

STEEP ROCK ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009



For personal and corporate growth
Fiorita, Kornhaas & Company, P.C.
Certified Public Accountants

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For personal and corporate growth

Fiorita, Kornhaas & Company, P.C. *Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Steep Rock Association, Inc.
Washington, CT

We have audited the accompanying balance sheets of the Steep Rock Association, Inc. (a non-profit organization) as of September 30, 2010 and September 30, 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from Steep Rock Association's 2009 financial statements and, in our report dated February 10, 2010, we expressed an unqualified opinion on those financial statements.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 financial statements referred to above present fairly, in all material respects, the financial position of Steep Rock Association, Inc. as of September 30, 2010 and September 30, 2009, 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.

Fiorita, Kornhaas & Company, P.C.

Fiorita, Kornhaas, & Company, P.C.
Certified Public Accountants

Danbury, Connecticut
May 5, 2011

STEEP ROCK ASSOCIATION, INC.
BALANCE SHEETS
AS OF SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 95,618	\$ 59,745
Prepaid expense	2,255	2,255
Investments, at market	1,428,536	1,294,214
Preservation land	9,121,879	8,511,879
Land improvements and equipment - net	183,439	197,936
Other assets	1,000	-
	<u>10,832,727</u>	<u>10,066,029</u>
<u>TOTAL ASSETS</u>	<u>\$ 10,832,727</u>	<u>\$ 10,066,029</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 2,460	\$ 13,145
Accrued payroll taxes	8,175	3,079
	<u>10,635</u>	<u>16,224</u>
<u>TOTAL LIABILITIES</u>	<u>10,635</u>	<u>16,224</u>
 <u>NET ASSETS</u>		
Unrestricted	10,807,075	10,049,805
Temporarily restricted	15,017	-
	<u>10,822,092</u>	<u>10,049,805</u>
<u>TOTAL NET ASSETS</u>	<u>10,822,092</u>	<u>10,049,805</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 10,832,727</u>	 <u>\$ 10,066,029</u>

See auditor's report and notes to financial statements.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>TOTALS</u>	
			<u>2 0 1 0</u>	<u>2 0 0 9</u>
<u>REVENUE</u>				
Contributions	\$ 261,154	\$ 25,000	\$ 286,154	\$ 204,760
Contributions - land	610,000	-	610,000	-
Stewardship Fund Contributions	15,000	-	15,000	-
Interest and dividends	27,242	-	27,242	26,350
Grant revenue	23,962	-	23,962	18,943
Realized gain (loss) on sale of securities	28,721	-	28,721	(87,988)
Unrealized gain (loss) on securities	64,865	-	64,865	111,813
Sale of maps, books, etc.	1,742	-	1,742	3,561
Miscellaneous income	16,737	-	16,737	9,628
<u>TOTAL REVENUE</u>	<u>1,049,423</u>	<u>25,000</u>	<u>1,074,423</u>	<u>287,067</u>
Net assets released from restrictions	<u>9,983</u>	<u>(9,983)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released	1,059,406	15,017	1,074,423	287,067
<u>EXPENSES</u>				
Program services	224,759	-	224,759	186,012
Management and general	74,082	-	74,082	65,852
Fundraising	3,295	-	3,295	14,934
<u>TOTAL EXPENSES</u>	<u>302,136</u>	<u>-</u>	<u>302,136</u>	<u>266,798</u>
Increase in net assets	757,270	15,017	772,287	20,269
Net assets, beginning of year	<u>10,049,805</u>	<u>-</u>	<u>10,049,805</u>	<u>10,029,536</u>
Net assets, end of year	<u>\$ 10,807,075</u>	<u>\$ 15,017</u>	<u>\$ 10,822,092</u>	<u>\$ 10,049,805</u>

See auditor's report and notes to financial statements.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Cash flows from operating activities		
Change in net assets	\$ 772,287	20,269
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	14,497	14,179
Realized (gain) loss on sale of investments	(28,721)	87,988
Unrealized (gain) loss on investments	(64,865)	(111,813)
Contributions - land	(610,000)	-
Changes in:		
Prepaid expenses	-	2,674
Accounts payable	(10,685)	(2,652)
Accrued expenses	5,096	492
Other assets	(1,000)	-
Net cash provided by (used in) operating activities	<u>76,609</u>	<u>11,137</u>
Cash flows from investing activities		
Proceeds on sale of investments	102,625	123,066
Purchases of investments	(143,361)	(128,081)
Purchase of equipment	-	(1,592)
Net cash (used in) provided by investing activities	<u>(40,736)</u>	<u>(6,607)</u>
Net increase in cash and cash equivalents	35,873	4,530
Cash and cash equivalents, beginning of year	<u>59,745</u>	<u>55,215</u>
Cash and cash equivalents, end of year	<u>\$ 95,618</u>	<u>\$ 59,745</u>

See auditor's report and notes to financial statements.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2 0 1 0</u>				<u>2 0 0 9</u>
	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
<u>EXPENSES:</u>					
Audit Fees	\$ -	\$ 5,750	\$ -	\$ 5,750	\$ 4,700
Easement monitoring	4,583	-	-	4,583	2,167
Contributions	-	100	-	100	503
Depreciation	14,062	435	-	14,497	14,179
Development	-	-	3,295	3,295	14,934
Fees, dues, and permits	3,196	-	-	3,196	885
General/Vehicle Mainten.	7,254	-	-	7,254	8,786
Insurance Expense	13,117	5,622	-	18,739	21,235
Investment Management	-	13,148	-	13,148	11,303
Legal Fees	1,003	-	-	1,003	1,137
Camp House	665	-	-	665	2,023
Membership Services	-	7,619	-	7,619	7,367
Occupancy Expenses	10,484	10,484	-	20,968	17,835
Payroll and Benefits	112,537	26,398	-	138,935	110,545
Payroll Taxes	8,976	2,106	-	11,082	9,085
Printing, Postage & Office	1,704	1,704	-	3,407	4,458
Professional Education	50	-	-	50	610
Other Professional fees	335	-	-	335	2,065
Stewardship-General	7,628	-	-	7,628	9,299
Stewardship-WHIP Grants	21,329	-	-	21,329	21,520
Stewardship-Ten Year Plan	4,358	-	-	4,358	1,354
Hidden Valley Bridge Project	9,983	-	-	9,983	-
Land Appraisal Fees	3,494	-	-	3,494	-
Travel expense	-	718	-	718	808
<u>TOTAL EXPENSES</u>	<u>\$ 224,759</u>	<u>\$ 74,082</u>	<u>\$ 3,295</u>	<u>\$ 302,136</u>	<u>\$ 266,798</u>

See auditor's report and notes to financial statements.

Note 1: NATURE OF ACTIVITIES

Steep Rock Association, Inc. is a 501(c)(3) not-for-profit corporation organized under the laws of the State of Connecticut. It's primary mission is to accept, receive, acquire, hold, manage, maintain, preserve, and improve land and real property, including conservation easements and interests in land and real property, in the Town of Washington, and towns adjacent thereto for the use and enjoyment by the general public for conservation and recreational purposes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of Steep Rock Association, Inc. have been prepared utilizing the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

(b) Basis of Presentation

The financial statements of Steep Rock Association, Inc. have been prepared in accordance with the Financial Accounting Standards Board's ASC 958-205 "Not-for-Profit Entities-Presentation of Financial Statements" (formerly SFAS 117). This standard requires that resources be classified for accounting and reporting purposes into three classes of net assets - permanently restricted, temporarily restricted, and unrestricted. These classes of net assets are defined as follows:

Permanently Restricted - The portion of net assets derived from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Temporarily Restricted - The portion of net assets derived from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that expire by passage of time, is fulfilled by occurrence of events, or can be removed by actions of the organization. Net assets temporarily restricted to acquire or develop capital assets are deemed to be released (unrestricted) when related assets are recorded. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted sources.

Unrestricted Net Assets - The portion of net assets that is neither permanently restricted or temporarily restricted by donor-imposed stipulations.

(c) Exemption from Income Taxes

Steep Rock Association, Inc. is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Functional Expenses

Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses are allocated by various statistical basis.

(e) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of cash flows exclude cash and cash equivalents held for investment purposes. The Association maintains deposits in federally insured institutions which, at times, can be in excess of federally insured limits. Management believes the Association is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. At September 30, 2010, amounts deposited do not exceed the federally insured limits.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value in the period received.

Note 3: LAND, LAND IMPROVEMENTS, AND EQUIPMENT

The Association acquires land for its preserve through donation and purchases. Land and equipment are recorded at cost if purchased and fair market value at the date of gift if donated. Acquisitions of land, improvements, and equipment in excess of \$500 with utility greater than one year, are capitalized. Expenses for land maintenance and repairs are expense as incurred.

Equipment, land, and land improvements consist of the following:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Life</u>
Equipment	\$ 81,922	\$ 81,922	7 - 10 years
Land improvements	202,325	202,325	30 years
	<u>284,247</u>	<u>284,247</u>	
Less: Accumulated depreciation	<u>(100,808)</u>	<u>(86,311)</u>	
	<u>\$ 183,439</u>	<u>\$ 197,936</u>	
 Preservation land	 <u>\$ 9,121,879</u>	 <u>\$ 8,511,879</u>	

See auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

Note 4: INVESTMENTS

The Association accounts for its investments in marketable securities under guidelines established by ASC 958-320 "Not-for-Profit Entities-Investments-Debt and Equity Securities" (formerly SFAS No. 124). Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Unrealized gains and losses are included in changes in net assets.

Investments are composed of the following:

	<u>September 30, 2010</u>		<u>September 30, 2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash held for investment	\$ 91,725	\$ 91,760	\$ 83,199	\$ 83,199
Fixed Income	358,349	371,297	314,312	313,737
Common stock	833,974	965,479	817,082	897,278
	<u>\$ 1,284,048</u>	<u>\$ 1,428,536</u>	<u>\$ 1,214,593</u>	<u>\$ 1,294,214</u>

The following tabulation summarizes the relationship between cost and fair values of investment assets.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Balance at end of period	\$ 1,284,048	\$ 1,428,536	\$ 144,488
Balance at beginning of period	\$ 1,214,593	\$ 1,294,214	79,621
Unrealized appreciation			<u>\$ 64,867</u>

Effective October 1, 2009, the Board of Trustees adopted a revision to the Spending Policy. The new policy will allow the use in the annual budget of up to 3% of a 3 year quarterly average of the Principal in the Restricted Endowment Fund. The amount included in the annual budget shall be determined by the Finance and Investment Committee in consultation with the Executive Committee.

Note 5: TEMPORARILY RESTRICTED NET ASSETS

During the year the Association received a \$25,000 donation from the Gould Family Foundation designated for preliminary design expenses associated with the Hidden Valley Bridge Project. Of this amount, \$9,983 was used toward the project during the year with \$15,017 remaining as Temporarily Restricted Net Assets at September 30, 2010.

See auditor's report.

Note 6: LEASE COMMITMENTS

The Association leases office space under an operating lease with a member of its Board of Trustees. The lease began on July 1, 2009 and expires June 30, 2012. Minimum lease payments are as follows for the years ended September 30,

2011	\$	13,200
2012		9,900
Total	\$	<u><u>23,100</u></u>

In addition to the lease of office space, the Association maintains the following leases/agreements:

An annual written lease with Estelle Bronson for use of a storage barn. The current lease expires in fiscal year 2011 and is subject to renewal. Current lease payments are \$250 per month.

A written agricultural lease with Robert Seymour for farming a +/- 50 acre field at Macricostas Preserve. The current lease expires in 2011 and is subject to renewal. The current lease payment to the Association is \$1 per year. In addition, the Association has verbal farming agreements that will be codified as written leases in 2011.

An annual written lease with the Town of Washington for the operation of the Judea Garden at Macricostas Preserve. The current lease expires in 2011 and is subject to renewal. The day-to-day operations of the Judea Garden are outlined in a Memorandum of Understanding between the Association and Board of Advisors of the Judea Garden. The Judea Garden is operated by volunteers and was established to provide locally grown vegetables to families in the Town of Washington and to other local food banks at no cost to the recipients.

Note 7: SUBSEQUENT EVENTS

The date at which events occurring after September 30, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is May 5, 2011, which is the date on which the financial statements were issued.