

EAST OF HUDSON WATERSHED CORPORATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

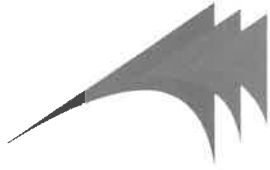
DECEMBER 31, 2020 AND 2019

EAST OF HUDSON WATERSHED CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of East of Hudson Watershed Corporation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 25, 2021 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.

Sieckler, Tuckman, Allen & Churchill, CPAs PC

Hudson, New York
March 25, 2021

EAST OF HUDSON WATERSHED CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 10,042,248	\$ 4,029,986
Short-Term Investments	7,960,459	16,292,148
Accounts Receivable	183,734	152,500
Prepaid Expenses	46,155	61,893
Total Current Assets	<u>18,232,596</u>	<u>20,536,527</u>
PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>10,876</u>	<u>13,273</u>
OTHER ASSETS:		
Rent Security	<u>3,500</u>	<u>3,500</u>
	<u>\$ 18,246,972</u>	<u>\$ 20,553,300</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 204,276	\$ 211,328
Accrued Expenses	9,854	12,391
Deferred Revenue	7,191,451	8,837,235
Total Current Liabilities	<u>7,405,581</u>	<u>9,060,954</u>
LONG TERM LIABILITIES:		
Deferred Revenue	<u>10,225,913</u>	<u>11,073,322</u>
NET ASSETS:		
With Donor Restrictions	615,478	419,024
Without Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>615,478</u>	<u>419,024</u>
	<u>\$ 18,246,972</u>	<u>\$ 20,553,300</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 ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE:			
Program Revenues	\$ -	\$ 2,493,193	\$ 2,493,193
O&M Bubble Compliance	-	185,610	185,610
Interest	-	276,677	276,677
Rental Income	-	3,000	3,000
Net Assets Released from Restrictions	2,678,801	(2,678,801)	-
Total Revenues	<u>2,678,801</u>	<u>279,679</u>	<u>2,958,480</u>
EXPENSES:			
Program Services:			
Phosphorus Removal	2,088,869	-	2,088,869
O&M Services	185,610	-	185,610
Total Program Services	<u>2,274,479</u>	<u>-</u>	<u>2,274,479</u>
Supporting Services:			
Administrative and General	404,322	-	404,322
Total Expenses	<u>2,678,801</u>	<u>-</u>	<u>2,678,801</u>
OTHER CHANGES IN NET ASSETS:			
Change in Market Value Investments	-	(83,225)	(83,225)
Changes in Net Assets	-	196,454	196,454
Net Assets, Beginning	<u>-</u>	<u>419,024</u>	<u>419,024</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 615,478</u>	<u>\$ 615,478</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 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	1,710,048	(1,710,048)	-
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	151,977	-	151,977
Total Program Services	<u>1,270,898</u>	<u>-</u>	<u>1,270,898</u>
Supporting Services:			
Administrative and General	439,150	-	439,150
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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Administrative and General	Total
	Phosphorus Removal	O&M Services	Total		
Salaries	\$ 73,735	\$ -	\$ 73,735	\$ 207,085	\$ 280,820
Employee Health and Payroll Taxes	12,293	-	12,293	34,524	46,817
Total Salaries and Related Expenses	86,028	-	86,028	241,609	327,637
Supplies	-	-	-	3,173	3,173
Travel	737	-	737	1,178	1,915
Consulting	228,236	-	228,236	4,414	232,650
Construction	1,565,764	-	1,565,764	-	1,565,764
Printing & Postage	228	-	228	224	452
Advertising	157	-	157	791	948
Municipal Reimbursable	163,336	-	163,336	-	163,336
Legal & Accounting	38,635	-	38,635	74,172	112,807
Telephone	-	-	-	3,369	3,369
Insurance	-	-	-	25,417	25,417
Permits & Licensing	5,748	-	5,748	-	5,748
Equipment Rental	-	-	-	3,646	3,646
Rent	-	-	-	42,000	42,000
Conferences	-	-	-	604	604
Depreciation & Amortization	-	-	-	2,387	2,387
O&M - Bubble Compliance	-	185,610	185,610	-	185,610
Non-SRP Program Expenses	-	-	-	-	-
Miscellaneous	-	-	-	1,338	1,338
Total Other Expenses	2,002,841	185,610	2,188,451	162,713	2,351,164
Total Expenses	\$ 2,088,869	\$ 185,610	\$ 2,274,479	\$ 404,322	\$ 2,678,801

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
Bank Charges	-	-	-	-	-
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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Funding Agencies	\$ 154,376	\$ 15,052,896
Cash from Subleased Space	3,000	3,000
Interest Income and Other	276,677	114,895
Interest Expense	-	-
Cash Paid for Operating Activities	<u>(2,670,265)</u>	<u>(1,733,925)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,236,212)</u>	<u>13,436,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Investment Maturities/Sales	23,060,857	12,764,965
Purchase of Investments	(14,812,383)	(23,849,648)
Purchase of Fixed Assets	-	-
Net Cash Provided (Used) by Investing Activities	<u>8,248,474</u>	<u>(11,084,683)</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	6,012,262	2,352,183
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,029,986</u>	<u>1,677,803</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 10,042,248</u>	<u>\$ 4,029,986</u>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019:*

Changes in Net Assets	\$ 196,454	\$ 182,796
Adjustments to Changes in Net Assets		
to Net Cash Provided (Used) by Operating Activities:		
Change in Market Value	83,225	(64,902)
Depreciation	830	875
Amortization	<u>1,557</u>	<u>1,868</u>
Working Capital Provided (Used) by Operating Activities	<u>282,066</u>	<u>120,637</u>
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(31,234)	(99,081)
Accrued Interest Receivable	-	-
Prepaid Expenditures	15,738	(26,884)
Rent Security	-	-
(Decrease) Increase in:		
Accounts Payable	(7,052)	1,512
Accrued Expenditures	(2,537)	(1,248)
Deferred Revenue	<u>(2,493,193)</u>	<u>13,441,930</u>
	<u>(2,518,278)</u>	<u>13,316,229</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,236,212)</u>	<u>\$ 13,436,866</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, 2020 AND 2019

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, 2020, 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, 2020 AND 2019

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, 2020 AND 2019

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 – 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, 2020, 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 \$10,058,447 and \$4,039,916 as of December 31, 2020 and 2019. 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, 2020 AND 2019

NOTE 2 – CONCENTRATION OF CREDIT RISK (CONTINUED):

Balances held in each category as of December 31, 2020 and 2019, are as follows:

Bank	Bank Balance	FDIC	Collateral	Uncollateralized
As of December 31, 2020				
M&T Bank	\$ 10,058,447	\$ 250,000	\$ 9,808,447	\$ -
	<u>\$ 10,058,447</u>	<u>\$ 250,000</u>	<u>\$ 9,808,447</u>	<u>\$ -</u>
As of December 31, 2019				
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>

Note: Totals may not add due to rounding.

NOTE 3 – INVESTMENTS:

EOHWC held \$7,960,459 and \$16,292,148 in United States government agency obligations at December 31, 2020 and 2019, respectively. The investments are stated at fair value in the financial statements and include unrealized appreciation as summarized below:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	\$ 7,960,459	\$ 7,936,663	\$ 16,292,148	\$ 16,183,374

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:

	2020	2019
Interest	\$ 254,675	\$ 114,895
Realized and Unrealized Gains (Losses)	22,002	10,637
	<u>\$ 276,677</u>	<u>\$ 125,532</u>

See independent auditor's report.

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

DECEMBER 31, 2020 AND 2019

NOTE 4 – 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, 2020				
Assets:				
Investments Held to Maturity	\$ 7,960,459	\$ 7,960,459	\$ -	\$ -
	<u>\$ 7,960,459</u>	<u>\$ 7,960,459</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, 2019				
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>

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.

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,	
	2020	2019
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.

See independent auditor’s report.

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

DECEMBER 31, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED):

Realized and unrealized gains and losses of \$-0- and \$-0- for 2020 and 2019, 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.

NOTE 5 – RECEIVABLES:

The receivables for EOHWC for the years ended December 31, 2020 and 2019 are \$183,734 and \$152,500 respectively. The receivables consist of O&M Bubble Compliance, See Note 12.C. EOHWC has deemed these amounts to be fully collectible.

NOTE 6 – 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.

See independent auditor’s report.

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

DECEMBER 31, 2020 AND 2019

NOTE 6 – LIQUIDITY AND AVAILABILITY (CONTINUED):

	2020	2019
Financial Assets at Year-End	\$ 18,232,596	\$ 20,536,527
Less those unavailable for general expenses within one year, due to:		
Prepays	46,155	61,893
Donor Restricted O&M Payments	183,734	152,500
Financial Assets available to meet cash needs for general expenses within one year	\$ 18,002,707	\$ 20,322,134

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 7 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2020 and 2019, is summarized as follows:

	2020			2019		
	Historic Cost	Accumulated Depreciation	Net Book Value	Historic Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 10,987	\$ 9,981	\$ 1,006	\$ 10,987	\$ 9,513	\$ 1,474
Computer Software	33,211	23,501	9,710	33,211	21,936	11,275
Furniture & Fixtures	2,857	2,697	160	2,857	2,334	523
	\$ 47,055	\$ 36,179	\$ 10,876	\$ 47,055	\$ 33,783	\$ 13,272

Note: Totals may not add due to rounding.

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 is \$2,387 and \$2,743, respectively.

NOTE 8 – 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, 2020, and 2019 the accrued liabilities for compensated absences were \$0 and \$0, respectively.

See independent auditor’s report.

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

DECEMBER 31, 2020 AND 2019

NOTE 9 – DEFERRED REVENUES:

EOHWC was eligible for funding from NYCDEP 2013 Water Quality Improvement Program (QIP) totaling \$18,200,000 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. An agreement effective January 18, 2019 with NYCDEP authorized the funds from the 2013 QIP funding agreement to be used to fund the cost of administrative and projects out of filtration avoidance determined areas. The liability of the deferred revenue was \$6,636,695 and \$7,831,495 respectively for the fiscal years ended December 31, 2020 and 2019.

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 \$10,780,670 and \$12,079,062 respectively for the fiscal years ended December 31, 2020 and 2019.

During the year ended December 31, 2020 and 2019, EOHWC had total expenses (paid and incurred) of \$2,493,192 and \$1,558,070, respectively. The liability deferred revenues totaled \$17,417,365 and \$19,910,557 respectively for the fiscal years ended December 31, 2020 and 2019 of which \$7,191,451 and \$8,837,235 is short-term based on total anticipated expenses paid and incurred during the subsequent year.

NOTE 10 – 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 \$3,646 and \$3,458 for the years ended December 31, 2020 and 2019, 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 at \$3,500 for the period February 1, 2017 through January 31, 2020. In December 2019 EOHWC and the landlord executed a rider to

See independent auditor's report.

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

DECEMBER 31, 2020 AND 2019

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

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, 2020 and 2019 amounted to \$42,000 and \$42,000, respectively.

<u>Year Ending December 31</u>	
2021	\$ 45,420
2022	42,285
2023	<u>3,500</u>
	<u>\$ 91,205</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, 2020 and 2019 was \$185,610 and \$151,977, respectively. EOHWC has recorded the total surplus in the amount of \$80,043 and \$67,568, as of December 31, 2020 and 2019, respectively. EOHWC has recorded the total deficit owed by the municipalities in the amount of \$80,043 and 67,568 as of December 31, 2020 and 2019, 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 \$103,691 and \$84,902, as of December 31, 2020 and 2019, respectively.

See independent auditor's report.

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

DECEMBER 31, 2020 AND 2019

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED):

EOHWC recorded the receivable due from Westchester County in the amount of \$103,610 and \$84,902 as of December 31, 2020 and 2019, respectively. EOHWC recorded the total amount owed to the municipalities as of December 31, 2020 and 2019 in the amount \$103,691 and \$84,902, respectively.

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.

D. Coronavirus (COVID-19):

The Coronavirus (COVID-19) was 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).

1. Some of the possible economic effects and business disruptions are as follows.
 - a. Training staff on new procedures for services and working remotely
 - b. Inability or lack of need to retain employees
 - c. Additional cost and effort making sure the office is sanitized on a daily basis. EOHWC has complied with guidance issued by Center for Disease Control and will work diligently to continue complying.
2. 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.

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.

NOTE 11 – 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 2017–2020. Management continually evaluates

See independent auditor's report.

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

DECEMBER 31, 2020 AND 2019

NOTE 11 – INCOME TAXES (CONTINUED):

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 12 – 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, 2020, and 2019, the engineering firm was due \$0 and \$0, respectively. The total amount paid to the firm as of December 31, 2020 and 2019 was \$22,432 and \$39,192 respectively.

NOTE 13 – SUBSEQUENT EVENTS:

Date Through Which Subsequent Events Were Evaluated:

Management of EOHWC evaluated subsequent events through March 25, 2021, 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 AND FUNDING SOURCE
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			Total
	Stormwater Retrofit Projects			General and Administrative			
	Putnam	Westchester	FAD	Putnam	Westchester	Subtotal	
	QIP	QIP	FAD	Putnam	Westchester	Subtotal	
Salaries	\$ 10,358	\$ 23,199	\$ 7,157	\$ 100,925	\$ 100,925	\$ 201,850	\$ 268,074
Employee Health and Payroll Taxes	1,762	3,945	1,217	17,164	17,164	34,328	45,590
Total Salaries and Related Expenses	12,120	27,144	8,374	118,089	118,089	236,178	313,664
Supplies	-	-	-	1,220	1,220	2,440	2,440
Travel	110	259	62	170	170	340	846
Consulting	6,049	48,184	6,650	4,864	4,864	9,728	154,955
Construction	-	-	-	-	-	-	623,786
Printing & Postage	55	60	23	179	179	358	558
Advertising	66	133	83	150	150	300	1,029
Municipal Reimbursable	31,590	119,796	-	52,167	52,167	104,334	261,931
Legal & Accounting	351	897	507	1,547	1,547	3,094	108,120
Telephone	-	-	-	15,982	15,982	31,964	3,094
Insurance	-	-	-	-	-	-	31,964
Permits & Licensing	5,000	50	-	-	-	-	5,270
Equipment Rental	-	-	-	1,729	1,729	3,458	3,458
Rent	-	-	-	21,000	21,000	42,000	42,000
Conferences	-	-	-	450	450	900	900
Depreciation & Amortization	-	-	-	1,371	1,371	2,742	2,742
O&M - Bubble Compliance	67,075	84,902	-	-	-	-	151,977
Miscellaneous	-	-	-	657	657	1,314	1,314
Total Other Expenses	110,296	254,281	7,325	101,486	101,486	202,972	1,396,384
Total Expenses	\$ 122,416	\$ 281,425	\$ 15,699	\$ 219,575	\$ 219,575	\$ 439,150	\$ 1,710,048

EAST OF HUDSON WATERSHED CORPORATION
SCHEDULE OF FILERATION AVOIDANCE DETERMINATION COMMITTED
FOR THE YEAR ENDED DECEMBER 31, 2020

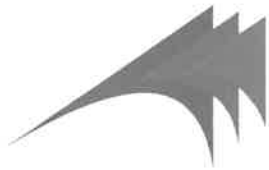
FAD - FAD Basins Yrs 6-10

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	18,120
Pitingaro & Doetsch Consulting Engineers	Carmel-CF-703-D	10/17/2018	23,500	13,881
Dunn and Sgromo Engineers PLLC	Carmel-CF-901-D	4/14/2020	17,500	17,500
Dunn and Sgromo Engineers PLLC	Carmel-CF-902-D	4/14/2020	17,500	17,500
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	21,200
Pitingaro & Doetsch Consulting Engineers	Kent-BC-830-D	6/12/2019	34,500	21,200
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	22,202
Rennia Engineering Design PLLC	L-CR-803-D	7/11/2019	34,353	20,233
Rennia Engineering Design PLLC	L-CR-805-D	7/11/2019	25,504	20,710
Hudson Valley Engineering Associates	PR-CR-601-D	2/19/2020	42,800	12,685
Pitingaro & Doetsch Consulting Engineers	PR-CR-701-D	11/19/2018	16,500	5,575
Pitingaro & Doetsch Consulting Engineers	PR-CR-702-D	11/19/2018	16,500	11,180
Pitingaro & Doetsch Consulting Engineers	S-CF-901-D	8/27/2020	24,500	16,662
Total FAD Basins Yrs 6-10 *			<u>420,329</u>	<u>251,663</u>

* \$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	9/15/2020	957,997	-
Lawrence J Paggi PC	Kent-MB-601-D	1/15/2020	70,434	3,525
Tectonic Engineering and Surveying Consultants PC	Kent-MB-601-S	3/30/2017	8,900	-
PVE LLC	Kent-MB-601-S (2)	2/21/2020	11,394	-
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	-
Pitingaro & Doetsch Consulting Engineers	NS-EB-901-D	8/27/2020	22,500	13,950
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	-
Lawrence J Paggi PC	Pat-EB-602-D	6/21/2017	24,500	-
Tectonic Engineering and Surveying Consultants PC	Pat-EB-602-S	3/30/2017	7,800	-
Coyle Industries, Inc.	Pat-EB-603-C	1/7/2020	165,000	-
KC Engineering and Land Surveying, PC	Pat-EB-603-D	9/11/2017	55,800	-
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	12,017
Insite Engineering Surveying and Landscape Architecture PC	SE-DI-601-D	3/25/2019	22,000	-
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	24,391
Insite Engineering Surveying and Landscape Architecture PC	SE-EB-715-D	3/25/2019	48,000	22,540
Brennan Construction	SE-POT-02-C	6/14/2019	1,770,486	-
Town of Southeast	SE-POT-02-C (2)	8/2/2017	9,779	-
Town of Southeast	SE-POT-02-D (2)	1/1/2017	235,017	-
Total Upstream Basins - Yrs 6-10			<u>4,198,111</u>	<u>123,071</u>
Total FAD and Upstream Basins - Yrs 6-10			<u>4,618,440</u>	<u>374,734</u>



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, 2020, 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 25, 2021.

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.

Sickler, Tubino, Allen & Cundill, CPAs PC

Hudson, New York
March 25, 2021

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, 2020, which collectively comprise EOHWC's financial statements listed in the table of contents, and we have issued our report thereon dated March 25, 2021.

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, 2020. 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 25, 2021