

CATSKILL WATERSHED CORPORATION

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

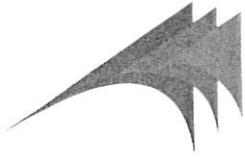
CATSKILL WATERSHED CORPORATION

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of the financial position of Catskill Watershed Corporation (a nonprofit organization), as of December 31, 2014 and 2013, 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 AUDITOR'S REPORT (CONTINUED)

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

*Opinion*

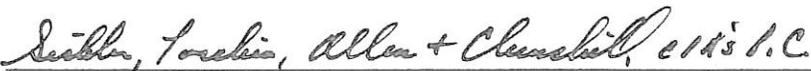
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catskill Watershed Corporation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles 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 25, 2015 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 25, 2015

## CATSKILL WATERSHED CORPORATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 36,973,083	\$ 37,966,213
Cash and Cash Equivalents - Reserved	3,938,754	4,015,024
Short-Term Investments	18,800,237	20,654,410
Accounts Receivable	31,996	28,664
Accrued Interest Receivable	227,163	258,148
Loans Receivable, Net of Allowance for Doubtful Accounts	2,536,060	1,221,639
Prepaid Expenditures	<u>53,420</u>	<u>51,381</u>
Total Current Assets	<u>62,560,713</u>	<u>64,195,479</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>		
	<u>333,979</u>	<u>313,875</u>
 <b>LONG-TERM ASSETS:</b>		
Long-Term Investments	23,691,737	23,841,785
Long-Term Investments - Reserved	3,790,000	3,790,000
Lease Receivable	147,769	154,081
Loans Receivable, Net of Allowance for Doubtful Accounts	20,893,489	21,811,960
CWC Holdings I	-	-
CWC Holdings II LLC	1,384,391	1,474,743
CWC Holdings III	<u>-</u>	<u>-</u>
Total Long-Term Assets	<u>49,907,386</u>	<u>51,072,569</u>
	<u>\$ 112,802,078</u>	<u>\$ 115,581,923</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 687,445	\$ 883,939
Accrued Expenditures	176,553	163,911
Deferred Revenue	<u>105,458,036</u>	<u>108,719,863</u>
Total Current Liabilities	<u>106,322,034</u>	<u>109,767,713</u>
 <b>NET ASSETS:</b>		
Unrestricted	6,480,044	5,806,126
Temporarily Restricted	-	8,084
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>6,480,044</u>	<u>5,814,210</u>
	<u>\$ 112,802,078</u>	<u>\$ 115,581,923</u>

*Note: Totals may not add due to rounding*

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

CATSKILL WATERSHED CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE:		
Grant Revenue	\$ 9,262,776	\$ 11,712,675
Interest and Other Income	<u>1,201,265</u>	<u>606,131</u>
Total Revenue	<u>10,464,041</u>	<u>12,318,806</u>
EXPENDITURES:		
Program Services	9,682,773	12,358,939
Administrative and General	<u>198,768</u>	<u>219,627</u>
Total Expenditures	<u>9,881,541</u>	<u>12,578,566</u>
	582,500	(259,760)
OPERATING REVENUES, GAINS, AND OTHER SUPPORT:		
Investment Return Designated for Current Operations	<u>83,333</u>	<u>352,128</u>
Changes in Net Assets	665,833	92,368
Net Assets, Beginning	<u>5,814,211</u>	<u>5,721,843</u>
Net Assets, Ending	<u>\$ 6,480,044</u>	<u>\$ 5,814,211</u>

*Note: Totals may not add due to rounding*

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

CATSKILL WATERSHED CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Funding Agencies	\$ 5,997,616	\$ 15,071,539
Interest Income and Other	1,784,250	1,214,637
Cash Paid for Operating Activities	<u>(10,072,290)</u>	<u>(12,793,533)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,290,424)</u>	<u>3,492,643</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Investment Maturities/Sales	33,291,579	23,296,845
Purchase of Investments	(32,148,060)	(23,655,869)
Loan Payments Received	2,313,652	3,761,947
Loans Issued	(2,468,479)	(1,962,586)
Purchase of Fixed Assets	<u>(63,518)</u>	<u>(41,231)</u>
Net Cash Provided (Used) by Investing Activities	<u>925,174</u>	<u>1,399,106</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,365,250)	4,891,749
CASH AND CASH EQUIVALENTS, BEGINNING	<u>50,850,077</u>	<u>45,958,328</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 49,484,827</u>	<u>\$ 50,850,077</u>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013:*

Changes in Net Assets	\$ 665,833	\$ 92,368
Adjustments to Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	80,966	81,927
Change in Market Value	468,667	258,388
Bad Debt Expense	<u>(85,825)</u>	<u>(160,959)</u>
Working Capital Provided (Used) by Operating Activities	<u>1,129,641</u>	<u>271,724</u>
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Grants Receivable	-	-
Accounts Receivable	(3,332)	(23,571)
Accrued Interest Receivable	30,985	(2,010)
Prepaid Expenditures	(2,039)	10,889
(Decrease) Increase in:		
Accounts Payable	(196,494)	(16,768)
Accrued Expenditures	12,642	(130,057)
Deferred Revenue	<u>(3,261,827)</u>	<u>3,382,436</u>
	<u>(3,420,065)</u>	<u>3,220,919</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,290,424)</u>	<u>\$ 3,492,643</u>

*Note: Totals may not add due to rounding*

CATSKILL WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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 18 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.*
- II. *Flood Hazard Mitigation Program* – The Flood Hazard Mitigation Program is in the development stages. All inter-program activity has been eliminated through consolidation.

See independent auditor’s report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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

- III. *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.
- IV. *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.
- V. *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.
- VI. *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.
- VII. *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.
- VIII. *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.
- IX. *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.
- X. *Community Wastewater Management Phase II & III* – 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. Phase III encompasses the last five [Memorandum of Agreement] communities. All inter-program activity has been eliminated through consolidation.

See independent auditor’s report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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

- XI. *Public Education Program I & II* – The Public Education Programs provide funds to educate the public and increase awareness of the nature and importance of the New York City (City) water supply. Public Education II is a continuation of Public Education I while Public Education I is phased out. All inter-program activity has been eliminated through consolidation.
- XII. *Stormwater Retrofits I & II* – The Stormwater Retrofits Programs provide 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.
- XIII. *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.
- XIV. *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.
- XV. *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.
- XVI. *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.
- XVII. *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.
- XVIII. *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 auditor's report.

CATSKILL WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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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 auditor's report.

CATSKILL WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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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 \$49,484,827 and \$50,850,077 as of December 31, 2014 and 2013, respectively.

The bank balance was \$50,300,078 and \$51,520,151 as of December 31, 2014 and 2013, 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 auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED):

Balances held in each category as of December 31, 2014, 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	500,000	500,000	
Operating I	1,161,593	346,342	Collateral Held by Unit's Custodial Bank
Operating III	117,145	117,145	Collateral Held by Unit's Custodial Bank
Alternate Design	1,167,577	1,167,577	Collateral Held by Unit's Custodial Bank
Septic Program III	5,644,329	5,644,329	Collateral Held by Unit's Custodial Bank
Septic Program IV	5,526,442	5,526,442	Collateral Held by Unit's Custodial Bank
Septic Maintenance	1,399,260	1,399,260	Collateral Held by Unit's Custodial Bank
Stream Corridor Protection	1,253,748	1,253,748	Collateral Held by Unit's Custodial Bank
Flood Hazard Mitigation	1,235,158	1,235,158	Collateral Held by Unit's Custodial Bank
Sand & Salt Storage Facilities II	450,247	450,247	Collateral Held by Unit's Custodial Bank
Community Wastewater	1,473,225	1,473,225	Collateral Held by Unit's Custodial Bank
Community Wastewater II & III	12,730,650	12,730,650	Collateral Held by Unit's Custodial Bank
Public Education I & II	9,730	9,730	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits I & II	1,073,981	1,073,981	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Technical Assist.	128,321	128,321	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Maintenance	231,040	231,040	Collateral Held by Unit's Custodial Bank
Tax Consulting	370,041	370,041	Collateral Held by Unit's Custodial Bank
Tax Litigation Avoidance	448,609	448,609	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater	6,917,597	6,917,597	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater - Lateral Repair Program	292,085	292,085	Collateral Held by Unit's Custodial Bank
Local Technical Assistance	292,378	292,378	Collateral Held by Unit's Custodial Bank
Catskill Fund for the Future	7,873,445	7,873,445	Collateral Held by Unit's Custodial Bank
CFF - Business Recovery	3,476	3,476	Collateral Held by Unit's Custodial Bank
Subtotal	49,800,078	48,984,827	
	\$ 50,300,078	\$ 49,484,827	

Note: Totals may not add due to rounding.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 \$282,360, \$424,340, \$1,116,855, \$1,120,843, and \$994,357, 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, 2014 and 2013, is as follows:

Program	2014	2013
Public Education - New York City		
Environmental Protection	\$ 2,426	\$ 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, 2014 and 2013, amounted to \$227,163 and \$258,148, respectively.

C. Loans Receivable:

Within the Catskill Fund for the Future Program, there are 112 loans receivable from a variety of entities totaling, \$26,062,693. The years of maturity range from 2014 to 2029 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 \$2,633,144. 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 auditor's report.

CATSKILL WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2014 and 2013, is summarized as follows:

	2014		2013	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 13,300	\$ -	\$ 13,300	\$ 13,300
Building	186,700	78,776	107,924	112,651
Equipment	114,530	88,285	26,245	14,174
Vehicle	122,811	85,434	37,377	28,749
Furniture & Fixtures	272,228	236,925	35,302	25,195
Improvements	225,161	112,131	113,030	117,411
Software	37,292	36,492	800	2,400
	<u>\$ 972,022</u>	<u>\$ 638,043</u>	<u>\$ 333,979</u>	<u>\$ 313,879</u>

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

Depreciation expense for the years ended December 31, 2014 and 2013 is \$43,414 and \$41,705, 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	\$ 297,327
Net Realized Gains	81,163
Net Unrealized Gains/(Losses)	<u>(468,667)</u>
Return on Long-Term Investments	(90,177)
Interest on Short-Term Investments	<u>174,010</u>
Total Return on Investments	<u>\$ 83,833</u>
Investment Return Designated for Current Operations	<u>\$ 83,833</u>

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

See independent auditor's report.

CATSKILL WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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 values 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:

	2014			2013
	Carry Value	Unrealized Gain/(Loss)	Market Value	Market Value
Municipal & Agency Bonds	\$ 10,230,477	\$ (3,530)	\$ 10,226,947	\$ 11,785,271
Municipal & Agency Bonds	\$ 23,923,135	\$ (231,398)	\$ 23,691,737	\$ 23,841,785
M & A Bonds - Reserved *	3,790,000	-	3,790,000	3,790,000
Total Long-Term	<u>\$ 27,713,135</u>	<u>\$ (231,398)</u>	<u>\$ 27,481,737</u>	<u>\$ 27,631,785</u>

\* 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, 2014 and 2013, of \$61,855 and \$61,214, respectively, has been included in accrued expenses in the accompanying financial statements.

NOTE 8 – DEFERRED GRANT 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 \$105,372,115 and other deferrals of \$85,923. A summary of deferred grant revenue as of December 31, 2014 and 2013 is as follows:

See independent auditor's report.

CATSKILL WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 8 – DEFERRED GRANT REVENUE (CONTINUED):

Program	2014	2013
Operating	\$ 1,083,341	\$ 993,600
Alternate Design	1,182,988	1,182,988
Septic Program III	5,893,411	5,983,835
Septic Program IV	5,255,428	5,153,285
Septic Maintenance	1,397,638	1,441,826
Land Acquisition	-	-
Stream Corridor Protection	1,253,643	1,529,326
Flood Hazard	1,235,169	-
Sand & Salt Storage II	450,151	450,151
Community Wastewater	1,468,733	1,628,575
Community Wastewater II	12,319,105	14,474,224
Stormwater Retrofits	1,294,233	1,791,743
Stormwater Technical Assistance	129,407	155,100
Tax Consulting	554,338	949,170
Tax Litigation Avoidance	446,928	457,323
WOH Future Stormwater	10,637,010	11,684,984
Local Technical Assistance	292,373	294,435
Catskill Fund for the Future	<u>60,478,218</u>	<u>60,478,218</u>
	<u>\$ 105,372,115</u>	<u>\$ 108,648,784</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:

	2014	2013
New York City Department of Environmental Protection	\$ 9,262,776	\$ 11,712,675
Other	-	-
	<u>\$ 9,262,776</u>	<u>\$ 11,712,675</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 2014 and 2013 were \$70,073 and \$69,554, respectively.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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 a three-year operating lease totaling \$13,207 for a copy machine. Total rental expenditures on the lease for the fiscal years ended December 31, 2014 and 2013 were \$5,716 and \$5,719, respectively. The minimum future operating lease payments are as follows:

<u>Year Ending December 31</u>	
2015	\$ 4,370
2016	4,371
2017	<u>2,914</u>
	<u>\$ 11,654</u>

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

NOTE 13 – LEASE RECEIVABLE:

The CWC entered into a \$157,137, thirty year lease with the Village of Fleischmanns with \$1,000 minimum annual rentals. CWC received \$1,000 as of December 31, 2014.

	<u>2014</u>	<u>2013</u>
Lease Receivable	\$ 156,137	\$ 157,137
Less: Accumulated amortization	<u>(8,367)</u>	<u>(3,056)</u>
	<u>\$ 147,770</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 auditor’s report.

CATSKILL WATERSHED CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2014 AND 2013

NOTE 14 – CWC HOLDINGS (CONTINUED):

	Balance Sheets					
	December 31, 2014			December 31, 2013		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
<b>Assets</b>						
Checking	\$ -	\$ 8,010	\$ -	\$ -	\$ 69,734	\$ -
Prepaid Expenses	-	5,969	-	-	8,808	-
Building (net)	-	1,370,610	-	-	1,408,161	-
Total Assets	\$ -	\$ 1,384,589	\$ -	\$ -	\$ 1,486,703	\$ -
<b>Liabilities</b>						
Current Liabilities	\$ -	\$ 198	\$ -	\$ -	\$ 11,959	\$ -
Equity	-	1,384,391	-	-	1,474,744	-
Total Liabilities & Equity	\$ -	\$ 1,384,589	\$ -	\$ -	\$ 1,486,703	\$ -
Income Statements						
	December 31, 2014			December 31, 2013		
	CWC Holdings I	Holdings II, LLC	CWC Holdings III	CWC Holdings I	Holdings II, LLC	CWC Holdings III
Income (Loss)	\$ -	\$ 2	\$ -	\$ (103,408)	\$ 1	\$ 29,563
<b>Expenses</b>						
Advertising & Promotion	-	-	-	-	-	-
Depreciation Expense	-	37,551	-	2,032	37,551	639
Insurance Expense	-	8,985	-	-	9,106	-
Legal Services	-	-	-	-	-	-
Misc. Expense	-	183	-	-	1,216	-
Repairs & Maintenance	-	30,377	-	-	85,955	-
Taxes	-	-	-	-	-	-
Utilities	-	13,260	-	-	8,396	-
Loss on Impairment	-	-	-	-	-	-
Expenses	-	90,355	-	2,032	142,223	639
Net Income (Loss)	\$ -	\$ (90,353)	\$ -	\$ (105,440)	\$ (142,222)	\$ 28,924

Note: Totals may not add due to rounding.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 15 – SUBSEQUENT EVENTS:

The date to which events occurring after December 31, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 25, 2015, 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 2011–2014. 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, 2014 and 2013, 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, 2014 and 2013, 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 2011.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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	(Level 1)	(Level 2)	(Level 3)
<b>As of December 31, 2014</b>				
Assets:				
Investments Held to Maturity	\$ 37,708,684	\$ 37,708,684	\$ -	\$
Loans Receivable, Net	23,429,549	-	23,429,549	
CWC Holdings II LLC	1,384,391	-	1,384,391	
	\$ 62,522,624	\$ 37,708,684	\$ 24,813,940	\$
Liabilities				
Deferred Grant Revenues	\$ 105,372,115	\$ -	\$ 105,372,115	\$
<b>As of December 31, 2013</b>				
Assets:				
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	
	\$ 63,925,399	\$ 39,417,056	\$ 24,508,343	\$
Liabilities				
Deferred Grant Revenues	\$ 108,648,784	\$ -	\$ 108,648,784	\$

*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 auditor’s report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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,	
	2014	2013
Balance at Beginning of Period	\$ -	\$ 71,016
Unrealized gains/(losses)	-	-
Realized gain/(losses)	-	-
Purchases, issuances, sales and settlements	-	(71,016)
Transfers in and/or out of Level 3	-	-
Balance at End of Period	<u>\$ -</u>	<u>\$ -</u>

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

Realized and unrealized gains and losses of \$-0- and \$29,563 for 2014 and 2013, respectively are included in changes in net assets and 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 auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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
Flood Hazard Mitigation	\$ 1,250,000	\$ -
Stream Corridor	-	250,000
Future Stormwater	-	1,000,000
Community Wastewater II	149,101	-
Community Wastewater III	10,740	-
Community Wastewater I	-	159,842
Total Inter-Program Transfers	<u>\$ 1,409,842</u>	<u>\$ 1,409,842</u>

*\*Totals may not add due to rounding*

NOTE 19 – LITIGATION:

CWC was served on December 31, 2014 in a lawsuit filed by Dry Brook Holdings, LLC naming the City of New York, New York City Department of Environmental Protection, and CWC as defendants filed in New York State Supreme Court, Delaware County, and bearing docket number 2014-1177. The suit seeks recovery of certain costs (totaling \$85,000) alleged to have been incurred by plaintiff related to the replacement of septic systems on its property in the Town of Middletown. The complaint alleges that the City of New York and CWC are obligated to reimburse plaintiff's costs, above what was previously provided to Plaintiff by CWC, pursuant to the 1997 New York City Watershed Memorandum of Agreement between the City of New York, the State of New York, Environmental Protection Agency, CWC, the Coalition of Watershed Towns, and numerous municipalities, and certain grant programs developed thereafter and managed by CWC on behalf of the City of New York. CWC's outside counsel, Whiteman, Osterman and Hanna has appeared on their behalf and is diligently defending their interests in the matter.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM

DECEMBER 31, 2014

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	\$ 462,518	\$ 197,941	\$ 5,611,969	\$ 5,102,103	\$ 169,946	\$ 136,894	\$ 11,681,371
Cash - Reserved	-	-	282,360	424,340	-	1,116,854	1,823,554
Short-Term Investments	1,270	1,219,636	-	-	1,229,314	-	2,450,220
Accounts Receivable	-	-	-	-	-	-	-
Accrued Interest Receivable	1,895	-	-	-	-	-	1,895
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	80,401	-	-	(41,780)	(349)	-	38,272
Prepaid Expenditures	43,740	-	-	-	-	-	43,740
<b>Total Current Assets</b>	<b>589,824</b>	<b>1,417,577</b>	<b>5,894,329</b>	<b>5,484,663</b>	<b>1,398,911</b>	<b>1,253,748</b>	<b>16,039,052</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>							
	280,678	-	1,326	22,026	-	-	304,030
<b>Long-Term Assets:</b>							
Long-Term Investments	352,535	-	-	-	-	-	352,535
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>352,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,535</b>
	<u>\$ 1,223,037</u>	<u>\$ 1,417,577</u>	<u>\$ 5,895,655</u>	<u>\$ 5,506,689</u>	<u>\$ 1,398,911</u>	<u>\$ 1,253,748</u>	<u>\$ 16,695,617</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities:</b>							
Accounts Payable	\$ 12,638	\$ -	\$ 2,244	\$ 251,261	\$ 1,273	\$ -	\$ 267,416
Accrued Expenditures	127,058	-	-	-	-	-	127,058
Deferred Grant Revenue	1,083,341	1,182,988	5,893,411	5,255,428	1,397,638	1,253,643	16,066,449
Deferred Interest Income	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,223,037</b>	<b>1,182,988</b>	<b>5,895,655</b>	<b>5,506,689</b>	<b>1,398,911</b>	<b>1,253,643</b>	<b>16,460,923</b>
<b>Net Assets:</b>							
Unrestricted	-	234,589	-	-	-	105	234,694
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>-</b>	<b>234,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>234,694</b>
	<u>\$ 1,223,037</u>	<u>\$ 1,417,577</u>	<u>\$ 5,895,655</u>	<u>\$ 5,506,689</u>	<u>\$ 1,398,911</u>	<u>\$ 1,253,748</u>	<u>\$ 16,695,617</u>

Note: Totals may not add due to rounding.

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

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2014

ASSETS	Subtotal Brought Forward	Flood Hazard	Sand & Salt II	Community Wastewater Management	Community Wastewater Management II & III	Public Education Programs	Subtotal Carried Forward
<b>Current Assets:</b>							
Cash - Checking	\$ 11,681,371	\$ 1,235,158	\$ 450,247	\$ 352,381	\$ 12,730,650	\$ 9,730	\$ 26,459,537
Cash - Reserved	1,823,554	-	-	1,120,843	-	-	2,944,397
Short-Term Investments	2,450,220	-	-	-	-	-	2,450,220
Accounts Receivable	-	-	-	-	-	2,426	2,426
Accrued Interest Receivable	1,895	-	-	-	-	-	1,895
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	38,272	10	-	(953)	(6,780)	(2,638)	27,911
Prepaid Expenditures	43,740	-	-	-	-	-	43,740
<b>Total Current Assets</b>	<b>16,039,052</b>	<b>1,235,168</b>	<b>450,247</b>	<b>1,472,271</b>	<b>12,723,870</b>	<b>9,518</b>	<b>31,930,126</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>							
	304,030	-	-	-	-	-	304,030
<b>Long-Term Assets:</b>							
Long-Term Investments	352,535	-	-	-	-	-	352,535
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>352,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,535</b>
	<b>\$ 16,695,617</b>	<b>\$ 1,235,168</b>	<b>\$ 450,247</b>	<b>\$ 1,472,271</b>	<b>\$ 12,723,870</b>	<b>\$ 9,518</b>	<b>\$ 32,586,691</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities:</b>							
Accounts Payable	\$ 267,416	\$ -	\$ -	\$ -	\$ 404,765	\$ 23	\$ 672,204
Accrued Expenditures	127,058	-	-	-	-	9,495	136,553
Deferred Grant Revenue	16,066,449	1,235,168	450,151	1,468,733	12,319,105	-	31,539,606
Deferred Interest Income	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>16,460,923</b>	<b>1,235,168</b>	<b>450,151</b>	<b>1,468,733</b>	<b>12,723,870</b>	<b>9,518</b>	<b>32,348,363</b>
<b>Net Assets:</b>							
Unrestricted	234,694	-	96	3,538	-	-	238,328
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>234,694</b>	<b>-</b>	<b>96</b>	<b>3,538</b>	<b>-</b>	<b>-</b>	<b>238,328</b>
	<b>\$ 16,695,617</b>	<b>\$ 1,235,168</b>	<b>\$ 450,247</b>	<b>\$ 1,472,271</b>	<b>\$ 12,723,870</b>	<b>\$ 9,518</b>	<b>\$ 32,586,691</b>

Note: Totals may not add due to rounding.

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

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2014

ASSETS	Subtotal Brought Forward	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
<b>Current Assets:</b>					
Cash - Checking	\$ 26,459,537	\$ 251,102	\$ 128,321	\$ 187,056	\$ 27,026,016
Cash - Reserved	2,944,397	-	-	-	2,944,397
Short-Term Investments	2,450,220	1,053,919	-	182,985	3,687,124
Accounts Receivable	2,426	-	-	-	2,426
Accrued Interest Receivable	1,895	-	-	1,742	3,637
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
Due from Other Funds	27,911	(4,716)	1,086	(25)	24,256
Prepaid Expenditures	43,740	-	-	-	43,740
<b>Total Current Assets</b>	<u>31,930,126</u>	<u>1,300,305</u>	<u>129,407</u>	<u>371,758</u>	<u>33,731,596</u>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<u>304,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,030</u>
<b>Long-Term Assets:</b>					
Long-Term Investments	352,535	-	-	182,580	535,115
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>352,535</u>	<u>-</u>	<u>-</u>	<u>182,580</u>	<u>535,115</u>
	<u>\$ 32,586,691</u>	<u>\$ 1,300,305</u>	<u>\$ 129,407</u>	<u>\$ 554,338</u>	<u>\$ 34,570,741</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 672,204	\$ 6,072	\$ -	\$ -	\$ 678,276
Accrued Expenditures	136,553	-	-	-	136,553
Deferred Grant Revenue	31,539,606	1,294,233	129,407	554,338	33,517,584
Deferred Interest Income	-	-	-	-	-
<b>Total Current Liabilities</b>	<u>32,348,363</u>	<u>1,300,305</u>	<u>129,407</u>	<u>554,338</u>	<u>34,332,413</u>
<b>Net Assets:</b>					
Unrestricted	238,328	-	-	-	238,328
Temporarily Restricted	-	-	-	-	-
Permanently Restricted	-	-	-	-	-
<b>Total Net Assets</b>	<u>238,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,328</u>
	<u>\$ 32,586,691</u>	<u>\$ 1,300,305</u>	<u>\$ 129,407</u>	<u>\$ 554,338</u>	<u>\$ 34,570,741</u>

Note: Totals may not add due to rounding.

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

## CATSKILL WATERSHED CORPORATION

## SCHEDULE OF FINANCIAL POSITION - BY PROGRAM (CONTINUED)

DECEMBER 31, 2014

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	\$ 27,026,016	\$ 448,609	\$ 2,324,878	\$ 292,378	\$ 6,881,202	\$ 36,973,083
Cash - Reserved	2,944,397	-	-	-	994,357	3,938,754
Short-Term Investments	3,687,124	-	6,436,325	-	8,676,788	18,800,237
Accounts Receivable	2,426	-	-	-	29,570	31,996
Accrued Interest Receivable	3,637	-	44,026	-	179,500	227,163
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	2,536,060	2,536,060
Due from Other Funds	24,256	(554)	(1,793)	-	(21,909)	-
Prepaid Expenses	43,740	-	-	-	9,680	53,420
<b>Total Current Assets</b>	<b>33,731,596</b>	<b>448,055</b>	<b>8,803,436</b>	<b>292,378</b>	<b>19,285,248</b>	<b>62,560,713</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<b>304,030</b>	<b>-</b>	<b>1,326</b>	<b>-</b>	<b>28,623</b>	<b>333,979</b>
<b>Long-Term Assets:</b>						
Long-Term Investments	535,115	-	5,996,416	-	20,950,206	27,481,737
Lease Receivable	-	-	-	-	147,769	147,769
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	20,893,489	20,893,489
CWC Holdings I	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	1,384,391	1,384,391
CWC Holdings III	-	-	-	-	-	-
<b>Total Long-Term Assets</b>	<b>535,115</b>	<b>-</b>	<b>5,996,416</b>	<b>-</b>	<b>43,375,855</b>	<b>49,907,386</b>
	<b>\$ 34,570,741</b>	<b>\$ 448,055</b>	<b>\$ 14,801,178</b>	<b>\$ 292,378</b>	<b>\$ 62,689,726</b>	<b>\$ 112,802,078</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 678,276	\$ 1,127	\$ 3,479	\$ -	\$ 4,563	\$ 687,445
Accrued Expenses	136,553	-	-	-	40,000	176,553
Deferred Grant Revenue	33,517,584	446,928	10,637,010	292,373	60,478,218	105,372,113
Deferred Interest Income	-	-	-	-	85,923	85,923
<b>Total Current Liabilities</b>	<b>34,332,413</b>	<b>448,055</b>	<b>10,640,489</b>	<b>292,373</b>	<b>60,608,704</b>	<b>106,322,034</b>
<b>Net Assets:</b>						
Unrestricted	238,328	-	4,160,689	5	2,081,022	6,480,044
Temporarily Restricted	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>238,328</b>	<b>-</b>	<b>4,160,689</b>	<b>5</b>	<b>2,081,022</b>	<b>6,480,044</b>
	<b>\$ 34,570,741</b>	<b>\$ 448,055</b>	<b>\$ 14,801,178</b>	<b>\$ 292,378</b>	<b>\$ 62,689,726</b>	<b>\$ 112,802,078</b>

Note: Totals may not add due to rounding.

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

CATSKILL WATERSHED CORPORATION  
SCHEDULE OF ACTIVITIES - BY PROGRAM  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted Operating	Alternate Design	Septic Program III	Septic Program IV	Subtotal Carried Forward
<b>Revenue:</b>					
Grant Revenue	\$ 201,834	\$ -	\$ 90,424	\$ 5,297,857	\$ 5,590,115
Interest and Other Income	(3,066)	1,360	1,192	5,985	5,471
Total Revenue	<u>198,768</u>	<u>1,360</u>	<u>91,616</u>	<u>5,303,842</u>	<u>5,595,586</u>
<b>Expenditures:</b>					
Salary	376,869	-	-	243,466	620,335
Fringe Benefits	153,904	-	-	99,549	253,453
Program	3,126	-	87,596	4,658,940	4,749,662
Occupancy Costs	37,562	-	-	-	37,562
Advertising & Promotion	2,509	-	-	800	3,309
Office Supplies	14,929	-	-	54	14,983
Communication	18,688	-	-	1,291	19,979
Grants	-	-	-	-	-
Travel	26,579	-	-	501	27,080
Conferences and Seminars	234	-	-	540	774
Insurance	34,089	-	-	-	34,089
Repairs & Maintenance	10,014	-	-	-	10,014
Subscriptions & Publications	5,110	-	-	-	5,110
Professional Fees	100,452	-	-	183	100,635
Administrative	(608,727)	-	-	294,113	(314,614)
Depreciation	21,922	-	4,020	4,405	30,347
Dues, Licenses, and Memberships	895	-	-	-	895
Miscellaneous	613	-	-	-	613
Impairment Loss	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-
Total Expenditures	<u>198,768</u>	<u>-</u>	<u>91,616</u>	<u>5,303,842</u>	<u>5,594,226</u>
Change in Net Assets	-	1,360	-	-	1,360
Net Assets, Beginning	-	233,229	-	-	233,229
Net Assets, Ending	<u>\$ -</u>	<u>\$ 234,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,589</u>

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

CATSKILL WATERSHED CORPORATION

SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

	Subtotal Brought Forward	Septic System Maintenance	Flood Hazard	Stream Corridor Protection	Community Wastewater Management	Sand & Salt Storage Program	Subtotal Carried Forward
<b>Revenue:</b>							
Grant Revenue	\$ 5,590,115	\$ 44,188	\$ 14,831	\$ 25,683	\$ -	\$ -	\$ 5,674,817
Interest and Other Income	5,471	1,013	51	278	1,300	90	8,203
Total Revenue	<u>5,595,586</u>	<u>45,201</u>	<u>14,882</u>	<u>25,961</u>	<u>1,300</u>	<u>90</u>	<u>5,683,020</u>
<b>Expenditures:</b>							
Salary	620,335	4,217	6,394	6,573	-	-	637,519
Fringe Benefits	253,453	1,662	2,640	2,775	-	-	260,530
Program	4,749,662	35,295	-	-	-	-	4,784,957
Occupancy Costs	37,562	-	-	-	-	-	37,562
Advertising & Promotion	3,309	-	-	-	-	-	3,309
Office Supplies	14,983	-	-	-	-	-	14,983
Communication	19,979	213	-	43	-	-	20,235
Grants	-	-	-	-	-	-	-
Travel	27,080	-	65	-	-	-	27,145
Conferences and Seminars	774	-	-	460	-	-	1,234
Insurance	34,089	-	-	-	-	-	34,089
Repairs & Maintenance	10,014	-	-	-	-	-	10,014
Subscriptions & Publications	5,110	-	-	-	-	-	5,110
Professional Fees	100,635	-	1,399	11,641	-	-	113,675
Administrative	(314,614)	3,814	4,384	4,364	-	-	(302,052)
Depreciation	30,347	-	-	-	-	-	30,347
Dues, Licenses, and Memberships	895	-	-	-	-	-	895
Miscellaneous	613	-	-	-	-	-	613
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>5,594,226</u>	<u>45,201</u>	<u>14,882</u>	<u>25,856</u>	<u>-</u>	<u>-</u>	<u>5,680,165</u>
Change in Net Assets	1,360	-	-	105	1,300	90	2,855
Net Assets, Beginning	<u>233,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238</u>	<u>6</u>	<u>235,473</u>
Net Assets, Ending	<u>\$ 234,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 3,538</u>	<u>\$ 96</u>	<u>\$ 238,328</u>

Note: Totals may not add due to rounding.

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

## CATSKILL WATERSHED CORPORATION

## SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

	Subtotal Brought Forward	Community Wastewater Management II & III	Public Education Programs	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
<b>Revenue:</b>							
Grant Revenue	\$ 5,674,817	\$ 2,314,960	\$ 205,145	\$ 586,898	\$ 25,694	\$ 394,832	\$ 9,202,346
Interest and Other Income	8,203	3,595	5	1,251	28	(3,283)	9,799
Total Revenue	<u>5,683,020</u>	<u>2,318,555</u>	<u>205,150</u>	<u>588,149</u>	<u>25,722</u>	<u>391,549</u>	<u>9,212,145</u>
<b>Expenditures:</b>							
Salary	637,519	69,632	15,164	14,567	14,827	2,120	753,829
Fringe Benefits	260,530	21,177	5,072	8,544	10,895	862	307,080
Program	4,784,957	2,168,423	-	527,553	-	-	7,480,933
Occupancy Costs	37,562	-	-	-	-	-	37,562
Advertising & Promotion	3,309	279	580	-	-	-	4,168
Office Supplies	14,983	-	-	-	-	-	14,983
Communication	20,235	104	354	28	-	20	20,741
Grants	-	-	168,622	-	-	-	168,622
Travel	27,145	-	431	-	-	-	27,576
Conferences and Seminars	1,234	80	-	-	-	-	1,314
Insurance	34,089	-	-	-	-	-	34,089
Repairs & Maintenance	10,014	-	-	-	-	-	10,014
Subscriptions & Publications	5,110	-	-	-	-	-	5,110
Professional Fees	113,675	82	-	-	-	387,290	501,047
Administrative	(302,052)	58,763	14,927	35,278	-	1,212	(191,872)
Depreciation	30,347	-	-	2,179	-	-	32,526
Dues, Licenses, and Memberships	895	-	-	-	-	-	895
Miscellaneous	613	15	-	-	-	45	673
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>5,680,165</u>	<u>2,318,555</u>	<u>205,150</u>	<u>588,149</u>	<u>25,722</u>	<u>391,549</u>	<u>9,209,290</u>
Change in Net Assets	2,855	-	-	-	-	-	2,855
Net Assets, Beginning	<u>235,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,473</u>
Net Assets, Ending	<u>\$ 238,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,328</u>

Note: Totals may not add due to rounding.

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

CATSKILL WATERSHED CORPORATION  
SCHEDULE OF ACTIVITIES - BY PROGRAM (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ 9,202,346	\$ 10,395	\$ 47,974	\$ 2,061	\$ -	\$ 9,262,776
Interest and Other Income	9,799	91	125,167	59	1,149,482	1,284,598
Total Revenue	<u>9,212,145</u>	<u>10,486</u>	<u>173,141</u>	<u>2,120</u>	<u>1,149,482</u>	<u>10,547,374</u>
<b>Expenditures:</b>						
Salary	753,829	3,075	9,742	474	169,863	936,983
Fringe Benefits	307,080	1,282	6,797	206	70,740	386,105
Program	7,480,933	-	153,889	-	(218,850)	7,415,972
Occupancy Costs	37,562	-	-	-	13,597	51,159
Advertising & Promotion	4,168	324	-	-	13,840	18,332
Office Supplies	14,983	-	-	-	182	15,165
Communication	20,741	-	33	-	1,850	22,624
Grants	168,622	-	-	-	-	168,622
Travel	27,576	-	34	-	312	27,922
Conferences and Seminars	1,314	-	-	-	-	1,314
Insurance	34,089	-	-	-	9,959	44,048
Repairs & Maintenance	10,014	-	-	-	31,631	41,645
Subscriptions & Publications	5,110	-	-	-	1,129	6,239
Professional Fees	501,047	3,971	8,446	1,155	147,293	661,912
Administrative	(191,872)	1,834	12,014	280	177,744	-
Depreciation	32,526	-	3,978	-	44,462	80,966
Dues, Licenses, and Memberships	895	-	-	-	445	1,340
Miscellaneous	673	-	210	-	310	1,193
Impairment Loss	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-
Total Expenditures	<u>9,209,290</u>	<u>10,486</u>	<u>195,143</u>	<u>2,115</u>	<u>464,507</u>	<u>9,881,541</u>
Change in Net Assets	2,855	-	(22,002)	5	684,975	665,833
Net Assets, Beginning	<u>235,473</u>	<u>-</u>	<u>4,182,691</u>	<u>-</u>	<u>1,396,047</u>	<u>5,814,211</u>
Net Assets, Ending	<u>\$ 238,328</u>	<u>\$ -</u>	<u>\$ 4,160,689</u>	<u>\$ 5</u>	<u>\$ 2,081,022</u>	<u>\$ 6,480,044</u>

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

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