

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Housatonic Valley Association, Inc.  
Cornwall Bridge, Connecticut

We have audited the accompanying consolidated statement of financial position of Housatonic Valley Association, Inc. and HVA Foundation, Inc. (non-profit organizations) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Housatonic Valley Association's and HVA Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housatonic Valley Association, Inc. and HVA Foundation, Inc. as of June 30, 2007 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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DeLEO & COMPANY, P.C.  
Certified Public Accountants

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

ASSETS

CURRENT ASSETS:

Cash & Cash Equivalents	\$	175,675
Accounts Receivable		63,439
Prepaid Expenses		<u>7,041</u>

TOTAL CURRENT ASSETS 246,155

PROPERTY AND EQUIPMENT:

Land		216,206
Buildings and Renovations		236,097
Furnishings and Equipment		143,401
Less: Accumulated Depreciation		<u>(309,287)</u>

NET PROPERTY AND EQUIPMENT 286,417

OTHER ASSETS:

Investments, at market (cost \$621,067)		704,188
Deferred Land Sale Costs		<u>6,342</u>
TOTAL OTHER ASSETS		<u>710,530</u>

TOTAL ASSETS \$ 1,243,102

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$	5,823
Accrued Salaries and Wages		7,359
Tenant's Security Deposit		<u>525</u>

TOTAL CURRENT LIABILITIES 13,707

NET ASSETS:

Unrestricted		515,834
Temporarily Restricted		93,551
Permanently Restricted		<u>620,010</u>

TOTAL NET ASSETS 1,229,395

TOTAL LIABILITIES AND NET ASSETS \$ 1,243,102

See Notes to Financial Statements

**HOUSTONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>	\$	\$	\$	\$
Membership Dues	61,382	-	-	61,382
Contributions Above Dues	331,036	-	-	331,036
Grants	217,193	30,950	-	248,143
Events	179,155	-	-	179,155
Fees	10,078	-	-	10,078
Rent	9,103	-	-	9,103
Investment Income	4,089	18,925	-	23,014
Donated Goods and Services	6,720	-	-	6,720
Unrealized Gains on Investments	33,538	40,313	-	73,851
Other	269	-	-	269
Net Assets Released from Restrictions	34,094	(34,094)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>886,657</b>	<b>56,094</b>	<b>-</b>	<b>942,751</b>
<b>EXPENSES</b>				
Program Services:				
Watch	150,602	-	-	150,602
Geographic Information Systems	21,360	-	-	21,360
Environmental Education	171,340	-	-	171,340
Land Protection	151,940	-	-	151,940
Water Protection	169,727	-	-	169,727
<b>TOTAL PROGRAM SERVICES</b>	<b>664,969</b>	<b>-</b>	<b>-</b>	<b>664,969</b>
Supporting Services:				
Membership	56,175	-	-	56,175
Events	72,995	-	-	72,995
Management & General	19,283	-	-	19,283
Fundraising	30,182	-	-	30,182
<b>TOTAL SUPPORTING SERVICES</b>	<b>178,635</b>	<b>-</b>	<b>-</b>	<b>178,635</b>
<b>TOTAL EXPENSES</b>	<b>843,604</b>	<b>-</b>	<b>-</b>	<b>843,604</b>
Change in Net Assets	43,053	56,094	-	99,147
Net Assets at Beginning of Year	472,781	44,049	613,418	1,130,248
Re-Statement of permanently restricted net assets	-	(6,592)	6,592	-
Net Assets at Beginning of Year - As Adjusted	472,781	37,457	620,010	1,130,248
Net Assets at End of Year	\$ 515,834	\$ 93,551	\$ 620,010	\$ 1,229,395

See Notes to Financial Statements

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

	\$
Change in Net Assets	99,147
Adjustment to reconcile change in net assets to net cash used by operating activities:	
Depreciation	17,904
Unrealized gains on investments	(73,851)
Changes in assets and liabilities:	
Prepaid expenses	1,527
Accounts payable	(13,757)
Accounts receivable	(5,064)
Accrued salaries and wages	3,825
Tenant's security deposit	<u>3</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>29,734</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Repayment of Note Receivable	50,000
Purchase of equipment and renovations	(3,806)
Acquisition of investments	<u>(309,577)</u>
 NET CASH USED FOR INVESTING ACTIVITIES	 <u>(263,383)</u>
 NET DECREASE IN CASH	 (233,649)
 CASH- BEGINNING OF YEAR	 <u>409,324</u>
 CASH - END OF YEAR	 \$ <u><u>175,675</u></u>

See Notes to Financial Statements

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 1 - Organization and Summary of Significant Accounting Policies:

**Organizations and Nature of Activities**

The Housatonic Valley Association, Inc. ("HVA") is a nonprofit citizen's organization whose purpose is to protect and preserve the natural environment and scenic beauty of the Housatonic River watershed from the headwaters above Pittsfield, Massachusetts to Long Island Sound by fostering the best practices of education, conservation and land use. Its main office is in Cornwall Bridge, Connecticut, and a satellite office is maintained in South Lee, Massachusetts. Major activities include an environmental resource center for use by the general public, governmental units, and other organizations; environmental education; land use planning; periodic publications; establishing a Source-to-Sound Riverbelt (a conservation and recreation path along the entire length of the river); and responding/studying/alerting the community to potential problems relating to open space, groundwater and river quality.

HVA Foundation, Inc. was originally formed in April 1994 to create an endowment for financial support of HVA, which is the sole member of the organization.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and consolidate Housatonic Valley Association, Inc. with HVA Foundation, Inc. The notes to the financial statements refer to both organizations collectively as "HVA".

**Cash and Cash Equivalents**

Cash and cash equivalents consist of bank accounts, and cash invested in readily marketable mutual funds. These accounts are recorded as cash for reporting purposes in the statement of cash flows.

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 1 - Organization and Summary of Significant Accounting Policies: (Continued)

**Contributions and Grants**

Contributions are defined as voluntary, nonreciprocal transfers. Grants from various organizations for specific programs are treated as contributions for accounting and reporting purposes. Unrestricted and unconditional contributions are recognized as support when received. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. HVA's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year with unrestricted net assets.

**Plant Assets and Depreciation**

Buildings, personal property and renovations are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. Donated assets are recorded at their estimated fair market value at the date of gift, and are also depreciated by the straight-line method. Depreciation expense for the fiscal year ended June 30, 2007 was \$17,904.

**Donated Assets**

Donated assets are recognized at their estimated fair market value.

HVA reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**Donated Services**

During 2006-2007 Secretarial/Reception Services valued at \$6,720 were recorded in accordance with the Organization's policy to recognize contributed services which replace paid employee positions.

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 1 - Organization and Summary of Significant Accounting Policies: (Continued)

**Income Tax Status**

Neither Housatonic Valley Association, Inc., nor HVA Foundation, Inc. are liable for Federal income taxes under Section 501(C)(3) of the Internal Revenue Code, since both are classified as "other than a private foundation." Additionally, both organizations are exempt from state income tax in Connecticut and Massachusetts.

However, Federal income tax maybe imposed on specially computed net income derived from the rental of a portion of HVA's facilities in Cornwall Bridge, Connecticut.

**Estimates**

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

Note 2 - Temporarily Restricted Net Assets:

The following is a breakdown of temporarily restricted net assets as of June 30, 2007:

Streamteam development and water quality monitoring	\$	1,450
Greenprint program		2,500
Undistributed gains on endowment and land acquisition investments		47,198
Any legal fees related to easements		8,653
Capital maintenance and improvement		6,750
River enhancement/protection		27,000
Total	\$	<u>93,551</u>



**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 3 - Investments:

Investments are recorded at their fair market values which total \$704,188 as of June 30, 2007. Their cost basis was \$621,067. Investments consist of the following categories:

Publicly traded mutual funds	\$ 679,988
Publicly traded equity security	<u>24,200</u>
<u>Total</u>	<u>\$ 704,188</u>

Note 4 - Bank Equity Line of Credit:

On August 12, 2004, HVA entered into an equity line of credit agreement with Salisbury Bank & Trust Company allowing up to \$100,000 in short-term borrowing. The agreement provides for monthly interest payments at a rate of 1% above the bank's secured commercial lending rate, and is collateralized with HVA's office facilities in Cornwall Bridge. At June 30, 2007 this line of credit was available with no outstanding balance.

Note 5 - Net Asset Categories:

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

**Unrestricted**

Unrestricted net assets represent available resources other than donor restricted contributions. Funds for operations and fixed assets, with the exception of some land which is permanently restricted, are reported in this category.

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 5 - Net Asset Categories: (Continued)

**Temporarily Restricted**

Temporarily restricted net assets represent contributions and grants that are restricted by the donor either as to purpose or as to time of expenditure. These net assets are in the form of cash and equivalents and include accumulated earnings for the Operating Fund, the Endowed Maintenance Fund and the Hanser Land Acquisition Fund. Additionally, unrealized investment gains (losses) on investment of contributed funds in the Endowment Fund, the Endowed Maintenance Fund, the Hanser Land Acquisition Fund and HVA Foundation funds are reported as temporarily restricted until realized.

**Permanently Restricted**

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for operations. These net assets consist of investments in equity stocks and mutual funds totaling \$413,668, land of \$200,000 and deferred land sale costs of \$6,342. They represent Endowment Fund, Hanser Land Acquisition Fund, a portion of the Endowment Maintenance Fund net assets and HVA Foundation funds.

Note 6 - Rentals:

A portion of the Organization's facilities are rented to others as tenants at will. Rental revenue for the year ended June 30, 2007 was \$9,103

Note 7 - Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 8 - Retirement Plans:

HVA sponsors a Simplified Employee Pension Plan whereby it contributes 2% of annual gross salary for each employee who has been employed for at least 3 years. Contributions made by HVA for the year ended June 30, 2007 were \$8,505.

Additionally, HVA also maintains a noncontributory tax deferred income retirement plan on behalf of electing employees.

Note 9 - Operating Lease:

HVA leases a copier under a four-year noncancellable operating lease. The remaining future minimum rental payments are as follows:

2008	1,180
Total	\$ <u>1,180</u>

Payments for 2006-2007 under this agreement totaled \$1,489.

Note 10 - Statement of Cash Flows Supplemental Information:

Cash paid for interest	<u>\$ 0</u>
Federal income tax paid on net rental income	<u>\$ 0</u>

Donated secretarial services, a non-cash transaction valued at \$6,720, have been recorded as both revenue and expense.

**HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Note 11 - Uninsured Financial Instruments and Investments:

At June 30, 2007, cash and cash equivalent accounts had deposits which exceeded either federal or securities industry sponsored insurance programs by \$85,998. Consequently, these balances were uninsured. Additionally, investments in mutual funds and an equity security totaling \$704,188 were not insured.

Note 12 – Adjustment to Net Assets:

As of July 1, 2006, net assets have been corrected to recognize permanently restricted contributions and deferred land sale costs totaling \$6,592.

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