

HOUSATONIC VALLEY
ASSOCIATION, INC
AND HVA FOUNDATION, INC.

Consolidated Financial Statements
June 30, 2021



SINNAMON & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

June 30, 2021

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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, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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.



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, 2021, 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
March 17, 2022

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021

Assets:

Current assets:

Cash and cash equivalents	\$ 359,607
Accounts receivable	126,041
Prepaid expenses	3,480
	489,128

Total current assets

489,128

Property and equipment:

Land	216,206
Buildings and renovations	369,106
Furnishings and equipment	190,273
Less: accumulated depreciation	(503,937)
	271,648

Net property and equipment:

271,648

Other Assets:

Investments	2,105,812
Deferred land sale costs	6,342
	2,112,154

Total other assets

2,112,154

Total assets

\$ 2,872,930

Liabilities and net assets:

Current liabilities:

Accounts payable	\$ 22,180
Accrued salaries and wages	28,252
Loans payable	74,870
	125,302

Total current liabilities

125,302

Net assets:

Without donor restrictions	692,664
With donor restrictions	2,054,964
	2,747,628

Total net assets

2,747,628

Total liabilities and net assets

\$ 2,872,930

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains and other support</u>			
Membership dues	\$ 43,189	\$ -	\$ 43,189
Contributions above dues	589,066	-	589,066
Grants	404,324	84,590	488,914
Events	113,785	-	113,785
Fees	60,883	-	60,883
Rent	9,852	-	9,852
Investment income	6,320	38,418	44,738
Unrealized gains (losses) on investments	79,057	356,902	435,959
Net assets released from restrictions	119,326	(119,326)	-
	<u>1,425,802</u>	<u>360,584</u>	<u>1,786,386</u>
<u>Expenses</u>			
Program services:			
Issue response	62,945	-	62,945
Environmental education	228,393	-	228,393
Land protection	362,040	-	362,040
Water protection	395,816	-	395,816
Total program services	<u>1,049,194</u>	<u>-</u>	<u>1,049,194</u>
Supporting Services:			
Membership	113,463	-	113,463
Events	75,213	-	75,213
Management & general	48,955	-	48,955
Fundraising	47,315	-	47,315
Total supporting services	<u>284,946</u>	<u>-</u>	<u>284,946</u>
<u>Total expenses</u>	<u>1,334,140</u>	<u>-</u>	<u>1,334,140</u>
<u>Change in net assets</u>	<u>91,662</u>	<u>360,584</u>	<u>452,246</u>
<u>Net assets at beginning of year</u>	<u>601,002</u>	<u>1,694,380</u>	<u>2,295,382</u>
<u>Net assets at end of year</u>	<u>\$ 692,664</u>	<u>\$ 2,054,964</u>	<u>\$ 2,747,628</u>

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Expenses and losses:</u>				
Salaries & wages	\$ 735,290	\$ 109,521	\$ 70,941	\$ 915,752
Pension expense	26,220	3,762	4,087	34,069
Payroll taxes	58,593	9,588	5,892	74,073
Employee benefits	56,339	6,431	6,483	69,253
Workers compensation insurance	4,945	711	773	6,429
Consulting services	50,493	265	19,581	70,339
Professional fees	41,782	5,186	5,228	52,196
Occupancy	6,358	1,487	1,052	8,897
Advertising	545	-	653	1,198
Postage & shipping	1,656	1,334	1,808	4,798
Printing	3,482	9,252	730	13,464
Telephone	2,636	327	327	3,290
Technology expense	12,835	5,882	1,362	20,079
Supplies	13,064	607	238	13,909
Travel	10,058	16	62	10,136
Meetings and events	426	11	794	1,231
Memberships & publications	2,789	1,525	369	4,683
Other taxes	1,666	1,351	261	3,278
Insurance	4,264	2,163	687	7,114
Liability insurance	2,612	511	400	3,523
Rent	8,310	-	-	8,310
Depreciation	4,831	2,488	800	8,119
<u>Total expenses and losses</u>	<u>\$ 1,049,194</u>	<u>\$ 162,418</u>	<u>\$ 122,528</u>	<u>\$ 1,334,140</u>

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

HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash flows From operating activities:

Changes in net assets	\$ 452,246
Adjustments To reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,119
Unrealized (gains) losses on investments	(435,959)
Decrease in accounts receivable	42,388
Decrease in prepaid expenses	7,927
Increase in accounts payable	9,325
Decrease in accrued salaries and wages	<u>(2,447)</u>
<u>Net cash used In operating activities</u>	<u>81,599</u>

Cash flows from investing activities:

Net proceeds from payment of note receivable	30,000
Net proceeds from sale of investments	88,111
Purchase of investments	<u>(218,959)</u>
<u>Net cash used In investing activities</u>	<u>(100,848)</u>

Cash flows from financing activities:

Proceeds from PPP loan	214,870
Utilization of PPP loan	<u>(190,859)</u>
<u>Net cash provided by financing activities</u>	<u>24,011</u>

Net increase in cash and cash equivalents 4,762

Cash and cash equivalents at beginning of year 354,845

Cash and cash equivalents at end of year \$ 359,607

Supplemental Information:

Cash paid for interest	\$ -
Cash paid for taxes	-

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

Notes To Financial Statements

June 30, 2021

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 Stockbridge, 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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board codification of accounting standards section 958, including ASU 2016-14. Among other provisions, the statement reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications and requires information regarding an entity's liquidity. Under these standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. These funds are available for general operating purposes and/or to use at the discretion of the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for general use by Management.

Net Assets With Donor Restrictions - Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both.

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

Notes To Financial Statements

June 30, 2021

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, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 donor 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.

Contributed Goods and 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, 2021 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.

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

Notes To Financial Statements

June 30, 2021

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 \$109,127 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

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted by donors to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. 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, 2021 was \$8,119.

Land and Easements

Land is stated at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted by donors to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization has a policy of recording land donated or purchased without sale or transfer stipulations as unrestricted land. Land subject to time or event restrictions is classified as temporarily restricted land, while land that can never be sold is recorded as permanently restricted.

Easements are not recorded as assets or revenue on the Organization's financial statements. Easements are separately tracked and monitored for compliance with easement restrictions for each property on which the Organization has been granted an easement.

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

Notes To Financial Statements

June 30, 2021

Functional Allocation of Expenses

The costs of providing various programs and activities have been presented on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on a combination of specific identification and allocation by management determined by analysis of the personnel and other costs specific to and space utilized for the related activities.

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).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken for any uncertain tax positions taken. Management has concluded that there are no uncertain tax positions taken that would require recognition of a liability or asset, or disclosure in the financial statements.

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 net assets without donor restrictions 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, 2021 consisted of the following:

	<u>Cost Basis</u>	<u>Fair Value</u>
Publicly traded mutual funds	\$ 377,702	\$ 808,175
Publicly traded equity investments	694,914	1,297,637
	<u>\$ 1,072,616</u>	<u>\$ 2,105,812</u>

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

Notes To Financial Statements

June 30, 2021

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment Income (net of \$4,010 advisory fees)	\$ 6,320	\$ 38,418	\$ 44,738
Unrealized Gains	<u>79,057</u>	<u>356,902</u>	<u>435,959</u>
Total Investment Return	<u>\$ 85,377</u>	<u>\$ 395,320</u>	<u>\$ 480,697</u>

Investment Policy and Risk Parameters

The Organization has adopted an investment policy for endowment assets with an objective of achieving investment growth of both principal value and income over time that is sufficient to preserve or increase the purchasing power of the assets against inflation. All investments are selected to achieve the required level of portfolio diversification and to be consistent with investment funds that have available market pricing and transparency of holdings. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Spending Policy

Endowment fund earnings may be used for program purposes including monitoring of conservation easements and land protections as approved by the Boards of Directors.

NOTE 3 – NOTE RECEIVABLE

On November 1, 2018 the Association made a loan in the amount of \$30,000 to the Sheffield Land Trust to assist in the purchase of a parcel to protect. The note includes interest at 3% through October 31, 2020 increasing to 6% thereafter. Annual payments of interest only are due on November 1 of each year. The note matures on November 1, 2021 at which time the principal amount is due in full. The note is secured by assets of the Sheffield Land Trust. The note was paid in full on October 30, 2020.

NOTE 4 – BANK EQUITY LINE OF CREDIT

The Organization has equity line of credit agreement with Salisbury Bank & Trust Company allowing up to \$250,000 in short-term borrowing. The agreement provides for monthly interest payments at a rate equal to the Wall Street Journal Prime Rate and is collateralized with HVA's office facilities in Cornwall Bridge. The current rate is 3.25%, and that is also the minimum interest rate. At June 30, 2021 the balance outstanding on this line of credit was \$0. This note will expire on April 8, 2025.

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

Notes To Financial Statements

June 30, 2021

NOTE 5 – RENTALS

A portion of the Organization's facilities are rented to others as tenants at will. Rental revenue for the year ended June 30, 2021 was \$9,852

NOTE 6 - PAYROLL PROTECTION PLAN & ECONOMIC INJURY DAMAGES LOAN

Due to the COVID pandemic, HVA received two loans from the Small Business Association under the Payroll Protection Plan (PPP), \$214,870 was received in February 2021 and \$199,210 in April 2020. During the course of the fiscal year 2021 \$140,000 of the \$214,870 loan was used with the balance of \$74,870 remaining at June 30, 2021. In fiscal year 2020 \$158,351 of the \$199,210 loan was used with \$50,858 remaining at June 30, 2020. The PPP loans are eligible for forgiveness if used for payroll and approved associated costs. The first PPP was fully forgiven in July 2021. HVA management believes that the full amount of the second PPP loan will also be forgiven in full.

HVA also received a \$10,000 emergency loan from the Small Business Association from the Economic Injury Damages Fund (EIDL). Per SBA Procedural Notice dated January 8, 2021 this loan was forgiven in full.

NOTE 7 – RETIREMENT PLAN

HVA initiated a 403 (b) plan effective January 1, 2014 whereby they match an employee's contribution of up to 5% of the employee's gross salary. This plan is open to all employees who worked for a year. The 403 (b) expense for the year ended June 30, 2021 was \$34,069.

NOTE 8 – OPERATING LEASES

HVA leases a copier under a five-year non-cancellable operating lease which commenced on August 11, 2017. Total lease expenditures during the fiscal year ended June 30, 2021 were \$1,896.

The following is a schedule of future minimum lease payments:

2022	\$1,896
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HOUSATONIC VALLEY ASSOCIATION, INC. AND HVA FOUNDATION, INC.

Notes To Financial Statements

June 30, 2021

NOTE 9 - THE RIVER INTERN FUND

This 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, 2021 was \$167,614. 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 2020-2021.

This fund is not included on these financial statements as ownership and control over the fund was transferred to the Community Foundation.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Association 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 organization 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 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the organization measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

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

Notes To Financial Statements

June 30, 2021

	<u>June 30, 2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Publicly traded mutual funds	\$ 808,175	\$ 808,175	\$ -	\$ -
Publicly traded equity investments	1,297,637	1,297,637		
	<u>\$ 2,105,812</u>	<u>\$ 2,105,812</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 – 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 12 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021, financial assets available within one year for general expenditures, were as follows:

Financial Assets at Year End	
Cash and Cash Equivalents	\$ 359,607
Accounts Receivable	126,041
Investments	2,105,812
Total Financial Assets	<u>2,591,460</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions - time and purpose	
With Donor Temporary Restrictions	1,205,939
With Donor Permanent Restrictions	849,025
Less Board Designated Funds	169,119
Total Not Available	<u>2,224,083</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 367,377</u>

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

Notes To Financial Statements

June 30, 2021

As part of its liquidity management, the Association evaluates its liquidity requirements throughout the year, taking into consideration operating expectations and capital plans. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due.

NOTE 13 – NET ASSETS

Assets restricted and designated for the various funds of the organization were as follows as of June 30, 2021

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

Notes To Financial Statements

June 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Temporarily Restricted</u>			
Education	\$ -	\$ 11,650	\$ 11,650
Greenprint/Land Planning	-	186,250	186,250
Employee Benefits	-	3,750	3,750
Summer Intern	-	34,600	34,600
River enhancement/protection	-	24,591	24,591
Any legal fees related to easements, land and stewardship funds	-	99,004	99,004
Net unrealized investment gains of permanently restricted funds	-	846,094	846,094
<u>Total Temporarily Restricted</u>	<u>-</u>	<u>1,205,939</u>	<u>1,205,939</u>
<u>Permanently Restricted</u>			
Investments	-	642,683	642,683
Land	-	200,000	200,000
Deferred Land Sale Costs	-	6,342	6,342
<u>Total Permanently Restricted</u>	<u>-</u>	<u>849,025</u>	<u>849,025</u>
<u>Without Restrictions</u>			
Equity in Property & Equipment	71,648	-	71,648
Designated by the Board - Endowment	106,119	-	106,119
Designated by the Board - Stewardship	30,000	-	30,000
Designated by the Board - Monitoring	32,000	-	32,000
Other Operating Funds	452,897	-	452,897
<u>Net Assets Without Restrictions</u>	<u>692,664</u>	<u>-</u>	<u>692,664</u>
<u>Total Net Assets</u>	<u>\$ 692,664</u>	<u>\$ 2,054,964</u>	<u>\$ 2,747,628</u>

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

Notes To Financial Statements

June 30, 2021

The Association 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 Land Stewardship Fund. The purpose of each fund is described as follows:

The Endowment Fund

This 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

This 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

This 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

This 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 \$174,175 in dedicated and restricted funds available to protect and maintain conservation easements as of June 30, 2021.

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

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Further detail on the restricted nature of the funds is as follows:

	<u>Without Donor Restrictions</u>			<u>With Donor</u>	<u>Total</u>
	<u>Board</u>		<u>Permanent</u>	<u>Temporary</u>	
	<u>Designated</u>	<u>Undesignated</u>			
Education	\$ -	\$ -	\$ -	\$ 11,650	\$ 11,650
Greenprint/Land Planning	-	-	-	186,250	186,250
Employee Benefits	-	-	-	3,750	3,750
Summer Intern	-	-	-	34,600	34,600
River enhancement/protection	-	-	-	24,591	24,591
<u>Subtotal</u>	-	-	-	260,841	260,841
Endowment Fund	106,119		549,413	654,205	1,309,737
Hanser Land Acquisition	-		81,270	190,718	271,988
Endowed Maintenance	-	-	8,500	58,087	66,587
Land Stewardship	30,000		3,500	42,088	75,588
Land Donor Permanently Restricted	-	-	200,000	-	200,000
Deferred Land Sale Costs	-	-	6,342	-	6,342
Equity in Property & Equipment	-	71,648		-	71,648
Designated for Monitoring	32,000	-	-	-	32,000
Other Operating Funds	-	452,897	-	-	452,897
<u>Subtotal</u>	168,119	524,545	849,025	945,098	2,486,787
<u>Total Net Assets</u>	<u>\$ 168,119</u>	<u>\$ 524,545</u>	<u>\$ 849,025</u>	<u>\$ 1,205,939</u>	<u>\$ 2,747,628</u>

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Endowment Fund

The Organization's endowment consists of donor-restricted funds where the donor identified a portion of the fund to remain in perpetuity and unavailable for spending. The donor-restricted funds include the corpus restricted in perpetuity and the net appreciation of the fund. Funds designated by the Board of Directors as restricted to purpose or time are also included in the Organization's endowment and are reported as net assets without donor restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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, the Organization classifies as net assets with donor restrictions, permanently restricted net assets, the original value of gifts to the Endowment Fund 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 net assets without donor restrictions designated for endowment until appropriated for expenditure in the manner described for each fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with the UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund as of year-end are as follows:

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		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Restricted For Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-Restricted Endowment	\$ -	\$ 654,205	\$ 549,413	\$ 1,203,618
Designated by Board for Endowment	<u>106,119</u>	<u>-</u>	<u>-</u>	<u>106,119</u>
Total Endowment Fund	<u>\$ 106,119</u>	<u>\$ 654,205</u>	<u>\$ 549,413</u>	<u>\$ 1,309,737</u>

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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. No examinations are in progress.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the world. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Organization's operations and liquidity is uncertain as of the date of this report.

The extent to which the COVID-19 pandemic further impacts the Organization's operations and financial condition will depend on numerous evolving factors, which are uncertain and cannot be predicted, including duration and scope of the pandemic and associated disruptions; effects of current and future governmental and public responses to changing conditions; and the financial condition of the Organization's grantors and contributors to continue their support of the Organization's mission.

NOTE 15 – SUBSEQUENT EVENTS

The Organization adheres to ASC Topic 855, Subsequent Events. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through March 17, 2022, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.