HOUSATONIC VALLEY ASSOCIATION, INC AND HVA FOUNDATION, INC.

Consolidated Financial Statements
June 30, 2016

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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Independent Auditor's Report

To the Board of Directors of
Housatonic Valley Association, Inc
and HVA Foundation, Inc.
Cornwall Bridge, CT 06754

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, 2016, and the related consolidated statements of activities 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 include 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion the consolidated 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, 2016, 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.

Sinnamon & Associates, LLC
Certified Public Accountants

Canaan, Connecticut
August 30, 2016

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	356,938
Accounts Receivable		227,560
Prepaid Expenses		10,121
Total Current Assets		594,619
Property and Equipment:		
Land		216,206
Buildings and Renovations		337,841
Furnishings and Equipment		190,273
Less: Accumulated Depreciation		(448,651)
Net Property and Equipment:		295,669
Other Assets:		
Investments		1,246,720
Deferred Land Sale Costs		6,342
Total Other Assets		1,253,062
TOTAL ASSETS	$	2,143,350
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	$	21,539
Accrued Salaries and Wages		9,719
Total Current Liabilities		31,258
Net Assets:		
Unrestricted		
Unrestricted, equity in property and equipment		295,669
Unrestricted, designated by the board		62,000
Unrestricted, undesignated		150,627
Total Unrestricted Net Assets		508,296
Temporarily restricted		754,771
Permanently restricted		849,025
Total Net Assets		2,112,092
TOTAL LIABILITIES AND NET ASSETS	$	2,143,350

The Notes To The Financial Statements Are An Integral Part Of This Statement
See The Accompanying Independent Auditor's Report

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Membership Dues	$ 54,710	$ -	$ -	$ 54,710
Contributions Above Dues	390,514	-	-	390,514
Grants	479,221	404,627	-	883,848
Events	304,146	-	-	304,146
Fees	13,680	-	-	13,680
Rent	6,397	-	-	6,397
Donated Goods	7,500			7,500
Investment Income	6,438	24,221	-	30,659
Unrealized Gains (Losses) on Investments	5,312	5,338	-	10,650
Net Assets Released from Restrictions	329,637	(329,637)	-	-
Total Revenues, Gains and Other Support	1,597,555	104,549	-	1,702,104
Expenses				
Program Services:				
Issue Response	92,061	-	-	92,061
Environmental Education	247,878	-	-	247,878
Land Protection	586,431	-	-	586,431
Water Protection	339,746	-	-	339,746
Total Program Services	1,266,116	-	-	1,266,116
Supporting Services:				
Membership	71,946	-	-	71,946
Events	112,641	-	-	112,641
Management & General	25,339	-	-	25,339
Fundraising	89,653	-	-	89,653
Total Supporting Services	299,579	-	-	299,579
Total Expenses	1,565,695	-	-	1,565,695
Change in Net Assets	31,860	104,549	-	136,409
Net Assets at Beginning of Year	476,436	650,222	849,025	1,975,683
Net Assets at End of Year	$ 508,296	$ 754,771	$ 849,025	$ 2,112,092

The Notes To The Financial Statements Are An Integral Part Of This Statement
See The Accompanying Independent Auditor's Report

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:		
Changes in Net Assets	$	136,409
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation		15,456
Unrealized (Gains) Losses on Investments		(10,650)
Increase in Accounts Receivable		(46,708)
Decrease in Prepaid Expenses		1,325
Increase in Accounts Payable		18,607
Decrease in Tenants Security Deposit		(591)
Decrease in Accrued Salaries and Wages		(1,075)
Net Cash Provided By Operating Activities		112,773
Cash Flows From Investing Activities:		
Purchase of Furnishings and Equipment		(24,987)
Net Proceeds From Sale of Investments		67,900
Purchase of Investments		(73,880)
Net Cash Used In Investing Activities		(30,967)
Net Increase in Cash and Cash Equivalents		81,806
Cash and Cash Equivalents at Beginning of Year		275,132
Cash and Cash Equivalents at End of Year	$	356,938
Supplemental Information:		
Cash Paid for Interest	$	399
Cash Paid for Taxes		-

The Notes to the Financial Statements Are An Integral Part of This Statement

See the Accompanying Independent Auditor's Report

NOTE 1 – 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 HVA, which is the sole member of the organization.

Basis of Accounting and Presentation

The 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 consolidate Housatonic Valley Association, Inc. with HVA Foundation, Inc. The notes to the financial statements refer to both organizations collectively as "HVA".

Financial statement presentation follows the requirements of the Financial Accounting Standards Board codification of accounting standards section 958. Under these standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions and Promises to Give

Contributions are defined as voluntary, nonreciprocal transfers. Grants from various organizations for specific programs are treated as contributions for accounting and reporting purposes. Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets

Donated assets are recognized at their estimated fair market value. HVA reports gifts of land, buildings, equipment and other assets as unrestricted support unless donor stipulations specify how the donated assets must be used. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services

Donated materials and services, if of a material amount, are reflected in the accompanying statements at their fair market value at date of receipt. Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills. During the year ended June 30, 2016 the value of contributed services meeting the criteria for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and talents and perform a variety of tasks that assist the Association in its overall purpose

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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. Accordingly, accrual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of bank accounts, and cash invested in readily marketable mutual funds. Included in cash equivalents are money market funds of $80,293 which are permanently restricted.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Management believes that all accounts receivable are collectible and, therefore, has not recorded an allowance for doubtful accounts.

Property and Equipment

Purchased buildings and renovations, personal property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 30 years using the straight line method. Depreciation expense for the fiscal year ended June 30, 2016 was $15,456.

Income Tax Status

The Housatonic Valley Association, Inc. and the HVA Foundation, Inc. are each a separate non-stock corporation and both are exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code. In addition, both Organizations' qualify for the charitable contribution deduction under Section 170 (b) (1) (A) and each has been classified as organization that is not a private foundation under Section 509 (a) (2). Additionally, both organizations are registered and exempt from state income tax in Connecticut, Massachusetts and New York.

NOTE 2 – INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments held as of June 30, 2016 consisted of the following:

	Cost Basis	Fair Value
Long-term Certificates of Deposit	$ 25,000	$ 25,019
Publically traded mutual funds	591,219	960,508
Publically traded equity investments	252,773	261,193
	$ 868,992	$ 1,246,720

The following schedule summarizes the investment return included in the statement of activities:

	Unrestricted	Temporarily Restricted	Total
Investment Income (net of $2,551 advisory fees)	$ 6,438	$ 24,221	$ 30,659
Unrealized Gains	5,312	5,338	10,650
Total Investment Return	$ 11,750	$ 29,559	$ 41,309

NOTE 3 – 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. On September 2, 2014 this agreement was extended to mature on September 12, 2019. At June 30, 2016 the balance outstanding on this line of credit was $ 0.

NOTE 4 – 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 Endowment Maintenance Fund, the Hanser Land Acquisition Fund, the Land Stewardship Fund and the 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 $642,683, land of $200,000 and deferred land sale costs of $6,342. They represent the Endowment Fund, a portion of the Hanser Land Acquisition Fund, a portion of the Endowment Maintenance Fund net assets, a portion of the Land Stewardship Fund, and HVA Foundation funds.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The following is a breakdown of temporarily restricted net assets as of June 30, 2016:

Education	$ 22,024
Mapping	1,700
Greenprint/Land Planning	289,869
Rain Gardens Development	15,433
MA Access Sites	43,300
Employee Benefits	10,000
Culvert Assessments	17,300
Water Quality Coordination	1,000
Summer Intern	4,000
River enhancement/protection	63,926
Any legal fees related to easements	22,259
Net unrealized investment gains of permanently restricted funds	263,960
	$ 754,771

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, and the Endowed Maintenance 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 Board of Directors has designated $5,000 of this amount to be available for fee land stewardship annually.

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.

The Endowed Maintenance Fund consists of funds invested in an equity mutual fund. The initial contributions and the subsequent earnings are restricted to protect and maintain three property conservation easements.

The Land Stewardship Fund consists of funds invested in an equity mutual fund. The initial contributions and subsequent earnings are restricted to protect and maintain easements.

The Board of Directors voted to designate funds totaling $32,000 during the 2012-13 year, and $30,000 during the 2015-16 year, for conservation easement defense. These designations were made in order to comply with a newly adopted board resolution which requires the Association to maintain a minimum of $50,000 in dedicated or restricted reserves for the purpose of easement monitoring and legal enforcement obligations. This amount, when combined with the total restricted funds held in the Endowed Maintenance Fund and the Land Stewardship Fund resulted in a total balance of $96,259 in dedicated and restricted funds available to protect and maintain conservation easements as of June 30, 2016.

The River Intern Fund was established during 2008-2009 as an endowment, the earnings from which would provide funding to hire a student intern for summer employment by the Housatonic Valley Association. During 2009-2010 the balance was transferred to the Community Foundation of North West Connecticut (CFNWCT) under an agreement which established a permanent endowment fund owned by CFNWCT. The reported balance at June 30, 2016 was $122,131. Distributions of income from the fund to HVA are based on a spending formula to currently not exceed a ceiling of 5.75% or a floor of 4.25% of the market valuation of the endowment assets based on a rolling three year average. Distributions totaling $5,000 were received during 2015-2016.

The Organization has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act as allowing or 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 HVA 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 is classified as temporarily restricted net assets until appropriated for expenditure in the manner described for each fund.

The following is a breakdown of the changes in endowment and similar funds for the fiscal year ended June 30, 2016:

	Temporarily Restricted	Permamently Restricted	Total
Net Assets - Beginning of year	$ 344,047	$ 849,025	$ 1,193,072
Investment Return:			
Investment income (net of $2,551 advisory fees)	24,221	-	24,221
Net appreciation unrealized	5,338	-	5,338
Total Investment Return	29,559	-	29,559
Additions: Contributions	-	-	-
Deductions			
Distributions for Monitoring	-	-	-
Distributions from Endowment Fund per Formula	(23,462)	-	(23,462)
Total Deductions	(23,462)	-	(23,462)
Net Change in Assets	6,097	-	6,097
Net assets - End of Year	$ 350,144	$ 849,025	$ 1,199,169

The above schedule does not include temporarily restricted net assets totaling $404,627 which are not maintained in an endowment or similar fund.

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, 2016 was $6,396.

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

HVA initiated a 403 (b) plan effective January 1, 2014 whereby they matched an employee's contribution of up to 5% of the employee's gross salary. This plan was open to all employees who worked at least 1,000 hours and for a year. The 403 (b) expense for the year ended June 30, 2016 was $36,463.

NOTE 10 – OPERATING LEASES

HVA leases a copier under a five year non-cancellable operating lease which commenced on June 1, 2013. Total lease expenditures during the fiscal year ended June 30, 2016 were $1,896.

The following is a schedule of future minimum lease payments:

2017	$	1,896
2018		1,738

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

The Association's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 input consists of unadjusted quoted prices in active markets for identical assets and has the highest priority.
- Level 2 inputs consist of significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
- Level 3 inputs consist of significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability and have the lowest priority.

The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Cash, cash equivalents, accounts receivable and accounts payable: The carrying amounts reported in the statement of assets, liabilities and net assets approximate fair values because of the short maturates of those instruments. The fair values of long-term certificates of deposit, and publically traded mutual funds and equity investments are based on the closing price reported in the active market where the investments are traded. Unrealized gains of $10,650 were recorded on investments in the statement of activities.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Association participates in various assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in the Association having liabilities to the grantors.

The Association's Forms 990, *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for three years after they were filed.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 30, 2016 which corresponds to the date the financial statements were available to be issued.