,494,724)        |
| 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 | 1,261,988            | 2,242,889           |
| Donated securities                                                                                                     | <u>(207,817)</u>     | <u>(434,726)</u>    |
| Subtotal                                                                                                               | 882,020              | 1,061,197           |
| Changes in operating assets and liabilities:                                                                           |                      |                     |
| (Increase) decrease in assets:                                                                                         |                      |                     |
| Pledges and grants receivable                                                                                          | 2,642,617            | (5,239,980)         |
| Prepaid expenses and other assets                                                                                      | 65,909               | 154,740             |
| Increase (decrease) in liabilities:                                                                                    |                      |                     |
| Accounts payable and accrued expenses                                                                                  | (1,357,185)          | 964,098             |
| Grants payable                                                                                                         | <u>(30,256)</u>      | <u>(1,361,134)</u>  |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                                | <u>2,203,105</u>     | <u>(4,421,079)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                                           |                      |                     |
| Proceeds from termination of split-interest agreement                                                                  | 81,641               | -                   |
| Proceeds from sales of investments                                                                                     | 15,979,557           | 20,785,001          |
| Purchases of investments                                                                                               | (14,790,699)         | (12,381,612)        |
| Acquisitions of land areas and property and equipment                                                                  | (5,930,936)          | (5,430,556)         |
| Proceeds from sales of land areas and property and equipment                                                           | 4,049,399            | 1,528,418           |
| Decrease in assets whose use is limited - donor restricted                                                             | <u>-</u>             | <u>1,200,805</u>    |
| <b>Net Cash (Used) Provided by Investing Activities</b>                                                                | <u>(611,038)</u>     | <u>5,702,056</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                                           |                      |                     |
| Repayment of notes and mortgages payable                                                                               | -                    | (1,000,000)         |
| Proceeds from notes and mortgages payable                                                                              | <u>-</u>             | <u>1,000,000</u>    |
| <b>Net Cash (Used) Provided by Financing Activities</b>                                                                | <u>-</u>             | <u>-</u>            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                                       | 1,592,067            | 1,280,977           |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                                                                   | <u>8,787,249</u>     | <u>7,506,272</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                                                         | <u>\$ 10,379,316</u> | <u>\$ 8,787,249</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, 2012 AND 2011**

**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, government grants and investment income constitute the Organization's primary sources of revenue.

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

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

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

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**B. *Basis of Presentation***

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those which have no external restrictions, and include land areas held by the Organization for conservation purposes. Temporarily restricted net assets are those for which use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. As of June 30, 2012 and 2011, the Organization did not have any permanently restricted net assets.

**C. *Cash Equivalents***

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

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

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

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

Donated services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization records contributed services at their fair value on the date received. For the years ended June 30, 2012 and 2011, the Organization received contributed legal services which amounted to approximately \$388,000 and \$492,000, 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.

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

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

The Organization determines whether an allowance for uncollectible pledges and grants receivable should be provided based on prior years' experience and management's analysis of specific pledges and grants made. As of June 30, 2012 and 2011, the Organization determined an allowance of \$50,000 was necessary.



**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**F. *Investments***

The Organization reflects investments at fair value in the accompanying consolidated statements of financial position. Interest, dividends and gains and losses on investments are reflected in the consolidated statements of activities as increases 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. 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 15.

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, 2010 and December 31, 2009. For the years ended June 30, 2012 and 2011, the amount to support operations was 5%.

**G. *Property and Equipment***

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

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

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

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

The cost of providing the various 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.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**J. *Bequests and Legacies***

The Organization is the beneficiary of bequests and legacies under various wills, the ultimate realization of which is not always readily determinable. The Organization recognizes bequests and legacies when the proceeds are measurable and an irrevocable right to the proceeds by the Organization has been determined after the will is probated. As of June 30, 2012 and 2011, 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 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 beneficiaries, the related remaining assets are available to the Organization. Payments to the beneficiaries are made based on the rate of return earned by the Fund.

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

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

Purchased land areas are recorded at cost. Donated land areas are recognized at fair value at the date of the contribution. Land project expenses, such as park development and management costs, are expensed in the period incurred. Purchased easements are expensed in the period acquired. Contributions for the purpose of purchasing conservation easements are temporarily restricted at year end if the purchase of the easement has not been completed. Donated conservation easements are not recorded as revenue or expense by the Organization.

**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 11, 2012, 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 11, 2012 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 15.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**O. *Income Taxes***

The Organization had no uncertain tax positions as of June 30, 2012 and 2011 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 years ended before June 30, 2009.

**P. *Reclassifications***

Certain line items in the June 30, 2011 consolidated financial statements have been reclassified to conform to the June 30, 2012 presentation. The reclassifications do not affect net assets.

**NOTE 3 – PLEDGES AND GRANTS RECEIVABLE**

Pledges and grants receivable as of June 30, 2012 and 2011 were as follows:

|                                           | <u>2012</u>          | <u>2011</u>          |
|-------------------------------------------|----------------------|----------------------|
| Unrestricted                              | \$ 2,812,213         | \$ 6,038,012         |
| Restricted to future programs and periods | <u>21,975,003</u>    | <u>21,047,388</u>    |
| Total pledges and grants receivable, net  | <u>\$ 24,787,216</u> | <u>\$ 27,085,400</u> |

Pledges and grants receivable were scheduled to be collected as follows as of June 30, 2012 and 2011:

|                                          | <u>2012</u>          | <u>2011</u>          |
|------------------------------------------|----------------------|----------------------|
| Less than one year                       | \$ 4,602,967         | \$ 6,361,557         |
| One to five years                        | <u>20,890,973</u>    | <u>21,775,000</u>    |
|                                          | 25,493,940           | 28,136,557           |
| Less: Discount to net present value      | (656,724)            | (1,001,157)          |
| Reserve for uncollectible receivables    | <u>(50,000)</u>      | <u>(50,000)</u>      |
| Total pledges and grants receivable, net | <u>\$ 24,787,216</u> | <u>\$ 27,085,400</u> |

Pledges and grants receivable due after one year are discounted to net present value using the risk-adjusted discount rate in effect on the date of the gifts. Interest rates used to discount the unconditional promises ranged from 0.19% to 1.93% as of June 30, 2012 and 2011.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2012 and 2011:

|                                                 | <u>2012</u>      | <u>2011</u>      | <u>Estimated<br/>Useful Lives</u> |
|-------------------------------------------------|------------------|------------------|-----------------------------------|
| Furniture and equipment                         | \$ 104,642       | \$ 72,374        | 3-7 Years                         |
| Transportation equipment                        | 59,441           | 52,488           | 4-5 Years                         |
| Leasehold improvements                          | <u>23,910</u>    | <u>23,910</u>    | 5 Years                           |
| Total cost                                      | 187,993          | 148,772          |                                   |
| Less: Accumulated depreciation and amortization | <u>(116,796)</u> | <u>(105,940)</u> |                                   |
| Net book value                                  | <u>\$ 71,197</u> | <u>\$ 42,832</u> |                                   |

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 – PROPERTY AND EQUIPMENT (Continued)**

Depreciation and amortization amounted to \$10,856 and \$8,259 for the years ended June 30, 2012 and 2011, respectively.

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.

**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, 2012 and 2011, the Organization acquired land areas for a total of \$5,891,715 and \$5,385,636, respectively. During the year ended June 30, 2012, the Organization sold three properties with a carrying value of \$5,293,387, for proceeds of \$4,031,399, resulting in a net realized loss of \$1,261,988, which is included in the accompanying consolidated statements of activities as program services expense.

During 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.

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 payments received by the Organization each year reduce 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 12D for additional information related to this agreement.

The Organization held conservation easements on various properties in the State as of June 30, 2012 and 2011. During the years ended June 30, 2012 and 2011, the Organization purchased easements, inclusive of closing costs, for \$3,985,432 and \$1,805,889, respectively, and such amounts are included in the accompanying consolidated statements of activities as program services expense.

Certain land areas serve as collateral for the Organization's mortgages payable as further described in Note 9.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 6 – INVESTMENTS**

Investments consisted of the following as of June 30, 2012 and 2011:

|                                                          | <u>2012</u>           | <u>2011</u>           |
|----------------------------------------------------------|-----------------------|-----------------------|
| Money Market Funds                                       |                       |                       |
| Money Market Funds                                       | \$ 2,419,447          | \$ 1,165,792          |
| Total Money Market Funds                                 | <u>2,419,447</u>      | <u>1,165,792</u>      |
| Equity Securities                                        |                       |                       |
| Vanguard S&P 500 Index Fund                              | 18,863,407            | 18,845,978            |
| U.S. Exchange Traded Funds - I Shares S&P 100 Index Fund | 10,932,250            | 15,968,763            |
| U.S. Mutual Funds                                        | 157,126               | 63,184                |
| U.S. Regulated Equity Securities                         | 20,053,629            | 20,136,563            |
| Ex-U.S. Commingled Funds                                 | 33,734,656            | 35,780,140            |
| Ex-U.S. Exchange Traded Funds -                          |                       |                       |
| I Shares MSI EAFE Growth Index Fund                      | 8,843,150             | 3,287,948             |
| Vanguard MSI Emerging Markets                            | 6,266,405             | 7,453,309             |
| Total Equity Securities                                  | <u>98,850,623</u>     | <u>101,535,885</u>    |
| Fixed Income                                             |                       |                       |
| U.S. Mutual Funds                                        | 30,789,845            | 30,776,735            |
| Mutual Funds - Ex-U.S.                                   | 3,187,163             | 3,188,462             |
| Total Fixed Income                                       | <u>33,977,008</u>     | <u>33,965,197</u>     |
| Alternative Investments                                  |                       |                       |
| Hedge Funds and Fund of Funds                            | 10,132,629            | 14,005,746            |
| Total Alternative Investments                            | <u>10,132,629</u>     | <u>14,005,746</u>     |
| Total Investments                                        | <u>\$ 145,379,707</u> | <u>\$ 150,672,620</u> |

Certain investments serve as collateral for the Organization's notes payable and line of credit as further described in Notes 9 and 12H.

As of June 30, 2012, concentrations of the Organization's investments in excess of 10% of the fair value of its portfolio included approximately 21% invested in a PIMCO fixed income mutual fund, 17% in the Silchester International Investors International Value Equity Trust ("Silchester"), 13% in a Vanguard mutual fund and 14% in the iShares S&P 100 Index Fund. 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, 13% in a Vanguard mutual fund and 13% in the iShares S&P 100 Index Fund.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 – INVESTMENTS (Continued)**

The components of investment activity by entity for the year ended June 30, 2012 is as follows:

|                                                                                                                     | Scenic Hudson,<br>Inc. | The Scenic Hudson<br>Land Trust, Inc. | Total          |
|---------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------|----------------|
| Investments, at fair value as of June 30, 2011                                                                      | \$ 10,932,340          | \$ 139,740,280                        | \$ 150,672,620 |
| Interest and dividends                                                                                              | 243,062                | 2,983,168                             | 3,226,230      |
| Realized gain (loss) and net change in unrealized gain<br>on investments reported at fair value from 7/1/11-6/30/12 | (251,727)              | (4,060,145)                           | (4,311,872)    |
| Investment fees                                                                                                     | (36,353)               | (500,197)                             | (536,550)      |
| Total investment activity                                                                                           | (45,018)               | (1,577,174)                           | (1,622,192)    |
| Purchases of new investments/donated securities                                                                     | 449,790                | 11,651,230                            | 12,101,020     |
| Investments sold to fund program activities                                                                         | (472,481)              | (15,299,260)                          | (15,771,741)   |
| Subtotal                                                                                                            | (22,691)               | (3,648,030)                           | (3,670,721)    |
| Net decrease in investments                                                                                         | (67,709)               | (5,225,204)                           | (5,292,913)    |
| Investments, at fair value as of June 30, 2012                                                                      | \$ 10,864,631          | \$ 134,515,076                        | \$ 145,379,707 |
| Net return on investments during the year                                                                           | (0.41%)                | (1.15%)                               | (1.10%)        |

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

|                                                                                                                     | Scenic Hudson,<br>Inc. | The Scenic Hudson<br>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      |
| Realized gain (loss) and net change in unrealized gain<br>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, 2012 AND 2011**

**NOTE 6 – INVESTMENTS (Continued)**

The classification of investment activity in the consolidated statement of activities for the year ended June 30, 2012 is as follows:

|                                                                                                                   | Unrestricted | Temporarily<br>Restricted | Total          |
|-------------------------------------------------------------------------------------------------------------------|--------------|---------------------------|----------------|
| Interest and dividends                                                                                            | \$ 243,062   | \$ 2,983,168              | \$ 3,226,230   |
| Realized gains                                                                                                    | 274,618      | 4,240,993                 | 4,515,611      |
| Unrealized losses                                                                                                 | (526,345)    | (8,301,138)               | (8,827,483)    |
| Investment fees                                                                                                   | (36,353)     | (500,197)                 | (536,550)      |
| Total return on investments                                                                                       | (45,018)     | (1,577,174)               | (1,622,192)    |
| Earnings allocated to Board designated<br>easement enforcement fund (Note 13A)                                    | (5,411)      | 5,411                     | -              |
|                                                                                                                   | (50,429)     | (1,571,763)               | (1,622,192)    |
| Endowment earnings used to meet spending policy<br>(Note 2F)                                                      | 6,502,700    | -                         | 6,502,700      |
| Endowment earnings used to meet spending policy<br>for Board designated – other (Note 13A)                        | (396,200)    | -                         | (396,200)      |
| Endowment earnings used to meet spending policy<br>for Board designated – easement enforcement<br>fund (Note 13A) | (44,000)     | -                         | (44,000)       |
| Endowment earnings used to meet spending policy<br>for Wallace Endowment (Note 13B)                               | -            | (6,062,500)               | (6,062,500)    |
|                                                                                                                   | \$ 6,012,071 | \$ (7,634,263)            | \$ (1,622,192) |

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 6 – INVESTMENTS (Continued)**

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

|                                                                                                                   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>         |
|-------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------|----------------------|
| 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<br>easement enforcement fund (Note 13A)                                    | 126,497             | (126,497)                         | -                    |
|                                                                                                                   | 2,081,885           | 26,924,084                        | 29,005,969           |
| Endowment earnings used to meet spending policy<br>(Note 2F)                                                      | 7,032,294           | -                                 | 7,032,294            |
| Endowment earnings used to meet spending policy<br>for Board designated – other (Note 13A)                        | (413,100)           | -                                 | (413,100)            |
| Endowment earnings used to meet spending policy<br>for Board designated – easement enforcement<br>fund (Note 13A) | (37,794)            | -                                 | (37,794)             |
| Endowment earnings used to meet spending policy<br>for Wallace Endowment (Note 13B)                               | -                   | (6,581,400)                       | (6,581,400)          |
|                                                                                                                   | <u>\$ 8,663,285</u> | <u>\$ 20,342,684</u>              | <u>\$ 29,005,969</u> |

**NOTE 7 – SPLIT-INTEREST AGREEMENTS**

The present values of the future interest in the Fund are summarized as follows as of June 30, 2012 and 2011:

|                                  | <u>2012</u>      | <u>2011</u>      |
|----------------------------------|------------------|------------------|
| Fair value                       | \$ 15,430        | \$ 97,118        |
| Less: Estimated future liability | <u>(2,971)</u>   | <u>(14,113)</u>  |
| Present value of future interest | <u>\$ 12,459</u> | <u>\$ 83,005</u> |

The present value of the estimated future interest is calculated using a discount rate of 3.71% and 4.10%, respectively, as of June 30, 2012 and 2011 and applicable life expectancy tables. The majority of the underlying assets of the Fund are held in equities and fixed income securities.

As a result of the death of one of the income beneficiaries during the year ended June 30, 2012, the remaining assets of \$81,641 were released from restriction (see Note 13B) and were added to the Organization's Board designated endowment (see Note 13A).



**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 8 – GRANTS PAYABLE**

As of June 30, 2012 and 2011, grants payable are scheduled to be paid as follows:

|                         | <u>2012</u>      | <u>2011</u>      |
|-------------------------|------------------|------------------|
| Payable within one year | \$ <u>10,000</u> | \$ <u>40,256</u> |

The grants payable as of June 30, 2012 represent grants payable to two nonprofit organizations to support environmental education programs. The grants payable as of June 30, 2011 represent grants payable to another nonprofit organization for the Kathryn W. Davis Riverwalk Center, of which the construction was completed during the year ended June 30, 2011.

**NOTE 9 – NOTES AND MORTGAGES PAYABLE**

In fiscal year 2008, the Organization secured an interest-free loan from a donor in the amount of \$5,000,000 to purchase land and build parks for public use. The loan is collateralized by fixed income securities and the collateral must be at least \$7,500,000. The loan is repayable upon the collection of certain pledges receivable and the life (maturity date) of the loan was estimated based on the estimated date of collection of the pledges receivable. The loan had 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 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 payment date of the loan was re-forecasted during fiscal 2012 to correspond to the revised estimated collection date of the pledges receivable. For fiscal 2012, the loan has been discounted using the Organization's estimated borrowing rate of 2.75%. The discount is being amortized over the expected life of the loan. Imputed interest expense and a related contribution in-kind of \$123,360 are recognized for the loan for the year ended June 30, 2012. Such amount is 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 \$3,687 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. During the year ended June 30, 2011, the State communicated its interest in purchasing the parcel. In June 2011, the Organization repaid the mortgage associated with the parcel in order to clear the property title. During the year ended June 30, 2012, title to the property was transferred to the State in accordance with the sale of the land area (see Note 5).

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 \$31,044 and \$280 were recognized for the loan for the years ended June 30, 2012 and 2011, respectively. Such amounts are included in contribution revenue and program services expense in the accompanying consolidated statements of activities.

The notes and mortgages payable were as follows as of June 30, 2012 and 2011:

|                                                  | <u>2012</u>         | <u>2011</u>         |
|--------------------------------------------------|---------------------|---------------------|
| Present value of the notes and mortgages payable | \$ 5,247,752        | \$ 5,607,519        |
| Imputed interest                                 | <u>752,248</u>      | <u>392,481</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.**  
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**NOTE 10 – 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 consisted of the following for the years ended June 30, 2012 and 2011:

|                                          | <u>2012</u>       | <u>2011</u>       |
|------------------------------------------|-------------------|-------------------|
| Proceeds from special events             | \$ 485,962        | \$ 753,924        |
| Less: costs of direct benefits to donors | <u>(44,809)</u>   | <u>(149,183)</u>  |
| Special events income, net               | <u>\$ 441,153</u> | <u>\$ 604,741</u> |

**NOTE 11 – 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, 2012 and 2011 amounted to \$146,590 and \$132,745, respectively.

The Organization also offers a deferred compensation arrangement under Section 457(b) of the Internal Revenue Code for key employees. The Organization does not make any contributions to the 457(b) plan. The Organization and certain key employees are also parties to a 457(f) plan. The Organization contributed \$108,333 to the 457(f) plan for the years ended June 30, 2012 and 2011, respectively.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

- A. As of June 30, 2012 and 2011, the Organization had made deposits of \$149,158 and \$151,158, 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, 2012 and 2011:

|                  | <u>2012</u>       | <u>2011</u>       |
|------------------|-------------------|-------------------|
| Shanok property  | \$ 131,158        | \$ 131,158        |
| Arnika property  | 15,000            | -                 |
| Malouf property  | 3,000             | -                 |
| Frog Hollow farm | <u>-</u>          | <u>20,000</u>     |
|                  | <u>\$ 149,158</u> | <u>\$ 151,158</u> |

The deposit associated with the Frog Hollow farm was reclassified to land areas during the year ended June 30, 2012 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:

|      |                     |
|------|---------------------|
| 2013 | \$ 289,100          |
| 2014 | 289,100             |
| 2015 | 289,100             |
| 2016 | 289,100             |
| 2017 | <u>216,825</u>      |
|      | <u>\$ 1,373,225</u> |

Rent expense for the years ended June 30, 2012 and 2011 amounted to approximately \$296,000.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

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

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

- D. The Organization and the Village of Haverstraw are tenants-in-common with a 20% and 80% 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.

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

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.

- F. The Organization, the County of Westchester and the Town of Cortland (the "Town") jointly purchased the Hillpoint property in Cortland. The Organization received the "Northerly" portion (203 acres) and the County of Westchester and the Town received the "Southerly" portion (147 acres). The Organization and the Town entered into a park management agreement. The terms of this agreement are summarized as follows: the Town will operate and manage and incur the expenses thereof, for both the "Northerly" and "Southerly" portions. The "Northerly" portion shall remain in the ownership of the Organization until the fifteenth anniversary of the commencement date, which will be July 10, 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, 2012 AND 2011**

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

- G. Government supported programs are subject to audit by the granting agency. The Organization expects that any changes that could result from the audits would not have a material impact on the consolidated financial statements.
- H. 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, 2012 and 2011, there were no borrowings outstanding.
- I. During the year ended June 30, 2012, the Organization secured an irrevocable standby letter of credit with a bank in favor of the Village of Cold Spring in an amount not to exceed \$250,000. The letter of credit was secured in lieu of purchasing a performance bond. If the Organization fails to install, maintain or repair improvements to the West Point Foundry Preserve property in accordance with the approved site plan then the Village can draw down on the letter of credit to make those improvements. The letter of credit is secured by money market funds held with the financial institution, which are included in cash and cash equivalents in the accompanying consolidated financial statements. The letter of credit expires on October 31, 2013.

**NOTE 13 – RESTRICTIONS ON NET ASSETS**

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

Board designated net assets, reflected as Board designated – other endowment in the accompanying consolidated statements of financial position, are used to account for funds set aside by Scenic Hudson, Inc.'s Board of Directors (the "Board Designated Endowment"), as well as investment income earned on those funds, to be used as determined upon approval by the Board. Investment income of \$396,200 and \$413,100, 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, 2012 and 2011, 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 \$44,000 and \$37,794, 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, 2012 and 2011, respectively. The easement enforcement fund net asset balance amounted to \$975,062 and \$991,973 as of June 30, 2012 and 2011, 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.

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

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, 2012 and 2011, 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, 2010 and December 31, 2009, and that management may withdraw these amounts at their discretion to meet program needs. Accordingly, investment income of \$6,062,500 and \$6,581,400, 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, 2012 and 2011, respectively.

Temporarily restricted net assets consisted of the following as of June 30, 2012 and 2011:

|                                                                              | <u>2012</u>           | <u>2011</u>           |
|------------------------------------------------------------------------------|-----------------------|-----------------------|
| Scenic Hudson, Inc.:                                                         |                       |                       |
| Restricted to future programs and periods                                    | \$ 13,834,469         | \$ 13,400,029         |
| Future interest in pooled income fund                                        | <u>12,459</u>         | <u>83,005</u>         |
|                                                                              | <u>13,846,928</u>     | <u>13,483,034</u>     |
| The Scenic Hudson Land Trust, Inc.:                                          |                       |                       |
| Lila Acheson and DeWitt Wallace Hudson Valley<br>Land Preservation Endowment | 131,186,950           | 138,821,213           |
| Land acquisitions and other land preservation and<br>conservation expenses   | <u>3,657,460</u>      | <u>3,842,936</u>      |
|                                                                              | <u>134,844,410</u>    | <u>142,664,149</u>    |
| Total temporarily restricted net assets                                      | <u>\$ 148,691,338</u> | <u>\$ 156,147,183</u> |

During the years ended June 30, 2012 and 2011, 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"). 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 had no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of June 30, 2012 and 2011.

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.



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

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

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The Organization had no donor-restricted endowment funds required to be maintained in perpetuity as of June 30, 2012 and 2011.

The Organization's endowment investment policy is to invest primarily in a mix of equities, fixed income securities and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described in Notes 2F, 13A and 13B.

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

|                                                                                             | Board Designated -<br>Unrestricted | Temporarily<br>Restricted | Total          |
|---------------------------------------------------------------------------------------------|------------------------------------|---------------------------|----------------|
| Endowment net assets, beginning of year                                                     | \$ 11,861,130                      | \$ 138,821,213            | \$ 150,682,343 |
| Investment activity:                                                                        |                                    |                           |                |
| Interest and dividends                                                                      | 243,062                            | 2,983,168                 | 3,226,230      |
| Realized gains                                                                              | 274,618                            | 4,240,993                 | 4,515,611      |
| Unrealized losses                                                                           | (526,345)                          | (8,301,138)               | (8,827,483)    |
| Investment fees                                                                             | (36,353)                           | (500,197)                 | (536,550)      |
| Total return on investments                                                                 | (45,018)                           | (1,577,174)               | (1,622,192)    |
| Loss allocated to Board designated<br>easement enforcement fund (Note 13A)                  | (5,411)                            | 5,411                     | -              |
|                                                                                             | (50,429)                           | (1,571,763)               | (1,622,192)    |
| Bequests and additions to Board designated fund<br>and temporarily restricted fund          | 1,329,450                          | -                         | 1,329,450      |
| Transfer from other temporarily restricted net<br>assets for pooled income fund proceeds    | 81,641                             | -                         | 81,641         |
| Endowment earnings used to meet spending<br>policy for Board designated – other (Note 13A)  | (396,200)                          | -                         | (396,200)      |
| Endowment earnings used to meet spending<br>policy for easement enforcement fund (Note 13A) | (44,000)                           | -                         | (44,000)       |
| Endowment earnings used to meet spending<br>for Wallace Endowment (Note 13B)                | -                                  | (6,062,500)               | (6,062,500)    |
|                                                                                             | 920,462                            | (7,634,263)               | (6,713,801)    |
| Endowment net assets, end of year                                                           | \$ 12,781,592                      | \$ 131,186,950            | \$ 143,968,542 |

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

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

|                                                                                             | Board Designated -<br>Unrestricted | Temporarily<br>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<br>easement enforcement fund (Note 13A)              | 126,497                            | (126,497)                 | -              |
|                                                                                             | 2,081,885                          | 26,924,084                | 29,005,969     |
| Bequests and additions to Board designated fund<br>and temporarily restricted fund          | 47,200                             | -                         | 47,200         |
| Endowment earnings used to meet spending<br>policy for Board designated – other (Note 13A)  | (413,100)                          | -                         | (413,100)      |
| Endowment earnings used to meet spending<br>policy for easement enforcement fund (Note 13A) | (37,794)                           | -                         | (37,794)       |
| Endowment earnings used to meet spending<br>for Wallace Endowment (Note 13B)                | -                                  | (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 |

**NOTE 14 – 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. The Organization had cash accounts that exceeded the FDIC insurance limits by approximately \$8,603,000 and \$5,855,000 as of June 30, 2012 and 2011, respectively. In addition, the Organization had cash held in money market funds that were not insured by the FDIC, which amounted to approximately \$785,000 and \$1,046,000 as of June 30, 2012 and 2011, respectively.

**B. *Concentration of Pledges and Grants 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, 2012 and 2011, the net pledge receivable associated with this contribution amounted to approximately 78% and 70%, respectively, of the total net pledges and grants receivable.

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**NOTE 15 – 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, 2012 are classified in the table in one of the three levels as follows:

|                                      | Level 1               | Level 2              | Level 3              | Total<br>2012         |
|--------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Investments:                         |                       |                      |                      |                       |
| Money Market Funds                   |                       |                      |                      |                       |
| Money Market Funds                   | \$ 2,419,447          | \$ -                 | \$ -                 | \$ 2,419,447          |
| Total Money Market Funds             | <u>2,419,447</u>      | <u>-</u>             | <u>-</u>             | <u>2,419,447</u>      |
| Equity Securities                    |                       |                      |                      |                       |
| Vanguard S&P 500 Index Fund          | 18,863,407            | -                    | -                    | 18,863,407            |
| U.S. Exchange Traded Funds - IShares |                       |                      |                      |                       |
| S&P 100 Index Fund                   | 10,932,250            | -                    | -                    | 10,932,250            |
| U.S. Mutual Funds                    | 157,126               | -                    | -                    | 157,126               |
| U.S. Regulated Equity Securities     | 20,053,629            | -                    | -                    | 20,053,629            |
| Ex-U.S. Commingled Funds             | -                     | 24,543,423           | 9,191,233            | 33,734,656            |
| Ex-U.S. Exchange Traded Funds -      |                       |                      |                      | -                     |
| IShares MSI EAFE Growth Index Fund   | 8,843,150             | -                    | -                    | 8,843,150             |
| Vanguard MSI Emerging Markets        | 6,266,405             | -                    | -                    | 6,266,405             |
| Total Equity Securities              | <u>65,115,967</u>     | <u>24,543,423</u>    | <u>9,191,233</u>     | <u>98,850,623</u>     |
| Fixed Income                         |                       |                      |                      |                       |
| Mutual Funds - U.S.                  | 30,789,845            | -                    | -                    | 30,789,845            |
| Mutual Funds - Ex U.S.               | 3,187,163             | -                    | -                    | 3,187,163             |
| Total Fixed Income                   | <u>33,977,008</u>     | <u>-</u>             | <u>-</u>             | <u>33,977,008</u>     |
| Alternative Investments              |                       |                      |                      |                       |
| Hedge Funds and Fund of Funds        | -                     | -                    | 10,132,629           | 10,132,629            |
| Total Alternative Investments        | <u>-</u>              | <u>-</u>             | <u>10,132,629</u>    | <u>10,132,629</u>     |
| Total Investments                    | <u>\$ 101,512,422</u> | <u>\$ 24,543,423</u> | <u>\$ 19,323,862</u> | <u>\$ 145,379,707</u> |



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**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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

|                                      | Level 1               | Level 2              | Level 3              | Total<br>2011         |
|--------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| 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 - IShares |                       |                      |                      |                       |
| 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 -      |                       |                      |                      |                       |
| IShares 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        | -                     | -                    | 14,005,746           | 14,005,746            |
| 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> |

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.

In accordance with Accounting Standards Update ("ASU") 2009-12, *Investments in Certain Entities That Calculate Net Asset Values per Share (or its Equivalent)* ("ASU No. 2009-12"), the Organization categorized its investments in investment funds as a Level 2 fair value measurement for investments which will be redeemed with the investee at net asset value per share.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 15 – 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. 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. As of June 30, 2012, the Organization had no unfunded capital commitments to invest in Silchester.

**Alternative Investments and Commingled Funds:**

Alternative investments 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 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. 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's investment in the PIMCO Distressed Senior Credit Opportunities Fund II Offshore Feeder, L.P. ("PIMCO DSCO") is classified as Alternative Investments. The Organization elected to invest in the PIMCO DSCO fund after the previous offering (the PIMCO Distressed Senior Credit Opportunities Fund Offshore Feeder I, L.P.) was liquidated during fiscal 2012. The PIMCO DSCO fund holds the same characteristics as the previous offering. 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. On the last business day of the twelfth calendar month following such contributions ("lock-up period") a partner may withdraw all or a portion of its capital account as of the last business day of each calendar quarter upon sixty days' prior written notice to the Administrator.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

As of June 30, 2012, the Organization had no unfunded capital commitments to invest in Lazard, Arden or PIMCO DSCO.

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, 2012 and 2011:

|                                 | <u>2012</u>          | <u>2011</u>          |
|---------------------------------|----------------------|----------------------|
| Balance, beginning of year      | \$ 22,610,550        | \$ 19,824,128        |
| Purchases                       | 7,000,000            | -                    |
| Redemptions                     | (8,771,741)          | -                    |
| Realized gain                   | 1,771,741            | -                    |
| Net (depreciation) appreciation | <u>(3,286,688)</u>   | <u>2,786,422</u>     |
| Balance, end of year            | <u>\$ 19,323,862</u> | <u>\$ 22,610,550</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. For the years ended June 30, 2012 and 2011, there were no significant transfers between levels.

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

SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
SUPPLEMENTARY INFORMATION  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION  
AS OF JUNE 30, 2012 AND 2011

|                                              | As of June 30, 2012  |                                    |                            |                         | As of June 30, 2011  |                                    |                            |                         |
|----------------------------------------------|----------------------|------------------------------------|----------------------------|-------------------------|----------------------|------------------------------------|----------------------------|-------------------------|
|                                              | Scenic Hudson, Inc.  | The Scenic Hudson Land Trust, Inc. | Consolidating Eliminations | Consolidated Total 2012 | Scenic Hudson, Inc.  | The Scenic Hudson Land Trust, Inc. | Consolidating Eliminations | Consolidated Total 2011 |
| <b>ASSETS</b>                                |                      |                                    |                            |                         |                      |                                    |                            |                         |
| Cash and cash equivalents                    | \$ 1,825,184         | \$ 8,554,132                       | \$ -                       | \$ 10,379,316           | \$ 1,878,592         | \$ 6,908,657                       | \$ -                       | \$ 8,787,249            |
| Pledges and grants receivable, net           | 21,192,546           | 3,594,670                          | -                          | 24,787,216              | 19,982,509           | 7,102,891                          | -                          | 27,085,400              |
| Investments, at fair value                   | 10,864,631           | 134,515,076                        | -                          | 145,379,707             | 10,932,340           | 139,740,280                        | -                          | 150,672,620             |
| Due from related party                       | -                    | 1,674,620                          | (1,674,620)                | -                       | -                    | 2,025,239                          | (2,025,239)                | -                       |
| Prepaid expenses and other assets            | 35,950               | 343,083                            | -                          | 379,033                 | 58,446               | 386,496                            | -                          | 444,942                 |
| Property and equipment, net                  | 31,976               | 39,221                             | -                          | 71,197                  | 42,832               | -                                  | -                          | 42,832                  |
| Land areas, at cost                          | -                    | 59,894,802                         | -                          | 59,894,802              | -                    | 59,314,474                         | -                          | 59,314,474              |
| Assets held in split-interest agreements     | 12,459               | -                                  | -                          | 12,459                  | 83,005               | -                                  | -                          | 83,005                  |
| <b>TOTAL ASSETS</b>                          | <b>\$ 33,962,746</b> | <b>\$ 208,615,604</b>              | <b>\$ (1,674,620)</b>      | <b>\$ 240,903,730</b>   | <b>\$ 32,977,724</b> | <b>\$ 215,478,037</b>              | <b>\$ (2,025,239)</b>      | <b>\$ 246,430,522</b>   |
| <b>LIABILITIES</b>                           |                      |                                    |                            |                         |                      |                                    |                            |                         |
| Accounts payable and accrued expenses        | \$ 294,172           | \$ 943,649                         | \$ -                       | \$ 1,237,821            | \$ 298,508           | \$ 2,296,498                       | \$ -                       | \$ 2,595,006            |
| Grants payable                               | 10,000               | -                                  | -                          | 10,000                  | -                    | 40,256                             | -                          | 40,256                  |
| Due to related party                         | 1,674,620            | -                                  | (1,674,620)                | -                       | 2,025,239            | -                                  | (2,025,239)                | -                       |
| Notes and mortgages payable                  | 5,000,000            | 1,000,000                          | -                          | 6,000,000               | 5,000,000            | 1,000,000                          | -                          | 6,000,000               |
| <b>TOTAL LIABILITIES</b>                     | <b>6,978,792</b>     | <b>1,943,649</b>                   | <b>(1,674,620)</b>         | <b>7,247,821</b>        | <b>7,323,747</b>     | <b>3,336,754</b>                   | <b>(2,025,239)</b>         | <b>8,635,262</b>        |
| <b>NET ASSETS</b>                            |                      |                                    |                            |                         |                      |                                    |                            |                         |
| Unrestricted:                                |                      |                                    |                            |                         |                      |                                    |                            |                         |
| Operating                                    | 1,330,496            | 70,852,483                         | -                          | 72,182,979              | 1,301,786            | 68,485,161                         | -                          | 69,786,947              |
| Board designated - other endowment           | 11,806,530           | -                                  | -                          | 11,806,530              | 10,869,157           | -                                  | -                          | 10,869,157              |
| Board designated - easement enforcement fund | -                    | 975,062                            | -                          | 975,062                 | -                    | 991,973                            | -                          | 991,973                 |
| Total unrestricted                           | 13,137,026           | 71,827,545                         | -                          | 84,964,571              | 12,170,943           | 69,477,134                         | -                          | 81,648,077              |
| Temporarily restricted:                      |                      |                                    |                            |                         |                      |                                    |                            |                         |
| Endowment                                    | -                    | 131,186,950                        | -                          | 131,186,950             | -                    | 138,821,213                        | -                          | 138,821,213             |
| Other temporarily restricted                 | 13,846,928           | 3,657,460                          | -                          | 17,504,388              | 13,483,034           | 3,842,936                          | -                          | 17,325,970              |
| Total temporarily restricted                 | 13,846,928           | 134,844,410                        | -                          | 148,691,338             | 13,483,034           | 142,664,149                        | -                          | 156,147,183             |
| <b>TOTAL NET ASSETS</b>                      | <b>26,983,954</b>    | <b>206,671,955</b>                 | <b>-</b>                   | <b>233,655,909</b>      | <b>25,653,977</b>    | <b>212,141,283</b>                 | <b>-</b>                   | <b>237,795,260</b>      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <b>\$ 33,962,746</b> | <b>\$ 208,615,604</b>              | <b>\$ (1,674,620)</b>      | <b>\$ 240,903,730</b>   | <b>\$ 32,977,724</b> | <b>\$ 215,478,037</b>              | <b>\$ (2,025,239)</b>      | <b>\$ 246,430,522</b>   |

See independent auditors' report.

**OPERATING REVENUES AND SUPPORT:**

**NON-OPERATING ACTIVITIES:**

## NET NON-OPERATING ACTIVITY

Net assets - Beginning of Year

## Net assets - Beginning of Year

NET ASSETS - END OF YEAR

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. |                      |                        | Consolidating Eliminations | Consolidated 2011 Total |
|---------------------------------------------------|----------------------|------------------------|------------------------------------|----------------------|------------------------|----------------------------|-------------------------|
|                                                   | Unrestricted         | Temporarily Restricted | Total 2011                         | Unrestricted         | Temporarily Restricted | Total 2011                 |                         |
| <b>OPERATING REVENUES AND SUPPORT:</b>            |                      |                        |                                    |                      |                        |                            |                         |
| Contributions                                     | \$ 4,627,630         | \$ 800,529             | \$ 5,428,159                       | \$ 3,213,492         | \$ 2,008,459           | \$ 5,221,951               | \$ 8,971,966            |
| Government grants                                 | 45,044               | -                      | 45,044                             | 5,094,329            | -                      | 5,094,329                  | 5,139,373               |
| 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                    | -                       |
| <b>Total Operating Revenues and Support</b>       | <b>5,635,302</b>     | <b>(44,213)</b>        | <b>5,591,089</b>                   | <b>16,161,307</b>    | <b>1,095,094</b>       | <b>17,256,401</b>          | <b>21,169,346</b>       |
| <b>OPERATING EXPENSES:</b>                        |                      |                        |                                    |                      |                        |                            |                         |
| Program services                                  | 3,940,975            | -                      | 3,940,975                          | 13,572,999           | -                      | 13,572,999                 | 15,835,830              |
| 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               |
| <b>Total Operating Expenses</b>                   | <b>5,506,814</b>     | <b>-</b>               | <b>5,506,814</b>                   | <b>13,822,177</b>    | <b>-</b>               | <b>13,822,177</b>          | <b>17,650,847</b>       |
| <b>NET OPERATING ACTIVITY</b>                     | <b>128,488</b>       | <b>(44,213)</b>        | <b>84,275</b>                      | <b>2,339,130</b>     | <b>1,095,094</b>       | <b>3,434,224</b>           | <b>3,518,499</b>        |
| <b>NON-OPERATING ACTIVITIES:</b>                  |                      |                        |                                    |                      |                        |                            |                         |
| 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)             |
| <b>NET NON-OPERATING ACTIVITY</b>                 | <b>1,542,288</b>     | <b>6,936</b>           | <b>1,549,224</b>                   | <b>135,903</b>       | <b>20,342,684</b>      | <b>20,478,587</b>          | <b>22,027,811</b>       |
| <b>CHANGE IN TOTAL NET ASSETS</b>                 | <b>1,670,776</b>     | <b>(37,277)</b>        | <b>1,633,499</b>                   | <b>2,475,033</b>     | <b>21,437,778</b>      | <b>23,912,811</b>          | <b>25,546,310</b>       |
| 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             |
| <b>NET ASSETS - END OF YEAR</b>                   | <b>\$ 12,170,943</b> | <b>\$ 13,483,034</b>   | <b>\$ 25,653,977</b>               | <b>\$ 69,477,134</b> | <b>\$ 142,664,149</b>  | <b>\$ 212,141,283</b>      | <b>\$ 237,795,260</b>   |

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, 2012 AND 2011

|                                                                                             | For the Year Ended June 30, 2012 |                               |              | For the Year Ended June 30, 2011 |                  |                               |              |              |
|---------------------------------------------------------------------------------------------|----------------------------------|-------------------------------|--------------|----------------------------------|------------------|-------------------------------|--------------|--------------|
|                                                                                             | Program Services                 | Management and Administration | Fundraising  | Total 2012                       | Program Services | Management and Administration | Fundraising  | Total 2011   |
| Salaries                                                                                    | \$ 2,653,189                     | \$ 355,408                    | \$ 700,974   | \$ 3,709,570                     | \$ 2,451,452     | \$ 345,240                    | \$ 686,085   | \$ 3,482,777 |
| Payroll taxes and employee benefits                                                         | 511,828                          | 68,562                        | 135,225      | 715,615                          | 496,715          | 69,953                        | 139,015      | 705,683      |
| Total salaries and related costs                                                            | 3,165,017                        | 423,970                       | 836,199      | 4,425,185                        | 2,948,167        | 415,193                       | 825,100      | 4,188,460    |
| Occupancy                                                                                   | 272,099                          | 26,454                        | 79,363       | 377,916                          | 281,705          | 35,079                        | 66,175       | 382,959      |
| Consultants and experts                                                                     | 114,857                          | 22,400                        | 3,700        | 140,957                          | 92,417           | 12,640                        | 344          | 105,401      |
| Legal and audit                                                                             | 120,256                          | 36,105                        | -            | 156,361                          | 74,909           | 26,000                        | -            | 100,909      |
| Employee travel and training                                                                | 85,284                           | 10,079                        | 14,662       | 110,025                          | 94,066           | 8,172                         | 17,152       | 119,390      |
| Office - general                                                                            | 45,947                           | 24,122                        | 23,582       | 93,651                           | 84,089           | 12,275                        | 21,482       | 117,846      |
| Equipment                                                                                   | 22,355                           | 4,922                         | 4,873        | 32,150                           | 10,080           | 6,502                         | -            | 16,582       |
| Program and public outreach costs                                                           | 137,448                          | 32,941                        | 109,558      | 279,947                          | 97,283           | 35,244                        | 84,481       | 217,008      |
| Interest                                                                                    | 123,360                          | -                             | -            | 123,360                          | 250,000          | -                             | -            | 250,000      |
| Depreciation and amortization                                                               | 10,856                           | -                             | -            | 10,856                           | 8,259            | -                             | -            | 8,259        |
| Costs of direct benefits to donors                                                          | -                                | -                             | 44,809       | 44,809                           | -                | -                             | 149,183      | 149,183      |
| Subtotal                                                                                    | 4,097,479                        | 580,993                       | 1,116,746    | 5,795,217                        | 3,940,975        | 551,105                       | 1,163,917    | 5,655,997    |
| Less: expenses deducted directly from revenues on the consolidated statements of activities | -                                | -                             | (44,809)     | (44,809)                         | -                | -                             | (149,183)    | (149,183)    |
| TOTAL                                                                                       | \$ 4,097,479                     | \$ 580,993                    | \$ 1,071,937 | \$ 5,750,408                     | \$ 3,940,975     | \$ 551,105                    | \$ 1,014,734 | \$ 5,506,814 |

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, 2012 AND 2011

|                                                                                                                            | For the Year Ended June 30, 2012 |                                     |                  |                     | For the Year Ended June 30, 2011 |                                     |                  |                      |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------|------------------|---------------------|----------------------------------|-------------------------------------|------------------|----------------------|
|                                                                                                                            | Program<br>Services              | Management<br>and<br>Administration | Fundraising      | Total<br>2012       | Program<br>Services              | Management<br>and<br>Administration | Fundraising      | Total<br>2011        |
| Conservation easements and closing costs                                                                                   | \$ 3,996,804                     | \$ -                                | \$ -             | \$ 3,996,804        | \$ 1,810,839                     | \$ -                                | \$ -             | \$ 1,810,839         |
| Land project expenses                                                                                                      | 2,223,273                        | -                                   | -                | 2,223,273           | 6,742,250                        | -                                   | -                | 6,742,250            |
| Program and business management services                                                                                   | 1,474,115                        | 169,470                             | 20,373           | 1,663,958           | 1,657,415                        | 108,333                             | 20,729           | 1,786,477            |
| Grants and contributions                                                                                                   | 88,596                           | -                                   | -                | 88,596              | 361,001                          | -                                   | -                | 361,001              |
| Remediation expense                                                                                                        | -                                | -                                   | -                | -                   | 20,602                           | -                                   | -                | 20,602               |
| Loss on sale/transfer of property interests<br>to state and local government agencies<br>and other nonprofit organizations | 1,261,988                        | -                                   | -                | 1,261,988           | 2,242,889                        | -                                   | -                | 2,242,889            |
| Property taxes                                                                                                             | 245,236                          | -                                   | -                | 245,236             | 237,466                          | -                                   | -                | 237,466              |
| Insurance                                                                                                                  | 84,719                           | 2,756                               | -                | 87,475              | 76,305                           | 2,656                               | -                | 78,961               |
| Legal and audit fees                                                                                                       | 259,023                          | 73,663                              | -                | 332,686             | 356,340                          | 117,460                             | -                | 473,800              |
| Interest                                                                                                                   | 32,585                           | -                                   | -                | 32,585              | 61,893                           | -                                   | -                | 61,893               |
| Miscellaneous                                                                                                              | 763                              | 2,374                               | -                | 3,137               | 5,999                            | -                                   | -                | 5,999                |
| <b>TOTAL</b>                                                                                                               | <b>\$ 9,667,102</b>              | <b>\$ 248,263</b>                   | <b>\$ 20,373</b> | <b>\$ 9,935,738</b> | <b>\$ 13,572,999</b>             | <b>\$ 228,449</b>                   | <b>\$ 20,729</b> | <b>\$ 13,822,177</b> |



SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.  
SUPPLEMENTARY INFORMATION  
(THE SCENIC HUDSON LAND TRUST, INC.)  
SCHEDULES OF LAND AREAS, AT COST  
AS OF JUNE 30, 2012 AND 2011

|                                                    | 2012                 | 2011                 |
|----------------------------------------------------|----------------------|----------------------|
| Fishkill Ridge, Mt. Beacon                         | \$ 1,217,448         | \$ 1,217,448         |
| Fishkill Ridge, Mt. Beacon, Fishkill (Capolino)    | 89,400               | 89,400               |
| Fishkill Ridge, NVC                                | 99,447               | 99,447               |
| Fishkill Ridge, 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               | 88,362               |
| Shaupeneak Ridge, Venditti                         | 26,598               | 26,598               |
| Poet's Walk/Astor Cove I/Mandara                   | 1,726,922            | 1,726,922            |
| New Hamburg, Wappingers Greenway                   | 229,920              | 229,920              |
| Hyde Park, Clear View Farm                         | 1,269,218            | 1,269,218            |
| Hyde Park, Golden                                  | 410,825              | 410,825              |
| Tivoli Bays                                        | 516,409              | 516,409              |
| Bear Mountain - Rose's Camp                        | 2,835,960            | 2,835,960            |
| Binnen Kill - Chi                                  | 413,472              | 413,472              |
| Little Nutten Hook (Plotkin)                       | 2,031,725            | 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            |
| Vosburgh Swamp, (Tufano), Athens                   | 1,336,199            | 1,336,199            |
| Vosburgh Swamp, (Bock), Athens                     | 229,664              | 229,664              |
| Vosburgh Swamp, (LaChapelle), Athens               | 301,500              | -                    |
| Stockport - Saurusaitis                            | 75,172               | 75,172               |
| Stockport - Almstead                               | 1,174,442            | 1,174,442            |
| King James Weyant, Ft. Montgomery                  | 272,040              | 272,040              |
| Snake Hill, New Windsor                            | 1,092,921            | 1,092,921            |
| Bear Mountain - RMH                                | -                    | 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               | 19,612               |
| 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                      | 363,033              | 381,033              |
| Esopus Meadows, River Road, Esopus                 | 1,010,803            | 1,010,803            |
| Esopus Meadows, Mazza, Esopus                      | 164,320              | 164,320              |
| Esopus Meadows, River Road, (Waskew/EMEC), Esopus  | 267,274              | 267,274              |
| Esopus Meadows, River Road, Esopus                 | 714,583              | 714,583              |
| Esopus Meadows, River Road (Patchoros), Esopus     | 513,447              | 513,447              |
| Esopus Meadows, River Road (Esopus Lakes), Esopus  | 3,569,367            | -                    |
| Black Creek - Matera                               | 403,151              | 403,151              |
| Black Creek - Route 9W, Esopus                     | 2,840,009            | 2,840,009            |
| Black Creek - Highland Vineyards, Esopus           | -                    | 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               |
| Shaupeneak Ridge, Rosen Frog Hollow Farm           | 513,473              | -                    |
| Irvington - Downriver Associates                   | 2,259,585            | 2,259,585            |
| Irvington - Interstate Trading                     | 3,240,065            | 3,240,065            |
| Peekskill Waterfront                               | 2,045,585            | 2,045,585            |
| Cortland, Hillpoint                                | 3,523,465            | 3,523,465            |
| Olana View Shed - ALDD Co. Inc                     | 929,190              | -                    |
| Dansky                                             | 578,187              | -                    |
|                                                    | <u>\$ 59,894,802</u> | <u>\$ 59,314,474</u> |

See independent auditors' report.

**SCENIC HUDSON, INC. AND THE SCENIC HUDSON LAND TRUST, INC.**  
**SUPPLEMENTARY INFORMATION**  
**SOURCES AND USES OF FUNDS AND OTHER KEY FINANCIAL INFORMATION**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

|                                                                                                                              | <u>2012</u>          | <u>2011</u>           |
|------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| <b>SOURCES OF FUNDS:</b>                                                                                                     |                      |                       |
| Unrestricted contributions                                                                                                   | \$ 5,239,769         | \$ 6,162,978          |
| Government grants                                                                                                            | 3,402,490            | 5,139,373             |
| Releases of temporarily restricted contributions                                                                             | 1,282,895            | 1,758,107             |
| Endowment earnings used to meet spending policy                                                                              | 6,502,700            | 7,032,294             |
| Proceeds from sales of natural land areas and improvements                                                                   | 4,049,399            | 1,516,118             |
| Other revenues                                                                                                               | <u>58,196</u>        | <u>25,713</u>         |
| <b>Total Sources of Funds</b>                                                                                                | <u>20,535,449</u>    | <u>21,634,583</u>     |
| <b>USES OF FUNDS:</b>                                                                                                        |                      |                       |
| Purchases of natural land areas and improvements (in fee)                                                                    | 5,891,715            | 5,385,636             |
| Program services expenses:                                                                                                   |                      |                       |
| Purchases of conservation easements                                                                                          | 3,996,804            | 1,810,839             |
| Park construction and management                                                                                             | 2,223,273            | 6,742,250             |
| Other                                                                                                                        | 5,948,375            | 7,282,741             |
| Supporting services expenses                                                                                                 | <u>1,921,566</u>     | <u>1,815,017</u>      |
| <b>Total Uses of Funds</b>                                                                                                   | <u>19,981,733</u>    | <u>23,036,483</u>     |
| <b>NET SOURCES AND USES OF FUNDS</b>                                                                                         | <u>\$ 553,716</u>    | <u>\$ (1,401,900)</u> |
| <b>OTHER KEY FINANCIAL INFORMATION:</b>                                                                                      |                      |                       |
| Land areas, at cost - beginning of year                                                                                      | \$ 59,314,474        | \$ 57,687,845         |
| Purchases of natural land areas and improvements (in fee)                                                                    | 5,891,715            | 5,385,636             |
| Sales/transfers of property interests to state and local governmental agencies<br>and other nonprofit organizations, at cost | <u>(5,311,387)</u>   | <u>(3,759,007)</u>    |
| Land areas, at cost - end of year                                                                                            | <u>\$ 59,894,802</u> | <u>\$ 59,314,474</u>  |