

STEEP ROCK ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C.

Certified Public Accountants

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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

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Steep Rock Association, Inc. 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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 28, 2021



Fiorita Kornhaas & Company, PC
Certified Public Accountants and Advisors

For personal and corporate growth

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 904,960 | \$ 874,978 |
| Auction receivable | - | 2,600 |
| Prepaid expense | 5,683 | 3,140 |
| Deposits | 45,000 | 35,000 |
| <u>TOTAL CURRENT ASSETS</u> | 955,643 | 915,718 |
| Property and equipment, net | 15,084,562 | 14,624,786 |
| Investments, at fair value | 2,977,175 | 2,779,685 |
| <u>TOTAL ASSETS</u> | \$ 19,017,380 | \$ 18,320,189 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 9,052 | \$ 5,626 |
| Accrued expenses | 16,079 | 14,473 |
| <u>TOTAL CURRENT LIABILITIES</u> | 25,131 | 20,099 |
| <u>NET ASSETS</u> | | |
| Net assets without donor restrictions | 18,562,605 | 17,913,517 |
| Net assets with donor restrictions | 429,644 | 386,573 |
| <u>TOTAL NET ASSETS</u> | 18,992,249 | 18,300,090 |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | \$ 19,017,380 | \$ 18,320,189 |

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(With Summarized Financial Information for 2019)

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>TOTALS</u> | |
|--|---|--|----------------------|----------------------|
| | | | <u>2020</u> | <u>2019</u> |
| <u>REVENUE</u> | | | | |
| Contributions and grants | \$ 726,741 | \$ 420,401 | \$ 1,147,142 | \$ 3,233,639 |
| Other revenue | 10,932 | - | 10,932 | 5,308 |
| Investment income, net | 197,718 | - | 197,718 | 93,720 |
| <u>TOTAL REVENUE</u> | <u>935,391</u> | <u>420,401</u> | <u>1,355,792</u> | <u>3,332,667</u> |
| Net assets released from restrictions | <u>377,330</u> | <u>(377,330)</u> | <u>-</u> | <u>-</u> |
| Total revenues and net assets released | 1,312,721 | 43,071 | 1,355,792 | 3,332,667 |
| <u>EXPENSES</u> | | | | |
| Program services | 565,233 | - | 565,233 | 458,398 |
| General and management | 55,372 | - | 55,372 | 90,575 |
| Fundraising | 43,028 | - | 43,028 | 118,394 |
| <u>TOTAL EXPENSES</u> | <u>663,633</u> | <u>-</u> | <u>663,633</u> | <u>667,367</u> |
| Increase in net assets | 649,088 | 43,071 | 692,159 | 2,665,300 |
| Net assets, beginning of year | <u>17,913,517</u> | <u>386,573</u> | <u>18,300,090</u> | <u>15,634,790</u> |
| Net assets, end of year | <u>\$ 18,562,605</u> | <u>\$ 429,644</u> | <u>\$ 18,992,249</u> | <u>\$ 18,300,090</u> |

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

| | 2020 | | | | | | | |
|---|-----------------------------|------------------|-------------------|---------------------|------------------------------|---------------------------|------------------|-------------------|
| | Program Services | | | | | General and Management | Fundraising | Total |
| | Communication & Outreach | Preservation | Stewardship | Special Projects | Total Program Services | | | |
| EXPENSES: | | | | | | | | |
| Payroll, taxes & benefits | \$ 68,522 | \$ - | \$ 233,406 | \$ - | \$ 301,928 | \$ 10,855 | \$ 25,047 | \$ 337,830 |
| Contract services and professional fees | 706 | 27,606 | 28,661 | 30,316 | 87,289 | 29,715 | 3,571 | 120,575 |
| Depreciation | 1,050 | - | 49,285 | - | 50,335 | 165 | 383 | 50,883 |
| Facilities and occupancy costs | 4,707 | - | 16,035 | - | 20,742 | 746 | 1,721 | 23,209 |
| Insurance expense | 4,722 | - | 22,178 | - | 26,900 | 660 | 1,543 | 29,103 |
| Maintenance, repair and minor equipment | 214 | - | 1,861 | 3,945 | 6,020 | 3,369 | - | 9,389 |
| Professional development & training | 4,101 | - | 13,970 | - | 18,071 | 650 | 1,499 | 20,220 |
| Supplies & other operating expenses | 15,898 | 60 | 11,868 | 26,122 | 53,948 | 9,212 | 9,264 | 72,424 |
| TOTAL EXPENSES | \$ 99,920 | \$ 27,666 | \$ 377,264 | \$ 60,383 | \$ 565,233 | \$ 55,372 | \$ 43,028 | \$ 663,633 |

| | 2019 | | | | | | | |
|---|-----------------------------|------------------|-------------------|---------------------|------------------------------|---------------------------|-------------------|-------------------|
| | Program Services | | | | | General and Management | Fundraising | Total |
| | Communication & Outreach | Preservation | Stewardship | Special Projects | Total Program Services | | | |
| EXPENSES: | | | | | | | | |
| Payroll, taxes & benefits | \$ 58,892 | \$ - | \$ 204,864 | \$ - | \$ 263,756 | \$ 12,967 | \$ 24,916 | \$ 301,639 |
| Contract services and professional fees | - | 18,442 | 15,745 | 57,196 | 91,383 | 21,553 | - | 112,936 |
| Depreciation | - | - | - | 44,507 | 44,507 | 1,320 | - | 45,827 |
| Facilities and occupancy costs | 2,640 | 2,640 | 8,138 | - | 13,418 | 6,134 | 2,640 | 22,192 |
| Insurance expense | - | - | 8,195 | - | 8,195 | 18,473 | - | 26,668 |
| Maintenance, repair and minor equipment | 2,153 | - | 4,187 | - | 6,340 | 3,533 | 360 | 10,233 |
| Professional development & training | 3,488 | - | 225 | - | 3,713 | 11,902 | 188 | 15,803 |
| Supplies & other operating expenses | 11,428 | - | 8,495 | 7,163 | 27,086 | 14,693 | 90,290 | 132,069 |
| TOTAL EXPENSES | \$ 78,601 | \$ 21,082 | \$ 249,849 | \$ 108,866 | \$ 458,398 | \$ 90,575 | \$ 118,394 | \$ 667,367 |

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 692,159 | \$ 2,665,300 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 50,883 | 45,827 |
| Partially donated property | (284,617) | - |
| Realized (gain) loss on sale of investments | 47,726 | (3,614) |
| Unrealized gain on investments | (212,007) | (43,615) |
| Changes in: | | |
| Auction receivable | 2,600 | 19,700 |
| Prepaid expenses | (2,543) | 2,399 |
| Deposits | (10,000) | 165,000 |
| Accounts payable | 3,426 | (7,772) |
| Accrued expenses | 1,606 | 3,754 |
| Deferred revenue | - | (200,000) |
| Net cash provided by operating activities | <u>289,233</u> | <u>2,646,979</u> |
| Cash flows from investing activities | | |
| Capital expenditures | (226,042) | (2,304,531) |
| Net purchases of investments | <u>(33,209)</u> | <u>(56,197)</u> |
| Net cash used in investing activities | <u>(259,251)</u> | <u>(2,360,728)</u> |
| Net increase in cash and cash equivalents | 29,982 | 286,251 |
| Cash and cash equivalents, beginning of year | <u>874,978</u> | <u>588,727</u> |
| Cash and cash equivalents, end of year | <u>\$ 904,960</u> | <u>\$ 874,978</u> |
| <u>Supplemental Disclosures of Cash Flow Information:</u> | | |
| Noncash activity: | | |
| Donated portion of property purchased | <u>\$ 284,617</u> | <u>\$ -</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. 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.

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) Auction Receivable

Auction receivable represents winning bids not yet received as of September 30, 2019. The Association has deemed all amounts collectible, therefore an allowance for uncollectible accounts has not been established. The Association has no bad debt expense for the years ended September 30, 2020 and 2019.

(f) 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.

(g) 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

(h) 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.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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, 2019, from which the summarized information was derived.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 year ended September 30, 2020 costs which were not related to specific activities were allocated as follows:

| | |
|---|---|
| Depreciation | Salary per functional expense to total salaries |
| Facilities and occupancy costs | |
| Insurance expense | |
| Maintenance, repair and minor equipment | |
| Professional development & training | |
| Supplies & other operating expenses | |

For the year ended September 30, 2019 costs which were not related to specific activities were allocated as follows:

| | |
|--------------------------------|---|
| Rent for administrative office | \$13,200 split equally to communications & outreach, preservation, stewardship, general and management, and fundraising |
| Depreciation | 97.12% to capital and 2.88% to general and management |

(o) Reclassifications

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

(p) New Accounting Pronouncement

The Association has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Association's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Subsequent Events

Management has evaluated subsequent events through January 28, 2021, 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,:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 904,960 | \$ 874,978 |
| Investments, at fair value | 2,977,175 | 2,779,685 |
| Total financial assets | <u>3,882,135</u> | <u>3,654,663</u> |
| Less amounts not available to be used for general expenditures: | | |
| Investments designated for long-term use | 2,918,290 | 2,722,129 |
| Net assets with donor restrictions | 429,644 | 386,573 |
| | <u>3,347,934</u> | <u>3,108,702</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 534,201</u> | <u>\$ 545,961</u> |

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,:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|----------------------|----------------------|
| Preservation land | \$ 13,748,182 | \$ 13,748,182 |
| Land, other | 161,614 | - |
| Land improvements | 1,014,159 | 1,014,159 |
| Buildings | 399,987 | 64,326 |
| Equipment | 122,622 | 129,822 |
| Cost of acquisitions in process | 13,384 | - |
| | <u>15,459,948</u> | <u>14,956,489</u> |
| Less: Accumulated depreciation | <u>(375,386)</u> | <u>(331,703)</u> |
| | <u>\$ 15,084,562</u> | <u>\$ 14,624,786</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, 2020 and 2019, depreciation expense was \$50,883 and \$45,827, respectively.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 5: COMMITMENTS

In January 2019 the Association entered into a contract to purchase property for \$700,000. A deposit of \$35,000 was paid. The contract is contingent on the Association obtaining financing for the purchase which may include public or private funding. In September 2019 the Association was approved to receive a grant of \$337,500 towards the purchase. In January 2020 an additional grant for an amount not to exceed \$350,000 was approved.

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 at fair market value. The Association paid \$10,000 for the options, which can be used towards the purchase price.

Note 6: INVESTMENTS

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 54,921 | \$ 105,390 |
| Common stock | 1,008,210 | 929,004 |
| Fixed Income Mutual Funds | 389,643 | 409,410 |
| Stock Mutual Funds | 126,894 | 112,124 |
| Exchange Traded Funds | 1,360,877 | 1,193,175 |
| Real Estate Investment Trusts | 36,630 | 30,582 |
| Total investments at fair value | <u>\$ 2,977,175</u> | <u>\$ 2,779,685</u> |

As of September 30, 2020 and 2019, 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>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|------------------|
| Interest and dividends | \$ 59,127 | \$ 71,425 |
| Realized gain (loss) on investments | (47,726) | 3,614 |
| Unrealized gain on investments | 212,007 | 43,615 |
| Investment fees | (25,690) | (24,934) |
| | <u>\$ 197,718</u> | <u>\$ 93,720</u> |

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 7: PPP LOAN

In April 2020, the Association was granted a loan from National Iron Bank for \$64,983, 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 applied for forgiveness on November 5, 2020. The amount expected to be forgiven has been recorded as a restricted grant in the financial statements for the year ended September 30, 2020.

Note 8: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restriction as of September 30, 2020 and 2019, were available for the following purposes as approved by the Association's Board of Trustees:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|----------------------|----------------------|
| Capital improvements | \$ 88,000 | \$ 88,000 |
| Stewardship / legal defense fund | 575,300 | 575,300 |
| Undesignated long-term purposes | 2,254,990 | 2,058,829 |
| Board designated net assets | <u>2,918,290</u> | <u>2,722,129</u> |
| Invested in property and equipment | 15,084,562 | 14,624,786 |
| Available for operations | 559,753 | 566,602 |
| | <u>\$ 18,562,605</u> | <u>\$ 17,913,517</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 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2020 and 2019, were available for the following purposes:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| <u>To be released for specific purpose</u> | | |
| Bronson Fields improvements | \$ 27,094 | \$ 27,094 |
| Camp house siding | 50,000 | 50,000 |
| Curtis Brook Culvert | 1,375 | - |
| Dyer fund capital improvements | 6,968 | 6,968 |
| Hillside Farm purchase | 200,400 | 200,300 |
| Judea Garden | 111,957 | 97,361 |
| Macricostas Expansion Plan | 27,000 | - |
| Project to protect heron rookery | 4,850 | 4,850 |
| | <u>\$ 429,644</u> | <u>\$ 386,573</u> |

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 9: NET ASSETS WITH DONOR RESTRICTIONS (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.

In prior fiscal years, the Association received contributions in the memory of Elisha Dyer. The remaining funds may be used for any stewardship-related projects.

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

The Macricostas Expansion Plan is a long-term project which began in 2018 with the goal of adding high conservation value adjacent parcels and increasing trail access at the Macricostas preserve. As of September 30, 2020, approximately 100 acres of fee land has been purchased. The remaining funding is designated for future acquisitions and trail expansion.

Note 10: DONATED PROFESSIONAL SERVICES, MATERIALS AND PROPERTY

The Association received donated professional services, materials and property as follows during the years ended September 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------|-----------------|
| <u>Property</u> | | |
| Discounted property sale, see note 13 | \$ 284,617 | \$ - |
| <u>Stewardship Expense</u> | | |
| Arbor services | 2,000 | 2,000 |
| <u>Fundraising Expense</u> | | |
| Auction items | - | 6,600 |
| | <u>\$ 286,617</u> | <u>\$ 8,600</u> |

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, 2020 and 2019 was \$5,830 and \$2,958, respectively.

Note 12: LEASE COMMITMENTS

The Association leases office space from a member of its Board of Trustees. The current lease expired June 30, 2019, and has been running month to month. The lease requires monthly rental payments of \$1,100. Lease payments for the years ended September 30, 2020 and 2019 were \$13,200 each year.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 12: LEASE COMMITMENTS (continued)

The Association leases a storage barn. The lease is currently on a month to month basis. Lease payments of the years ended September 30, 2020 and 2019 were \$3,000 and \$2,750, respectively.

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

In October 2017 the Association entered into a lease for office equipment. The lease expires September 2021. Lease payments for the year ended September 30, 2020 were \$1,463.

Future minimum lease payments are as follows:

| | | | |
|-------|------|----|--------------|
| | 2021 | \$ | 1,416 |
| Total | | \$ | <u>1,416</u> |

Note 13: RELATED PARTY TRANSACTIONS

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

| | <u>2020</u> | | <u>2019</u> |
|-------------------------------|-------------|----|-------------|
| Office rental payments | \$ 13,200 | \$ | 13,200 |
| Bookkeeping services | 5,875 | | 5,850 |
| Architectural services | 5,704 | | 5,610 |
| Revision to chart of accounts | 1,338 | | - |

In October 2018 the Association signed an acknowledgement that a group of their trustees had agreed to purchase property adjacent to their Macricostas Preserve independent of the Association. The property was held for the Association, at its option, to purchase at a discounted price. In March 2020 the Association purchased the property and reimbursed the group for costs related to holding the property.

The amounts paid at closing were as follows:

| | |
|-----------------------|------------|
| Purchase price | \$ 200,000 |
| Seller attorney fees | 1,226 |
| Loan interest | 7,157 |
| Other operating costs | 1,960 |

The fair market value of the property based on a professional appraisal was \$495,000. The Association recorded a \$284,617 gift in kind for the excess of the fair market value of the property over the total consideration paid.

In addition during the year the Association periodically reimbursed the group of Trustees for the carrying costs of the property. The amounts paid during the years ended September 30, 2020 and 2019, were \$5,638 and \$5,000, respectively.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Note 14: COVID-19 CONSIDERATIONS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The extent of COVID-19's effect on the Association's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Association's operations.

See independent auditor's report.