

EAST OF HUDSON WATERSHED CORPORATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018 AND 2017

EAST OF HUDSON WATERSHED CORPORATION

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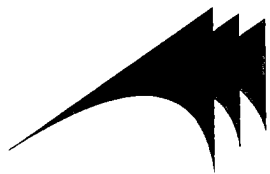
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Sickler, Torchia
Allen & Churchill, CPA's, PC
Your Partner When It Counts

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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, 2018 and 2017, and the related statements of activities, statement of functional expenses, 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)

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, 2018 and 2017, 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 8, 2019 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 8, 2019

EAST OF HUDSON WATERSHED CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,677,803	\$ 1,428,214
Short-Term Investments	5,142,565	8,048,610
Accounts Receivable	53,419	68,614
Accrued Interest Receivable	-	-
Prepaid Expenses	35,009	57,012
Total Current Assets	<u>6,908,796</u>	<u>9,602,450</u>
 PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	 <u>16,014</u>	 <u>19,431</u>
 OTHER ASSETS:		
Rent Security	<u>3,500</u>	<u>3,500</u>
	<u>\$ 6,928,310</u>	<u>\$ 9,625,381</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 209,816	\$ 454,721
Accrued Expenses	13,639	13,906
Deferred Revenue	<u>2,766,881</u>	<u>4,265,709</u>
Total Current Liabilities	<u>2,990,336</u>	<u>4,734,336</u>
 LONG TERM LIABILITIES:		
Deferred Revenue	<u>3,701,746</u>	<u>4,776,875</u>
 NET ASSETS:		
With Donor Restrictions	236,228	114,170
Without Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>236,228</u>	<u>114,170</u>
	<u>\$ 6,928,310</u>	<u>\$ 9,625,381</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE:			
Program Revenues	\$ -	\$ 2,573,957	\$ 2,573,957
O&M Bubble Compliance	-	121,410	121,410
Interest	-	96,244	96,244
Rental Income	-	1,250	1,250
Net Assets Released from Restrictions	<u>2,695,367</u>	<u>(2,695,367)</u>	<u>-</u>
Total Revenues	<u>2,695,367</u>	<u>97,494</u>	<u>2,792,861</u>
EXPENSES:			
Program Services:			
Phosphorus Removal	2,154,071	-	2,154,071
O&M Services	<u>121,410</u>	<u>-</u>	<u>121,410</u>
Total Program Services	<u>2,275,481</u>	<u>-</u>	<u>2,275,481</u>
Supporting Services:			
Administrative and General	<u>419,886</u>	<u>-</u>	<u>419,886</u>
Total Expenses	<u>2,695,367</u>	<u>-</u>	<u>2,695,367</u>
OTHER CHANGES IN NET ASSETS:			
Change in Market Value Investments	-	24,564	24,564
Changes in Net Assets	-	122,058	122,058
Net Assets, Beginning	<u>-</u>	<u>114,170</u>	<u>114,170</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 236,228</u>	<u>\$ 236,228</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

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE:			
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>
EXPENSES:			
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>
OTHER CHANGES IN NET ASSETS:			
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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Administrative and General	Total
	Phosphorus Removal	O&M Services	Total		
Salaries	\$ 67,970	\$ -	\$ 67,970	\$ 186,069	\$ 254,039
Employee Health and Payroll Taxes	11,915	-	11,915	32,618	44,533
Total Salaries and Related Expenses	79,885	-	79,885	218,687	298,572
Supplies	-	-	-	2,721	2,721
Travel	281	-	281	314	595
Consulting	167,126	-	167,126	7,718	174,844
Construction	1,773,247	-	1,773,247	-	1,773,247
Printing & Postage	175	-	175	284	459
Advertising	1,066	-	1,066	158	1,224
Municipal Reimbursable	120,696	-	120,696	-	120,696
Legal & Accounting	5,936	-	5,936	104,352	110,288
Telephone	-	-	-	2,953	2,953
Insurance	-	-	-	30,441	30,441
Permits & Licensing	5,651	-	5,651	-	5,651
Equipment Rental	-	-	-	3,421	3,421
Rent	-	-	-	42,000	42,000
Conferences	-	-	-	2,219	2,219
Depreciation & Amortization	-	-	-	3,417	3,417
O&M - Bubble Compliance	-	121,410	121,410	-	121,410
Non-SRP Program Expenses	-	-	-	-	-
Miscellaneous	8	-	8	1,201	1,209
Total Other Expenses	2,074,186	121,410	2,195,596	201,199	2,396,795
Total Expenses	\$ 2,154,071	\$ 121,410	\$ 2,275,481	\$ 419,886	\$ 2,695,367

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

EAST OF HUDSON WATERSHED CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Administrative and General	Total
	Phosphorus Removal	Non-SRP Program	O&M Services	Total		
Salaries	\$ 69,641	\$ -	\$ -	\$ 69,641	\$ 226,612	\$ 296,253
Employee Health and Payroll Taxes	12,786	-	-	12,786	44,190	56,976
Total Salaries and Related Expenses	82,427	-	-	82,427	270,802	353,229
Supplies	-	-	-	-	3,360	3,360
Travel	902	-	-	902	652	1,554
Consulting	160,751	-	-	160,751	7,994	168,745
Construction	751,825	-	-	751,825	-	751,825
Printing & Postage	522	-	-	522	260	782
Advertising	1,916	-	-	1,916	194	2,110
Municipal Reimbursable	599,130	-	-	599,130	-	599,130
Bank Charges	-	-	-	-	-	-
Legal & Accounting	7,328	-	-	7,328	103,972	111,300
Telephone	-	-	-	-	2,588	2,588
Insurance	-	-	-	-	34,862	34,862
Permits & Licensing	12,966	-	-	12,966	-	12,966
Equipment Rental	-	-	-	-	3,430	3,430
Rent	-	-	-	-	42,000	42,000
Conferences	-	-	-	-	1,896	1,896
Depreciation & Amortization	-	-	-	-	5,836	5,836
O&M - Bubble Compliance	-	-	107,341	107,341	-	107,341
Non-SRP Program Expenses	-	29,205	-	29,205	-	29,205
Miscellaneous	-	-	-	-	1,217	1,217
Total Other Expenses	1,535,340	29,205	107,341	1,671,886	208,261	1,880,147
Total Expenses	\$ 1,617,767	\$ 29,205	\$ 107,341	\$ 1,754,313	\$ 479,063	\$ 2,233,376

EAST OF HUDSON WATERSHED CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Funding Agencies	\$ 136,605	\$ 340,535
Cash from Subleased Space	1,250	-
Interest Income and Other	96,244	43,616
Interest Expense	-	-
Cash Paid for Operating Activities	<u>(2,915,120)</u>	<u>(2,028,492)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,681,021)</u>	<u>(1,644,341)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Investment Maturities/Sales	15,137,252	7,995,249
Purchase of Investments	(12,206,642)	(8,029,301)
Purchase of Fixed Assets	<u>-</u>	<u>(1,987)</u>
Net Cash Provided (Used) by Investing Activities	<u>2,930,610</u>	<u>(36,039)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	249,589	(1,680,380)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,428,214</u>	<u>3,108,594</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,677,803</u>	<u>\$ 1,428,214</u>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017:*

Changes in Net Assets	\$ 122,058	\$ 31,956
Adjustments to Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Market Value	(24,564)	(20,889)
Depreciation	1,113	993
Amortization	<u>2,303</u>	<u>4,844</u>
Working Capital Provided (Used) by Operating Activities	<u>100,910</u>	<u>16,904</u>
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	15,195	233,194
Accrued Interest Receivable	-	3,345
Prepaid Expenditures	22,003	(18,798)
Rent Security	-	-
(Decrease) Increase in:		
Accounts Payable	(244,905)	223,287
Accrued Expenditures	(267)	(5,442)
Deferred Revenue	<u>(2,573,957)</u>	<u>(2,096,831)</u>
	<u>(2,781,931)</u>	<u>(1,661,245)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,681,021)</u>	<u>\$ (1,644,341)</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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 AND 2017

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, 2018, 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 two classes of net assets: without donor restrictions net assets and with donor restrictions 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 net assets with donor restrictions 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, 2018 AND 2017

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 – CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS:

For the fiscal year ended December 31, 2018 and 2017, EOHWC implemented ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. The implementation of the statements requires EOHWC to report net assets with donor restrictions and net assets without donor restrictions, present functional expenses and provide information regarding liquidity of the resources. See Note 7 for information regarding liquidity.

NOTE 3 – 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, 2018, 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 \$1,771,423 and \$1,699,044 as of December 31, 2018 and 2017.

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.

See independent auditor's report.

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

DECEMBER 31, 2018 AND 2017

NOTE 3 – CONCENTRATION OF CREDIT RISK (CONTINUED):

Balances held in each category as of December 31, 2018, are as follows:

	Bank	FDIC	Collateral	Uncollateralized
	Bank Balance			
M&T Bank	\$ 1,771,423	\$ 250,000	\$ 1,521,423	\$ -
	<u>\$ 1,771,423</u>	<u>\$ 250,000</u>	<u>\$ 1,521,423</u>	<u>\$ -</u>

Note: Totals may not add due to rounding.

NOTE 4 – INVESTMENTS:

EOHWC held \$5,142,565 and \$8,048,610 in United States government agency obligations at December 31, 2018 and 2017, respectively. The investments are stated at fair value in the financial statements and include unrealized appreciation as summarized below:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	<u>\$ 5,142,565</u>	<u>\$ 5,098,693</u>	<u>\$ 8,048,610</u>	<u>\$ 8,029,302</u>

NOTE 5 – 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)
As of December 31, 2018				
Assets:				
Investments Held to Maturity	\$ 5,142,565	\$ 5,142,565	\$ -	\$ -
	<u>\$ 5,142,565</u>	<u>\$ 5,142,565</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, 2017				
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>

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, 2018 AND 2017

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED):

- ❖ 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.

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,	
	2018	2017
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 2018 and 2017, 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

See independent auditor's report.

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

DECEMBER 31, 2018 AND 2017

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED):

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.

NOTE 6 – RECEIVABLES:

The receivables for EOHWC for the years ended December 31, 2018 and 2017 are \$53,419 and \$68,614 respectively. The receivables consist of O&M Bubble Compliance, See Note 11.C. EOHWC has deemed these amounts to be fully collectible.

NOTE 7 – LIQUIDITY AND AVAILABILITY:

The following reflects the EOHWC's financial assets as of the balance sheet date, reduced by amounts available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018	2017
Financial Assets at Year-End	\$ 6,908,796	\$ 9,602,450
Less those unavailable for general expenses within one year, due to:		
Prepays	35,009	57,012
Donor Restricted O&M Payments	53,419	68,614
Financial Assets available to meet cash needs for general expenses within one year	\$ 6,820,368	\$ 9,476,824

As part of EOHWC's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically U.S. Treasury bills.

See independent auditor's report.

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

DECEMBER 31, 2018 AND 2017

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2018 and 2017, is summarized as follows:

	2018			2017		
	Historic Cost	Accumulated Depreciation	Net Book Value	Historic Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 10,987	\$ 9,046	\$ 1,941	\$ 10,987	\$ 8,342	\$ 2,645
Computer Software	33,211	20,068	13,143	33,211	17,764	15,447
Furniture & Fixtures	2,857	1,926	931	2,857	1,518	1,339
	<u>\$ 47,055</u>	<u>\$ 31,040</u>	<u>\$ 16,015</u>	<u>\$ 47,055</u>	<u>\$ 27,624</u>	<u>\$ 19,431</u>

Note: Totals may not add due to rounding.

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 is \$3,415 and \$5,837, respectively.

NOTE 9 – 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, 2018, and 2017 the accrued liabilities for compensated absences were \$3,166 and \$3,903, respectively.

NOTE 10 – 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, 2018 and 2017, EOHWC had total expenses (paid and incurred) of \$2,573,957 and \$2,223,376, respectively. The liability deferred revenues totaled \$6,468,628 and \$9,042,584 respectively for the fiscal years ended December 31, 2018 and 2017 of which \$2,766,881 and \$4,265,709 is short-term based on total anticipated expenses paid and incurred during the subsequent year.

NOTE 11 – 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

See independent auditor's report.

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

DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

approval of the appropriation of funds, replacing the prior month to month lease. Total expense related to the copier lease was \$3,421 and \$3,430 for the years ended December 31, 2018 and 2017, 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, 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, 2018 and 2018 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>	
2019	\$ 45,420
2020	6,920
2021	285
	<u>\$ 52,625</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

See independent auditor's report.

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

DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

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, 2018 and 2017 was \$121,410 and \$107,341, respectively. EOHWC has recorded the total estimated surplus in the amount of \$53,419 and \$68,614, as of December 31, 2018 and 2017, respectively. EOHWC has recorded the total deficit owed by the municipalities in the amount of \$53,419 and 68,614 as of December 31, 2018 and 2017, 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.

NOTE 12 – 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 2015–2018. 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 13 – RELATED PARTY:

The Organization contracted professional services with an engineering firm with whom a Board of Director's son is a Partner. The Director had disclosed the relationship to the Board, and abstained from voting on the bid award. As of December 31, 2018, and 2017, the engineering firm was due \$3,135 and \$3,420, respectively. The total amount paid to the firm as of December 31, 2018 and 2017 was \$37,620 and \$33,333 respectively.

NOTE 14 – SUBSEQUENT EVENTS:

Management of EOHWC evaluated subsequent events through March 8, 2019, which is the date the financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

EAST OF HUDSON WATERSHED CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSES BY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2018

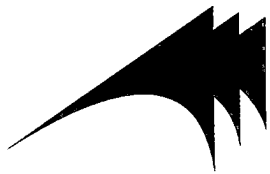
	Program Services			Supporting Services			Fundraising	Total
	Stormwater Retrofit Projects			General and Administrative				
	Putnam	Westchester	Subtotal	Putnam	Westchester	Subtotal		
Salaries	\$ 33,506	\$ 34,464	\$ 67,970	\$ 93,035	\$ 93,035	\$ 186,070	\$ -	\$ 254,040
Employee Health and Payroll Taxes	5,874	6,042	11,916	16,309	16,309	32,618	-	44,534
Total Salaries and Related Expenses	39,380	40,506	79,886	109,344	109,344	218,688	-	298,574
Supplies	-	-	-	1,361	1,361	2,722	-	2,722
Travel	144	137	281	157	157	314	-	595
Consulting	110,023	57,103	167,126	3,859	3,859	7,718	-	174,844
Construction	1,764,633	8,614	1,773,247	-	-	-	-	1,773,247
Printing & Postage	92	82	174	142	142	284	-	458
Advertising	535	530	1,065	79	79	158	-	1,223
Municipal Reimbursable	73,073	47,623	120,696	-	-	-	-	120,696
Bank Charges	-	-	-	-	-	-	-	-
Legal & Accounting	2,283	3,653	5,936	52,176	52,176	104,352	-	110,288
Telephone	-	-	-	1,477	1,477	2,954	-	2,954
Insurance	-	-	-	15,220	15,220	30,440	-	30,440
Permits & Licensing	5,249	402	5,651	-	-	-	-	5,651
Equipment Rental	-	-	-	1,711	1,711	3,422	-	3,422
Rent	-	-	-	21,000	21,000	42,000	-	42,000
Conferences	-	-	-	1,109	1,109	2,218	-	2,218
Depreciation & Amortization	-	-	-	1,708	1,708	3,416	-	3,416
O&M - Bubble Compliance	53,584	67,826	121,410	-	-	-	-	121,410
Miscellaneous	4	4	8	601	600	1,201	-	1,209
Total Other Expenses	2,009,620	185,974	2,195,594	100,600	100,599	201,199	-	2,396,793
Total Expenses	\$ 2,049,000	\$ 226,480	\$ 2,275,480	\$ 209,944	\$ 209,943	\$ 419,887	\$ -	\$ 2,695,367

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

EAST OF HUDSON WATERSHED CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSES BY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services Stormwater Retrofit Projects			Supporting Services General and Administrative			Fundraising	Total
	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	39,820	42,607	82,427	135,398	135,404	270,802	-	353,229
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	777,391	894,495	1,671,886	104,131	104,130	208,261	-	1,880,147
Total Expenses	\$ 817,211	\$ 937,102	\$ 1,754,313	\$ 239,529	\$ 239,534	\$ 479,063	\$ -	\$ 2,233,376

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



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

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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, 2018, 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 8, 2019.

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)

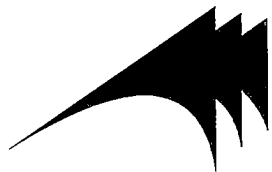
Compliance and Other Matters

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 8, 2019



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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, 2018, which collectively comprise EOHWC's financial statements listed in the table of contents, and we have issued our report thereon dated March 8, 2019.

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, 2018. 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.


Hudson, New York
March 8, 2019