

CATSKILL WATERSHED CORPORATION

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012

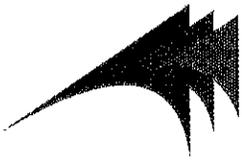
CATSKILL WATERSHED CORPORATION

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*Your Partner When It Counts*

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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, 2013 and 2012, 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)

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catskill Watershed Corporation as of December 31, 2013 and 2012, 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 February 21, 2014 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.



Hudson, New York  
February 21, 2014

## CATSKILL WATERSHED CORPORATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

*ASSETS*

	2013	2012
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 37,966,213	\$ 31,610,206
Cash and Cash Equivalents - Reserved	4,015,024	3,735,535
Short-Term Investments	20,654,410	20,786,941
Accounts Receivable	28,664	5,093
Accrued Interest Receivable	258,148	256,138
Loans Receivable, Net of Allowance for Doubtful Accounts	1,221,639	1,603,958
Prepaid Expenditures	51,381	62,270
Total Current Assets	<u>64,195,479</u>	<u>58,060,141</u>
<b>PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>		
	<u>313,875</u>	<u>314,348</u>
<b>LONG-TERM ASSETS:</b>		
Long-Term Investments	23,841,785	25,341,996
Long-Term Investments - Reserved	3,790,000	3,790,000
Lease Receivable	154,081	-
Loans Receivable, Net of Allowance for Doubtful Accounts	21,811,960	23,101,229
CWC Holdings I	-	108,190
CWC Holdings II LLC	1,474,743	1,466,965
CWC Holdings III	-	71,076
Total Long-Term Assets	<u>51,072,569</u>	<u>53,879,456</u>
	<u>\$ 115,581,923</u>	<u>\$ 112,253,945</u>

*LIABILITIES AND NET ASSETS*

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 883,939	\$ 900,707
Accrued Expenditures	163,911	293,968
Deferred Revenue	108,719,863	105,337,427
Total Current Liabilities	<u>109,767,713</u>	<u>106,532,102</u>
<b>NET ASSETS:</b>		
Unrestricted	5,806,126	5,713,759
Temporarily Restricted	8,084	8,084
Permanently Restricted	-	-
Total Net Assets	<u>5,814,210</u>	<u>5,721,843</u>
	<u>\$ 115,581,923</u>	<u>\$ 112,253,945</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>REVENUE:</b>		
Grant Revenue	\$ 11,712,675	\$ 11,863,290
Interest and Other Income	<u>606,131</u>	<u>1,249,949</u>
Total Revenue	<u>12,318,806</u>	<u>13,113,239</u>
<b>EXPENDITURES:</b>		
Program Services	12,358,939	13,874,975
Administrative and General	<u>219,627</u>	<u>187,531</u>
Total Expenditures	<u>12,578,566</u>	<u>14,062,506</u>
	(259,760)	(949,267)
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT:</b>		
Investment Return Designated for Current Operations	<u>352,128</u>	<u>640,609</u>
Changes in Net Assets	92,368	(308,658)
Net Assets, Beginning	<u>5,721,843</u>	<u>6,030,501</u>
Net Assets, Ending	<u>\$ 5,814,211</u>	<u>\$ 5,721,843</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, 2013 AND 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from Funding Agencies	\$ 15,071,539	\$ 7,611,725
Interest Income and Other	1,214,637	2,376,885
Cash Paid for Operating Activities	<u>(12,793,533)</u>	<u>(13,725,215)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,492,643</u>	<u>(3,736,605)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceed from Investment Maturities/Sales	23,296,845	15,199,968
Purchase of Investments	(23,655,869)	(16,488,321)
Loan Payments Received	3,761,947	4,730,296
Loans Issued	(1,962,586)	(3,501,519)
Purchase of Fixed Assets	<u>(41,231)</u>	<u>(12,988)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,399,106</u>	<u>(72,564)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,891,749</b>	<b>(3,809,169)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b><u>45,958,328</u></b>	<b><u>49,767,497</u></b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b><u>\$ 50,850,077</u></b>	<b><u>\$ 45,958,328</u></b>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:*

Changes in Net Assets	\$ 92,368	\$ (308,658)
Adjustments to Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	81,927	86,858
Change in Market Value	258,388	483,318
Bad Debt Expense	<u>(160,959)</u>	<u>411,005</u>
Working Capital Provided by Operating Activities	<u>271,724</u>	<u>672,523</u>
<b>Changes in Assets and Liabilities:</b>		
(Increase) Decrease in:		
Grants Receivable	-	69,489
Accounts Receivable	(23,571)	(4,173)
Accrued Interest Receivable	(2,010)	3,009
Prepaid Expenditures	10,889	(36,171)
(Decrease) Increase in:		
Accounts Payable	(16,768)	(248,229)
Accrued Expenditures	(130,057)	123,828
Deferred Revenue	<u>3,382,436</u>	<u>(4,316,881)</u>
	<u>3,220,919</u>	<u>(4,409,128)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 3,492,643</u></b>	<b><u>\$ (3,736,605)</u></b>

*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, 2013 AND 2012

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 (I, II, III)* – The Operating Program includes resources that are expendable for support of CWC’s operations. All inter-program activity has been eliminated through consolidation. *Operating II contract is closed.*

See independent auditors’ report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

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 & IV* – The Septic Program III & IV are a continuation of the Septic Program II and [Septic Program III] 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, 2013 AND 2012

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 was established 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, 2013 AND 2012

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, 2013 AND 2012

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 \$50,850,077 and \$45,958,029 as of December 31, 2013 and 2012, respectively.

The bank balance was \$51,520,151 and \$46,339,929 as of December 31, 2013 and 2012, 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, 2013 AND 2012

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED):

Balances held in each category as of December 31, 2013, 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	735,127	65,054	Collateral Held by Unit's Custodial Bank
Operating III	317,109	317,109	Collateral Held by Unit's Custodial Bank
Alternate Design	1,166,216	1,166,216	Collateral Held by Unit's Custodial Bank
Septic Program III	5,728,490	5,728,490	Collateral Held by Unit's Custodial Bank
Septic Program IV	5,457,075	5,457,075	Collateral Held by Unit's Custodial Bank
Septic Maintenance	1,443,612	1,443,612	Collateral Held by Unit's Custodial Bank
Stream Corridor Protection	1,529,656	1,529,656	Collateral Held by Unit's Custodial Bank
Sand & Salt Storage			
Facilities II	450,157	450,157	Collateral Held by Unit's Custodial Bank
Community Wastewater	1,630,812	1,630,812	Collateral Held by Unit's Custodial Bank
Community Wastewater II	14,638,178	14,638,178	Collateral Held by Unit's Custodial Bank
Public Education	320	320	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits	2,058,680	2,058,680	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Technical Assist.	154,545	154,545	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Maintenance	141,623	141,623	Collateral Held by Unit's Custodial Bank
Tax Consulting	313,200	313,200	Collateral Held by Unit's Custodial Bank
Tax Litigation Avoidance	457,370	457,370	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater	6,199,002	6,199,002	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater - Lateral Repair Program	292,026	292,026	Collateral Held by Unit's Custodial Bank
Local Technical Assistance	294,435	294,435	Collateral Held by Unit's Custodial Bank
Catskill Fund for the Future	8,009,041	8,009,041	Collateral Held by Unit's Custodial Bank
CFF - Business Recovery	3,475	3,475	Collateral Held by Unit's Custodial Bank
Subtotal	<u>51,020,151</u>	<u>50,350,077</u>	
	<u>\$ 51,520,151</u>	<u>\$ 50,850,077</u>	

Note: Totals may not add due to rounding.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

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 \$300,000, \$475,359, \$1,366,855, \$1,120,843, and \$751,967, respectively. The Catskill Fund for the Future also has reserved investments of \$3,790,000. The reserves were established for the Septic Prattsville – Washington Street, 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 NYCEP for expenditures incurred by CWC. A summary of grants receivable as of December 31, 2013 and 2012, is as follows:

Program	2013	2012
Public Education - New York City		
Environmental Protection	\$ 7,128	\$ -

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, 2013 and 2012, amounted to \$258,148 and \$256,138, respectively.

C. Loans Receivable:

Within the Catskill Fund for the Future Program, there are 126 loans receivable from a variety of entities totaling, \$25,932,789. The years of maturity range from 2013 to 2028 and the interest rates range from 0 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 \$2,899,189. 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, 2013 AND 2012

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2013 and 2012, is summarized as follows:

	2013		2012	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 13,300	\$ -	\$ 13,300	\$ 13,300
Building	186,700	74,049	112,651	117,377
Equipment	97,957	83,783	14,174	6,673
Vehicle	96,380	67,631	28,749	22,370
Furniture & Fixtures	251,714	226,520	25,195	28,836
Improvements	225,161	107,750	117,411	121,793
Software	37,292	34,892	2,400	4,000
	<u>\$ 908,504</u>	<u>\$ 594,625</u>	<u>\$ 313,879</u>	<u>\$ 314,349</u>

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

Depreciation expense for the years ended December 31, 2013 and 2012 is \$41,705 and \$46,401, 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	\$ 507,462
Net Realized Gains	46,619
Net Unrealized Gains/(Losses)	<u>(249,578)</u>
Return on Long-Term Investments	304,503
Interest on Short-Term Investments	<u>47,625</u>
Total Return on Investments	<u>\$ 352,128</u>
Investment Return Designated for Current Operations	<u>\$ 352,128</u>

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

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

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	Market Value
Municipal & Agency Bonds	\$ 11,615,970	\$ 169,301	\$ 11,785,271	\$ 10,174,354
Municipal & Agency Bonds	\$ 24,074,439	\$ (232,654)	\$ 23,841,785	\$ 25,341,996
M & A Bonds - Reserved *	3,790,000	-	3,790,000	3,790,000
Total Long-Term	\$ 27,864,439	\$ (232,654)	\$ 27,631,785	\$ 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, 2013 and 2012, of \$61,214 and \$61,163, 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 \$108,648,784 and other deferrals of \$71,080. A summary of deferred grant revenue as of December 31, 2013 and 2012 is as follows:

See independent auditors' report.

CATSKILL WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013 AND 2012

NOTE 8 – DEFERRED GRANT REVENUE (CONTINUED):

Program	2013	2012
Operating	\$ 993,600	\$ 918,591
Alternate Design	1,182,988	1,182,988
Septic Program III	5,983,835	3,100,686
Septic Program IV	5,153,285	-
Septic Maintenance	1,441,826	1,479,389
Land Acquisition	-	-
Stream Corridor Protection	1,529,326	1,662,775
Sand & Salt Storage II	450,151	450,151
Community Wastewater	1,628,575	2,070,684
Community Wastewater II	14,474,224	17,678,962
Public Education	-	6,460
Stormwater Retrofits	1,791,743	1,810,870
Stormwater Technical Assistance	155,100	172,415
Tax Consulting	949,170	1,038,457
Tax Litigation Avoidance	457,323	464,759
WOH Future Stormwater	11,684,984	12,348,559
Local Technical Assistance	294,435	402,382
Catskill Fund for the Future	60,478,218	60,478,218
	<u>\$ 108,648,784</u>	<u>\$ 105,266,347</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:

	2013	2012
New York City Department of Environmental Protection	\$ 11,712,675	\$ 11,862,101
Other	-	1,189
	<u>\$ 11,712,675</u>	<u>\$ 11,863,290</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 2013 and 2012 were \$69,554 and \$71,163, respectively.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 were \$5,719 and \$5,851, respectively. The minimum future operating lease payments are as follows:

<u>Year Ending December 31</u>	
2014	4,520
2015	-
2016	-
	<u>\$ 4,520</u>

NOTE 13 – LEASE RECEIVABLE:

The CWC entered into a thirty year lease with the Village of Fleischmanns with \$1,000 minimum annual rentals. No rental payments were received as of December 31, 2013.

	<u>2013</u>
Lease Agreement	\$ 157,137
Less: Accumulated amortization	<u>(3,056)</u>
	<u>\$ 154,081</u>

NOTE 14 – CWC HOLDINGS:

The CWC owns 100% of the CWC Holdings II, LLC which is 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. CWC Holding I and CWC Holdings III were sold in 2013. 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, 2013 AND 2012

NOTE 14 – CWC HOLDINGS (CONTINUED):

	Balance Sheets					
	December 31, 2013			December 31, 2012		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
<b>Assets</b>						
Checking	\$ -	\$ 69,734	\$ -	\$ -	\$ 12,674	\$ -
Prepaid Expenses	-	8,808	-	-	8,580	-
Building (net)	-	1,408,161	-	108,190	1,445,712	71,076
Total Assets	<u>\$ -</u>	<u>\$ 1,486,703</u>	<u>\$ -</u>	<u>\$ 108,190</u>	<u>\$ 1,466,966</u>	<u>\$ 71,076</u>
<b>Liabilities</b>						
Current Liabilities	\$ -	\$ 11,959	\$ -	\$ -	\$ -	\$ -
Equity	-	1,474,744	-	108,190	1,466,966	71,076
Total Liabilities & Equity	<u>\$ -</u>	<u>\$ 1,486,703</u>	<u>\$ -</u>	<u>\$ 108,190</u>	<u>\$ 1,466,966</u>	<u>\$ 71,076</u>
<b>Income Statements</b>						
	December 31, 2013			December 31, 2012		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
Income (Loss)	\$ (103,408)	\$ 1	\$ 29,563	\$ -	\$ 14	\$ -
<b>Expenses</b>						
Advertising & Promotion	-	-	-	-	-	-
Depreciation Expense	2,032	37,551	639	2,810	37,551	97
Insurance Expense	-	9,106	-	-	1,685	-
Legal Services	-	-	-	-	14,506	-
Misc. Expense	-	1,216	-	-	318	-
Repairs & Maintenance	-	85,955	-	-	23,851	-
Taxes	-	-	-	-	-	-
Utilities	-	8,396	-	-	6,666	-
Loss on Impairment	-	-	-	-	-	-
Expenses	<u>2,032</u>	<u>142,223</u>	<u>639</u>	<u>2,810</u>	<u>84,577</u>	<u>97</u>
Net Income (Loss)	<u>\$ (105,440)</u>	<u>\$ (142,222)</u>	<u>\$ 28,924</u>	<u>\$ (2,810)</u>	<u>\$ (84,563)</u>	<u>\$ (97)</u>

Note: Totals may not add due to rounding.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 15 – SUBSEQUENT EVENTS:

The date to which events occurring after December 31, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 21, 2014, 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 2010–2013. 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, 2013 and 2012, 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, 2013 and 2012, 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 2010.

See independent auditors' report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

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)
<b>As of December 31, 2013</b>				
<b>Assets:</b>				
Investments Held to Maturity	\$ 39,417,056	\$ 39,417,056	\$ -	\$ -
Loans Receivable, Net	23,033,600	-	23,033,600	-
CWC Holdings II LLC	1,474,743	-	1,474,743	-
	<u>\$ 63,925,399</u>	<u>\$ 39,417,056</u>	<u>\$ 24,508,343</u>	<u>\$ -</u>
<b>Liabilities</b>				
Deferred Grant Revenues	<u>\$ 108,648,784</u>	<u>\$ -</u>	<u>\$ 108,648,784</u>	<u>\$ -</u>
<b>As of December 31, 2012</b>				
<b>Assets:</b>				
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>
<b>Liabilities:</b>				
Deferred Grant Revenues	<u>\$ 105,266,347</u>	<u>\$ -</u>	<u>\$ 105,266,347</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, 2013 AND 2012

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,	
	2013	2012
Balance at Beginning of Period	\$ 71,016	\$ -
Unrealized gains/(losses)	-	-
Realized gain/(losses)	-	-
Purchases, issuances, sales and settlements	(71,016)	71,016
Transfers in and/or out of Level 3	-	-
Balance at End of Period	\$ -	\$ 71,016

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

Realized and unrealized gains and losses of \$29,563 and \$-0- for 2013 and 2012, 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. 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, 2013 AND 2012

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	\$ -	\$ 142,109
Community Wastewater II	142,109	-
Community Wastewater I	-	300,000
Septic Program III	300,000	-
Future Stormwater	-	1,810,708
Septic Program III	1,810,708	-
Septic Program IV	-	1,810,789
Future Stormwater	1,810,789	-
<b>Total Inter-Program Transfers</b>	<b>\$ 4,063,607</b>	<b>\$ 4,063,607</b>

*\*Totals may not add due to rounding*

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM

DECEMBER 31, 2013

ASSETS

	Unrestricted Operating	Alternate Design	Septic Program III	Septic Program IV	Septic System Maintenance	Stream Corridor Protection	Subtotal Carried Forward
<b>Current Assets:</b>							
Cash - Checking	\$ 377,576	\$ 197,901	\$ 5,678,490	\$ 4,981,716	\$ 215,272	\$ 162,802	\$ 11,613,757
Cash - Reserved	-	-	300,000	475,359	-	1,366,855	2,142,214
Short-Term Investments	4,886	1,218,315	-	-	1,228,340	-	2,451,541
Accounts Receivable	-	-	-	-	-	-	-
Accrued Interest Receivable	3,894	-	-	-	-	-	3,894
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	83,786	-	-	(41,978)	(459)	-	41,349
Prepaid Expenditures	49,480	-	-	-	-	-	49,480
<b>Total Current Assets</b>	<b>519,622</b>	<b>1,416,216</b>	<b>5,978,490</b>	<b>5,415,097</b>	<b>1,443,153</b>	<b>1,529,657</b>	<b>16,302,235</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>							
	266,289	-	5,346	-	-	-	271,635
<b>Long-Term Assets:</b>							
Long-Term Investments	350,179	-	-	-	-	-	350,179
Lease Receivable	-	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-	-
<b>Total Long-Term Assets</b>	<b>350,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350,179</b>
	<b>\$ 1,136,090</b>	<b>\$ 1,416,216</b>	<b>\$ 5,983,836</b>	<b>\$ 5,415,097</b>	<b>\$ 1,443,153</b>	<b>\$ 1,529,657</b>	<b>\$ 16,924,049</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities:</b>							
Accounts Payable	\$ 18,579	\$ -	\$ -	\$ 261,812	\$ 1,327	\$ 330	\$ 282,048
Accrued Expenditures	123,911	-	-	-	-	-	123,911
Deferred Grant Revenue	993,600	1,182,987	5,983,836	5,153,285	1,441,826	1,529,327	16,284,861
Deferred Interest Income	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,136,090</b>	<b>1,182,987</b>	<b>5,983,836</b>	<b>5,415,097</b>	<b>1,443,153</b>	<b>1,529,657</b>	<b>16,690,820</b>
<b>Net Assets:</b>							
Unrestricted	-	233,229	-	-	-	-	233,229
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>-</b>	<b>233,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,229</b>
	<b>\$ 1,136,090</b>	<b>\$ 1,416,216</b>	<b>\$ 5,983,836</b>	<b>\$ 5,415,097</b>	<b>\$ 1,443,153</b>	<b>\$ 1,529,657</b>	<b>\$ 16,924,049</b>

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, 2013

<i>ASSETS</i>	Subtotal Brought Forward	Land Acquisition	Sand & Salt II	Community Wastewater Management	Community Wastewater Management II	Public Education Program	Subtotal Carried Forward
<b>Current Assets:</b>							
Cash - Checking	\$ 11,613,757	\$ -	\$ 450,157	\$ 509,969	\$ 14,638,178	\$ 320	\$ 27,212,381
Cash - Reserved	2,142,214	-	-	1,120,843	-	-	3,263,057
Short-Term Investments	2,451,541	-	-	-	-	-	2,451,541
Accounts Receivable	-	-	-	-	-	7,128	7,128
Accrued Interest Receivable	3,894	-	-	-	-	-	3,894
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	41,349	-	-	-	(7,242)	(7,448)	26,659
Prepaid Expenditures	49,480	-	-	-	-	-	49,480
<b>Total Current Assets</b>	<b>16,302,235</b>	<b>-</b>	<b>450,157</b>	<b>1,630,812</b>	<b>14,630,936</b>	<b>-</b>	<b>33,014,140</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<b>271,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>271,635</b>
<b>Long-Term Assets:</b>							
Long-Term Investments	350,179	-	-	-	-	-	350,179
Lease Receivable	-	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-	-
<b>Total Long-Term Assets</b>	<b>350,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350,179</b>
	<b>\$ 16,924,049</b>	<b>\$ -</b>	<b>\$ 450,157</b>	<b>\$ 1,630,812</b>	<b>\$ 14,630,936</b>	<b>\$ -</b>	<b>\$ 33,635,954</b>
<b><i>LIABILITIES AND NET ASSETS</i></b>							
<b>Current Liabilities:</b>							
Accounts Payable	\$ 282,048	\$ -	\$ -	\$ -	\$ 156,712	\$ -	\$ 438,760
Accrued Expenditures	123,911	-	-	-	-	-	123,911
Deferred Grant Revenue	16,284,861	-	450,152	1,628,575	14,474,224	-	32,837,812
Deferred Interest Income	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>16,690,820</b>	<b>-</b>	<b>450,152</b>	<b>1,628,575</b>	<b>14,630,936</b>	<b>-</b>	<b>33,400,483</b>
<b>Net Assets:</b>							
Unrestricted	233,229	-	5	2,237	-	-	235,471
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>233,229</b>	<b>-</b>	<b>5</b>	<b>2,237</b>	<b>-</b>	<b>-</b>	<b>235,471</b>
	<b>\$ 16,924,049</b>	<b>\$ -</b>	<b>\$ 450,157</b>	<b>\$ 1,630,812</b>	<b>\$ 14,630,936</b>	<b>\$ -</b>	<b>\$ 33,635,954</b>

*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, 2013

<i>ASSETS</i>	Subtotal Brought Forward	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
<b>Current Assets:</b>					
Cash - Checking	\$ 27,212,381	\$ 1,147,525	\$ 154,545	\$ 121,780	\$ 28,636,231
Cash - Reserved	3,263,057	-	-	-	3,263,057
Short-Term Investments	2,451,541	1,052,777	-	201,634	3,705,952
Accounts Receivable	7,128	-	-	-	7,128
Accrued Interest Receivable	3,894	-	-	3,076	6,970
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
Due from Other Funds	26,659	(3,226)	555	(384)	23,604
Prepaid Expenditures	49,480	-	-	-	49,480
<b>Total Current Assets</b>	<u>33,014,140</u>	<u>2,197,076</u>	<u>155,100</u>	<u>326,106</u>	<u>35,692,422</u>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<u>271,635</u>	<u>2,179</u>	<u>-</u>	<u>-</u>	<u>273,814</u>
<b>Long-Term Assets:</b>					
Long-Term Investments	350,179	-	-	623,154	973,333
Lease Receivable	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
CWC Holdings I	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-
CWC Holdings III	-	-	-	-	-
<b>Total Long-Term Assets</b>	<u>350,179</u>	<u>-</u>	<u>-</u>	<u>623,154</u>	<u>973,333</u>
	<u>\$ 33,635,954</u>	<u>\$ 2,199,255</u>	<u>\$ 155,100</u>	<u>\$ 949,260</u>	<u>\$ 36,939,569</u>
<b><i>LIABILITIES AND NET ASSETS</i></b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 438,760	\$ 407,512	\$ -	\$ 90	\$ 846,362
Accrued Expenditures	123,911	-	-	-	123,911
Deferred Grant Revenue	32,837,812	1,791,743	155,100	949,170	35,733,825
Deferred Interest Income	-	-	-	-	-
<b>Total Current Liabilities</b>	<u>33,400,483</u>	<u>2,199,255</u>	<u>155,100</u>	<u>949,260</u>	<u>36,704,098</u>
<b>Net Assets:</b>					
Unrestricted	235,471	-	-	-	235,471
Temporarily Restricted	-	-	-	-	-
Permanently Restricted	-	-	-	-	-
<b>Total Net Assets</b>	<u>235,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,471</u>
	<u>\$ 33,635,954</u>	<u>\$ 2,199,255</u>	<u>\$ 155,100</u>	<u>\$ 949,260</u>	<u>\$ 36,939,569</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, 2013

*ASSETS*

	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
<b>Current Assets:</b>						
Cash - Checking	\$ 28,636,231	\$ 457,370	\$ 1,548,112	\$ 294,435	\$ 7,030,065	\$ 37,966,213
Cash - Reserved	3,263,057	-	-	-	751,967	4,015,024
Short-Term Investments	3,705,952	-	7,089,279	-	9,859,179	20,654,410
Accounts Receivable	7,128	-	-	-	21,536	28,664
Accrued Interest Receivable	6,970	-	43,189	-	207,989	258,148
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	1,221,639	1,221,639
Due from Other Funds	23,604	(47)	(1,598)	-	(21,959)	-
Prepaid Expenses	49,480	-	-	-	1,901	51,381
<b>Total Current Assets</b>	<b>35,692,422</b>	<b>457,323</b>	<b>8,678,982</b>	<b>294,435</b>	<b>19,072,317</b>	<b>64,195,479</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<b>273,814</b>	<b>-</b>	<b>5,304</b>	<b>-</b>	<b>34,757</b>	<b>313,875</b>
<b>Long-Term Assets:</b>						
Long-Term Investments	973,333	-	7,189,338	-	19,469,114	27,631,785
Lease Receivable	-	-	-	-	154,081	154,081
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	21,811,960	21,811,960
CWC Holdings I	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	1,474,743	1,474,743
CWC Holdings III	-	-	-	-	-	-
<b>Total Long-Term Assets</b>	<b>973,333</b>	<b>-</b>	<b>7,189,338</b>	<b>-</b>	<b>42,909,898</b>	<b>51,072,569</b>
	<b>\$ 36,939,569</b>	<b>\$ 457,323</b>	<b>\$ 15,873,624</b>	<b>\$ 294,435</b>	<b>\$ 62,016,972</b>	<b>\$ 115,581,923</b>
<b><i>LIABILITIES AND NET ASSETS</i></b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 846,362	\$ -	\$ 5,949	\$ -	\$ 31,628	\$ 883,939
Accrued Expenses	123,911	-	-	-	40,000	163,911
Deferred Grant Revenue	35,733,825	457,323	11,684,984	294,435	60,478,216	108,648,783
Deferred Interest Income	-	-	-	-	71,080	71,080
<b>Total Current Liabilities</b>	<b>36,704,098</b>	<b>457,323</b>	<b>11,690,933</b>	<b>294,435</b>	<b>60,620,924</b>	<b>109,767,713</b>
<b>Net Assets:</b>						
Unrestricted	235,471	-	4,182,691	-	1,387,964	5,806,126
Temporarily Restricted	-	-	-	-	8,084	8,084
Permanently Restricted	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>235,471</b>	<b>-</b>	<b>4,182,691</b>	<b>-</b>	<b>1,396,048</b>	<b>5,814,210</b>
	<b>\$ 36,939,569</b>	<b>\$ 457,323</b>	<b>\$ 15,873,624</b>	<b>\$ 294,435</b>	<b>\$ 62,016,972</b>	<b>\$ 115,581,923</b>

*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, 2013

	Unrestricted Operating	Alternate Design	Septic Program III	Septic Program IV	Subtotal Carried Forward
<b>Revenue:</b>					
Grant Revenue	\$ 216,566	\$ -	\$ 1,827,558	\$ 3,660,391	\$ 5,704,515
Interest and Other Income	3,061	1,869	960	524	6,414
Total Revenue	<u>219,627</u>	<u>1,869</u>	<u>1,828,518</u>	<u>3,660,915</u>	<u>5,710,929</u>
<b>Expenditures:</b>					
Salary	377,299	-	145,324	105,094	627,717
Fringe Benefits	137,853	-	55,969	40,735	234,557
Program	5,082	-	1,458,293	3,375,911	4,839,286
Occupancy Costs	32,508	-	-	-	32,508
Advertising & Promotion	3,049	-	-	999	4,048
Office Supplies	18,044	-	298	623	18,965
Communication	16,589	-	316	876	17,781
Grants	-	-	-	-	-
Travel	27,495	-	101	291	27,887
Conferences and Seminars	380	-	149	575	1,104
Insurance	38,363	-	-	-	38,363
Repairs & Maintenance	10,566	-	-	-	10,566
Subscriptions & Publications	4,256	-	-	-	4,256
Professional Fees	117,452	-	-	-	117,452
Administrative	(590,737)	-	161,652	135,811	(293,274)
Depreciation	19,659	-	6,416	-	26,075
Dues, Licenses, and Memberships	1,075	-	-	-	1,075
Miscellaneous	694	-	-	-	694
Impairment Loss	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-
Total Expenditures	<u>219,627</u>	<u>-</u>	<u>1,828,518</u>	<u>3,660,915</u>	<u>5,709,060</u>
Change in Net Assets	-	1,869	-	-	1,869
Net Assets, Beginning	-	231,360	-	-	231,360
Net Assets, Ending	<u>\$ -</u>	<u>\$ 233,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,229</u>

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

CATSKILL WATERSHED CORPORATION

SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

	Subtotal Brought Forward	Septic System Maintenance	Land Acquisition	Stream Corridor Protection	Community Wastewater Management	Sand & Salt Storage Program	Subtotal Carried Forward
<b>Revenue:</b>							
Grant Revenue	\$ 5,704,515	\$ 37,563	\$ 8,284	\$ 133,449	\$ -	\$ -	\$ 5,883,811
Interest and Other Income	6,414	1,323	-	347	1,861	97	10,042
Total Revenue	5,710,929	38,886	8,284	133,796	1,861	97	5,893,853
<b>Expenditures:</b>							
Salary	627,717	4,135	-	3,686	-	146	635,684
Fringe Benefits	234,557	1,691	-	2,409	-	51	238,708
Program	4,839,286	29,039	8,284	117,567	7,700	-	5,001,876
Occupancy Costs	32,508	-	-	-	-	-	32,508
Advertising & Promotion	4,048	-	-	-	-	-	4,048
Office Supplies	18,965	-	-	-	-	-	18,965
Communication	17,781	323	-	27	-	-	18,131
Grants	-	-	-	-	-	-	-
Travel	27,887	-	-	84	-	-	27,971
Conferences and Seminars	1,104	-	-	-	-	-	1,104
Insurance	38,363	-	-	-	-	-	38,363
Repairs & Maintenance	10,566	-	-	-	-	-	10,566
Subscriptions & Publications	4,256	-	-	-	-	-	4,256
Professional Fees	117,452	-	-	5,785	-	-	123,237
Administrative	(293,274)	3,698	-	4,238	-	87	(285,251)
Depreciation	26,075	-	-	-	-	-	26,075
Dues, Licenses, and Memberships	1,075	-	-	-	-	-	1,075
Miscellaneous	694	-	-	-	-	-	694
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	5,709,060	38,886	8,284	133,796	7,700	284	5,898,010
Change in Net Assets	1,869	-	-	-	(5,839)	(187)	(4,157)
Net Assets, Beginning	231,360	-	-	-	8,077	193	239,630
Net Assets, Ending	\$ 233,229	\$ -	\$ -	\$ -	\$ 2,238	\$ 6	\$ 235,473

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, 2013

	Subtotal Brought Forward	Community Wastewater Management II	Public Education Program	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
<b>Revenue:</b>							
Grant Revenue	\$ 5,883,811	\$ 3,346,848	\$ 157,152	\$ 1,439,301	\$ 17,315	\$ 89,287	\$ 10,933,714
Interest and Other Income	10,042	4,961	4	1,776	36	5,013	21,832
Total Revenue	<u>5,893,853</u>	<u>3,351,809</u>	<u>157,156</u>	<u>1,441,077</u>	<u>17,351</u>	<u>94,300</u>	<u>10,955,546</u>
<b>Expenditures:</b>							
Salary	635,684	68,661	14,313	8,579	10,064	2,204	739,505
Fringe Benefits	238,708	20,653	5,071	5,748	7,287	920	278,387
Program	5,001,876	3,207,031	-	1,392,894	-	-	9,601,801
Occupancy Costs	32,508	-	-	-	-	-	32,508
Advertising & Promotion	4,048	-	301	-	-	-	4,349
Office Supplies	18,965	-	-	-	-	-	18,965
Communication	18,131	24	281	109	-	8	18,553
Grants	-	-	122,043	-	-	-	122,043
Travel	27,971	20	441	-	-	-	28,432
Conferences and Seminars	1,104	149	-	-	-	-	1,253
Insurance	38,363	-	-	-	-	-	38,363
Repairs & Maintenance	10,566	-	-	-	-	-	10,566
Subscriptions & Publications	4,256	-	-	-	-	-	4,256
Professional Fees	123,237	-	-	4,883	-	89,792	217,912
Administrative	(285,251)	55,271	14,706	23,635	-	1,326	(190,313)
Depreciation	26,075	-	-	5,229	-	-	31,304
Dues, Licenses, and Memberships	1,075	-	-	-	-	-	1,075
Miscellaneous	694	-	-	-	-	50	744
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>5,898,010</u>	<u>3,351,809</u>	<u>157,156</u>	<u>1,441,077</u>	<u>17,351</u>	<u>94,300</u>	<u>10,959,703</u>
Change in Net Assets	(4,157)	-	-	-	-	-	(4,157)
Net Assets, Beginning	239,630	-	-	-	-	-	239,630
Net Assets, Ending	<u>\$ 235,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,473</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, 2013

	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
<b>Revenue:</b>						
Grant Revenue	\$ 10,933,714	\$ 7,436	\$ 663,576	\$ 107,948	\$ 1	\$ 11,712,675
Interest and Other Income	21,832	99	11,742	82	924,504	958,259
<b>Total Revenue</b>	<b>10,955,546</b>	<b>7,535</b>	<b>675,318</b>	<b>108,030</b>	<b>924,505</b>	<b>12,670,934</b>
<b>Expenditures:</b>						
Salary	739,505	1,570	11,218	218	179,070	931,581
Fringe Benefits	278,387	645	7,679	66	71,589	358,366
Program	9,601,801	-	529,964	107,537	93,975	10,333,277
Occupancy Costs	32,508	-	-	-	41,944	74,452
Advertising & Promotion	4,349	-	-	-	13,946	18,295
Office Supplies	18,965	-	-	-	579	19,544
Communication	18,553	-	27	-	2,983	21,563
Grants	122,043	-	-	-	49,611	171,654
Travel	28,432	-	216	-	505	29,153
Conferences and Seminars	1,253	-	-	-	997	2,250
Insurance	38,363	-	-	-	13,922	52,285
Repairs & Maintenance	10,566	-	-	-	87,155	97,721
Subscriptions & Publications	4,256	-	-	-	799	5,055
Professional Fees	217,912	4,621	330	-	153,832	376,695
Administrative	(190,313)	699	13,975	209	175,431	1
Depreciation	31,304	-	3,978	-	46,645	81,927
Dues, Licenses, and Memberships	1,075	-	-	-	345	1,420
Miscellaneous	744	-	115	-	2,468	3,327
Impairment Loss	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>10,959,703</b>	<b>7,535</b>	<b>567,502</b>	<b>108,030</b>	<b>935,796</b>	<b>12,578,566</b>
Change in Net Assets	(4,157)	-	107,816	-	(11,291)	92,368
Net Assets, Beginning	239,630	-	4,074,875	-	1,407,338	5,721,843
Net Assets, Ending	\$ 235,473	\$ -	\$ 4,182,691	\$ -	\$ 1,396,047	\$ 5,814,211

Note: Totals may not add due to rounding.