

**EAST OF HUDSON WATERSHED CORPORATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017 AND 2016**

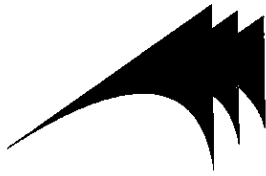
EAST OF HUDSON WATERSHED CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East of Hudson Watershed Corporation  
Patterson, New York

We have audited the accompanying statements of East of Hudson Watershed Corporation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and cash flows for the years 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 includes 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.

EAST OF HUDSON WATERSHED CORPORATION  
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East of Hudson Watershed Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of East of Hudson Watershed Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East of Hudson Watershed Corporation's internal control over financial reporting and compliance.

  
Hudson, New York  
March 15, 2018

EAST OF HUDSON WATERSHED CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

*ASSETS*

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,428,214	\$ 3,108,594
Short-Term Investments	8,048,610	7,993,669
Accounts Receivable	68,614	301,808
Accrued Interest Receivable	-	3,345
Prepaid Expenses	<u>57,012</u>	<u>38,214</u>
Total Current Assets	<u>9,602,450</u>	<u>11,445,630</u>
PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>19,431</u>	<u>23,281</u>
<b>OTHER ASSETS:</b>		
Rent Security	<u>3,500</u>	<u>3,500</u>
	<u>\$ 9,625,381</u>	<u>\$ 11,472,411</u>

*LIABILITIES AND NET ASSETS*

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 454,721	\$ 231,434
Accrued Expenses	13,906	19,348
Deferred Revenue	<u>4,265,709</u>	<u>3,602,006</u>
Total Current Liabilities	<u>4,734,336</u>	<u>3,852,788</u>
<b>LONG TERM LIABILITIES:</b>		
Deferred Revenue	<u>4,776,875</u>	<u>7,537,409</u>
<b>NET ASSETS:</b>		
Unrestricted	-	-
Temporarily Restricted	114,170	82,214
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>114,170</u>	<u>82,214</u>
	<u>\$ 9,625,381</u>	<u>\$ 11,472,411</u>

*Note: Totals may not add due to rounding*

See independent auditor's report and notes to the financial statements.

EAST OF HUDSON WATERSHED CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Totals
<b>REVENUE:</b>			
Program Revenues	\$ -	\$ 2,096,831	\$ 2,096,831
O&M Bubble Compliance	-	107,341	107,341
Interest	-	40,271	40,271
Net Assets Released from Restrictions	<u>2,233,376</u>	<u>(2,233,376)</u>	<u>-</u>
Total Revenues	<u>2,233,376</u>	<u>11,067</u>	<u>2,244,443</u>
<b>EXPENSES:</b>			
Program Services:			
Phosphorus Removal	1,617,767	-	1,617,767
Non SRP Services	29,205	-	29,205
O&M Services	<u>107,341</u>	<u>-</u>	<u>107,341</u>
Total Program Services	<u>1,754,313</u>	<u>-</u>	<u>1,754,313</u>
Supporting Services:			
Administrative and General	<u>479,063</u>	<u>-</u>	<u>479,063</u>
Total Expenses	<u>2,233,376</u>	<u>-</u>	<u>2,233,376</u>
<b>OTHER CHANGES IN NET ASSETS:</b>			
Change in Market Value Investments	-	20,889	20,889
Changes in Net Assets	-	31,956	31,956
Net Assets, Beginning	<u>-</u>	<u>82,214</u>	<u>82,214</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 114,170</u>	<u>\$ 114,170</u>

*Note: Totals may not add due to rounding*

See independent auditor's report and notes to the financial statements.

EAST OF HUDSON WATERSHED CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Totals
<b>REVENUE:</b>			
Program Revenues	\$ -	\$ 2,652,784	\$ 2,652,784
O&M Bubble Compliance, Restated	-	64,494	64,494
Interest	-	5,229	5,229
Net Assets Released from Restrictions, Restated	<u>2,717,278</u>	<u>(2,717,278)</u>	<u>-</u>
Total Revenues	<u>2,717,278</u>	<u>5,229</u>	<u>2,722,507</u>
<b>EXPENSES:</b>			
Program Services:			
Phosphorus Removal	2,116,448	-	2,116,448
O&M Services, Restated	<u>64,494</u>	<u>-</u>	<u>64,494</u>
Total Program Services	<u>2,180,942</u>	<u>-</u>	<u>2,180,942</u>
Supporting Services:			
Administrative and General	<u>536,336</u>	<u>-</u>	<u>536,336</u>
Total Expenses	<u>2,717,278</u>	<u>-</u>	<u>2,717,278</u>
<b>OTHER CHANGES IN NET ASSETS:</b>			
Change in Market Value Investments	-	(1,581)	(1,581)
Changes in Net Assets	-	3,648	3,648
Net Assets, Beginning	<u>-</u>	<u>78,566</u>	<u>78,566</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 82,214</u>	<u>\$ 82,214</u>

*Note: Totals may not add due to rounding*

See independent auditor's report and notes to the financial statements.

EAST OF HUDSON WATERSHED CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	Restated 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from Funding Agencies, Restated	\$ 340,535	\$ 23,046
Interest Income and Other	43,616	1,884
Cash Paid for Operating Activities, Restated	<u>(2,028,492)</u>	<u>(2,771,642)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,644,341)</u>	<u>(2,746,712)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceed from Investment Maturities/Sales	-	-
Purchase of Investments	-	(7,995,250)
Purchase of Fixed Assets	<u>(1,987)</u>	<u>(2,299)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,987)</u>	<u>(7,997,549)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,646,328)</b>	<b>(10,744,261)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b><u>3,108,594</u></b>	<b><u>13,852,855</u></b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b><u>\$ 1,462,266</u></b>	<b><u>\$ 3,108,594</u></b>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016:*

Changes in Net Assets	\$ 31,956	\$ 3,648
<b>Adjustments to Changes in Net Assets</b>		
to Net Cash Provided (Used) by Operating Activities:		
Change in Market Value	(20,889)	1,581
Depreciation	993	1,629
Amortization	<u>4,844</u>	<u>4,533</u>
Working Capital Provided (Used) by Operating Activities	<u>16,904</u>	<u>11,391</u>
<b>Changes in Assets and Liabilities:</b>		
<b>(Increase) Decrease in:</b>		
Accounts Receivable	233,194	(41,448)
Accrued Interest Receivable	3,345	(3,345)
Prepaid Expenditures	(18,798)	(2,375)
Rent Security	-	(2,100)
<b>(Decrease) Increase in:</b>		
Accounts Payable	223,287	59,288
Accrued Expenditures	(5,442)	(115,338)
Deferred Revenue	<u>(2,096,831)</u>	<u>(2,652,785)</u>
	<u>(1,661,245)</u>	<u>(2,758,103)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (1,644,341)</u></b>	<b><u>\$ (2,746,712)</u></b>

*Note: Totals may not add due to rounding*

See independent auditor's report and notes to the financial statements.



EAST OF HUDSON WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the East of Hudson Watershed Corporation (“EOHWC”) is presented to assist in understanding the EOHWC’s financial statements. The financial statements and notes are representations of the EOHWC’s management, which are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

A. Organization:

EOHWC was formed on October 18, 2011 under Section 1411 of the New York State Not-for-Profit Corporation Law. EOHWC is operated for charitable purposes and was established to administer, coordinate and implement through a single entity the East of Hudson Regional Stormwater Retrofit Plans (SRPs) approved by the New York State Department of Environmental Conservation (NYSDEC). The EOHWC is an organization comprised of a coalition of municipalities in Westchester, Putnam and Dutchess Counties which are located in the New York City Watershed east of the Hudson River.

The SRPs were developed in response to heightened phosphorus removal requirements of the NYSDEC. These are embodied in the Municipal Separate Storm Sewer Systems State Pollutant Discharge Elimination System (SPDES) General Permit No. GP-0-10-002 (the MS4 Permit). Entities covered under the MS4 permit (MS4 operators) that exceed their established discharge levels must address requirements aimed at achieving specified pollutant load reductions and to implement SRPs. The NYSDEC phosphorus reduction target applicable to the SRPs are for the five year period of May 1, 2010 to April 30, 2015. The NYCDEP authorized the second five year plan as follows; 2015-Year 6; 2016-Year 7; 2017-Year 8; 2018-Year 9 and 2019-Year 10.

Prior to the formation of EOHWC, MS4 operators were responsible for implementing their own SRPs in Years 1 and 2. EOHWC was created to act as a Regional Stormwater Entity (RSE) through which MS4 operators could act in concert by becoming a member of the RSE. Membership will enable resource sharing as well as enhanced funding opportunities among participating members. In addition, through the RSE MS4 operators are subject to “bubble compliance” whereby members can jointly implement SRPs throughout the members’ communities in order to achieve the five-year phosphorus removal requirement as a whole.

In May of 2012, the NYSDEC authorized EOHWC to combine the separate SRPs into one consolidated program which enabled EOHWC to assist its member municipalities in Westchester, Putnam and Dutchess Counties, which are located within the East of Hudson New York City Watershed. As a result, EOHWC was eligible for funding as follows: \$15.5 million from the NYCDEP 2010 Water Supply Permit; \$4.5 million from the NYCDEP 2007 Filtration Avoidance Determination (FAD); \$10 million from Westchester County and \$8.2 million from Putnam County of which \$676,204 was used by the Putnam County to fund Year 2 SRPs. During 2015 EOHWC received funds totaling \$5,500,000 from NYCDEP 2010 Water Supply Permit and during 2014 EOHWC received funds totaling \$4,500,000 from NYCDEP 2007 Filtration Avoidance Determination (FAD).

See independent auditor’s report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Westchester and Putnam Counties have authorized use of the remaining unused funds from the first five year plan for use in the second five year plan; for years 6 through 10 of the stormwater retrofit regional plan.

As of December 31, 2017, EOHWC had 19 members (18 towns/villages and 1 county). Each member has passed resolutions to join EOHWC and to authorize the implementation of the SRPs on their behalf.

B. Financial Statement Presentation:

EOHWC reports 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 depending on donor imposed restriction, if any.

C. Basis of Accounting:

The EOHWC's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

D. Cash and Cash Equivalents:

EOHWC considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

E. Investment Income:

Interest on investment funds are reported as increases in temporarily restricted net assets in accordance with the NYCDEP funding agreement.

F. Property, Plant, and Equipment:

Expenditures for furniture, equipment and certain intangibles with useful lives in excess of one year that costs more than \$500 are capitalized and recorded at cost while repairs and maintenance which do not improve or extend the life of an asset are expensed. Furniture and equipment are generally depreciated using the straight line method over their estimated useful lives of 3-7 years.

G. Income Taxes:

EOHWC is tax exempt as an organization under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been made.

H. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

I. Functional Allocation of Expenses:

The costs of implementing the phosphorus removal program (Stormwater Retrofit Projects) and other activities have been summarized on a functional basis in the statement of activities and the schedule of functional expenses. Accordingly, certain costs have been allocated between program and non-program services.

J. Advertising:

EOHWC expenses advertising costs as they are incurred.

NOTE 2 – CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially subject EOHWC to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. At December 31, 2017, EOHWC's only cash accounts (operating and NYC DEP WSP) with balances that exceeded the current FDIC limit are subject to a third party collateral agreement and therefore management believes the credit risk related to these accounts are minimal.

The bank balance was \$1,699,044 and \$3,431,174 as of December 31, 2017 and 2016.

There are two categories of credit risk that apply to the EOHWC's balance:

1. Insured or collateralized with securities held by the EOHWC or by the EOHWC's agent in the Corporation's name; and
2. Collateralized with securities held by the pledging financial institution's trust department or the EOHWC's agent in the EOHWC's name.

Balances held in each category as of December 31, 2017, are as follows:

Bank	Bank Balance	FDIC	Collateral	Uncollateralized
M&T Bank	\$ 1,699,044	\$ 250,000	\$ 1,449,044	\$ -
	<u>\$ 1,699,044</u>	<u>\$ 250,000</u>	<u>\$ 1,449,044</u>	<u>\$ -</u>

*Note: Totals may not add due to rounding.*

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 3 – INVESTMENTS:

EOHWC held \$8,048,610 and \$7,993,669 in United States government agency obligations at December 31, 2017 and 2016, respectively. The investments are stated at fair value in the financial statements and include unrealized appreciation as summarized below:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	\$ 8,048,610	\$ 8,029,302	\$ 7,993,669	\$ 7,995,250

NOTE 4 – RECEIVABLES:

The receivables for EOHWC for the years ended December 31, 2017 and 2016 are \$68,614 and \$301,808 respectively. The receivables consist of reimbursements from Putnam County of \$0 and \$68,614 related to O&M Bubble Compliance, See Note 9.C. at December 31, 2017. At December 31, 2016, the receivable in the amount of \$260,360 consist of reimbursement from Putnam County and \$41,448 related to O&M Bubble Compliance. EOHWC has deemed these amounts to be fully collectible.

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2017 and 2016, is summarized as follows:

	2017			2016		
	Historic Cost	Accumulated Depreciation	Net Book Value	Historic Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 10,987	\$ 8,342	\$ 2,645	\$ 9,000	\$ 7,757	\$ 1,243
Computer Software	33,211	17,764	15,447	33,212	12,921	20,291
Furniture & Fixtures	2,857	1,518	1,339	2,857	1,110	1,747
	<u>\$ 47,055</u>	<u>\$ 27,624</u>	<u>\$ 19,431</u>	<u>\$ 45,069</u>	<u>\$ 21,788</u>	<u>\$ 23,281</u>

Note: Totals may not add due to rounding.

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 is \$5,837 and \$6,162, respectively.

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 6 – COMPENSATED ABSENCES:

EOHWC's policy is to accrue for compensated absences for vacation time and sick pay if such expenses can be reasonably estimated. As of December 31, 2017 and 2016 the accrued liabilities for compensated absences were \$3,903 and \$4,457, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted assets are available for Stormwater Retrofit Projects.

NOTE 8 – DEFERRED REVENUES:

During 2015 EOHWC received funding from NYCDEP 2010 Water Supply Permit totaling \$5,500,000 towards the planning, design and implementation of various SRPs. These funds are treated as deferred (unearned) revenues until actual expenditures are made for both program and non-program (supporting) costs.

During the year ended December 31, 2017 and 2016, EOHWC had total expenses (paid and incurred) of \$2,223,376 and \$2,717,278, respectively. The liability deferred revenues totaled \$9,042,584 and \$11,139,415 respectively for the fiscal years ended December 31, 2017 and 2016 of which \$4,265,709 and \$3,602,006 is short-term based on total anticipated expenses paid and incurred during the subsequent year.

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

A. Operating Leases:

EOHWC has operating leases for its office space and its copier. EOHWC has entered into an operating lease agreement for a copier effective 2/3/16 for a term of 60 months with monthly payments of \$285 plus applicable charges. The lease contains a "non-appropriation clause" making the obligation to pay the lease payments contingent upon approval of the appropriation of funds, replacing the prior month to month lease. Total expense related to the copier lease was \$3,430 and \$3,627 for the years ended December 31, 2017 and 2016, respectively.

The original office lease was for the three year period commencing April 2, 2012 and ending December 31, 2014. This lease required monthly rent payments of \$1,400. Beginning November 1, 2012 the lease was amended as a result of EOHWC increasing the amount of office space occupied and monthly rent increased to \$1,800 through February 2013. In March 2013 monthly rent increased to \$2,161 as a result of utilizing additional office space. In June 2014 EOHWC and the landlord executed a rider to the original lease to formally recognize the increased space occupied by EOHWC. The rider established monthly rent at \$3,500 for the period of February 1, 2014 through January 31, 2017. In December 2016 EOHWC and the landlord executed a rider to the original lease to establish monthly rent a \$3,500 for the period February 1, 2017 through January 31,

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

2020. The lease can be terminated by either party at any time upon thirty days prior notice in writing.

Rental payments for the year ended December 31, 2017 and 2016 amounted to \$42,000 and \$42,000, respectively.

The minimum rental payments under the office and equipment leases for future fiscal years through the last lease payment are as follows:

<u>Year Ending December 31</u>	
2017	\$ 45,420
2019	45,420
2020	6,920
2021	<u>285</u>
	<u>\$ 98,045</u>

*Note: Totals may not add due to rounding.*

B. Grants:

The Organization has received grants in varying amounts, which are subject to audit/review by agencies of Local Governments. Such audits/reviews may result in disallowances and a request for return of funds to the Local Governments. Based on past evaluations, agency administration believes disallowances, if any, will be immaterial.

C. O&M Receivables and Payables:

In March 2016, EOHWC and participating municipalities entered into an agreement on the finance of the maintenance on the retrofits installed by the Corporation. Twice annually, in June and November municipalities will submit an invoice for reimbursement of the actual cost for providing maintenance of the stormwater projects under their jurisdiction. Actual costs incurred will be credited against any amount due and owing to the Corporation. Where there is a surplus, the municipality would receive a refund, where there is a deficit the municipality would be invoiced. The total accumulated cost to maintain retrofit projects for the program as of December 31, 2017 and 2016 was \$107,341 and \$64,494, respectively. EOHWC has recorded the total estimated surplus in the amount of \$68,614 and \$41,448, as of December 31, 2017 and 2016, respectively. EOHWC has recorded the total deficit owed by the municipalities in the amount of \$68,614 and 41,448 as of December 31, 2017 and 2016, respectively. These are estimates of the total maintenance cost for the first five year plan, as Year 5 Projects are being concluded. The maintenance agreement will be applied to the second five year plan for year 6-10 projects.

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 10 – INCOME TAXES:

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status, though the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if an adjustment in the tax exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities. The Organization’s income tax filings are subject to audit by various taxing authorities. The Organization’s open audit periods are 2014–2017. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization believes their estimates are appropriate based on current facts and circumstances. Accordingly, there are no uncertain tax positions to disclose. As such, there are no correspondingly related interest and penalties to be accrued thereon.

NOTE 11 – FAIR VALUE MEASUREMENTS:

A. Major categories of assets measured at fair value on a recurring basis comprise the following:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of December 31, 2017</b>				
Assets:				
Investments Held to Maturity	\$ 8,048,610	\$ 8,048,610	\$ -	\$ -
	<u>\$ 8,048,610</u>	<u>\$ 8,048,610</u>	<u>\$ -</u>	<u>\$ -</u>
<b>As of December 31, 2016</b>				
Assets:				
Investments Held to Maturity	\$ 7,993,669	\$ 7,993,669	\$ -	\$ -
	<u>\$ 7,993,669</u>	<u>\$ 7,993,669</u>	<u>\$ -</u>	<u>\$ -</u>

*Note: Totals may not add due to rounding.*

- ❖ Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ❖ Level 2 Inputs: Directly or indirectly observable (market based) information– This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. For loans receivable and deferred grant revenue fair value is estimated as the present value of expected future cash inflows or outflows.
- ❖ Level 3 Inputs: Unobservable inputs for the asset or liability for which there is no market data or for which asset and liability values are not correlated with market value.

See independent auditor’s report.

EAST OF HUDSON WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

NOTE 11 – FAIR VALUE MEASUREMENTS (CONTNUED):

The table below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at the fair value and classified as Level 3 in the fair value hierarchy:

	Year Ended December 31,	
	2017	2016
Balance at Beginning of Period	\$ -	\$ -
Unrealized Gains/(Losses)	-	-
Realized Gain/(Losses)	-	-
Purchases, Issuances, Sales and Settlements	-	-
Transfers In and/or Out of Level 3	-	-
Balance at End of Period	<u>\$ -</u>	<u>\$ -</u>

*Note: Totals may not add due to rounding.*

Realized and unrealized gains and losses of \$-0- and \$-0- for 2017 and 2016, respectively are included in changes in net assets are reported in the Statement of Activities as a component of program expense. There were no transfers into Level 3 from Level 2. The Organization’s policy is to recognize transfers into and out of Level 3 as of the actual date of the event or change in circumstances.

B. Other Fair Value Disclosures:

Financial instruments are recorded at carrying value in the financial statements; however, the fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate that value:

- I. Cash and Cash Equivalents: - the carrying amount approximates fair value because of the short maturity of those instruments.
- II. Accrued Interest Receivable: - the carrying amount approximates fair value because of the short term to the ultimate scheduled payment date.
- III. Property, Plant and Equipment: - the fair value of property, plant and equipment held and used is determined, whenever possible, by reference to quoted market prices and other market information for similar assets. This is then compared to depreciated historical cost values as a measure to determine potential impairment loss. No impairment losses have been recognized through the current year end.
- IV. Accounts Payable and Accrued Expenses: - the carrying amounts approximate fair value because of the short term to liquidation of the instruments.

See independent auditor’s report.



EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

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NOTE 12 – SUBSEQUENT EVENTS:

Management of EOHWC evaluated subsequent events through March 15, 2018, which is the date the financial statements were available to be issued.

NOTE 13 – PRIOR PERIOD RESTATEMENT:

The total accumulated cost to maintain retrofit projects for the program was overstated by \$31,493 as in the amount of as of December 31, 2016. The net impact to net asset beginning December 31, 2017 was \$0.

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

EAST OF HUDSON WATERSHED CORPORATION

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

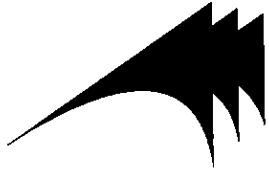
	Program Services			Supporting Services			Total
	Stormwater Retrofit Projects			General and Administrative			
	Putnam	Westchester	Subtotal	Putnam	Westchester	Subtotal	
Salaries	\$ 33,666	\$ 35,975	\$ 69,641	\$ 113,303	\$ 113,309	\$ 226,612	\$ 296,253
Employee Health and Payroll Taxes	6,154	6,632	12,786	22,095	22,095	44,190	56,976
Total Salaries and Related Expenses	<u>39,820</u>	<u>42,607</u>	<u>82,427</u>	<u>135,398</u>	<u>135,404</u>	<u>270,802</u>	<u>353,229</u>
Supplies	-	-	-	1,680	1,680	3,360	3,360
Travel	210	692	902	326	326	652	1,554
Consulting	75,243	85,508	160,751	3,997	3,997	7,994	168,745
Construction	391,030	360,795	751,825	-	-	-	751,825
Printing & Postage	231	291	522	130	130	260	782
Advertising	914	1,002	1,916	97	97	194	2,110
Municipal Reimbursable	223,380	375,750	599,130	-	-	-	599,130
Bank Charges	-	-	-	-	-	-	-
Legal & Accounting	4,447	2,881	7,328	51,987	51,985	103,972	111,300
Telephone	-	-	-	1,294	1,294	2,588	2,588
Insurance	-	-	-	17,431	17,431	34,862	34,862
Permits & Licensing	5,356	7,610	12,966	-	-	-	12,966
Equipment Rental	-	-	-	1,715	1,715	3,430	3,430
Rent	-	-	-	21,000	21,000	42,000	42,000
Conferences	-	-	-	948	948	1,896	1,896
Depreciation & Amortization	-	-	-	2,918	2,918	5,836	5,836
O&M - Bubble Compliance	47,375	59,966	107,341	-	-	-	107,341
Non-SRP Program Expenses	29,205	-	29,205	-	-	-	29,205
Miscellaneous	-	-	-	608	609	1,217	1,217
Total Other Expenses	<u>777,391</u>	<u>894,495</u>	<u>1,671,886</u>	<u>104,131</u>	<u>104,130</u>	<u>208,261</u>	<u>1,880,147</u>
Total Expenses	<u>\$ 817,211</u>	<u>\$ 937,102</u>	<u>\$ 1,754,313</u>	<u>\$ 239,529</u>	<u>\$ 239,534</u>	<u>\$ 479,063</u>	<u>\$ 2,233,376</u>

EAST OF HUDSON WATERSHED CORPORATION

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services			Restated Total	
	Stormwater Retrofit Projects			General and Administrative				
	Restated Putnam	Restated Westchester	Restated Subtotal	Putnam	Westchester	Subtotal		Fundraising
Salaries	\$ 13,999	\$ 36,528	\$ 50,527	\$ 151,398	\$ 151,374	\$ 302,772	\$ -	\$ 353,299
Employee Health and Payroll Taxes	2,079	5,425	7,504	22,484	22,484	44,968	-	52,472
Total Salaries and Related Expenses	16,078	41,953	58,031	173,882	173,858	347,740	-	405,771
Supplies	-	-	-	1,771	1,771	3,542	-	3,542
Travel	192	1,353	1,545	246	274	520	-	2,065
Consulting	28,960	118,325	147,285	3,523	3,523	7,046	-	154,331
Construction	630,548	1,188,678	1,819,226	-	-	-	-	1,819,226
Printing & Postage	161	552	713	480	480	960	-	1,673
Advertising	302	1,762	2,064	237	237	474	-	2,538
Municipal Reimbursable	34,348	27,136	61,484	-	-	-	-	61,484
Bank Charges	-	-	-	-	-	-	-	-
Legal & Accounting	9,526	10,105	19,631	42,807	42,715	85,522	-	105,153
Telephone	-	-	-	1,281	1,281	2,562	-	2,562
Insurance	-	-	-	16,841	16,841	33,682	-	33,682
Permits & Licensing	5,650	820	6,470	-	-	-	-	6,470
Equipment Rental	-	-	-	1,814	1,814	3,628	-	3,628
Rent	-	-	-	21,000	21,000	42,000	-	42,000
Conferences	-	-	-	642	642	1,284	-	1,284
Depreciation & Amortization	-	-	-	3,081	3,081	6,162	-	6,162
O&M - Bubble Compliance, Restated	19,987	44,507	64,494	-	-	-	-	64,494
Miscellaneous	-	-	-	607	607	1,214	-	1,214
Total Other Expenses	729,674	1,393,238	2,122,912	94,330	94,266	188,596	-	2,311,508
Total Expenses	\$ 745,752	\$ 1,435,191	\$ 2,180,943	\$ 268,212	\$ 268,124	\$ 536,336	\$ -	\$ 2,717,279



Sickler, Torchia  
Allen & Churchill, CPA's, PC  
*Your Partner When It Counts*

Robert J. Allen, CPA  
Victor V. Churchill, CPA  
Edward J. Gower II, CPA  
Joseph J. Montalto, CPA  
Craig R. Sickler, CPA  
Michael A. Torchia, Jr., CPA, CVA

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

To the Board of Directors  
East of Hudson Watershed Corporation  
Patterson, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East of Hudson Watershed Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered East of Hudson Watershed Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East of Hudson Watershed Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of East of Hudson Watershed Corporation's internal control.

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

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

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

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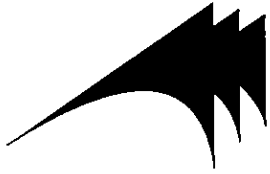
**Compliance and Other Matters**

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

**Purpose of this Report**

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

  
Hudson, New York  
March 15, 2018



Sickler, Torchia  
Allen & Churchill, CPA's, PC  
*Your Partner When It Counts*

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INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH SECTION 2925(3)(f) OF THE  
NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors  
East of Hudson Watershed Corporation  
Patterson, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of East of Hudson Watershed Corporation (a nonprofit organization), as of December 31, 2017, which collectively comprise EOHWC's financial statements listed in the table of contents, and we have issued our report thereon dated March 15, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that EOHWC failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations regarding investment guidelines during the year ended December 31, 2017. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding EOHWC's noncompliance with the above rules and regulations.

This report is intended solely for the information and use of management, the Board of Directors, officials of New York City, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

*Sickler, Torchia, Allen & Churchill, CPA's, P.C.*  
Hudson, New York  
March 15, 2018



# EAST OF HUDSON WATERSHED CORPORATION

2 Route 164, Suite 2  
Patterson, NY 12563  
Tel: 845-319-6349  
Fax: 845-319-6391

March 15, 2018

Sickler, Torchia, Allen & Churchill, CPA's, P.C.  
4071 Route 9  
Hudson, NY 12534

This representation letter is provided in connection with your audit of the financial statements of East of Hudson Watershed Corporation, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 15, 2018, the following representations made to you during your audit.

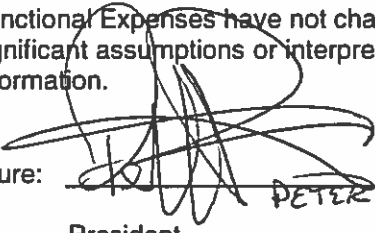
## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 19, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.



**Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) East of Hudson Watershed Corporation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 23) We acknowledge our responsibility for presenting the Schedule of Functional Expenses in accordance with U.S. GAAP, and we believe the Schedule of Functional Expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedule of Functional Expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signature:  \_\_\_\_\_  
Title: President