

CATSKILL WATERSHED CORPORATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

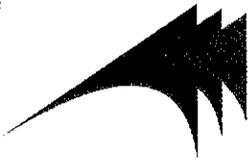
DECEMBER 31, 2012 AND 2011

CATSKILL WATERSHED CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
 Catskill Watershed Corporation
 Margaretville, New York

We have audited the accompanying financial statements of Catskill Watershed Corporation (a nonprofit organization), as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

CATSKILL WATERSHED CORPORATION

INDEPENDENT AUDITORS' 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 Catskill Watershed Corporation as of December 31, 2012 and 2011, 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 audits were performed for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken 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 above 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 1, 2013 on our consideration of Catskill 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 Catskill Watershed Corporation's internal control over financial reporting and compliance.

Seibler, Ponsky, Allen + Churchill, CPAs P.C.
Hudson, New York
March 1, 2013

CATSKILL WATERSHED CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 31,610,206	\$ 34,261,616
Cash and Cash Equivalents - Reserved	3,735,535	4,598,739
Short-Term Investments	20,786,941	12,128,350
Grants Receivable	-	69,489
Accounts Receivable	5,093	920
Accrued Interest Receivable	256,138	259,147
Loans Receivable, Net of Allowance for Doubtful Accounts	1,603,958	1,694,214
Prepaid Expenditures	62,270	26,099
Total Current Assets	<u>58,060,141</u>	<u>53,038,574</u>
PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		
	<u>314,348</u>	<u>347,762</u>
LONG-TERM ASSETS:		
Long-Term Investments	25,341,996	29,279,407
Long-Term Investments - Reserved	3,790,000	8,154,000
Loans Receivable, Net of Allowance for Doubtful Accounts	23,101,229	24,573,143
CWC Holdings I	108,190	111,000
CWC Holdings II LLC	1,466,965	1,500,000
CWC Holdings III	71,076	-
Total Long-Term Assets	<u>53,879,456</u>	<u>63,617,550</u>
	<u>\$ 112,253,945</u>	<u>\$ 117,003,886</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 900,707	\$ 1,148,936
Accrued Expenditures	293,968	170,140
Deferred Revenue	105,337,427	109,654,308
Total Current Liabilities	<u>106,532,102</u>	<u>110,973,384</u>
NET ASSETS:		
Unrestricted	5,713,759	6,030,502
Temporarily Restricted	8,084	-
Permanently Restricted	-	-
Total Net Assets	<u>5,721,843</u>	<u>6,030,502</u>
	<u>\$ 112,253,945</u>	<u>\$ 117,003,886</u>

Note: Totals may not add due to rounding

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE:		
Grant Revenue	\$ 11,863,290	\$ 9,473,264
Interest and Other Income	<u>1,249,949</u>	<u>1,317,061</u>
Total Revenue	<u>13,113,239</u>	<u>10,790,325</u>
EXPENDITURES:		
Program Services	13,874,975	15,568,580
Administrative and General	<u>187,531</u>	<u>428,502</u>
Total Expenditures	<u>14,062,506</u>	<u>15,997,082</u>
	(949,267)	(5,206,757)
OPERATING REVENUES, GAINS, AND OTHER SUPPORT:		
Investment Return Designated for Current Operations	<u>640,609</u>	<u>1,244,856</u>
Changes in Net Assets	(308,658)	(3,961,901)
Net Assets, Beginning	<u>6,030,501</u>	<u>9,992,403</u>
Net Assets, Ending	<u>\$ 5,721,843</u>	<u>\$ 6,030,502</u>

Note: Totals may not add due to rounding

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Funding Agencies	\$ 7,611,725	\$ 17,303,494
Interest Income and Other	2,376,885	2,209,234
Cash Paid for Operating Activities	(13,725,215)	(12,545,239)
Net Cash Provided (Used) by Operating Activities	(3,736,605)	6,967,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Investment Maturities/Sales	15,199,968	23,331,107
Purchase of Investments	(16,488,321)	(23,657,514)
Loan Payments Received	4,730,296	3,381,520
Loans Issued	(3,501,519)	(4,787,748)
Purchase of Fixed Assets	(12,988)	(105,922)
Purchase CWC Holdings I	-	(32,758)
Purchase CWC Holdings II	-	(567,739)
Purchase CWC Holdings III	-	-
Net Cash Provided (Used) by Investing Activities	(72,564)	(2,439,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,809,169)	4,528,435
CASH AND CASH EQUIVALENTS, BEGINNING	49,767,497	45,239,062
CASH AND CASH EQUIVALENTS, ENDING	\$ 45,958,328	\$ 49,767,497

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011:*

Changes in Net Assets	\$ (308,658)	\$ (3,961,901)
Adjustments to Changes in Net Assets		
to Net Cash Provided (Used) by Operating Activities:		
Depreciation	86,858	46,719
Impairment Loss on Property	-	2,166,038
Change in Market Value	483,318	(533,558)
Bad Debt Expense	411,005	938,559
Working Capital Provided by Operating Activities	672,523	(1,344,143)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Grants Receivable	69,489	(39,090)
Accounts Receivable	(4,173)	(459)
Accrued Interest Receivable	3,009	180,875
Prepaid Expenditures	(36,171)	(1,744)
(Decrease) Increase in:		
Accounts Payable	(248,229)	448,401
Accrued Expenditures	123,828	(146,130)
Deferred Revenue	(4,316,881)	7,869,779
	(4,409,128)	8,311,632
Net Cash Provided (Used) by Operating Activities	\$ (3,736,605)	\$ 6,967,489

Note: Totals may not add due to rounding

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Catskill Watershed Corporation (“CWC”) is presented to assist in understanding the CWC’s financial statements. The financial statements and notes are representations of the CWC’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:

CWC is a not-for-profit organization as defined in sub-paragraph (a) (5) of Section 102 of the Not-for-Profit Law and is a local development corporation pursuant to Section 141 of the Not-for-Profit Corporation Law. The Corporation is exempt from income taxes under Section 501 (c)(3) of the United States Internal Revenue Code. CWC was organized as a non-profit corporation under the laws of the State of New York on November 5, 1996, and commenced operations on December 9, 1996. CWC was formed to relieve and reduce adult unemployment, promote and provide additional maximum adult employment, and attract new commerce and industry to the West of the Hudson (WOH) Watershed. CWC’s primary purpose is to administer Watershed Protection and Partnership Programs necessary to maintain and enhance the water quality in the West of Hudson Watershed and to make decisions on funding and implementation of such programs.

B. Financial Statement Presentation:

CWC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, CWC is required to present a statement of cash flows.

C. Fund Accounting:

In order to ensure observance of limitations placed on the use of resources available to CWC, the accounts are maintained in accordance with the principles of fund accounting grouped according to the restriction categories identified above. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into programs established according to their nature and purpose. Separate accounts are maintained for each major program. Accordingly, all financial transactions have been recorded and reported by program. CWC records all of its transactions in 17 self-balancing programs classified by the restriction categories identified above as follows:

- I. *Operating* – The Operating Program includes resources that are expendable for support of CWC’s operations. All inter-program activity has been eliminated through consolidation.

See independent auditors’ report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

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

- II. *Alternate Design* – The Alternate Design Program includes resources and funds expended for design, construction, and installation of alternate designed septic systems, which would be required beyond the State, or Local regulations of enforceable standards. All inter-program activity has been eliminated through consolidation.
- III. *Septic Program III* – The Septic Program III is a continuation of the Septic Program II and includes the creation and installation of new cluster septic systems for residences or small businesses where appropriate for water quality reasons. All inter-program activity has been eliminated through consolidation.
- IV. *Septic System Maintenance* – The Septic System Maintenance Program is a voluntary cost-sharing program intended to reduce the occurrence of System failures through regular pump-outs and maintenance. All inter-program activity has been eliminated through consolidation.
- V. *Land Acquisition* – The Land Acquisition Program represents funds expendable for the reimbursement to towns and/or villages in the WOH Watershed for costs incurred to review, access, and comment on submissions to acquire lands and to delineate the boundaries of hamlets, commercial and industrial areas, and village extensions. All inter-program activity has been eliminated through consolidation.
- VI. *Stream Corridor Protection* – The Stream Corridor Protection Program's resources were made available for the costs of designing, constructing and implementing stream corridor protection projects in West of Hudson. The Debris Removal Program is included in this fund. All inter-program activity has been eliminated through consolidation.
- VII. *Sand & Salt Storage Program II* - The Sand & Salt Program II funds were made available to improve storage of sand, salt and other road de-icing materials in the West of Hudson Watershed. All inter-program activity has been eliminated through consolidation.
- VIII. *Community Wastewater Management* – The Community Wastewater Management Program resources are intended to provide assistance for Wastewater Management Projects in up to five identified Communities. All inter-program activity has been eliminated through consolidation.
- IX. *Community Wastewater Management Phase II* – The Community Wastewater Management Program Phase II shall fund the design and construction of community septic systems and/or wastewater treatment plants in existing participating communities and in three additional participating communities. All inter-program activity has been eliminated through consolidation.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

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

- X. *Public Education Program* – The Public Education Program includes funds to educate the public and increase awareness of the nature and importance of the New York City (City) water supply. All inter-program activity has been eliminated through consolidation.
- XI. *Stormwater Retrofits* – The Stormwater Retrofits Program represents funds expendable for the design, construction, implementation, and maintenance of storm water best management policies to address existing storm water run-off in concentrated areas of impervious surfaces. All inter-program activity has been eliminated through consolidation.
- XII. *Stormwater Technical Assistance Funds* – The Stormwater Technical Assistance is to retain a Stormwater Program Specialist to assist applicants undertaking regulated activities to comply with the storm water provisions of the Watershed Regulations. All inter-program activity has been eliminated through consolidation.
- XIII. *Tax Consulting* – The Tax Consulting Program provides funds for payment of fees and expenses of attorneys and/or professional consultants retained by the CWC and/or the towns and/or villages in the WOH Watershed to analyze or assist in the administration of real property taxes paid by the City on City-owned land within the WOH Watershed. All inter-program activity has been eliminated through consolidation.
- XIV. *WOH Future Stormwater* – The Future Stormwater Controls Program represents funds expendable for the design, construction, implementation, and maintenance of storm water measures with the WOH Watershed required by the New York City Watershed Regulation not otherwise required by Federal and/or State law. All inter-program activity has been eliminated through consolidation.
- XV. *Local Technical Assistance Program* – The Local Technical Assistance Program was established to provide for the development and implementation of Community Planning Initiatives. All inter-program activity has been eliminated through consolidation.
- XVI. *Catskill Fund for the Future* – Funds allocated to the Catskill Fund for the Future are used for the support of responsible, environmentally sensitive economic development projects in the WOH Watershed. All inter-program activity has been eliminated through consolidation.
- XVII. *Tax Litigation Avoidance Program* – The Tax Litigation Avoidance Program provides assistance to watershed assessing authorities (towns and villages) for the purpose of avoiding the costs and risks of litigation over taxes assessed on certain City owned real property in the West of Hudson Watershed. All inter-program activity has been eliminated through consolidation.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

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

D. Basis of Presentation:

CWC prepares its financial statements and maintains its records on the accrual basis of accounting. This method is consistent with that used in the preparation of CWC's annual information returns.

E. Basis of Revenue Recognition:

Program revenue is recognized when the related program expenditure is incurred, as expenditures are the prime factor in determining funding eligibility. Program receipts in excess of revenue recognized is recorded as deferred grant revenue.

F. Property, Plant, and Equipment:

Property, plant, and equipment are stated at cost, or at fair market value for donated items. Expenditures for additions, improvements, and major renewals, which extend the life of an asset, are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. The amounts for property disposals are removed from the assets, accumulated depreciation accounts, and any resultant gain or loss is included in earnings.

G. Depreciation:

Depreciation is computed for financial reporting purposes using principally the straight-line method based upon estimated useful lives of the assets; ranging from 5 to 39.5 years.

H. Income Taxes:

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

I. Cash and Cash Equivalents:

CWC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturity of those instruments.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

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

J. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Advertising:

The Corporation expenses advertising costs as they are incurred.

NOTE 2 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents deposited with financial institutions amounted to \$45,958,029 and \$49,767,197 as of December 31, 2012 and 2011, respectively.

The bank balance was \$46,339,929 and \$50,183,534 as of December 31, 2012 and 2011, and was entirely covered by FDIC or by collateral held by a bank in the Corporation's name.

There are three categories of credit risk that apply to the Corporation's balance:

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

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED):

Balances held in each category as of December 31, 2012, are as follows:

Program	Bank Balance	Carrying Amount	FDIC/Collateral
Alternate Design	\$ 250,000	\$ 250,000	Insured (FDIC)
Septic Program III	250,000	250,000	Insured (FDIC)
Subtotal	<u>500,000</u>	<u>500,000</u>	
Operating I	428,194	46,295	Collateral Held by Unit's Custodial Bank
Operating II	225,478	225,478	Collateral Held by Unit's Custodial Bank
Alternate Design	1,164,348	1,164,348	Collateral Held by Unit's Custodial Bank
Septic Program III	3,332,246	3,332,246	Collateral Held by Unit's Custodial Bank
Septic Maintenance	1,480,850	1,480,850	Collateral Held by Unit's Custodial Bank
Stream Corridor Protection	1,756,928	1,756,928	Collateral Held by Unit's Custodial Bank
Sand & Salt Storage			
Facilities II	450,344	450,344	Collateral Held by Unit's Custodial Bank
Community Wastewater	2,078,761	2,078,761	Collateral Held by Unit's Custodial Bank
Community Wastewater II	18,053,054	18,053,054	Collateral Held by Unit's Custodial Bank
Public Education	13,301	13,301	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits	1,672,834	1,672,834	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Technical Assist.	172,415	172,415	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Maintenance	143,268	143,268	Collateral Held by Unit's Custodial Bank
Tax Consulting	425,830	425,830	Collateral Held by Unit's Custodial Bank
Tax Litigation Avoidance	466,462	466,462	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater	6,754,710	6,754,710	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater - Lateral Repair Program	291,963	291,963	Collateral Held by Unit's Custodial Bank
Local Technical Assistance	465,926	465,926	Collateral Held by Unit's Custodial Bank
Catskill Fund for the Future	6,459,542	6,459,542	Collateral Held by Unit's Custodial Bank
CFF - Business Recovery	3,475	3,475	Collateral Held by Unit's Custodial Bank
Subtotal	<u>45,839,929</u>	<u>45,458,029</u>	
	<u>\$ 46,339,929</u>	<u>\$ 45,958,029</u>	

Note: Totals may not add due to rounding.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 3 – RESERVED CASH AND INVESTMENTS:

The Septic Program, Stream Corridor, Community Wastewater Management, and the Catskill Fund for the Future have reserved cash and/or money markets of \$623,964, \$1,484,422, \$1,120,843, and \$506,306, respectively. The Catskill Fund for the Future also has reserved investments of \$3,790,000. The reserves were established for the Septic Hardship Program, Debris Removal, Street Laterals and Hospital Healthcare Loans.

NOTE 4 – RECEIVABLES:

A. Grants Receivable:

Grants receivable represents that portion of grant monies due to CWC from granting entities or NYCDEP for expenditures incurred by CWC. A summary of grants receivable as of December 31, 2012 and 2011, is as follows:

Program	2012	2011
Catskill Fund for the Future		
- Empire State Development Grant	\$ -	\$ 69,489

B. Accrued Interest Receivable:

Accrued interest receivable consists of interest income that has not been received at year-end. Accrued interest receivable as of December 31, 2012 and 2011, amounted to \$256,139 and \$259,147, respectively.

C. Loans Receivable:

Within the Catskill Fund for the Future Program, there are 131 loans receivable from a variety of entities totaling, \$27,765,334. The years of maturity range from 2012 to 2027 and the interest rates range from 1.125 percent to 5.5 percent. Collateral consists of a first or second position on real estate and/or entity assets. The loans are classified as current and long-term assets in the accompanying financial statements. CWC has established an allowance for doubtful accounts in the amount of \$3,060,148. Provisions for losses of allowances on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2012 and 2011, is summarized as follows:

	2012			2011
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 13,300	\$ -	\$ 13,300	\$ 13,300
Building	186,700	69,323	117,377	122,104
Equipment	101,540	94,867	6,673	14,835
Vehicle	74,611	52,240	22,370	37,536
Furniture & Fixtures	244,744	215,907	28,836	28,213
Improvements	225,161	103,368	121,793	126,174
Software	37,292	33,292	4,000	5,600
	<u>\$ 883,347</u>	<u>\$ 568,998</u>	<u>\$ 314,349</u>	<u>\$ 347,762</u>

Note: Totals may not add due to rounding.

Depreciation expense for the years ended December 31, 2012 and 2011 is \$46,401 and \$46,718, respectively. *Also see note 14.*

NOTE 6 – INVESTMENTS:

Under NYCDEP contractual obligations, net appreciations can be used as regular program expenditures, contract specific expenditures or a reduction of the NYCDEP financial/contractual obligation. The CWC utilizes all net appreciations for annual expenditures unless there are contractual or Board of Director designated restrictions. The following schedule summarizes the [bond] investment return and its classification in the statement of activities:

Interest on Long-Term Investments	\$ 603,651
Net Realized Gains	14,420
Net Unrealized Gains/(Losses)	<u>(687)</u>
Return on Long-Term Investments	617,384
Interest on Short-Term Investments	<u>23,225</u>
Total Return on Investments	<u>\$ 640,609</u>
Investment Return Designated for Current Operations	<u>\$ 640,609</u>

Note: Totals may not add due to rounding.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 6 – INVESTMENTS (CONTINUED):

In addition to investing in money markets and/or certificates of deposits, the CWC has purchased ‘investment grade’ municipal & agency bonds rated Baa to AAA or equivalent and with maturities ranging from one year up to approximately 4 years. The bonds are classified as short or long term investments on the Statement of Financial Position and are considered to be investments held to maturity. However, certain bonds were purchased &/or sold to reflect market conditions/opportunities. The investments are stated at market value and any bond premiums or discounts are amortized on a straight-line basis. Market value is determined using a fair value measurement hierarchy. CWC’s investments are each valued using level 1 inputs. Any unrealized gains or losses are reflected in the Statement of Activities. Below is summary of the investments:

	2012		2011
	Carry Value	Unrealized Gain/(Loss)	Market Value
Municipal & Agency Bonds	\$ 10,104,999	\$ 69,355	\$ 10,174,354
Municipal & Agency Bonds	\$ 24,928,033	\$ 413,963	\$ 25,341,996
M & A Bonds - Reserved *	3,790,000	-	3,790,000
Total Long-Term	\$ 28,718,033	\$ 413,963	\$ 29,131,996

* See Note 3

Note: Totals may not add due to rounding.

NOTE 7 – COMPENSATED ABSENCES:

Employees of CWC earn annual time at various amounts. In case of termination of employment or upon retirement, employees are entitled to payment for accumulated annual and sick time. The estimated annual and sick time liability at December 31, 2012 and 2011, of \$61,163 and \$64,387, respectively, has been included in accrued expenses in the accompanying financial statements.

NOTE 8 – DEFERRED REVENUE:

Any payment(s) received in advance of expenditure are not recognized as income until such expenditures are incurred. Such advance payments are recorded as deferred grant revenue of \$105,266,347 and other deferrals of \$71,080. A summary of deferred grant revenue as of December 31, 2012 and 2011 is as follows:

See independent auditors’ report.

CATSKILL WATERSHED CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 8 – DEFERRED GRANT REVENUE (CONTINUED):

Program	2012	2011
Operating	\$ 918,591	\$ 522,674
Alternate Design	1,182,988	1,182,988
Septic Program III	3,100,686	4,396,282
Septic Maintenance	1,479,389	1,486,706
Land Acquisition	-	20
Stream Corridor Protection	1,662,775	2,861,374
Sand & Salt Storage II	450,151	450,151
Community Wastewater	2,070,684	2,710,342
Community Wastewater II	17,678,962	19,401,830
Public Education	6,460	9,271
Stormwater Retrofits	1,810,870	2,361,315
Stormwater Technical Assistant	172,415	134,682
Tax Consulting	1,038,457	1,076,208
Tax Litigation Avoidance	464,759	-
WOH Future Stormwater	12,348,559	12,845,990
Local Technical Assistance	402,382	689,168
Catskill Fund for the Future	60,478,218	59,477,818
	<u>\$ 105,266,347</u>	<u>\$ 109,606,819</u>

Note: Totals may not add due to rounding.

NOTE 9 – GRANT REVENUE:

Grant Revenue in the Statements of Activities is comprised of the following:

	2012	2011
New York City Department of Environmental Protection	\$ 11,862,101	\$ 9,422,449
Other	1,189	50,815
	<u>\$ 11,863,289</u>	<u>\$ 9,473,264</u>

Note: Totals may not add due to rounding.

NOTE 10 – RETIREMENT PROGRAM (DEFINED CONTRIBUTION):

The Corporation sponsors a simplified pension retirement plan. Contributions to the plan for 2012 and 2011 were \$71,163 and \$74,828, respectively.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 11 – CONTINUED EXISTENCE:

CWC's continued existence is dependent upon funds received from the City funding agencies to meet its normal operating expenditures.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

- A. CWC receives City funding for specific purposes that are subject to review and audit by City agencies. Such audits could result in a request for reimbursement by the City for expenditures disallowed under the terms and conditions of the appropriate agency. CWC believes that disallowed expenditures, if any, will not have a material effect on any of the individual CWC's funds or the overall financial position of CWC.
- B. The CWC entered into two [three-year] operating leases totaling \$17,758 for a copy machine and a plotter. Total rental expenditures on the leases for the fiscal years ended December 31, 2012 and 2011 were \$5,851 and \$1,536, respectively. The minimum future operating lease payments are as follows:

<u>Year Ending December 31</u>	
2013	\$ 5,851
2014	4,520
2015	-
2016	-
	<u>\$ 10,371</u>

NOTE 13 – EMPIRE STATE DEVELOPMENT GRANT:

The CWC was awarded \$74,030 to implement the Green Concierge Technical Assistance Project. The grant was closed in 2012. See Note 4-A.

NOTE 14 – CWC HOLDINGS:

The CWC sold [in 2010] the original CWC Holdings I, LLC and owns 100% of the CWC Holdings II, LLC which are consolidated in the financial statements. During 2011 and 2012, CWC foreclosed on certain loans, taking possession of the property which was placed into CWC Holdings I and CWC Holdings III, activities within Catskill Fund for the Future. The CWC had purchased CWC Holdings II, LLC for renovation and resale. The CWC Holdings II, LLC completed renovations and is now held for sale. Impairment losses were reflected in the Statement of Activities as a component of program expense for the Catskill Fund for the Future in 2011.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

NOTE 14 – CWC HOLDINGS (CONTINUED):

	Balance Sheets					
	December 31, 2012			December 31, 2011		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
Assets						
Checking	\$ -	\$ 12,674	\$ -	\$ -	\$ 58,805	\$ -
Prepaid Expenses	-	8,580	-	-	-	-
Building (net)	108,190	1,445,712	71,076	111,000	1,484,163	-
Total Assets	<u>\$ 108,190</u>	<u>\$ 1,466,966</u>	<u>\$ 71,076</u>	<u>\$ 111,000</u>	<u>\$ 1,542,968</u>	<u>\$ -</u>
Liabilities						
Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ 42,968	\$ -
Equity	108,190	1,466,966	71,076	111,000	1,500,000	-
Total Liabilities & Equity	<u>\$ 108,190</u>	<u>\$ 1,466,966</u>	<u>\$ 71,076</u>	<u>\$ 111,000</u>	<u>\$ 1,542,968</u>	<u>\$ -</u>
Income Statements						
	December 31, 2012			December 31, 2011		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
Income	\$ -	\$ 14	\$ -	\$ -	\$ -	\$ -
Expenses						
Advertising & Promotion	-	-	-	-	-	-
Depreciation Expense	2,810	37,551	97	-	-	-
Insurance Expense	-	1,685	-	-	-	-
Legal Services	-	14,506	-	-	-	-
Misc. Expense	-	318	-	-	-	-
Repairs & Maintenance	-	23,851	-	-	-	-
Taxes	-	-	-	-	-	-
Utilities	-	6,666	-	-	-	-
Loss on Impairment	-	-	-	552,053	1,546,765	-
Expenses	<u>2,810</u>	<u>84,577</u>	<u>97</u>	<u>552,053</u>	<u>1,546,765</u>	<u>-</u>
Net Income (Loss)	<u>\$ (2,810)</u>	<u>\$ 84,563</u>	<u>\$ (97)</u>	<u>\$ (552,053)</u>	<u>\$ (1,546,765)</u>	<u>\$ -</u>

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 15 – SUBSEQUENT EVENTS:

The date to which events occurring after December 31, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 1, 2013, which is the date on which the financial statements were available to be issued.

NOTE 16 – 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 2009–2012. 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.

A. Interest and Penalties:

During the years ended December 31, 2012 and 2011, the Company recognized approximately \$-0- and \$-0- in interest and penalties. The Company has accrued approximately \$-0- and \$-0- for the payment of interest and penalties as of December 31, 2012 and 2011, respectively.

B. Open Tax Years:

With few exceptions the Company is no longer subject to Federal and State income tax examinations by tax authorities for the years before 2009.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 17 – FAIR VALUE MEASUREMENTS:

A. Major categories of assets and liabilities 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, 2012				
Assets				
Investments Held to Maturity	\$ 39,306,350	\$ 39,306,350	\$ -	\$ -
Loans Receivable, net	24,705,186	-	24,705,186	-
CWC Holdings I	108,190	-	108,190	-
CWC Holdings II LLC	1,466,965	-	1,466,965	-
CWC Holdings III	71,076	-	-	71,076
	<u>\$ 65,657,767</u>	<u>\$ 39,306,350</u>	<u>\$ 26,280,341</u>	<u>\$ 71,076</u>
Liabilities				
Deferred Grant Revenues	<u>\$ 105,266,347</u>	<u>\$ -</u>	<u>\$ 105,266,347</u>	<u>\$ -</u>
As of December 31, 2011				
Assets				
Investments Held to Maturity	\$ 38,654,616	\$ 38,654,616	\$ -	\$ -
Loans Receivable, net	26,267,357	-	26,267,357	-
CWC Holdings I	111,000	-	111,000	-
CWC Holdings II LLC	1,500,000	-	1,500,000	-
	<u>\$ 66,532,973</u>	<u>\$ 38,654,616</u>	<u>\$ 27,878,357</u>	<u>\$ -</u>
Liabilities				
Deferred Grant Revenues	<u>\$ 109,606,819</u>	<u>\$ -</u>	<u>\$ 109,606,819</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 – For investments in the holdings, LLC’s significant inputs include initial cash investment and measurements of marketability as the project nears completion. This is utilized to estimate future cash flows from the project. As needed impairments in value have been recognized in the past as a reduction in fair value.

See independent auditors’ report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 17 – 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,	
	2012	2011
Balance at Beginning of Period	\$ -	\$ 2,829,567
Unrealized gains/(losses)	-	-
Realized losses	-	(1,546,765)
Purchases, issuances, sales and settlements	71,016	217,198
Transfers in and/or out of Level 3	-	(1,500,000)
Balance at End of Period	<u>\$ 71,016</u>	<u>\$ -</u>

Note: Totals may not add due to rounding.

Realized and unrealized gains and losses of \$ -0- and \$1,546,765 for 2012 and 2011, respectively are included in changes in net assets are reported in the Statement of Activities as a component of program expense for the Catskill Fund for the Future. There were no transfers into Level 3 from Level 2. However, the LLC was transferred out of Level 3 into Level 2 in 2011. 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. Holdings III was foreclosed property in 2012 and added to Level 3.

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 auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012 AND 2011

NOTE 18 -- INTER-PROGRAM FUND TRANSFERS:

The Board of Directors has re-allocated certain program funds to develop new programs, continue existing programs and/or because of NYCDEP contractual requirements. A summary of the inter-program transfers is as follows:

Program	Transfer-In	Transfer-Out
Community Wastewater I	\$ -	\$ 639,657
Community Wastewater II	<u>639,657</u>	<u>-</u>
Total Inter-Program Transfers	<u>\$ 639,657</u>	<u>\$ 639,657</u>

NOTE 19 -- IMPAIRED LONG-LIVED ASSETS:

Property related to CWC Holdings I and CWC Holdings II have been written down to fair value, which was determined by using licensed real estate brokers, who prepared market valuations for both properties. CWC used these valuations to establish the fair market value of the property. Property and equipment related to buildings and improvements were written down based on costs of repair due to flooding. The amount of impairment loss has been charged to the statement of activities for the year ended December 31, 2011. No impairment loss was recorded for the year ended December 31, 2012.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM

DECEMBER 31, 2012

ASSETS

	Unrestricted Operating	Alternate Design	Septic Program III	Septic System Maintenance	Stream Corridor Protection	Subtotal Carried Forward
Current Assets:						
Cash - Checking	\$ 272,072	\$ 197,859	\$ 2,958,282	\$ 253,781	\$ 272,506	\$ 3,954,500
Cash - Reserved	-	-	623,964	-	1,484,422	2,108,386
Short-Term Investments	352,727	1,216,489	-	1,227,069	-	2,796,285
Accounts Receivable	-	-	-	-	-	-
Accrued Interest Receivable	4,849	-	-	-	-	4,849
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-
Due from Other Funds	115,263	-	(55,103)	(653)	(4,523)	54,984
Prepaid Expenditures	57,043	-	-	-	-	57,043
Total Current Assets	801,954	1,414,348	3,527,143	1,480,197	1,752,405	8,976,047
Property, Plant, and Equipment, Net of Accumulated Depreciation	251,644	-	11,762	-	-	263,406
Long-Term Assets:						
Long-Term Investments	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-
Total Long-Term Assets	-	-	-	-	-	-
	\$ 1,053,598	\$ 1,414,348	\$ 3,538,905	\$ 1,480,197	\$ 1,752,405	\$ 9,239,453
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts Payable	\$ 16,956	\$ -	\$ 438,219	\$ 808	\$ 6,050	\$ 462,033
Accrued Expenditures	118,052	-	-	-	83,579	201,631
Deferred Grant Revenue	918,591	1,182,988	3,100,686	1,479,389	1,662,775	8,344,429
Deferred Interest Income	-	-	-	-	-	-
Total Current Liabilities	1,053,599	1,182,988	3,538,905	1,480,197	1,752,404	9,008,093
Net Assets:						
Unrestricted	-	231,360	-	-	-	231,360
Temporarily Restricted	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-
Total Net Assets	-	231,360	-	-	-	231,360
	\$ 1,053,599	\$ 1,414,348	\$ 3,538,905	\$ 1,480,197	\$ 1,752,404	\$ 9,239,453

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2012

<i>ASSETS</i>	Subtotal Brought Forward	Land Acquisition	Sand & Salt II	Community Wastewater Management	Community Wastewater Management II	Public Education Program	Subtotal Carried Forward
Current Assets:							
Cash - Checking	\$ 3,954,500	\$ -	\$ 450,344	\$ 957,918	\$ 18,053,054	\$ 13,301	\$ 23,429,117
Cash - Reserved	2,108,386	-	-	1,120,843	-	-	3,229,229
Short-Term Investments	2,796,285	-	-	-	-	-	2,796,285
Accounts Receivable	-	-	-	-	-	-	-
Accrued Interest Receivable	4,849	-	-	-	-	-	4,849
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	54,984	-	-	-	(12,031)	(1,841)	41,112
Prepaid Expenditures	57,043	-	-	-	-	-	57,043
Total Current Assets	8,976,047	-	450,344	2,078,761	18,041,023	11,460	29,557,635
Property, Plant, and Equipment, Net of Accumulated Depreciation							
	263,406	-	-	-	-	-	263,406
Long-Term Assets:							
Long-Term Investments	-	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-	-
Total Long-Term Assets	-	-	-	-	-	-	-
	\$ 9,239,453	\$ -	\$ 450,344	\$ 2,078,761	\$ 18,041,023	\$ 11,460	\$ 29,821,041
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts Payable	\$ 462,033	\$ -	\$ -	\$ -	\$ 362,061	\$ 5,000	\$ 829,094
Accrued Expenditures	201,631	-	-	-	-	-	201,631
Deferred Grant Revenue	8,344,429	-	450,151	2,070,684	17,678,962	6,460	28,550,686
Deferred Interest Income	-	-	-	-	-	-	-
Total Current Liabilities	9,008,093	-	450,151	2,070,684	18,041,023	11,460	29,581,411
Net Assets:							
Unrestricted	231,360	-	193	8,077	-	-	239,630
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets	231,360	-	193	8,077	-	-	239,630
	\$ 9,239,453	\$ -	\$ 450,344	\$ 2,078,761	\$ 18,041,023	\$ 11,460	\$ 29,821,041

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2012

<i>ASSETS</i>	Subtotal Brought Forward	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
Current Assets:					
Cash - Checking	\$ 23,429,117	\$ 764,903	\$ 172,415	\$ 26,935	\$ 24,393,370
Cash - Reserved	3,229,229	-	-	-	3,229,229
Short-Term Investments	2,796,285	1,051,199	-	656,177	4,503,661
Accounts Receivable	-	-	-	-	-
Accrued Interest Receivable	4,849	-	-	1,955	6,804
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
Due from Other Funds	41,112	(2,383)	-	(130)	38,599
Prepaid Expenditures	57,043	-	-	-	57,043
Total Current Assets	<u>29,557,635</u>	<u>1,813,719</u>	<u>172,415</u>	<u>684,937</u>	<u>32,228,706</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation					
	<u>263,406</u>	<u>7,407</u>	<u>-</u>	<u>-</u>	<u>270,813</u>
Long-Term Assets:					
Long-Term Investments	-	-	-	369,779	369,779
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
CWC Holdings I	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-
CWC Holdings III	-	-	-	-	-
Total Long-Term Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,779</u>	<u>369,779</u>
	<u>\$ 29,821,041</u>	<u>\$ 1,821,126</u>	<u>\$ 172,415</u>	<u>\$ 1,054,716</u>	<u>\$ 32,869,298</u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 829,094	\$ 10,256	\$ -	\$ 16,259	\$ 855,609
Accrued Expenditures	201,631	-	-	-	201,631
Deferred Grant Revenue	28,550,686	1,810,870	172,415	1,038,457	31,572,428
Deferred Interest Income	-	-	-	-	-
Total Current Liabilities	<u>29,581,411</u>	<u>1,821,126</u>	<u>172,415</u>	<u>1,054,716</u>	<u>32,629,668</u>
Net Assets:					
Unrestricted	239,630	-	-	-	239,630
Temporarily Restricted	-	-	-	-	-
Permanently Restricted	-	-	-	-	-
Total Net Assets	<u>239,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,630</u>
	<u>\$ 29,821,041</u>	<u>\$ 1,821,126</u>	<u>\$ 172,415</u>	<u>\$ 1,054,716</u>	<u>\$ 32,869,298</u>

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2012

<i>ASSETS</i>	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
Current Assets:						
Cash - Checking	\$ 24,393,370	\$ 466,462	\$ 613,931	\$ 465,925	\$ 5,670,518	\$ 31,610,206
Cash - Reserved	3,229,229	-	-	-	506,306	3,735,535
Short-Term Investments	4,503,661	-	8,719,355	-	7,563,925	20,786,941
Accounts Receivable	-	-	-	-	5,093	5,093
Accrued Interest Receivable	6,804	-	57,669	-	191,665	256,138
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	1,603,958	1,603,958
Due from Other Funds	38,599	(180)	(2,179)	-	(36,240)	-
Prepaid Expenses	57,043	-	-	-	5,227	62,270
Total Current Assets	32,228,706	466,282	9,388,776	465,925	15,510,452	58,060,141
Property, Plant, and Equipment, Net of Accumulated Depreciation						
	270,813	-	9,282	-	34,253	314,348
Long-Term Assets:						
Long-Term Investments	369,779	-	7,033,483	-	21,728,734	29,131,996
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	23,101,229	23,101,229
CWC Holdings I	-	-	-	-	108,190	108,190
CWC Holdings II LLC	-	-	-	-	1,466,965	1,466,965
CWC Holdings III	-	-	-	-	71,076	71,076
Total Long-Term Assets	369,779	-	7,033,483	-	46,476,194	53,879,456
	\$ 32,869,298	\$ 466,282	\$ 16,431,541	\$ 465,925	\$ 62,020,899	\$ 112,253,945
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts Payable	\$ 855,609	\$ 1,523	\$ 8,106	\$ 12,537	\$ 22,932	\$ 900,707
Accrued Expenses	201,631	-	-	51,006	41,331	293,968
Deferred Grant Revenue	31,572,428	464,759	12,348,560	402,382	60,478,218	105,266,347
Deferred Interest Income	-	-	-	-	71,080	71,080
Total Current Liabilities	32,629,668	466,282	12,356,666	465,925	60,613,561	106,532,102
Net Assets:						
Unrestricted	239,630	-	4,074,875	-	1,399,254	5,713,759
Temporarily Restricted	-	-	-	-	8,084	8,084
Permanently Restricted	-	-	-	-	-	-
Total Net Assets	239,630	-	4,074,875	-	1,407,338	5,721,843
	\$ 32,869,298	\$ 466,282	\$ 16,431,541	\$ 465,925	\$ 62,020,899	\$ 112,253,945

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION
SCHEDULE OF ACTIVITIES - BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted Operating	Alternate Design	Septic Program III	Subtotal Carried Forward
Revenue:				
Grant Revenue	\$ 187,233	\$ -	\$ 6,495,596	\$ 6,682,829
Interest and Other Income	298	3,142	1,768	5,208
Total Revenue	187,531	3,142	6,497,364	6,688,037
Expenditures:				
Salary	369,431	-	249,162	618,593
Fringe Benefits	139,509	-	92,741	232,250
Program	4,937	-	5,844,428	5,849,365
Occupancy Costs	30,529	-	-	30,529
Advertising & Promotion	2,115	-	1,293	3,408
Office Supplies	17,299	-	118	17,417
Communication	13,836	-	855	14,691
Grants	-	-	-	-
Travel	31,143	-	406	31,549
Conferences and Seminars	309	-	420	729
Insurance	29,048	-	-	29,048
Repairs & Maintenance	12,415	-	-	12,415
Subscriptions & Publications	4,331	-	-	4,331
Professional Fees	120,888	-	2,673	123,561
Administrative	(616,803)	-	298,079	(318,724)
Depreciation	24,883	-	7,189	32,072
Dues, Licenses, and Memberships	1,037	-	-	1,037
Miscellaneous	2,624	-	-	2,624
Impairment Loss	-	-	-	-
Interfund Transfers Out	-	-	-	-
Total Expenditures	187,531	-	6,497,364	6,684,895
Change in Net Assets	-	3,142	-	3,142
Net Assets, Beginning	-	228,218	-	228,218
Net Assets, Ending	\$ -	\$ 231,360	\$ -	\$ 231,360

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Subtotal Brought Forward	Septic System Maintenance	Land Acquisition	Stream Corridor Protection	Community Wastewater Management	Sand & Salt Storage Program	Subtotal Carried Forward
Revenue:							
Grant Revenue	\$ 6,682,829	\$ 7,317	\$ 50,858	\$ 1,198,599	\$ -	\$ -	\$ 7,939,603
Interest and Other Income	5,208	1,607	-	1,052	3,502	193	11,562
Total Revenue	<u>6,688,037</u>	<u>8,924</u>	<u>50,858</u>	<u>1,199,651</u>	<u>3,502</u>	<u>193</u>	<u>7,951,165</u>
Expenditures:							
Salary	618,593	3,455	-	31,459	-	-	653,507
Fringe Benefits	232,250	1,310	-	16,987	-	-	250,547
Program	5,849,365	25,120	50,858	1,115,472	-	-	7,040,815
Occupancy Costs	30,529	-	-	-	-	-	30,529
Advertising & Promotion	3,408	-	-	-	-	-	3,408
Office Supplies	17,417	-	-	208	-	-	17,625
Communication	14,691	247	-	414	-	-	15,352
Grants	-	-	-	-	-	-	-
Travel	31,549	-	-	107	-	-	31,656
Conferences and Seminars	729	-	-	-	-	-	729
Insurance	29,048	-	-	-	-	-	29,048
Repairs & Maintenance	12,415	-	-	-	-	-	12,415
Subscriptions & Publications	4,331	-	-	-	-	-	4,331
Professional Fees	123,561	-	-	2,183	-	-	125,744
Administrative	(318,724)	3,069	-	32,821	-	-	(282,834)
Depreciation	32,072	-	-	-	-	-	32,072
Dues, Licenses, and Memberships	1,037	-	-	-	-	-	1,037
Miscellaneous	2,624	-	-	-	-	-	2,624
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>6,684,895</u>	<u>33,201</u>	<u>50,858</u>	<u>1,199,651</u>	<u>-</u>	<u>-</u>	<u>7,968,605</u>
Change in Net Assets	3,142	(24,277)	-	-	3,502	193	(17,440)
Net Assets, Beginning	<u>228,218</u>	<u>24,277</u>	<u>-</u>	<u>-</u>	<u>4,575</u>	<u>-</u>	<u>257,070</u>
Net Assets, Ending	<u>\$ 231,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,077</u>	<u>\$ 193</u>	<u>\$ 239,630</u>

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION

SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Subtotal Brought Forward	Community Wastewater Management II	Public Education Program	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
Revenue:							
Grant Revenue	\$ 7,939,603	\$ 2,362,525	\$ 142,052	\$ 550,445	\$ 10,267	\$ 37,752	\$ 11,042,644
Interest and Other Income	11,562	104,237	4	3,107	57	4,984	123,951
Total Revenue	<u>7,951,165</u>	<u>2,466,762</u>	<u>142,056</u>	<u>553,552</u>	<u>10,324</u>	<u>42,736</u>	<u>11,166,595</u>
Expenditures:							
Salary	653,507	70,362	8,886	2,917	6,011	8,403	750,086
Fringe Benefits	250,547	20,816	2,750	1,969	4,313	3,063	283,458
Program	7,040,815	2,318,541	-	531,067	-	-	9,890,423
Occupancy Costs	30,529	-	-	-	-	-	30,529
Advertising & Promotion	3,408	-	-	-	-	-	3,408
Office Supplies	17,625	-	-	144	-	-	17,769
Communication	15,352	60	282	26	-	49	15,769
Grants	-	-	120,912	-	-	-	120,912
Travel	31,656	-	534	-	-	-	32,190
Conferences and Seminars	729	-	-	-	-	-	729
Insurance	29,048	-	-	-	-	-	29,048
Repairs & Maintenance	12,415	-	-	-	-	-	12,415
Subscriptions & Publications	4,331	-	-	-	-	-	4,331
Professional Fees	125,744	90	-	624	-	26,369	152,827
Administrative	(282,834)	56,868	8,692	11,576	-	4,837	(200,861)
Depreciation	32,072	-	-	5,229	-	-	37,301
Dues, Licenses, and Memberships	1,037	-	-	-	-	-	1,037
Miscellaneous	2,624	25	-	-	-	15	2,664
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>7,968,605</u>	<u>2,466,762</u>	<u>142,056</u>	<u>553,552</u>	<u>10,324</u>	<u>42,736</u>	<u>11,184,035</u>
Change in Net Assets	(17,440)	-	-	-	-	-	(17,440)
Net Assets, Beginning	<u>257,070</u>	-	-	-	-	-	<u>257,070</u>
Net Assets, Ending	<u>\$ 239,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,630</u>

Note: Totals may not add due to rounding.

See independent auditors' report and notes to the financial statements.

CATSKILL WATERSHED CORPORATION
SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
Revenue:						
Grant Revenue	\$ 11,042,644	\$ 35,240	\$ 497,431	\$ 286,786	\$ 1,189	\$ 11,863,290
Interest and Other Income	123,951	95	166,657	268	1,599,587	1,890,558
Total Revenue	<u>11,166,595</u>	<u>35,335</u>	<u>664,088</u>	<u>287,054</u>	<u>1,600,776</u>	<u>13,753,848</u>
Expenditures:						
Salary	750,086	3,049	8,471	473	184,173	946,252
Fringe Benefits	283,458	1,190	5,346	170	73,198	363,362
Program	9,890,423	-	509,432	286,093	505,226	11,191,174
Occupancy Costs	30,529	-	-	-	14,749	45,278
Advertising & Promotion	3,408	-	-	-	11,071	14,479
Office Supplies	17,769	-	47	-	1,478	19,294
Communication	15,769	-	26	8	4,162	19,965
Grants	120,912	-	-	-	844,563	965,475
Travel	32,190	-	-	-	1,354	33,544
Conferences and Seminars	729	-	-	-	450	1,179
Insurance	29,048	-	-	-	6,973	36,021
Repairs & Maintenance	12,415	-	-	-	25,208	37,623
Subscriptions & Publications	4,331	-	-	-	360	4,691
Professional Fees	152,827	28,790	-	-	111,179	292,796
Administrative	(200,861)	2,306	9,931	310	188,314	-
Depreciation	37,301	-	3,978	-	45,579	86,858
Dues, Licenses, and Memberships	1,037	-	-	-	345	1,382
Miscellaneous	2,664	-	95	-	374	3,133
Impairment Loss	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-
Total Expenditures	<u>11,184,035</u>	<u>35,335</u>	<u>537,326</u>	<u>287,054</u>	<u>2,018,756</u>	<u>14,062,506</u>
Change in Net Assets	(17,440)	-	126,762	-	(417,980)	(308,658)
Net Assets, Beginning	<u>257,070</u>	<u>-</u>	<u>3,948,113</u>	<u>-</u>	<u>1,825,318</u>	<u>6,030,501</u>
Net Assets, Ending	<u>\$ 239,630</u>	<u>\$ -</u>	<u>\$ 4,074,875</u>	<u>\$ -</u>	<u>\$ 1,407,338</u>	<u>\$ 5,721,843</u>

Note: Totals may not add due to rounding.

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