HOUSATONIC VALLEY ASSOCIATION, INC. AND HV A FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-12

DeLeo
& Company
Certified Public Accountants

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, 2009, 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 HV A 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, 2009 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.

DeLeo & Company P.C.

DeLEO & COMPANY, P.C.
Certified Public Accountants

New Milford, Connecticut
September 18, 2009

12 Aspetuck Avenue, New Milford, Connecticut 06776 860-354-9301 Fax 860-354-9304
1194 Southwest Live Oak Cove, Port St. Lucie, Florida 34986 722-343-0670 Fax 772-343-9178

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	
CURRENT ASSETS:	
Cash & Cash Equivalents	$ 283,358
Accounts Receivable	71,444
Prepaid Expenses	9,082
TOTAL CURRENT ASSETS	363,884
PROPERTY AND EQUIPMENT:	
Land	216,206
Buildings and Renovations	280,873
Furnishings and Equipment	160,687
Less: Accumulated Depreciation	(343,169)
NET PROPERTY AND EQUIPMENT	314,597
OTHER ASSETS:	
Investments, at market (cost $824,105)	678,192
Deferred Land Sale Costs	6,342
TOTAL OTHER ASSETS	684,534
TOTAL ASSETS	$ 1,363,015
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts Payable	$ 2,987
Accrued Salaries and Wages	6,821
Tenant's Security Deposit	546
TOTAL CURRENT LIABILITIES	10,354
NET ASSETS:	
Unrestricted	442,462
Temporarily Restricted	13,608
Permanently Restricted	896,591
TOTAL NET ASSETS	1,352,661
TOTAL LIABILITIES AND NET ASSETS	$ 1,363,015

See Notes to Financial Statements

HOUSATONIC VALLEY ASSOCIATION, INC. AND HV A FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES FOR
THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE	$	$	- $	$
Membership Dues	51,100			51,100
Contributions Above Dues	400,484		17,200	417,684
Grants	323,342	53,800		377,142
Events	164,971			164,971
Fees	13,058			13,058
Rent	8,606			8,606
Investment Income	4,574	19,637		24,211
Donated Goods and Services	8,736			8,736
Unrealized Gains (Losses) on Investments	(69,235)	(77,521)		(146,756)
Other	47			47
Net Assets Released from Restrictions	48,250	(48,250)		
TOTAL SUPPORT AND REVENUE	953,933	(52,334)	17,200	918,799
EXPENSES				
Program Services:				
Watch	86,668			86,668
Geographic Information Systems	27,794			27,794
Environmental Education	243,234			243,234
Land Protection	285,735			285,735
Water Protection	76,995			76,995
TOTAL PROGRAM SERVICES	720,426			720,426
Supporting Services:				
Membership	47,823			47,823
Events	84,042			84,042
Management & General	17,156			17,156
Fundraising	41,724			41,724
TOTAL SUPPORTING S'ERVICES	190,745			190,745
TOTAL EXPENSES	911,171			911,171
Change in Net Assets	42,762	(52,334)	17,200	7,628
Net Assets at Beginning of Year	399,700	65,942	879,391	1,345,033
Net Assets at End of Year	$ 442,462	$ 13,608	$ 896,591	$ 1,352,661

See Notes to Financial Statements

HOUSATONIC VALLEY ASSOCIATION, INC. AND HV A FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
	$	
Change in Net Assets:		7,628
Adjustments to reconcile change in net assets		
to net cash used by operating activities:		
Depreciation		16,077
Unrealized losses on investments		146,756
Changes in assets and liabilities:		
Prepaid expenses		(4,667)
Accounts payable		(1,938)
Accounts receivable		6,568
Accrued salaries and wages		(426)
Tenant's security deposit		546
Contributions restricted for long term purposes		(17,200)
NET CASH PROVIDED BY OPERATING ACTIVITIES		153,344
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and renovations		(9,081)
Transfer of long term investment to short term funds		100,950
Purchase of long term investments		(500)
Reinvestment of dividends, interest and realized		
capital gains in long term investments		(24,088)
NET CASH PROVIDED BY INVESTMENT ACTIVITIES		67,281
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term purposes		17,200
NET CASH PROVIDED BY FINANCING ACTIVITIES		17,200
NET INCREASE IN CASH		237,825
CASH - BEGINNING OF YEAR		45,533
CASH - END OF YEAR	$	283,358

See Notes to Financial Statements

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 satellite offices are maintained in South Lee, Massachusetts and Wassaic, New York. 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 HV A, 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 "HV A" .

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. Included are a bank deposit account of $16,700 and money market mutual fund of $131,623 which are permanently restricted.

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. HV A'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, 2009 was $16,077.

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 2008-2009 Secretarial/Reception Services valued at $8,736 were recorded in accordance with the Organization's policy to recognize contributed services which replace paid employee positions.

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, Massachusetts and New York.

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, 2009:

Massachussetts river access	$	8,800
Greenprint/land planning		33,000
Streamteam development and water quality monitoring		10,000
River enhancement/protection		2,000
Any legal fees related to easements		2,716
Net unrealized investment losses of permanently restricted funds		(42,908)
Total		13,608

$

Note 3 - Investments:

Investments are recorded at their fair market values which total $678,191 as of June 30, 2009. Their cost basis was $824,105. Investments consist of the following categories:

Long-term Certificates of Deposit	$	124,870
Publicly traded mutual funds		529,322
Publicly traded equity investments		24,000
Total	$	678,192

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 HV A's office facilities in Cornwall Bridge. On July 12, 2009 this agreement was extended to mature on July 12, 2014. At June 30, 2009 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.

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 HV A 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 $673,549, cash of $16,700, 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, River Intern Fund and HVA Foundation funds.

Note 6 - Endowment and Similar Funds:

As described in Note 5, HVA maintains separate funds to hold and invest donor restricted contributions for various purposes. The funds are the Endowment Fund, the Hanser Land Acquisition Fund, the Endowed Maintenance Fund and the River Intern Fund. They are described as follows:

The Endowment Fund consists of land (and deferred land sale costs) held for investment by Housatonic Valley Association and investments in cash equivalent funds, equity stocks, mutual funds and long term certificates of deposit held by the HVA Foundation. The Foundation has established investment policy guidelines in order to preserve the real value of funds invested.

Funds are transferred from the Endowment Fund to the Operating Fund based on a formula which considers the market value of total invested funds at the fiscal year end of the previous three years and the calendar year end of the current fiscal year. An average of the four market values is multiplied by 3 % to arrive at the amount available for transfer.

The Hanser Land Acquisition Fund consists of funds invested in an equity mutual fund held for land protection. Earnings from the fund may be used for river enhancement and protection.

A portion of the Endowed Maintenance Fund consists of funds invested in an equity mutual fund from contributions permanently restricted to provide earnings which can be expended to monitor and maintain two property conservation easements.

The River Intern Fund was established during 2008-2009 as an' endowment, earnings from which would provide funding to hire a student intern for summer employment. Initial contributions have been held in a bank account pending further contributions and matching funds from the Community Foundation of Northwest Connecticut which will eventually hold and manage the fund.

The Organization has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act as allowing for the preservation of the fair value of the original gift as of the gift date of the donor restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation HV A classifies as permanently restricted net assets the original value of gifts to the Endowment Fund and the other permanently restricted funds along with any accumulations to the permanent funds made in accordance with donor gift instrument directions. The remaining portion of the aforementioned funds are classified as temporarily restricted net assets until appropriated for expenditure in the manner described for each fund.

Note 6 - Endowment and Similar Funds: (continued)

As noted in the following schedule, unrealized investment losses have caused the net assets of certain funds to fall below the contributed amounts and, accordingly, HV A has not appropriated any funds for expenditure.

Changes in Endowment and Similar Funds
For the Fiscal Year Ended June 30, 2009

	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of year	$ 17,692	$ 879,391	$ 897,083
Investment return:			
Investment income (net of $1 ,611 advisory fees)	19,637		19,637
Net depreciation (unrealized)	(77,521)		(77,521)
Total investment return	(57,884)		(57,884)
Contributions		17,200	17,200
Net Assets - End of year	$ (40,192)	$ 896,591	$ 856,399

Note 7 - Rentals:

A portion of the Organization's facilities are rented to others as tenants at will. Rental revenue for the year ended June 30, 2009 was $8,606.

Note 8 - 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.

Note 9 - Retirement Plans:

HV A 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, 2009 were $1,744. This plan has been temporarily suspended.

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

Note 10 - Operating Lease:

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

2010		2,010
2011		2,010
2012		2,010
2013		1,843
2014		0
Total	$	7,873

Payments for 2008-2009 under this agreement totaled $2,010.

Note 11 - Rental of Satellite Offices:

The organization rents satellite office space in South Lee, Massachusetts under a cancellable agreement. Total rent paid was $8,250.

During 2008-2009 the Organization was provided with the use of satellite office space in Wassaic, N ew York by a director of HV A under an informal agreement which does not require rental payments.

Note 12 - Statement of Cash Flows Supplemental Information:

Cash paid for interest	$	0

Donated secretarial services, a non-cash transaction valued at $8,736, have been recorded as both revenue and expense.

Note 13 - Uninsured Financial Instruments and Investments:

At June 30, 2009, cash and cash equivalent accounts did not have deposits which exceeded either federal or securities industry sponsored insurance programs. Additionally, investments in mutual funds and equity investments totaling $553,321 were not insured.

Note 14 - Contingent Contribution

During the year the Organization was advised that it was the beneficiary of a bequest from an estate. A partial distribution totaling $142,898 was received during the year, with a contingent balance of approximately $82,000 due upon final settlement. The contingent balance has not been reported in the financial statements, since it is not known how much the final distribution will be and when it will be received.

* * * * * * * * * * * * *