

EAST OF HUDSON WATERSHED CORPORATION

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 AND 2018

EAST OF HUDSON WATERSHED CORPORATION

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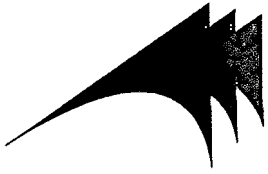
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Sickler, Torchia  
Allen & Churchill, CPA's, PC  
*Your Partner When It Counts*

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

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, 2019 and 2018, 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)

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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, 2019 and 2018, 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 9, 2020 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.

*Siebler, Zerkow, Allen & Churchill, CPAs PC*

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Hudson, New York  
March 9, 2020

## EAST OF HUDSON WATERSHED CORPORATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

*ASSETS*

	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 4,029,986	\$ 1,677,803
Short-Term Investments	16,292,148	5,142,565
Accounts Receivable	152,500	53,419
Prepaid Expenses	61,893	35,009
Total Current Assets	<u>20,536,527</u>	<u>6,908,796</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>	 <u>13,273</u>	 <u>16,014</u>
 <b>OTHER ASSETS:</b>		
Rent Security	<u>3,500</u>	<u>3,500</u>
	<u>\$ 20,553,300</u>	<u>\$ 6,928,310</u>
 <i>LIABILITIES AND NET ASSETS</i>		
 <b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 211,328	\$ 209,816
Accrued Expenses	12,391	13,639
Deferred Revenue	<u>8,837,235</u>	<u>2,766,881</u>
Total Current Liabilities	<u>9,060,954</u>	<u>2,990,336</u>
 <b>LONG TERM LIABILITIES:</b>		
Deferred Revenue	<u>11,073,322</u>	<u>3,701,746</u>
 <b>NET ASSETS:</b>		
With Donor Restrictions	419,024	236,228
Without Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>419,024</u>	<u>236,228</u>
	<u>\$ 20,553,300</u>	<u>\$ 6,928,310</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE:			
Program Revenues	\$ -	\$ 1,558,070	\$ 1,558,070
O&M Bubble Compliance	-	151,977	151,977
Interest	-	114,895	114,895
Rental Income	-	3,000	3,000
Net Assets Released from Restrictions	<u>1,710,048</u>	<u>(1,710,048)</u>	<u>-</u>
Total Revenues	<u>1,710,048</u>	<u>117,894</u>	<u>1,827,942</u>
EXPENSES:			
Program Services:			
Phosphorus Removal	1,118,921	-	1,118,921
O&M Services	<u>151,977</u>	<u>-</u>	<u>151,977</u>
Total Program Services	<u>1,270,898</u>	<u>-</u>	<u>1,270,898</u>
Supporting Services:			
Administrative and General	<u>439,150</u>	<u>-</u>	<u>439,150</u>
Total Expenses	<u>1,710,048</u>	<u>-</u>	<u>1,710,048</u>
OTHER CHANGES IN NET ASSETS:			
Change in Market Value Investments	-	64,902	64,902
Changes in Net Assets	-	182,796	182,796
Net Assets, Beginning	<u>-</u>	<u>236,228</u>	<u>236,228</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 419,024</u>	<u>\$ 419,024</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

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Administrative and General	Total
	Phosphorus Removal	O&M Services	Total		
Salaries	\$ 66,224	\$ -	\$ 66,224	\$ 201,850	\$ 268,074
Employee Health and Payroll Taxes	11,262	-	11,262	34,328	45,590
Total Salaries and Related Expenses	77,486	-	77,486	236,178	313,664
Supplies	-	-	-	2,440	2,440
Travel	506	-	506	340	846
Consulting	145,227	-	145,227	9,728	154,955
Construction	623,786	-	623,786	-	623,786
Printing & Postage	200	-	200	358	558
Advertising	729	-	729	300	1,029
Municipal Reimbursable	261,931	-	261,931	-	261,931
Legal & Accounting	3,786	-	3,786	104,334	108,120
Telephone	-	-	-	3,094	3,094
Insurance	-	-	-	31,964	31,964
Permits & Licensing	5,270	-	5,270	-	5,270
Equipment Rental	-	-	-	3,458	3,458
Rent	-	-	-	42,000	42,000
Conferences	-	-	-	900	900
Depreciation & Amortization	-	-	-	2,742	2,742
O&M - Bubble Compliance	-	151,977	151,977	-	151,977
Non-SRP Program Expenses	-	-	-	-	-
Miscellaneous	-	-	-	1,314	1,314
Total Other Expenses	1,041,435	151,977	1,193,412	202,972	1,396,384
Total Expenses	\$ 1,118,921	\$ 151,977	\$ 1,270,898	\$ 439,150	\$ 1,710,048



## 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
Bank Charges	-	-	-	-	-
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

EAST OF HUDSON WATERSHED CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from Funding Agencies	\$ 15,052,896	\$ 136,605
Cash from Subleased Space	3,000	1,250
Interest Income and Other	114,895	96,244
Interest Expense	-	-
Cash Paid for Operating Activities	<u>(1,733,925)</u>	<u>(2,915,120)</u>
Net Cash Provided (Used) by Operating Activities	<u>13,436,866</u>	<u>(2,681,021)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceed from Investment Maturities/Sales	12,764,965	15,137,252
Purchase of Investments	(23,849,648)	(12,206,642)
Purchase of Fixed Assets	-	-
Net Cash Provided (Used) by Investing Activities	<u>(11,084,683)</u>	<u>2,930,610</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>2,352,183</b>	<b>249,589</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b><u>1,677,803</u></b>	<b><u>1,428,214</u></b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b><u>\$ 4,029,986</u></b>	<b><u>\$ 1,677,803</u></b>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018:*

Changes in Net Assets	\$ 182,796	\$ 122,058
Adjustments to Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Market Value	(64,902)	(24,564)
Depreciation	875	1,113
Amortization	<u>1,868</u>	<u>2,303</u>
Working Capital Provided (Used) by Operating Activities	<u>120,637</u>	<u>100,910</u>
<b>Changes in Assets and Liabilities:</b>		
(Increase) Decrease in:		
Accounts Receivable	(99,081)	15,195
Accrued Interest Receivable	-	-
Prepaid Expenditures	(26,884)	22,003
Rent Security	-	-
(Decrease) Increase in:		
Accounts Payable	1,512	(244,905)
Accrued Expenditures	(1,248)	(267)
Deferred Revenue	<u>13,441,930</u>	<u>(2,573,957)</u>
	<u>13,316,229</u>	<u>(2,781,931)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 13,436,866</u></b>	<b><u>\$ (2,681,021)</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, 2019 AND 2018

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; 2016-Year 6; 2017-Year 7; 2018-Year 8; 2019-Year 9 and 2020-Year 10. In 2016, EOHWC was provided a one-year extension for plan year 6-10 by NYSDEC through 2021.

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 of December 31, 2019, 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.

See independent auditor’s report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

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

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.

There are two programs classified as with donor imposed restrictions, the Quality Improvement Program (QIP) and the Filtration Avoidance Determination (FAD) program.

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

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

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

I. Basis of Revenue Recognition:

Program revenues are recognized when related program expenditures are incurred, as expenditures are the prime factor in determining funding eligibility and represent a grant condition. Program receipts in excess of revenues recognized are recorded as deferred revenue.

J. 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.

K. Advertising:

EOHWC expenses advertising costs as they are incurred.

NOTE 2 – CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS:

Effective January 1, 2019, EOHWC changed its accounting method for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 958, Revenue from contracts with grantors, as applicable to Non-Profit Entities under Accounting Standards Update 2018-08.

The new revenue recognition guidance requires the recognition of revenue for conditional contributions as the contractual agreements barrier(s) are met and there is a right to release transferred assets. Under this standard, recognition is focused the conditional contribution meeting the barrier(s) identified in the agreement(s) being met and the right to release asset(s). EOHWC adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the full retrospective transition method. EOHWC has been recognizing revenues based on meeting conditions identified in contractual agreement(s) for several years. As a result revenue recognition under current ASU does not significantly impact the financial statements.

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, 2019, 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.

See independent auditor's report.

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

DECEMBER 31, 2019 AND 2018

NOTE 3 – CONCENTRATION OF CREDIT RISK (CONTINUED):

The bank balance was \$4,039,916 and \$1,771,423 as of December 31, 2019 and 2018. 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, 2019 and 2018, are as follows:

Bank	Bank Balance	FDIC	Collateral	Uncollateralized
<b>As of December 31, 2019</b>				
M&T Bank	\$ 4,039,916	\$ 250,000	\$ 3,610,526	\$ 179,390
	<u>\$ 4,039,916</u>	<u>\$ 250,000</u>	<u>\$ 3,610,526</u>	<u>\$ 179,390</u>
<b>As of December 31, 2018</b>				
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 \$16,292,148 and \$5,142,565 in United States government agency obligations at December 31, 2019 and 2018, respectively. The investments are stated at fair value in the financial statements and include unrealized appreciation as summarized below:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	\$ 16,292,148	\$ 16,183,374	\$ 5,142,565	\$ 5,098,693

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

NOTE 4 – INVESTMENTS (CONTINUE):

The schedule below summarizes the investment return, including realized and unrealized gains and losses, of the aforementioned investments and other interest-bearing cash accounts maintained by the Organization:

	2019	2018
Interest	\$ 114,895	\$ 96,244
Realized and Unrealized Gains (Losses)	10,637	-
	<u>\$ 125,532</u>	<u>\$ 96,244</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)
<b>As of December 31, 2019</b>				
Assets:				
Investments Held to Maturity	\$ 16,292,148	\$ 16,292,148	\$ -	\$ -
	<u>\$ 16,292,148</u>	<u>\$ 16,292,148</u>	<u>\$ -</u>	<u>\$ -</u>
<b>As of December 31, 2018</b>				
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>

*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, 2019 AND 2018

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED):

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,	
	2019	2018
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 2019 and 2018, 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, 2019 AND 2018

NOTE 6 – RECEIVABLES:

The receivables for EOHWC for the years ended December 31, 2019 and 2018 are \$152,500 and \$53,419 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.

	2019	2018
Financial Assets at Year-End	\$ 20,536,527	\$ 6,908,796
Less those unavailable for general expenses within one year, due to:		
Prepays	61,893	35,009
Donor Restricted O&M Payments	152,500	53,419
Financial Assets available to meet cash needs for general expenses within one year	<u>\$ 20,322,134</u>	<u>\$ 6,820,368</u>

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

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2019 and 2018, is summarized as follows:

	2019			2018		
	Historic Cost	Accumulated Depreciation	Net Book Value	Historic Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 10,987	\$ 9,513	\$ 1,474	\$ 10,987	\$ 9,046	\$ 1,941
Computer Software	33,211	21,936	11,275	33,211	20,068	13,143
Furniture & Fixtures	2,857	2,334	523	2,857	1,926	931
	<u>\$ 47,055</u>	<u>\$ 33,783</u>	<u>\$ 13,272</u>	<u>\$ 47,055</u>	<u>\$ 31,040</u>	<u>\$ 16,015</u>

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

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 is \$2,743 and \$3,415, respectively.

See independent auditor's report.

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

DECEMBER 31, 2019 AND 2018

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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, 2019, and 2018 the accrued liabilities for compensated absences were \$0 and \$3,166, respectively.

NOTE 10 – DEFERRED REVENUES:

EOHWC was eligible for funding from NYCDEP 2010 Water Supply Permit totaling \$15,500,000 towards the planning, design and implement of the various SRP's. These funds are treated as deferred (unearned) revenues until actual expenditures are made for both program and non-program (supporting) costs. The liability of the deferred revenue was \$7,831,495 and \$6,498,628 respectively for the fiscal years ended December 31, 2019 and 2018.

During 2019 EOHWC received funding from NYCDEP 2017 New York City Filtration Avoidance Determination (FAD) totaling \$15,000,000 towards design and construction of stormwater retrofits in the East of Hudson FAD Basins and in basins upstream. The liability for the deferred revenue was \$12,079,062 and \$0 respectively for the fiscal years ended December 31, 2019 and 2018.

During the year ended December 31, 2019 and 2018, EOHWC had total expenses (paid and incurred) of \$1,873,878 and \$2,573,957, respectively. The liability deferred revenues totaled \$19,910,557 and \$6,498,628 respectively for the fiscal years ended December 31, 2019 and 2018 of which \$8,837,235 and \$2,766,881 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 approval of the appropriation of funds, replacing the prior month to month lease. Total expense related to the copier lease was \$3,458 and \$3,421 for the years ended December 31, 2019 and 2018, 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.

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

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 at \$3,500 for the period February 1, 2017 through January 31, 2020. In December 2019 EOHWC and the landlord executed a rider to extend the lease for a term of 3 years to establish monthly rent at \$3,500 for the period February 1, 2020 through January 31, 2023. 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, 2019 and 2018 amounted to \$42,000 and \$42,000, respectively.

<u>Year Ending December 31</u>	
2020	\$ 45,420
2021	45,420
2022	42,285
2023	<u>3,500</u>
	<u>\$ 136,625</u>

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

B. 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, 2019 and 2018 was \$151,977 and \$121,410, respectively. EOHWC has recorded the total surplus in the amount of \$67,568 and \$53,419, as of December 31, 2019 and 2018, respectively. EOHWC has recorded the total deficit owed by the municipalities in the amount of \$67,568 and 53,419 as of December 31, 2019 and 2018, respectively. These are 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.

In August 2019, EOHWC and the County of Westchester entered into an agreement on the finance of the maintenance on the retrofits installed by the Corporation in the participating member municipalities. EOHWC submits an annual invoice, and corresponding documentation of the costs to Westchester County. The total accumulated cost to maintain retrofit projects in Westchester County was \$151,977, as of December 31, 2019.

See independent auditor's report.

EAST OF HUDSON WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

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NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

EOHWC recorded the receivable due from Westchester County in the amount of \$84,902 as of December 31, 2019. EOHWC recorded the total amount owed to the municipalities as of December 31, 2019 in the amount \$84,902.

C. Filtration Avoidance Determination agreement:

The EOHWC entered into an agreement with NYS DEP to receive an additional \$7,000,000 in funding provided EOHWC meets certain contingencies. EOHWC is required to submit projects that have been identified and designed to support stormwater retrofits within the East of Hudson Basins totaling \$7,000,000 in commitments (signed agreements). Once the supporting documentation for the projects is submitted, reviewed and approved, then the funding will be made available.

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 2016–2019. 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, 2019, and 2018, the engineering firm was due \$0 and \$3,135, respectively. The total amount paid to the firm as of December 31, 2019 and 2018 was \$39,192 and \$37,620 respectively.

NOTE 14 – SUBSEQUENT EVENTS:

Management of EOHWC evaluated subsequent events through March 9, 2020, which is the date the financial statements were available to be issued.

See independent auditor's report.

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

DECEMBER 31, 2019 AND 2018

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NOTE 14 – SUBSEQUENT EVENTS (CONTINUED):

B. Coronavirus 2020:

This virus, first detected in China, has since spread worldwide and has been declared a pandemic by the World Health Organization (WHO). The health risks are not to be underestimated, but the economic affect to business, other organizations, and the general population may be billions of dollars (or more). The EOHWC is also affected. Some of the possible economic affects follow.

Business Disruption:

1. Supply chain disruption: EOHWC depends on engineering and construction costs from third-party providers. An availability or delay in receiving these noted items may affect the EOHWC's ability to bring projects to closure in a timely manner and/or affect prices.
2. Employees: The overall effect on the workforce is not known at this time, but with New York State and localities mandating staff reductions, the possibility of employees contracting the virus, and employees working remotely, the ability to provide the necessary services may be impaired.

Revenue Loss:

EOHWC does not anticipate any significant loss of revenue from the NYCDEP. The situation may affect the recognition timing of revenue due to the progression of projects. There is no current estimate of how much this decrease may be.

Compliance with Government Restrictions:

1. EOHWC has complied with guidance issued by Center for Disease Control and will work diligently to continue complying.

The duration of the effects of the virus and its economic impact are not known at this time, however, the longer this health issue affects the EOHWC the more costly it may become.

See independent auditor's report.

## SUPPLEMENTARY INFORMATION

EAST OF HUDSON WATERSHED CORPORATION  
SCHEDULE OF FUNCTIONAL EXPENSES BY COUNTY AND FUNDING SOURCE  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			
	Stormwater Retrofit Projects				General and Administrative			
	Putnam	FAD	Westchester	FAD	Putnam	Westchester	Subtotal	Total
	QIP		QIP					
Salaries	\$ 10,358	\$ 25,510	\$ 23,199	\$ 7,157	\$ 100,925	\$ 100,925	\$ 201,850	\$ 268,074
Employee Health and Payroll Taxes	1,762	4,338	3,945	1,217	17,164	17,164	34,328	45,590
Total Salaries and Related Expenses	12,120	29,848	27,144	8,374	118,089	118,089	236,178	313,664
Supplies	-	-	-	-	1,220	1,220	2,440	2,440
Travel	110	75	259	62	170	170	340	846
Consulting	6,049	84,344	48,184	6,650	4,864	4,864	9,728	154,955
Construction	-	623,786	-	-	-	-	-	623,786
Printing & Postage	55	62	60	23	179	179	358	558
Advertising	66	447	133	83	150	150	300	1,029
Municipal Reimbursable	31,590	110,545	119,796	-	-	-	-	261,931
Bank Charges	351	2,031	897	507	52,167	52,167	104,334	108,120
Legal & Accounting	-	-	-	-	1,547	1,547	3,094	3,094
Telephone	-	-	-	-	15,982	15,982	31,964	31,964
Insurance	-	-	-	-	-	-	-	-
Permits & Licensing	5,000	220	50	-	1,729	1,729	3,458	8,728
Equipment Rental	-	-	-	-	21,000	21,000	42,000	42,000
Rent	-	-	-	-	450	450	900	900
Conferences	-	-	-	-	1,371	1,371	2,742	2,742
Depreciation & Amortization	-	-	-	-	-	-	-	-
O&M - Bubble Compliance	67,075	-	84,902	-	-	-	-	151,977
Miscellaneous	-	-	-	-	657	657	1,314	1,314
Total Other Expenses	110,296	821,510	254,281	7,325	101,486	101,486	202,972	1,396,384
Total Expenses	\$ 122,416	\$ 851,358	\$ 281,425	\$ 15,699	\$ 219,575	\$ 219,575	\$ 439,150	\$ 1,710,048

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

	Program Services				Supporting Services			
	Stormwater Retrofit Projects				General and Administrative			
	Putnam	Westchester	FAD	Subtotal	Putnam	Westchester	Subtotal	Total
	QIP	FAD	QIP	FAD				
Salaries	\$ 33,506	\$ -	\$ 34,464	\$ -	\$ 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



EAST OF HUDSON WATERSHED CORPORATION  
SCHEDULE OF FILERATION AVOIDANCE DETERMINATION COMMITTED  
FOR THE YEAR ENDED DECEMBER 31, 2019

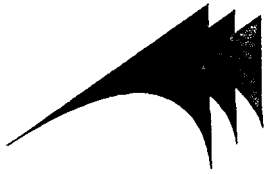
*FAD - FAD Basins Yrs 6-10*

Vendor Name	Contract Number	Contract Date	Contract Amount	Balance Remaining on Contract
KC Engineering and Land Surveying, PC	Carmel-CF-601-D	11/19/2018	28,000	18,500
Pitingaro & Doetsch Consulting Engineers	Carmel-CF-703-D	10/17/2018	23,500	15,829
Lawrence J Paggi PC	Carmel-GL-615-D	11/28/2017	28,100	-
TEC Land Surveying PC	Carmel-GL-615-S	11/28/2017	5,380	-
Pitingaro & Doetsch Consulting Engineers	Carmel-GL-815-D	6/12/2019	34,500	33,360
Pitingaro & Doetsch Consulting Engineers	Kent-BC-830-D	6/12/2019	34,500	33,360
Insite Engineering Surveying and Landscape Architecture PC	Kent-CF-845-D	7/25/2019	39,000	33,015
Rennia Engineering Design PLLC	L-CR-701-D	7/11/2019	32,192	32,192
Rennia Engineering Design PLLC	L-CR-803-D	7/11/2019	34,353	34,353
Rennia Engineering Design PLLC	L-CR-805-D	7/11/2019	25,504	25,504
Pitingaro & Doetsch Consulting Engineers	PR-CR-701-D	11/19/2018	16,500	11,988
Pitingaro & Doetsch Consulting Engineers	PR-CR-702-D	11/19/2018	16,500	11,988
Total FAD Basins Yrs 6-10 *			318,029	250,088

\* \$7 mil of signed contracts for four FAD basins are required before DEP will fund remaining \$7 mil on Contract CRO-574.  
(Currently in design phase on all open FAD Basin projects)

*Upstream Basins - Upstream Basins - Yrs 6-10*

Vendor Name	Contract Number	Contract Date	Contract Amount	Balance Remaining on Contract
Legacy Supply LLC	Kent-MB-601-C	12/19/2019	476,750	214,899
Lawrence J Paggi PC	Kent-MB-601-D	11/19/2018	42,800	2,824
Tectonic Engineering and Surveying Consultants PC	Kent-MB-601-S	3/30/2017	8,900	-
Earth Alterations LLC	Kent-MB-602-C	7/11/2019	223,780	-
Insite Engineering Surveying and Landscape Architecture PC	Kent-MB-602-D	11/19/2018	49,500	-
Town of Kent	Kent-MB-701-C	12/20/2018	68,320	-
Town of Kent	Kent-MB-701-D	12/20/2018	18,696	-
KC Engineering and Land Surveying, PC	Pat-EB-601-D	8/7/2017	49,900	34,748
Coyle Industries, Inc.	Pat-EB-602-C	11/8/2019	69,000	69,000
Lawrence J Paggi PC	Pat-EB-602-D	6/21/2017	24,500	1,451
Tectonic Engineering and Surveying Consultants PC	Pat-EB-602-S	3/30/2017	7,800	-
KC Engineering and Land Surveying, PC	Pat-EB-603-D	9/11/2017	55,800	19,700
KC Engineering and Land Surveying, PC	Pat-EB-701-D	11/19/2018	15,000	5,025
Putnam County	PC-MB-701-C	10/2/2018	240,350	240,350
Insite Engineering Surveying and Landscape Architecture PC	SE-DI-601-D	3/25/2019	22,000	20,813
KC Engineering and Land Surveying, PC	SE-DI-701-D	11/19/2018	14,000	6,875
Rennia Engineering Design PLLC	SE-DI-815-D	5/10/2019	39,958	39,958
Insite Engineering Surveying and Landscape Architecture PC	SE-EB-715-D	3/25/2019	48,000	41,160
Brennan Construction	SE-POT-02-C	6/14/2019	1,725,715	-
Town of Southeast	SE-POT-02-C (2)	8/2/2017	12,000	12,000
Town of Southeast	SE-POT-02-D (2)	1/1/2017	254,000	20,116
Total Upstream Basins - Yrs 6-10			3,466,769	728,918
Total FAD and Upstream Basins - Yrs 6-10			3,784,798	979,006



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, 2019, and the related statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2020.

**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*.

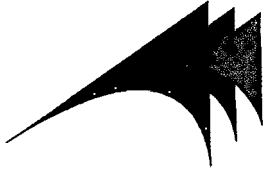
**Purpose of this Report**

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.

*Siebler, Zerkow, Allen & Churchill, CPA's PC*

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Hudson, New York  
March 9, 2020



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  
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, 2019, which collectively comprise EOHWC's financial statements listed in the table of contents, and we have issued our report thereon dated March 9, 2020.

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, 2019. 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 PC*

Hudson, New York  
March 9, 2020