

**Fiorita Kornhaas
& Company, PC**

Certified Public Accountants and Advisors

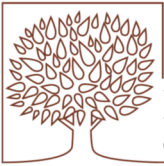
STEEP ROCK ASSOCIATION, INC.

Financial Statements
(With Supplemental Information)
and Independent Auditor's Reports

For the Years Ended September 30, 2024 and 2023

STEEP ROCK ASSOCIATION, INC.

<u>TABLE OF CONTENTS</u>	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the State Single Audit Act	20-21
Schedule of Expenditures of State Financial Assistance	22
Notes to Schedule of Expenditures of State Financial Assistance	23
Schedule of Findings and Questioned Costs	24



Fiorita Kornhaas
& Company, PC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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 present fairly, in all material respects, the financial position of Steep Rock Association, Inc. as of September 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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 and *Government 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 and *Government 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act, 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 schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025, on our consideration of Steep Rock Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Steep Rock Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steep Rock Association, Inc.'s internal control over financial reporting and compliance.

Fiorita, Kornhaas & Company, PC

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

Danbury, Connecticut
 January 17, 2025

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 731,879	\$ 874,575
Prepaid expense	9,821	9,419
Promises to give	-	28,667
<u>TOTAL CURRENT ASSETS</u>	<u>741,700</u>	<u>912,661</u>
Property and equipment, net	20,950,566	19,642,212
Investments, at fair value	<u>7,183,763</u>	<u>5,469,636</u>
<u>TOTAL ASSETS</u>	<u>\$ 28,876,029</u>	<u>\$ 26,024,509</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 144,163	\$ 24,888
Accrued expenses	59,630	52,736
<u>TOTAL CURRENT LIABILITIES</u>	<u>203,793</u>	<u>77,624</u>
 <u>NET ASSETS</u>		
Net assets without donor restrictions	27,765,443	25,253,480
Net assets with donor restrictions	906,793	693,405
<u>TOTAL NET ASSETS</u>	<u>28,672,236</u>	<u>25,946,885</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 28,876,029</u>	<u>\$ 26,024,509</u>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(With Summarized Financial Information for 2023)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>TOTALS</u>	
			<u>2024</u>	<u>2023</u>
<u>REVENUE</u>				
Contributions and grants				
Cash and other financial asset:	\$ 1,266,081	\$ 1,190,687	\$ 2,456,768	\$ 4,178,261
Gifts in kind	445,940	-	445,940	62,474
Other revenue	15,888	-	15,888	10,326
Net special event loss	(81,918)	-	(81,918)	(87,463)
Investment income, net	1,082,339	-	1,082,339	532,493
<u>TOTAL REVENUE</u>	<u>2,728,330</u>	<u>1,190,687</u>	<u>3,919,017</u>	<u>4,696,091</u>
Net assets released from restrictions	<u>977,299</u>	<u>(977,299)</u>	<u>-</u>	<u>-</u>
Total revenue and net assets released	3,705,629	213,388	3,919,017	4,696,091
<u>EXPENSES</u>				
Program services	734,028	-	734,028	585,351
General and management	195,948	-	195,948	195,336
Fundraising	263,690	-	263,690	194,503
<u>TOTAL EXPENSES</u>	<u>1,193,666</u>	<u>-</u>	<u>1,193,666</u>	<u>975,190</u>
Increase in net assets	2,511,963	213,388	2,725,351	3,720,901
Net assets, beginning of year	<u>25,253,480</u>	<u>693,405</u>	<u>25,946,885</u>	<u>22,225,984</u>
Net assets, end of year	<u>\$ 27,765,443</u>	<u>\$ 906,793</u>	<u>\$ 28,672,236</u>	<u>\$ 25,946,885</u>

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024									
	Program Services									
	Communication & Outreach	Preservation	Stewardship	Special Projects	Total Program Services	General and Management	Fundraising	Cost of Direct Benefits to Donors	Total	
EXPENSES:										
Payroll, taxes & benefits	\$ 95,449	\$ 46,822	\$ 287,361	\$ -	\$ 429,632	\$ 81,694	\$ 143,259	\$ -	\$ 654,585	
Contract services and professional fees	8,781	3,318	78,600	1,735	92,434	65,150	22,961	-	180,545	
Depreciation	3,749	1,849	83,358	-	88,956	3,184	5,623	-	97,763	
Facilities and occupancy costs	4,069	7,920	12,251	-	24,240	3,843	6,107	-	34,190	
Insurance expense	7,248	3,556	21,822	-	32,626	5,802	10,878	-	49,306	
Maintenance, repair and minor equipment	-	-	7,123	2,674	9,797	4,435	-	-	14,232	
Professional development & training	880	432	2,648	-	3,960	752	1,321	-	6,033	
Supplies & other operating expenses	26,749	95	21,667	3,872	52,383	31,088	73,541	81,918	238,930	
TOTAL EXPENSES BY FUNCTION	<u>146,925</u>	<u>63,992</u>	<u>514,830</u>	<u>8,281</u>	<u>734,028</u>	<u>195,948</u>	<u>263,690</u>	<u>81,918</u>	<u>1,275,584</u>	
Less expenses included with revenues on the statements of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(81,918)	(81,918)	
TOTAL EXPENSES	<u>\$ 146,925</u>	<u>\$ 63,992</u>	<u>\$ 514,830</u>	<u>\$ 8,281</u>	<u>\$ 734,028</u>	<u>\$ 195,948</u>	<u>\$ 263,690</u>	<u>\$ -</u>	<u>\$ 1,193,666</u>	
	2023									
	Program Services									
	Communication & Outreach	Preservation	Stewardship	Special Projects	Total Program Services	General and Management	Fundraising	Cost of Direct Benefits to Donors	Total	
EXPENSES:										
Payroll, taxes & benefits	\$ 94,664	\$ 27,295	\$ 225,648	\$ -	\$ 347,607	\$ 74,978	\$ 87,355	\$ -	\$ 509,940	
Contract services and professional fees	8,762	-	46,819	3,700	59,281	67,068	15,004	-	141,353	
Depreciation	4,762	1,383	76,319	-	82,464	3,764	4,378	-	90,606	
Facilities and occupancy costs	4,155	4,261	9,905	-	18,321	4,523	3,834	-	26,678	
Insurance expense	7,465	2,153	17,795	-	27,413	5,914	6,888	-	40,215	
Maintenance, repair and minor equipment	-	-	2,423	1,659	4,082	5,684	-	-	9,766	
Professional development & training	158	46	377	-	581	124	147	-	852	
Supplies & other operating expenses	22,952	-	14,768	7,882	45,602	33,281	76,897	87,463	243,243	
TOTAL EXPENSES BY FUNCTION	<u>142,918</u>	<u>35,138</u>	<u>394,054</u>	<u>13,241</u>	<u>585,351</u>	<u>195,336</u>	<u>194,503</u>	<u>87,463</u>	<u>1,062,653</u>	
Less expenses included with revenues on the statements of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(87,463)	(87,463)	
TOTAL EXPENSES	<u>\$ 142,918</u>	<u>\$ 35,138</u>	<u>\$ 394,054</u>	<u>\$ 13,241</u>	<u>\$ 585,351</u>	<u>\$ 195,336</u>	<u>\$ 194,503</u>	<u>\$ -</u>	<u>\$ 975,190</u>	

See independent auditor's report and accompanying notes.

STEEP ROCK ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 2,725,351	\$ 3,720,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	97,763	90,606
Donated land	(340,000)	-
Donated assets	(103,940)	-
Realized (gain) loss on sale of investments	(125,469)	101,056
Unrealized gain on investments	(310,099)	(545,262)
Changes in:		
Promises to give	28,667	(28,667)
Prepaid expenses	(402)	(3,643)
Deposits	-	20,000
Accounts payable	119,275	(2,235)
Accrued expenses	6,894	(31,783)
Net cash provided by operating activities	<u>2,098,040</u>	<u>3,320,973</u>
Cash flows from investing activities		
Capital expenditures	(962,177)	(3,168,796)
Net purchases of investments	<u>(1,278,559)</u>	<u>(1,283,594)</u>
Net cash used in investing activities	<u>(2,240,736)</u>	<u>(4,452,390)</u>
Net decrease in cash and cash equivalents	(142,696)	(1,131,417)
Cash and cash equivalents, beginning of year	<u>874,575</u>	<u>2,005,992</u>
Cash and cash equivalents, end of year	<u>\$ 731,879</u>	<u>\$ 874,575</u>
 <u>Supplemental Disclosures of Cash Flow Information:</u>		
Noncash activity:		
Donated land and assets	\$ <u>443,940</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. ("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 Association. 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) Revenue and Revenue Recognition

The Association recognizes revenue when the performance obligations of transferring the products and providing the services are met. Grant revenue is recognized when there is reasonable assurance that the grant will be received and when the Association has complied with the conditions of the grant. Other income is recognized when received.

Revenue from contributions is recognized when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

(e) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

(f) Concentration of Credit Risk

The Association maintains deposits in federally insured institutions which, at times, can be in excess of the federally insured limit of \$250,000. Management, however, believes the Association is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits were held.

(g) Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promise are received. Discount amortization is included in contribution revenue. Conditional promise to give are not included as support until conditions are met.

As of September 30, 2024 there were no promises to give. As of September 30, 2023, the promises to give were \$28,667, all of which were collected within one year.

(h) 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 income 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 statements 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.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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

(j) 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.

(k) 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.

(l) 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.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) Prior Year Summarized Financial Information

The financial statements include prior year summarized financial information in total but not by net 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, 2023, from which the summarized information was derived.

(p) 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, 2024 and 2023 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

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Subsequent Events

Management has evaluated subsequent events through January 17, 2025, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 731,879	\$ 874,575
Investments, at fair value	7,183,763	5,469,636
Total financial assets	<u>7,915,642</u>	<u>6,344,211</u>
Less amounts not available to be used for general expenditures:		
Investments designated for long-term use	4,734,071	3,798,638
Net assets with donor restrictions	906,793	693,405
	<u>5,640,864</u>	<u>4,492,043</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,274,778</u>	<u>\$ 1,852,168</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Preservation land	\$ 18,343,779	\$ 17,347,448
Land, other	161,614	161,614
Land improvements	1,120,471	1,120,471
Buildings	1,541,469	1,364,589
Equipment	230,446	223,216
Cost of acquisitions in process	-	33,244
Construction in progress	258,920	-
	<u>21,656,699</u>	<u>20,250,582</u>
Less: Accumulated depreciation	<u>(706,133)</u>	<u>(608,370)</u>
	<u>\$ 20,950,566</u>	<u>\$ 19,642,212</u>

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

Note 4: PROPERTY AND EQUIPMENT (continued)

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. Depreciation is not recorded on construction in progress until the project is completed and put into service. For the years ended September 30, 2024 and 2023, depreciation expense was \$97,763 and \$90,606 respectively.

Note 5: COMMITMENTS

The Association has received Federal and 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 to the financial statements.

Note 6: INVESTMENTS

The following is a summary of investments as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 94,336	\$ 30,407
Equities	-	5,102
Exchange traded funds	<u>7,089,427</u>	<u>5,434,127</u>
Total investments at fair value	<u>\$ 7,183,763</u>	<u>\$ 5,469,636</u>

As of September 30, 2024 and 2023, all investments were considered Level 1 investments.

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 223,588	\$ 106,354
Realized gain (loss) on investments	24,413	(101,056)
Unrealized gain on investments	855,361	545,262
Investment fees	<u>(21,023)</u>	<u>(18,067)</u>
	<u>\$ 1,082,339</u>	<u>\$ 532,493</u>

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

Note 7: IN-KIND CONTRIBUTIONS

The Association recognized the following in-kind contributions for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Property</u>		
Land	\$ 340,000	\$ -
Architect services	48,465	-
<u>Stewardship Expense</u>		
Arbor services	2,000	1,800
Miscellaneous	400	2,674
<u>Fundraising Expense</u>		
Auction items	55,075	58,000
	<u>\$ 445,940</u>	<u>\$ 62,474</u>

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

Architectural services in connection with Steep Rock Association, Inc.'s Macricostas Preserve Master Plan and campus improvements. Value is derived from a tally of pro bono hours at standard hourly rates. In-kind donation made from related party. See footnote 13.

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.

Note 8: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of September 30, 2024 and 2023, were available for the following purposes as approved by the Association's Board of Trustees:

	<u>2024</u>	<u>2023</u>
Capital improvements	\$ 100,500	\$ 100,500
Stewardship/legal defense fund	611,180	617,980
Undesignated long-term purposes	4,022,391	3,080,158
Board designated net assets	4,734,071	3,798,638
Invested in property and equipment	20,950,566	19,642,212
Available for operations	2,080,806	1,812,630
	<u>\$ 27,765,443</u>	<u>\$ 25,253,480</u>

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

Note 8: NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

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, 2024 and 2023, were available for the following purposes:

	<u>2024</u>	<u>2023</u>
<u>To be released for specific purpose</u>		
Bee Brook bridge	\$ 35,915	\$ 65,000
Bronson Fields improvements	-	27,094
Camp House	120,408	153,349
Campus Paver project	87,801	41,490
Coleman Stewardship Fund	232,921	-
Conservation education	-	2,500
Hidden Valley Preserve Expansion	61,851	46,810
Hillside Farm	136,716	136,716
Johnson Farm	7,950	-
Judea Garden	77,988	116,504
Land acquisition	33,019	33,019
Pinnacle Cliffs	-	5,000
Scout Culvert	10,355	10,000
Steep Rock House	96,696	50,000
Stewardship	1,900	2,650
Macricostas Trails	3,273	3,273
	<u>\$ 906,793</u>	<u>\$ 693,405</u>

Bee Brook bridge funds may be used towards the replacement of the Bee Brook bridge.

The Bronson Fields improvements related 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 was designated for capital improvements on the property.

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

Campus Paver project funds are to be used in the construction of the outdoor learning center pavilion and terrace on the Steep Rock Campus.

See independent auditor's report.

Note 9: NET ASSETS WITH DONOR RESTRICTIONS (continued)

Coleman Stewardship funds are to be used for stewardship projects, special projects, and internships.

Conservation education funds were to be used for conservation education programming and community science initiatives.

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

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

Johnson Farm funds are to be used for stewardship projects at Johnson Farm.

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.

Pinnacle Cliffs funds were to be used to acquire and establish the Pinnacle Cliffs property adjacent to Macricostas Preserve.

Scout Culvert funds are to be used to replace the Scout culvert in Steep Rock Preserve.

Steep Rock House funds are to be used as part of the Steep Rock Campus at Macricostas Preserve project.

Stewardship funds may be used for trail maintenance and expansion.

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

Note 10: 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, 2024 and 2023 was \$14,217 and \$10,384, respectively.

See independent auditor's report.

Note 11: LEASE COMMITMENTS

The Association determines if an arrangement is a lease at inception of the contract. The right to use assets represent the Association’s right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. Right to use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Association leases a storage barn and a copier. The lease for the barn is a one year lease that the Association renews annually. The current lease expires in November 2025. Lease payments for the years ended September 30, 2024 and 2023 were \$3,000 each year. The lease for the copier expires in August 2025. Lease payments for the years ended September 20, 2024 and 2023 were \$1,406 in both years. The Association has not recorded a right of use asset for these leases due to the determination that the present value of the lease payments is not material to the financial statements.

Future minimum lease payments are as follows:

2025	\$	3,820
2026		250
Total	\$	4,070

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

Note 12: 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, 2024:

		<u>Revenue</u>	-	<u>Cost of Direct Benefits to Donors</u>	\$	<u>Net</u>
Dinner for donors	\$	-		\$ 81,918	\$	(81,918)

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, 2023:

		<u>Revenue</u>	-	<u>Cost of Direct Benefits to Donors</u>	\$	<u>Net</u>
Dinner for donors	\$	-		\$ 87,463	\$	(87,463)

Contributions received from auctions and event underwriting were \$84,833 and \$104,850 for the years ended September 30, 2024 and 2023.

See independent auditor's report.

STEEP ROCK ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

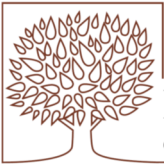
Note 13: RELATED PARTY TRANSACTIONS

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

	<u>2024</u>		<u>2023</u>
Bookkeeping services	\$ 7,830	\$	6,860
Contractor services	72,754		10,833
Architectural services	88,981		-

Architectural services consist of \$40,516 paid for service and \$48,465 of in-kind donation, see footnote 7.

See independent auditor's report.



Fiorita Kornhaas
& Company, PC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Steep Rock Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Steep Rock Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Steep Rock Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Steep Rock Association, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Steep Rock Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

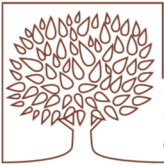
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Danbury, Connecticut
January 17, 2025



Fiorita Kornhaas
& Company, PC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Steep Rock Association, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the Office of Policy Management's *Compliance Supplement* that could have a direct and material effect on each of Steep Rock Association, Inc.'s major state programs for the year ended September 30, 2024. Steep Rock Association, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Steep Rock Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of Steep Rock Association, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Steep Rock Association, Inc.'s state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Steep Rock Association, Inc.'s compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Steep Rock Association, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Steep Rock Association, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Steep Rock Association, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Steep Rock Association, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Fiorita, Kornhaas & Company, PC

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

Danbury, Connecticut
January 17, 2025

146 Deer Hill Avenue
Danbury, CT 06810

900 Main St S, Building 1
Southbury, CT 06488

STEEP ROCK ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

<u>State Grantor/Pass-through Grantor Program Title</u>	<u>State Grant Program CORE-CT Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Department of Energy and Environmental Protection Protected Open Space and Watershed Land Acquisition Grant	12060-DEP43153-35328	\$ -	\$ <u>406,250</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		<u>\$ -</u>	<u>\$ <u>406,250</u></u>

See accompanying notes to this schedule.

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the Steep Rock Association, Inc. under programs of the State of Connecticut for the fiscal year ended September 30, 2024. The State of Connecticut has provided financial assistance to the Association through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance program funds the acquisition of land.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Association conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

BASIS OF ACCOUNTING

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are presented on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

STEEP ROCK ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

STATE FINANCIAL ASSISTANCE

Internal control over major program(s):			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Type of auditor's report issued on compliance for major program(s)	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 4-236-24 of the Regulations to the State Single Audit Act?	<u> </u> Yes	<u> X </u> No	

The following schedule reflects the major program included in the audit:

<u>State Grantor and Program</u>	<u>State CORE-CT number</u>	<u>Expenditures</u>
Department of Energy and Environmental Protection Open Space and Watershed Land Acquisition Grant	12060-DEP43153-35328	<u>\$ 406,250</u>
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 100,000</u>

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

During our audit, we noted no material findings for the year ended September 30, 2024.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

During our audit, we noted no material instances of noncompliance and none of the costs reported in the state financially assisted programs are questioned or recommended to be disallowed.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no findings in the prior year.