

STEEP ROCK ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021



*For personal and corporate growth*

**Fiorita, Kornhaas & Company, P.C.**

*Certified Public Accountants*

## TABLE OF CONTENTS

<u>Independent Auditor's Report</u>	<u>Page</u> 1-2
<u>Basic Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
<u>Notes to the Financial Statements</u>	7 - 16



**Fiorita Kornhaas & Company, PC**

*Certified Public Accountants and Advisors*

*For personal and corporate growth*

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Steep Rock Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Steep Rock Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Steep Rock Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Steep Rock Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Steep Rock Association, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Fiorita, Kornhaas & Company, PC*

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

Danbury, Connecticut  
January 3, 2023



STEEP ROCK ASSOCIATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,005,992	\$ 590,940
Prepaid expense	5,776	3,777
Deposits	20,000	10,000
<u>TOTAL CURRENT ASSETS</u>	<u>2,031,768</u>	<u>604,717</u>
Property and equipment, net	16,564,022	16,202,931
Investments, at fair value	<u>3,741,836</u>	<u>4,114,974</u>
<u>TOTAL ASSETS</u>	<u>\$ 22,337,626</u>	<u>\$ 20,922,622</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 27,123	\$ 26,246
Accrued expenses	84,519	14,797
<u>TOTAL CURRENT LIABILITIES</u>	<u>111,642</u>	<u>41,043</u>
 <u>NET ASSETS</u>		
Net assets without donor restrictions	21,465,400	20,309,446
Net assets with donor restrictions	760,584	572,133
<u>TOTAL NET ASSETS</u>	<u>22,225,984</u>	<u>20,881,579</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 22,337,626</u>	<u>\$ 20,922,622</u>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(With Summarized Financial Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	TOTALS	
			<u>2022</u>	<u>2021</u>
<u>REVENUE</u>				
Contributions and grants				
Cash and other financial assets	\$ 2,258,555	\$ 553,337	\$ 2,811,892	\$ 2,000,427
Gifts in kind	126,379	-	126,379	106,405
Other revenue	19,835	-	19,835	19,646
Net special event loss	(77,237)	-	(77,237)	(63,988)
Investment income (loss), net	(673,559)	-	(673,559)	615,063
<u>TOTAL REVENUE</u>	<u>1,653,973</u>	<u>553,337</u>	<u>2,207,310</u>	<u>2,677,553</u>
Net assets released from restrictions	<u>364,886</u>	<u>(364,886)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released	2,018,859	188,451	2,207,310	2,677,553
<u>EXPENSES</u>				
Program services	586,925	-	586,925	588,012
General and management	155,352	-	155,352	111,207
Fundraising	120,628	-	120,628	89,004
<u>TOTAL EXPENSES</u>	<u>862,905</u>	<u>-</u>	<u>862,905</u>	<u>788,223</u>
Increase in net assets	1,155,954	188,451	1,344,405	1,889,330
Net assets, beginning of year	<u>20,309,446</u>	<u>572,133</u>	<u>20,881,579</u>	<u>18,992,249</u>
Net assets, end of year	<u>\$ 21,465,400</u>	<u>\$ 760,584</u>	<u>\$ 22,225,984</u>	<u>\$ 20,881,579</u>

See independent auditor's report and accompanying notes.



STEEP ROCK ASSOCIATION, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2022									
	Program Services				Total Program Services	General and Management	Fundraising	Cost of Direct Benefits to Donors	Total
	Communication & Outreach	Preservation	Stewardship	Special Projects					
<b>EXPENSES:</b>									
Payroll, taxes & benefits	\$ 83,643	\$ 25,572	\$ 227,909	\$ -	\$ 337,124	\$ 58,622	\$ 61,558	\$ -	\$ 457,304
Contract services and professional fees	8,426	14,866	42,661	3,650	69,603	45,058	29,975	-	144,636
Depreciation	4,385	1,342	70,669	-	76,396	3,067	3,235	-	82,698
Facilities and occupancy costs	4,862	4,649	13,249	-	22,760	3,407	3,579	-	29,746
Insurance expense	6,871	2,101	18,721	-	27,693	4,814	5,056	-	37,563
Maintenance, repair and minor equipment	17	-	3,092	3,356	6,465	6,094	-	-	12,559
Professional development & training	119	36	324	-	479	83	88	-	650
Supplies & other operating expenses	27,401	-	18,905	99	46,405	34,207	17,137	77,237	174,986
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>\$ 135,724</b>	<b>\$ 48,566</b>	<b>\$ 395,530</b>	<b>\$ 7,105</b>	<b>\$ 586,925</b>	<b>\$ 155,352</b>	<b>\$ 120,628</b>	<b>\$ 77,237</b>	<b>\$ 940,142</b>
Less expenses included with revenues on the statements of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(77,237)	(77,237)
<b>TOTAL EXPENSES</b>	<b>\$ 135,724</b>	<b>\$ 48,566</b>	<b>\$ 395,530</b>	<b>\$ 7,105</b>	<b>\$ 586,925</b>	<b>\$ 155,352</b>	<b>\$ 120,628</b>	<b>\$ -</b>	<b>\$ 862,905</b>
2021									
	Program Services				Total Program Services	General and Management	Fundraising	Cost of Direct Benefits to Donors	Total
	Communication & Outreach	Preservation	Stewardship	Special Projects					
<b>EXPENSES:</b>									
Payroll, taxes & benefits	\$ 57,801	\$ 7,566	\$ 264,199	\$ -	\$ 329,566	\$ 18,090	\$ 42,234	\$ -	\$ 389,890
Contract services and professional fees	14,180	32,218	36,350	6,584	89,332	39,403	-	-	128,735
Depreciation	1,558	-	56,457	-	58,015	629	1,036	-	59,680
Facilities and occupancy costs	4,300	2,313	19,655	-	26,268	1,533	3,142	-	30,943
Insurance expense	3,908	511	26,855	-	31,274	1,225	2,854	-	35,353
Maintenance, repair and minor equipment	1,399	-	8,483	1,315	11,197	1,894	-	-	13,091
Professional development & training	207	27	947	-	1,181	65	151	-	1,397
Supplies & other operating expenses	13,701	-	14,327	13,151	41,179	48,368	39,587	63,988	193,122
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>\$ 97,054</b>	<b>\$ 42,635</b>	<b>\$ 427,273</b>	<b>\$ 21,050</b>	<b>\$ 588,012</b>	<b>\$ 111,207</b>	<b>\$ 89,004</b>	<b>\$ 63,988</b>	<b>\$ 852,211</b>
Less expenses included with revenues on the statements of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(63,988)	(63,988)
<b>TOTAL EXPENSES</b>	<b>\$ 97,054</b>	<b>\$ 42,635</b>	<b>\$ 427,273</b>	<b>\$ 21,050</b>	<b>\$ 588,012</b>	<b>\$ 111,207</b>	<b>\$ 89,004</b>	<b>\$ -</b>	<b>\$ 788,223</b>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,344,405	\$ 1,889,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	82,698	59,680
Donated land	(62,500)	-
Donated assets	(39,000)	-
Donated contractor services	-	(65,000)
Realized gain on sale of investments	(52,039)	(1,073,364)
Unrealized loss on investments	790,102	499,416
Changes in:		
Prepaid expenses	(1,999)	1,906
Deposits	(10,000)	35,000
Accounts payable	877	17,194
Accrued expenses	69,722	(1,282)
Net cash provided by operating activities	<u>2,122,266</u>	<u>1,362,880</u>
Cash flows from investing activities		
Capital expenditures	(342,289)	(1,113,049)
Net purchases of investments	<u>(364,925)</u>	<u>(563,851)</u>
Net cash used in investing activities	<u>(707,214)</u>	<u>(1,676,900)</u>
Net increase (decrease) in cash and cash equivalents	1,415,052	(314,020)
Cash and cash equivalents, beginning of year	<u>590,940</u>	<u>904,960</u>
Cash and cash equivalents, end of year	<u>\$ 2,005,992</u>	<u>\$ 590,940</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Noncash activity:		
Donated land and assets	\$ <u>101,500</u>	\$ <u>-</u>
Donated services	\$ <u>-</u>	\$ <u>67,000</u>
Cash activity for the year:		
Interest paid	\$ <u>-</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. ("Association") 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 and riparian corridors in and around Washington, CT, and to enhance the community's connection to nature through outreach, education, and passive recreation.

The Association is accredited by the Land Trust Alliance and thus follows its standards and practices.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and, accordingly, recognizes revenue when earned and expenses when incurred and reflects all significant receivables, payables and other liabilities.

(b) Basis of Presentation

The financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which requires reporting of information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of trustees.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 the federally insured limit of \$250,000. 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.

(e) Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

(f) Fair Value

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Accounting principals generally accepted in the United States of America establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

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

(g) Property and Equipment

Acquisitions of property, equipment, and improvements in excess of \$2,500 are capitalized. 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.

Expenses for land maintenance and repairs are expensed as incurred.



Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded as fair value at the date of donation.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

(j) Contributed Services

The Association receives a substantial amount of services donated by volunteers. Only contributed services that create or enhance non-financial assets or require specialized skills that would otherwise be purchased by the Association are recognized as revenue on the financial statements.

(k) Tax Exempt Status

The Association is currently exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is presented in these financial statements. The Association has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

(l) 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, 2021, from which the summarized information was derived.

See independent auditor's report.



Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, taxes, and benefits	Estimated time and effort

For the years ended September 30, 2022 and 2021 the following costs which were not related to specific activities, were allocated by salary per functional expense to total salaries:

Depreciation  
Facilities and occupancy costs  
Insurance expense  
Maintenance, repair and minor equipment  
Professional development & training  
Supplies & other operating expenses

(n) Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

(o) Subsequent Events

Management has evaluated subsequent events through January 3, 2023, 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: AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,005,992	\$ 590,940
Investments, at fair value	<u>3,741,836</u>	<u>4,114,974</u>
Total financial assets	<u>5,747,828</u>	<u>4,705,914</u>
Less amounts not available to be used for general expenditures:		
Investments designated for long-term use	3,292,638	3,626,693
Net assets with donor restrictions	<u>760,584</u>	<u>572,133</u>
	<u>4,053,222</u>	<u>4,198,826</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,694,606</u>	<u>\$ 507,088</u>

See independent auditor's report.

Note 3: AVAILABILITY AND LIQUIDITY (continued)

The Association's goal is generally to maintain liquid financial assets to meet at least six months of operating expenses. The Association prepares an annual budget which is approved by the Board of Trustees. The budget is based on income projected to be received from the annual appeal. In addition the investments designated for long-term use could be made available to meet current operating expenses if needed.

Note 4: PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Preservation land	\$ 14,441,576	\$ 14,379,076
Land, other	161,614	161,614
Land improvements	1,060,371	1,014,159
Buildings	1,177,765	915,329
Equipment	223,216	167,042
Cost of acquisitions in process	17,244	777
	<u>17,081,786</u>	<u>16,637,997</u>
Less: Accumulated depreciation	(517,764)	(435,066)
	<u>\$ 16,564,022</u>	<u>\$ 16,202,931</u>

Cost of acquisitions in process represent legal and other costs for preservation land in the process of being acquired. Depreciation is not recorded on preservation or other land, including the related cost of acquisition. For the years ended September 30, 2022 and 2021, depreciation expense was \$82,698 and \$59,680 respectively.

Note 5: COMMITMENTS

In September 2022 the Association entered into a contract to purchase the property referred to as Pinnacle Cliffs in the Town of Washington Connecticut for the purchase price of \$625,000. At the date of the contract, the Association paid a \$10,000 deposit. The obligation to purchase the property is conditioned upon the Association raising the funds needed for the purchase.

In June 2020 the Association entered into an agreement for an option to purchase any or all of four land parcels adjacent to the Hidden Valley Preserve. The parcels, referred to as Tract 1, Tract 2, Tract 3, and Tract 4 have purchase prices of \$1,215,000, \$200,000, \$775,000, and \$585,000, respectively. The Association paid \$10,000 for the options, which can be used towards the purchase price.

The Association has received State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, the Association's management believes such disallowances, if any, will not be material.



Note 6: INVESTMENTS

The following is a summary of investments as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,574	\$ 20,061
Fixed Income Mutual Funds	72,758	55,314
Exchange Traded Funds	3,657,504	4,039,599
Total investments at fair value	<u>\$ 3,741,836</u>	<u>\$ 4,114,974</u>

As of September 30, 2022 and 2021, all investments were considered level 1 investments.

All investment income was classified as without donor restriction on the statement of activities. The following schedule summarizes investment returns:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 83,420	\$ 69,059
Realized gain on investments	52,039	1,073,364
Unrealized loss on investments	(790,102)	(499,416)
Investment fees	(18,916)	(27,944)
	<u>\$ (673,559)</u>	<u>\$ 615,063</u>

Note 7: PPP LOAN

In February 2021 the Association was granted a loan from National Iron Bank for \$71,290, pursuant to the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides loans to small businesses. The loan bears interest at 1% annually, and may be fully forgiven, if used for certain qualifying expenses under the CARES Act. Any amount not used for qualifying expenses, must be repaid over five years. The Association has used the loan proceeds for qualifying expenses and has received forgiveness. \$71,290 has been recorded as restricted grants in the financial statements for the year ended September 30, 2021.



STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Note 8: IN-KIND CONTRIBUTIONS

The Association recognized the following in-kind contributions for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>Property</u>		
Land	\$ 62,500	\$ -
Furniture	18,135	-
Tractor	24,000	-
Contracting services	-	65,000
<u>Stewardship Expense</u>		
Arbor services	2,000	2,000
Miscellaneous	1,164	-
<u>Fundraising Expense</u>		
Auction items	18,580	39,405
	<u>\$ 126,379</u>	<u>\$ 106,405</u>

Land donated was valued by a professional appraisal and is used for conservation.

Furniture donated was valued at the value provided by the vendor and is used in the main office of the Association.

Tractor donated was valued at market value by the equipment dealer at donation date, and is used for maintenance of the land and trails.

Contracting services were valued at the customary hourly rate and fee, plus the cost of materials needed to carry out those services. These services were used to renovate the building at the Christian Street location to be the main office of the Association.

Arbor services were valued at the customary hourly rate and used for tree work at the Christian Street location.

Miscellaneous stewardship donations included plants, seeds, and other items that go toward stewardship and valued at the market value of the goods and services.

Auction items were valued at market value of the goods and services donated and auctioned off to the highest bidder during fundraising events.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Note 9: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restriction as of September 30, 2022 and 2021, were available for the following purposes as approved by the Association's Board of Trustees:

	<u>2022</u>	<u>2021</u>
Capital improvements	\$ 100,500	\$ 100,500
Stewardship / legal defense fund	611,180	611,180
Undesignated long-term purposes	2,580,958	2,915,013
Board designated net assets	3,292,638	3,626,693
Invested in property and equipment	16,564,022	16,202,931
Available for operations	1,608,740	479,822
	<u>\$ 21,465,400</u>	<u>\$ 20,309,446</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 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2022 and 2021, were available for the following purposes:

	<u>2022</u>	<u>2021</u>
<u>To be released for specific purpose</u>		
Bronson Fields improvements	\$ 27,094	\$ 27,094
Camp House	283,755	300,000
Hidden Valley Preserve Expansion	167,431	-
Hillside Farm	137,566	131,485
Judea Garden	111,895	113,554
Land acquisition	31,346	-
Macricostas Trails	1,497	-
	<u>\$ 760,584</u>	<u>\$ 572,133</u>

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.

Camp House funds may be used to renovate the existing building on the Macricostas preserve.

Hidden Valley Preserve Expansion funds may be used to acquire properties adjacent to the Hidden Valley Preserve.

Hillside Farm funds may be used for trail development on the property.

See independent auditor's report.



Note 10: NET ASSETS WITH DONOR RESTRICTIONS (continued)

The Judea Garden contributions have been restricted to be used to support the Judea Garden.

Land acquisition funds may be used to purchase land to support the Association's mission.

Macricostas trails funds may be used to construct a trail on the Macricostas Preserve.

Note 11: PENSION PLAN

The Association is the sponsor of a defined contribution pension plan. Employees earning over \$5,000 in compensation with one year of service are eligible to participate. Eligible employees can contribute a percentage of their compensation, not to exceed the annual limit set by the Internal Revenue Code. The Association makes matching contributions of 100% of the employees' contribution, not to exceed 3% of compensation. Pension expense for the years ending September 30, 2022 and 2021 was \$9,832 and \$7,616, respectively.

Note 12: LEASE COMMITMENTS

During the year ended, September 30, 2021, the Association leased office space from a member of its Board of Trustees. The lease expired June 30, 2019, and continued month to month until the lease was terminated on September 30, 2021. The lease required monthly rental payments of \$1,100. There were no lease payments for the year ended September 30, 2022. Lease payments for the year ended September 30, 2021 were \$12,100.

The Association leases a storage barn. The lease expires in October 2022. Lease payments for the years ended September 30, 2022 and 2021 were \$3,000 each year.

The Association, as lessor, also has an agricultural lease allowing for farming of preservation land owned by the Association for \$1 per year.

The Association has entered into a lease for office equipment. Lease payments for the years ended year ended September 30, 2022 and 2021 were \$1,406 and \$1,515, respectively.

Future minimum lease payments are as follows:

2023	\$	1,406
2024		1,406
2025		820
Total	\$	<u>3,632</u>



STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Note 13: SPECIAL EVENTS

Special event revenue (loss) is reported net of costs of direct benefits to donors and consists of the following amounts for the year ended September 30, 2022:

		<u>Revenue</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Net</u>
Dinner for donors	\$	-	\$ 77,237	\$ (77,237)

Special event revenue (loss) is reported net of costs of direct benefits to donors and consists of the following amounts for the year ended September 30, 2021:

		<u>Revenue</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Net</u>
Dinner for donors	\$	-	\$ 63,988	\$ (63,988)

Contributions received from auctions and event underwriting were \$68,600 and \$77,425 for the years ended September 30, 2022 and 2021.

Note 14: RELATED PARTY TRANSACTIONS

The following related party transactions were noted between the Association and companies where board members have an ownership interest:

	<u>2022</u>	<u>2021</u>
Office rental payments	\$ -	\$ 12,100
Bookkeeping services	7,315	6,605
Architectural services	-	5,704
Contractor services	20,929	113,438

For the year ended September 30, 2021, contractor services include \$65,000 of in-kind donations for building renovations. See note 8.

See independent auditor's report.