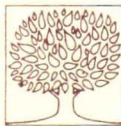


STEEP ROCK ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND SEPTEMBER 30, 2014

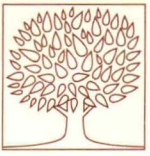


For personal and corporate growth

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

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1-2
<u>Basic Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
<u>Notes to the Financial Statements</u>	6 - 11
<u>Supplementary Information</u>	
Schedule of Functional Expenses	12



Fiorita Kornhaas & Company, PC

Certified Public Accountants and Advisors

For personal and corporate growth

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Steep Rock Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

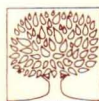
Report on Summarized Comparative Information

We have previously audited the Steep Rock Association's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fiorita, Kornhaas & Company, P.C.

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

Danbury, Connecticut
November 24, 2015



For personal and corporate growth

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

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 437,737	\$ 509,430
Matching gifts receivable	325	-
Prepaid expense	8,390	4,623
Accrued interest receivable	-	3,098
Note receivable	-	112,500
<u>TOTAL CURRENT ASSETS</u>	<u>446,452</u>	<u>629,651</u>
Property and equipment, net	12,254,741	11,507,382
Investments, at fair value	<u>1,741,234</u>	<u>1,874,936</u>
<u>TOTAL ASSETS</u>	<u>\$ 14,442,427</u>	<u>\$ 14,011,969</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 69,112	\$ 7,516
Accrued expenses	11,756	6,428
Line of credit	-	112,500
<u>TOTAL CURRENT LIABILITIES</u>	<u>80,868</u>	<u>126,444</u>
<u>NET ASSETS</u>		
Unrestricted	14,312,224	13,773,926
Temporarily restricted	<u>49,335</u>	<u>111,599</u>
<u>TOTAL NET ASSETS</u>	<u>14,361,559</u>	<u>13,885,525</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 14,442,427</u>	<u>\$ 14,011,969</u>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(With Summarized Financial Information for 2014)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>TOTALS</u>	
			<u>2015</u>	<u>2014</u>
<u>REVENUE</u>				
Contributions	\$ 497,413	\$ 921,177	\$ 1,418,590	\$ 568,112
Donated land	-	-	-	843,500
Stewardship / legal defense fund contributions	40	-	40	6,600
Interest and dividends	40,512	-	40,512	36,195
Grant revenue	17,839	-	17,839	13,781
Realized gain on sale of securities	209,083	-	209,083	58,514
Unrealized gain (loss) on securities	(272,880)	-	(272,880)	97,580
Miscellaneous income	10,663	-	10,663	4,025
<u>TOTAL REVENUE</u>	<u>502,670</u>	<u>921,177</u>	<u>1,423,847</u>	<u>1,628,307</u>
Net assets released from restrictions	<u>983,441</u>	<u>(983,441)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released	1,486,111	(62,264)	1,423,847	1,628,307
<u>EXPENSES</u>				
Program services	794,395	-	794,395	327,532
General and management	90,452	-	90,452	88,357
Fundraising	62,966	-	62,966	48,723
<u>TOTAL EXPENSES</u>	<u>947,813</u>	<u>-</u>	<u>947,813</u>	<u>464,612</u>
Increase (decrease) in net assets	538,298	(62,264)	476,034	1,163,695
Net assets, beginning of year	<u>13,773,926</u>	<u>111,599</u>	<u>13,885,525</u>	<u>12,721,830</u>
Net assets, end of year	<u>\$ 14,312,224</u>	<u>\$ 49,335</u>	<u>\$ 14,361,559</u>	<u>\$ 13,885,525</u>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 476,034	\$ 1,163,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	24,165	16,469
Realized gain on sale of investments	(209,083)	(58,514)
Unrealized (gain) loss on investments	272,880	(97,580)
Land donation	-	(843,500)
Changes in:		
Prepaid expenses	(3,767)	(1,646)
Matching gifts receivable	(325)	-
Accrued interest receivable	3,098	(3,098)
Accounts payable	61,596	3,934
Accrued expenses	5,328	1,770
Net cash provided by operating activities	<u>629,926</u>	<u>181,530</u>
Cash flows from investing activities		
Capital expenditures	(771,524)	(73,136)
Note receivable repayment (issued)	112,500	(112,500)
Net proceeds from sale of investments	69,905	9,683
Net cash used in investing activities	<u>(589,119)</u>	<u>(175,953)</u>
Cash flows from financing activities		
Net proceeds (repayment) from line of credit	<u>(112,500)</u>	112,500
Net cash provided by (used in) financing activities	<u>(112,500)</u>	<u>112,500</u>
Net increase (decrease) in cash and cash equivalents	(71,693)	118,077
Cash and cash equivalents, beginning of year	<u>509,430</u>	<u>391,353</u>
Cash and cash equivalents, end of year	<u>\$ 437,737</u>	<u>\$ 509,430</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Summary of noncash investing activities:		
Land donation	\$ <u>-</u>	\$ <u>843,500</u>
Activity for the year:		
Interest paid	\$ <u>637</u>	\$ <u>-</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

See independent auditor's report and accompanying notes.

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. Its primary mission is to conserve ecologically and historically significant landscapes in and around Washington, Connecticut and the Shepaug River Valley and to enhance the community's connection with nature.

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". 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) 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.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents. 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, 2015 amounts deposited did not exceed the federally insured limits. At September 30, 2014 amounts deposited exceeded the federally insured limits by \$124,957.

(e) Property and Equipment

Land, land improvements and equipment are recorded at cost if purchased or fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from 7 to 30 years.

(f) Conservation Easements

Conservation easements are perpetual agreements between the Association and private landowners through which the landowners agree to abide by certain restrictions designed to preserve the open space or conservation value of their land. Conservation easements are real property rights but possess no market value due to a resale market that is limited to the owner of the fee title of the restricted property. Because of this limited market and obligations in easement ownership, conservation easements are not reflected in the accompanying financial statements.

(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.

(h) Functional Expenses

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

(i) 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)

(j) Prior Year Summarized Financial Information

The financial statements include prior year summarized financial information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's audited financial statements as of the year ended September 30, 2014, from which the summarized information was derived.

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation.

(k) Subsequent Events

Management has evaluated subsequent events through November 24, 2015, the date the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

Note 3: NOTE RECEIVABLE

In November 2013 the Association lent \$112,500 to Washington Community Housing Trust, Inc. The note had an interest of 3.25% and was secured by the property and building which the proceeds were used to purchase. The entire note plus interest was repaid in November 2014.

Note 4: PROMISES TO GIVE

The Association is in the process of building a pedestrian bridge over the Shepaug River at the Hidden Valley Preserve. In prior fiscal years the Association received \$190,000 to fund the design plans of the footbridge by the Gould Family Foundation. In August 2014 the Gould Family Foundation further committed up to \$457,551 (plus up to a 10% contingency), to fund the building of the bridge. The commitment was conditional upon the Association building the footbridge and the Gould Family Foundation approving any design changes and as such it had not been reflected as a receivable in the statements of financial position. The Town of Washington committed to pay for \$150,000 of the project from STEAP grants awarded from the State to this project.

Construction began on the footbridge in September 2014 and was completed in October 2015. Accumulated costs related to the footbridge are included in construction in progress as of September 30, 2015.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 5: PROPERTY AND EQUIPMENT

The Association acquires land for its Preserves through donations 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 expensed as incurred.

Property and equipment, net consists of the following at September 30,:

	<u>2015</u>	<u>2014</u>
Preservation land	\$ 11,294,150	\$ 11,294,150
Land improvements	413,974	211,574
Equipment	123,263	91,409
Construction in progress	581,391	68,885
	<u>12,412,778</u>	<u>11,666,018</u>
Less: Accumulated depreciation	(158,037)	(158,636)
	<u>\$ 12,254,741</u>	<u>\$ 11,507,382</u>

Note 6: 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". 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.

The fair values of investments totaled \$1,741,234 and \$1,874,936 at September 30, 2015 and 2014, respectively.

Note 7: FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 - inputs that are unobservable and significant to the fair value measurement

The fair value of all investments held by the Association were valued at the closing price reported on the active market on which the individual securities are traded, on a recurring basis.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 7: FAIR VALUE MEASUREMENTS (continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2015 are as follows:

	<u>Fair Value</u>	Active Market <u>Level 1</u>
Common stock	\$ 846,127	\$ 846,127
Fixed Income Mutual Funds	404,711	404,711
Stock Mutual Funds and ETF's	490,396	490,396
Total investments at fair value	<u>\$ 1,741,234</u>	<u>\$ 1,741,234</u>

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2014 are as follows:

	<u>Fair Value</u>	Active Market <u>Level 1</u>
Common stock	\$ 886,245	\$ 886,245
Fixed Income Mutual Funds	489,487	489,487
Stock Mutual Funds and ETF's	499,204	499,204
Total investments at fair value	<u>\$ 1,874,936</u>	<u>\$ 1,874,936</u>

Note 8: LINE OF CREDIT

In 2013 the Association entered into a revolving credit agreement with a local bank. The agreement allowed for maximum borrowings of \$350,000 was scheduled to expire October 2018. The line was secured by the investments which were held with the local bank. The line required monthly interest only payments. The interest on each advance was determined at the time of the advance and was based on LIBOR plus 200 basis points or at the Prime Rate.

The Association drew one advance for \$112,500 during 2013 to fund the note receivable issued to Washington Community Housing Trust, Inc. (see Note 3). The advance was bearing interest at the rate of 3.00%. The line of credit was closed after it was repaid in November 2014.

Note 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2015 and 2014, were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Bronson Fields improvements	\$ 27,094	\$ 29,036
Dyer fund capital improvements	6,968	6,968
Hauser and Reich Bridge improvements	-	72,420
Thoreau Bridge project	15,273	3,175
	<u>\$ 49,335</u>	<u>\$ 111,599</u>

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Note 9: TEMPORARILY RESTRICTED NET ASSETS (continued)

The Bronson Fields improvements relate to funding remaining from the purchase of approximately 68.9 acres of prime farmland and forest, now called "Bronson Fields". The purchase was funded in prior fiscal years by various sources including private contributions and grants. The remaining funding is designated for future capital improvements on the property, including construction of a hiking trail and boardwalk.

In prior fiscal years, the Association received contributions in the memory of Elisha Dyer. The remaining funds are designated for capital projects.

The Hauser and Reich Bridges Improvements are funds donated through a capital giving campaign designated for capital improvements to the Hauser Bridge at the Steep Rock Preserve and the Reich Bridge at the Hidden Valley Preserve.

The Thoreau Bridge Project relates to the construction of a pedestrian footbridge. Detail regarding the project can be found in Note 4.

Note 10: BOARD DESIGNATED NET ASSETS

Unrestricted net assets as of September 30, 2015 and 2014, were available for the following purposes as approved by the Association's Board of Trustees:

	<u>2015</u>	<u>2014</u>
Capital improvements	\$ 88,000	\$ 35,000
Stewardship / legal defense fund	572,500	79,990
	<u>\$ 660,500</u>	<u>\$ 114,990</u>

The stewardship / legal defense fund includes donations received from the donors of new easements, based on the number of acres in the easement and a board approved formula. The funds are to be used to off-set monitoring costs and legal expenses associated with maintaining and/or defending conservation easements held in perpetuity by the Association.

Note 11: LEASE COMMITMENTS

The Association leases office space from a member of its Board of Trustees. The current lease expires June 30, 2016. The lease requires monthly rental payments of \$1,100. Lease payments for the years ended September 30, 2015 and 2014 were \$13,200. Future minimum lease payments are as follows:

2016	\$ <u>9,900</u>
------	-----------------

The Association leases a storage barn from Estelle Bronson. The lease is currently on a month to month basis. Lease payments of the years ended September 30, 2015 and 2014 were \$3,000 each.

The Association also has several agricultural leases allowing for farming of preservation land owned by the Association for \$1 per year.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
 (With Summarized Financial Information for 2014)

	2015				2014
	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
EXPENSES:					
Audit fees	\$ -	\$ 7,300	\$ -	\$ 7,300	\$ 7,075
Easement monitoring	4,554	-	-	4,554	4,700
Depreciation	23,469	696	-	24,165	16,469
Development	-	-	27,350	27,350	13,170
Fees, dues, and permits	451	6,799	-	7,250	8,594
Equipment maintenance	2,823	-	-	2,823	3,874
Insurance expense	6,813	21,584	-	28,397	23,644
Interest expense	-	406	-	406	2,149
Investment management	-	15,280	-	15,280	17,566
Judea gardens	4,999	-	-	4,999	-
Legal fees	3,981	3,530	-	7,511	12,367
Camp house	525	-	-	525	472
Membership services	12,198	-	-	12,198	9,210
Occupancy expenses	4,755	19,298	-	24,053	22,622
Payroll and benefits	196,815	10,068	26,308	233,191	225,977
Payroll taxes	16,569	855	2,231	19,655	18,365
Printing, postage & office	16,237	4,125	7,077	27,439	21,373
Professional education	-	50	-	50	239
Other professional fees	14,756	461	-	15,217	1,526
Stewardship - easements	450,000	-	-	450,000	-
Stewardship-general	21,990	-	-	21,990	50,051
Stewardship-WHIP grants	13,400	-	-	13,400	4,960
Travel expense	60	-	-	60	209
TOTAL EXPENSES	\$ 794,395	\$ 90,452	\$ 62,966	\$ 947,813	\$ 464,612

See independent auditor's report and accompanying notes.