

CATSKILL WATERSHED CORPORATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

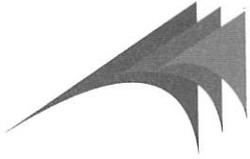
DECEMBER 31, 2015 AND 2014

CATSKILL WATERSHED CORPORATION

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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, 2015 and 2014, 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)

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 29, 2016 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 29, 2016

CATSKILL WATERSHED CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 37,467,913	\$ 36,973,083
Cash and Cash Equivalents - Reserved	4,412,407	3,938,754
Short-Term Investments	30,058,618	18,800,237
Accounts Receivable	32,033	31,996
Accrued Interest Receivable	260,019	227,163
Loans Receivable, Net of Allowance for Doubtful Accounts	4,963,578	2,536,060
Prepaid Expenditures	76,659	53,420
Total Current Assets	<u>77,271,227</u>	<u>62,560,713</u>
PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>323,997</u>	<u>333,979</u>
LONG-TERM ASSETS:		
Long-Term Investments	12,380,662	23,691,737
Long-Term Investments - Reserved	3,790,000	3,790,000
Lease Receivable	141,324	147,769
Loans Receivable, Net of Allowance for Doubtful Accounts	17,813,962	20,893,489
CWC Holdings I	-	-
CWC Holdings II LLC	1,350,820	1,384,391
CWC Holdings III	-	-
Total Long-Term Assets	<u>35,476,768</u>	<u>49,907,386</u>
	<u>\$ 113,071,992</u>	<u>\$ 112,802,078</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,179,381	\$ 687,445
Accrued Expenditures	177,055	176,553
Deferred Revenue	104,585,880	105,458,036
Total Current Liabilities	<u>105,942,316</u>	<u>106,322,034</u>
NET ASSETS:		
Unrestricted	7,129,676	6,480,044
Temporarily Restricted	-	-
Permanently Restricted	-	-
Total Net Assets	<u>7,129,676</u>	<u>6,480,044</u>
	<u>\$ 113,071,992</u>	<u>\$ 112,802,078</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUE:		
Grant Revenue	\$ 15,808,045	\$ 9,262,776
Interest and Other Income	<u>864,175</u>	<u>1,201,265</u>
Total Revenue	<u>16,672,220</u>	<u>10,464,041</u>
EXPENDITURES:		
Program Services	16,274,560	9,682,773
Administrative and General	<u>213,447</u>	<u>198,768</u>
Total Expenditures	<u>16,488,007</u>	<u>9,881,541</u>
	184,213	582,500
OPERATING REVENUES, GAINS, AND OTHER SUPPORT:		
Investment Return Designated for Current Operations	<u>465,419</u>	<u>83,333</u>
Changes in Net Assets	649,632	665,833
Net Assets, Beginning	<u>6,480,044</u>	<u>5,814,211</u>
Net Assets, Ending	<u>\$ 7,129,676</u>	<u>\$ 6,480,044</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Funding Agencies	\$ 14,935,851	\$ 5,997,616
Interest Income and Other	1,422,865	1,784,250
Cash Paid for Operating Activities	<u>(16,188,979)</u>	<u>(10,072,290)</u>
Net Cash Provided (Used) by Operating Activities	<u>169,737</u>	<u>(2,290,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Investment Maturities/Sales	26,941,123	33,291,579
Purchase of Investments	(27,155,341)	(32,148,060)
Loan Payments Received	2,835,825	2,313,652
Loans Issued	(2,155,522)	(2,468,479)
Purchase of Fixed Assets	<u>(43,697)</u>	<u>(63,518)</u>
Net Cash Provided (Used) by Investing Activities	<u>422,388</u>	<u>925,174</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	592,125	(1,365,250)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>49,484,827</u>	<u>50,850,077</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 50,076,952</u>	<u>\$ 49,484,827</u>

*RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014:*

Changes in Net Assets	\$ 649,632	\$ 665,833
Adjustments to Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	79,893	80,966
Change in Market Value	126,127	468,667
Bad Debt Expense	<u>(250,065)</u>	<u>(85,825)</u>
Working Capital Provided (Used) by Operating Activities	<u>605,587</u>	<u>1,129,641</u>
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Grants Receivable	-	-
Accounts Receivable	(37)	(3,332)
Accrued Interest Receivable	(32,856)	30,985
Prepaid Expenditures	(23,239)	(2,039)
(Decrease) Increase in:		
Accounts Payable	491,936	(196,494)
Accrued Expenditures	502	12,642
Deferred Revenue	<u>(872,156)</u>	<u>(3,261,827)</u>
	<u>(435,850)</u>	<u>(3,420,065)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 169,737</u>	<u>\$ (2,290,424)</u>

Note: Totals may not add due to rounding

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

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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 & 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 funds the implementation of projects that reduce repetitive flood losses and water quality. 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, 2015 AND 2014

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 WHO Watershed. 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 WOH Watershed. All inter-program activity has been eliminated through consolidation. *This Program is closed.*
- 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, 2015 AND 2014

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

- XI. *Public Education Program II* – The Public Education Program II provides 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. *Public Education Program I is closed.*
- 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. Sustainable Community Program is included in this fund. 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 WOH 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, 2015 AND 2014

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, 2015 AND 2014

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 \$50,076,652 and \$49,484,827 as of December 31, 2015 and 2014, respectively.

The bank balance was \$50,789,270 and \$50,300,078 as of December 31, 2015 and 2014, 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, 2015 AND 2014

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED):

Balances held in each category as of December 31, 2015, 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	892,073	179,455	Collateral Held by Unit's Custodial Bank
Operating III	117,169	117,169	Collateral Held by Unit's Custodial Bank
Alternate Design	1,168,837	1,168,837	Collateral Held by Unit's Custodial Bank
Septic Program III	5,443,659	5,443,659	Collateral Held by Unit's Custodial Bank
Septic Program IV	6,810,438	6,810,438	Collateral Held by Unit's Custodial Bank
Septic Maintenance	1,351,032	1,351,032	Collateral Held by Unit's Custodial Bank
Stream Corridor Protection	1,504,013	1,504,013	Collateral Held by Unit's Custodial Bank
Flood Hazard Mitigation	4,912,262	4,912,262	Collateral Held by Unit's Custodial Bank
Community Wastewater	1,504,022	1,504,022	Collateral Held by Unit's Custodial Bank
Community Wastewater II & III	8,066,508	8,066,508	Collateral Held by Unit's Custodial Bank
Public Education II	43,805	43,805	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits I & II	732,321	732,320	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Technical Assist.	103,484	103,484	Collateral Held by Unit's Custodial Bank
Stormwater Retrofits - Maintenance	137,434	137,434	Collateral Held by Unit's Custodial Bank
Tax Consulting	369,800	369,800	Collateral Held by Unit's Custodial Bank
Tax Litigation Avoidance	423,909	423,909	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater	7,370,921	7,370,921	Collateral Held by Unit's Custodial Bank
WOH Future Stormwater - Lateral Repair Program	292,143	292,143	Collateral Held by Unit's Custodial Bank
Local Technical Assistance	292,292	292,292	Collateral Held by Unit's Custodial Bank
Catskill Fund for the Future	8,749,672	8,749,672	Collateral Held by Unit's Custodial Bank
CFF - Business Recovery	3,477	3,477	Collateral Held by Unit's Custodial Bank
Subtotal	50,289,270	49,576,651	
	\$ 50,789,270	\$ 50,076,651	

Note: Totals may not add due to rounding.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 3 – RESERVED CASH AND INVESTMENTS:

The Septic Program III & IV, Stream Corridor, Community Wastewater Management, LTAP and the Catskill Fund for the Future have reserved cash and/or money markets of \$140,034, \$394,657, \$1,366,855, \$1,120,843, \$150,000 and \$1,240,018, 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, Sustainable Communities 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, 2015 and 2014, is as follows:

Program	2015	2014
Public Education - New York City Environmental Protection	\$ -	\$ 2,426

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, 2015 and 2014, amounted to \$260,018 and \$227,163, respectively.

C. Loans Receivable:

Within the Catskill Fund for the Future Program, there are 122 loans receivable from a variety of entities totaling, \$25,160,619. The years of maturity range from 2015 to 2030 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 \$2,383,079. 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, 2015 AND 2014

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment as of December 31, 2015 and 2014, is summarized as follows:

	2015		2014	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 13,300	\$ -	\$ 13,300	\$ 13,300
Building	186,700	83,503	103,197	107,924
Equipment	122,473	96,174	26,298	26,245
Vehicle	114,244	76,766	37,478	37,377
Furniture & Fixture	272,228	245,686	26,542	35,302
Improvements	233,766	116,585	117,181	113,030
Software	37,292	37,292	-	800
	<u>\$ 980,002</u>	<u>\$ 656,006</u>	<u>\$ 323,997</u>	<u>\$ 333,979</u>

Note: Totals may not add due to rounding.

Depreciation expense for the years ended December 31, 2015 and 2014 is \$42,342 and \$43,414, 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	\$ 299,271
Net Realized Gains	13,323
Net Unrealized Gains/(Losses)	<u>126,127</u>
Return on Long-Term Investments	438,721
Interest on Short-Term Investments	<u>26,699</u>
Total Return on Investments	<u>\$ 465,419</u>
Investment Return Designated for Current Operations	<u>\$ 465,419</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, 2015 AND 2014

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 3 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:

	2015		2014	
	Carry Value	Unrealized Gain/(Loss)	Market Value	Market Value
Municipal & Agency Bonds	\$ 21,887,227	\$ (25,240)	\$ 21,861,987	\$ 10,226,947
Municipal & Agency Bonds	\$ 12,464,222	\$ (83,560)	\$ 12,380,662	\$ 23,691,737
M & A Bonds - Reserved *	3,790,000	-	3,790,000	3,790,000
Total Long-Term	\$ 16,254,222	\$ (83,560)	\$ 16,170,662	\$ 27,481,737

* 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, 2015 and 2014, of \$67,678 and \$61,855, 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 \$104,509,732 and other deferrals of \$76,149. A summary of deferred grant revenue as of December 31, 2015 and 2014 is as follows:

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 8 – DEFERRED GRANT REVENUE (CONTINUED):

Program	2015	2014
Operating	\$ 887,694	\$ 1,083,341
Alternate Design	1,182,988	1,182,988
Septic Program III	5,693,659	5,893,411
Septic Program IV	6,495,373	5,255,428
Septic Maintenance	1,348,063	1,397,638
Land Acquisition	-	-
Stream Corridor Protection	1,503,643	1,253,643
Flood Hazard	4,911,470	1,235,169
Sand & Salt Storage II	-	450,151
Community Wastewater	1,426,158	1,468,733
Community Wastewater II	7,354,227	12,319,105
Public Education II	42,694	-
Stormwater Retrofits	865,996	1,294,233
Stormwater Technical Assistance	104,351	129,407
Tax Consulting	554,338	554,338
Tax Litigation Avoidance	423,909	446,928
WOH Future Stormwater	10,944,662	10,637,010
Local Technical Assistance	292,289	292,373
Catskill Fund for the Future	60,478,218	60,478,218
	\$ 104,509,732	\$ 105,372,115

NOTE 9 – GRANT REVENUE:

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

	2015	2014
New York City Department of Environmental Protection	\$ 15,808,045	\$ 9,262,776
Other	-	-
	\$ 15,808,045	\$ 9,262,776

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 2015 and 2014 were \$71,717 and \$70,073, respectively.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014 were \$4,371 and \$5,716, respectively. The minimum future operating lease payments are as follows:

<u>Year Ending December 31</u>	
2016	4,371
2017	<u>2,914</u>
	<u>\$ 7,284</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 \$2,000 as of December 31, 2015.

	<u>2015</u>	<u>2014</u>
Lease Receivable	\$ 155,137	\$ 156,137
Less: Accumulated amortization	<u>(13,813)</u>	<u>(8,367)</u>
	<u>\$ 141,324</u>	<u>\$ 147,770</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, 2015 AND 2014

NOTE 14 – CWC HOLDINGS (CONTINUED):

	Balance Sheets	
	December 31, 2015	December 31, 2014
	CWC Holdings II, LLC	CWC Holdings II, LLC
Assets		
Checking	\$ 11,578	\$ 8,010
Prepaid Expenses	6,184	5,969
Building (net)	1,333,059	1,370,610
Total Assets	<u>\$ 1,350,820</u>	<u>\$ 1,384,589</u>
Liabilities		
Current Liabilities	\$ 43	\$ 198
Equity	1,350,778	1,384,391
Total Liabilities & Equity	<u>\$ 1,350,820</u>	<u>\$ 1,384,589</u>
	CWC	CWC
	Holdings II, LLC	Holdings II, LLC
Income (Loss)	<u>\$ -</u>	<u>\$ 2</u>
Expenses		
Advertising & Promotion	-	-
Depreciation Expense	37,551	37,551
Insurance Expense	7,084	8,985
Legal Services	75	-
Misc. Expense	68	183
Repairs & Maintenance	19,485	30,377
Taxes	-	-
Utilities	9,350	13,260
Loss on Impairment	-	-
Expenses	<u>73,613</u>	<u>90,355</u>
Net Income (Loss)	<u>\$ (73,613)</u>	<u>\$ (90,353)</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, 2015 AND 2014

NOTE 15 – SUBSEQUENT EVENTS:

The date to which events occurring after December 31, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 29, 2016, 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 2012–2015. 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, 2015 and 2014, 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, 2015 and 2014, 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 2012.

See independent auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 17 – FAIR VALUE MEASUREMENTS:

A. Major categories of assets and liabilities measured at fair value on a recurring basis comprise the following:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2015				
Assets:				
Investments Held to Maturity	\$ 38,032,648	\$ 38,032,648	\$ -	\$ -
Loans Receivable, Net	22,777,540	-	22,777,540	-
CWC Holdings II LLC	1,350,820	-	1,350,820	-
	<u>\$ 62,161,009</u>	<u>\$ 38,032,648</u>	<u>\$ 24,128,360</u>	<u>\$ -</u>
Liabilities				
Deferred Grant Revenues	<u>\$ 104,509,732</u>	<u>\$ -</u>	<u>\$ 104,509,732</u>	<u>\$ -</u>
As of December 31, 2014				
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	-
	<u>\$ 62,522,624</u>	<u>\$ 37,708,684</u>	<u>\$ 24,813,940</u>	<u>\$ -</u>
Liabilities				
Deferred Grant Revenues	<u>\$ 105,372,115</u>	<u>\$ -</u>	<u>\$ 105,372,115</u>	<u>\$ -</u>

- ❖ 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, 2015 AND 2014

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,	
	2015	2014
Balance at Beginning of Period	\$ -	\$ -
Unrealized gains/(losses)	-	-
Realized gain/(losses)	-	-
Purchases, issuances, sales and settlements	-	-
Transfers in and/or out of Level 3	-	-
Balance at End of Period	<u>\$ -</u>	<u>\$ -</u>

Note: Totals may not add due to rounding.

Realized and unrealized gains and losses of \$-0- and \$-0- for 2015 and 2014, 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 auditor's report.

CATSKILL WATERSHED CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

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	350,000
Septic III	75,000	-
Community Wastewater II	514,396	-
Community Wastewater III	153,180	-
Community Wastewater I	-	392,575
Total Inter-Program Transfers	<u>\$ 1,992,575</u>	<u>\$ 1,992,575</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.

By decision filed July 16, 2015, the claims against CWC were dismissed by the trial court. No appeal was filed by the plaintiff.

NOTE 20 – GRANT AWARDS:

CWC was awarded a \$50,000 grant from the State of New York Department of Environmental Conservation to administer the Catskill Park Wayfinding Sign Project. To date no funding has been received by the CWC.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CATSKILL WATERSHED CORPORATION

SCHEDULE OF FINANCIAL POSITION - BY PROGRAM

DECEMBER 31, 2015

ASSETS	Unrestricted Operating	Alternate Design	Septic Program III	Septic Program IV	Septic System Maintenance	Stream Corridor Protection	Subtotal Carried Forward
Current Assets:							
Cash - Checking	\$ 291,546	\$ 197,980	\$ 5,553,625	\$ 6,415,781	\$ 120,900	\$ 137,158	\$ 12,716,990
Cash - Reserved	-	-	140,034	394,657	-	1,366,855	1,901,546
Short-Term Investments	185,859	1,220,856	-	-	1,230,132	-	2,636,847
Accounts Receivable	-	-	-	-	-	-	-
Accrued Interest Receivable	1,950	-	-	-	-	-	1,950
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	33,096	-	-	(14,768)	(186)	-	18,142
Prepaid Expenditures	67,715	-	-	-	-	-	67,715
Total Current Assets	580,166	1,418,836	5,693,659	6,795,670	1,350,846	1,504,013	17,343,190
Property, Plant, and Equipment, Net of Accumulated Depreciation							
	285,710	-	-	15,419	-	-	301,129
Long-Term Assets:							
Long-Term Investments	175,953	-	-	-	-	-	175,953
Lease Receivable	-	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-	-
Total Long-Term Assets	175,953	-	-	-	-	-	175,953
	\$ 1,041,829	\$ 1,418,836	\$ 5,693,659	\$ 6,811,089	\$ 1,350,846	\$ 1,504,013	\$ 17,820,272
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts Payable	\$ 17,080	\$ -	\$ -	\$ 315,716	\$ 2,783	\$ -	\$ 335,579
Accrued Expenditures	137,055	-	-	-	-	-	137,055
Deferred Grant Revenue	887,694	1,182,988	5,693,659	6,495,373	1,348,063	1,503,643	17,111,420
Deferred Interest Income	-	-	-	-	-	-	-
Total Current Liabilities	1,041,829	1,182,988	5,693,659	6,811,089	1,350,846	1,503,643	17,584,054
Net Assets:							
Unrestricted	-	235,849	-	-	-	370	236,219
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets	-	235,849	-	-	-	370	236,219
	\$ 1,041,829	\$ 1,418,837	\$ 5,693,659	\$ 6,811,089	\$ 1,350,846	\$ 1,504,013	\$ 17,820,273

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, 2015

ASSETS	Subtotal Brought Forward	Flood Hazard	Sand & Salt II	Community Wastewater Management	Community Wastewater Management II & III	Public Education Program	Subtotal Carried Forward
Current Assets:							
Cash - Checking	\$ 12,716,990	\$ 4,912,262	\$ -	\$ 383,179	\$ 8,066,508	\$ 43,805	\$ 26,122,744
Cash - Reserved	1,901,546	-	-	1,120,843	-	-	3,022,389
Short-Term Investments	2,636,847	-	-	-	-	-	2,636,847
Accounts Receivable	-	-	-	-	720	-	720
Accrued Interest Receivable	1,950	-	-	-	-	-	1,950
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due from Other Funds	18,142	(694)	-	(73,143)	69,349	(828)	12,826
Prepaid Expenditures	67,715	-	-	-	-	-	67,715
Total Current Assets	17,343,190	4,911,568	-	1,430,879	8,136,577	42,977	31,865,191
Property, Plant, and Equipment, Net of Accumulated Depreciation	301,129	-	-	-	-	-	301,129
Long-Term Assets:							
Long-Term Investments	175,953	-	-	-	-	-	175,953
Lease Receivable	-	-	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-	-	-
CWC Holdings I	-	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-	-	-
CWC Holdings III	-	-	-	-	-	-	-
Total Long-Term Assets	175,953	-	-	-	-	-	175,953
	\$ 17,820,272	\$ 4,911,568	\$ -	\$ 1,430,879	\$ 8,136,577	\$ 42,977	\$ 32,342,273
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts Payable	\$ 335,579	\$ 98	\$ -	\$ -	\$ 782,350	\$ 283	\$ 1,118,310
Accrued Expenditures	137,055	-	-	-	-	-	137,055
Deferred Grant Revenue	17,111,420	4,911,470	-	1,426,158	7,354,227	42,694	30,845,969
Deferred Interest Income	-	-	-	-	-	-	-
Total Current Liabilities	17,584,054	4,911,568	-	1,426,158	8,136,577	42,977	32,101,334
Net Assets:							
Unrestricted	236,219	-	-	4,721	-	-	240,940
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets	236,219	-	-	4,721	-	-	240,940
	\$ 17,820,273	\$ 4,911,568	\$ -	\$ 1,430,879	\$ 8,136,577	\$ 42,977	\$ 32,342,274

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, 2015

ASSETS	Subtotal Brought Forward	Stormwater Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
Current Assets:					
Cash - Checking	\$ 26,122,744	\$ 315,384	\$ 103,484	\$ 185,288	\$ 26,726,900
Cash - Reserved	3,022,389	-	-	-	3,022,389
Short-Term Investments	2,636,847	554,371	-	250,123	3,441,341
Accounts Receivable	720	-	-	-	720
Accrued Interest Receivable	1,950	-	-	1,686	3,636
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
Due from Other Funds	12,826	(3,694)	868	-	10,000
Prepaid Expenditures	67,715	-	-	-	67,715
	<u>31,865,191</u>	<u>866,061</u>	<u>104,352</u>	<u>437,097</u>	<u>33,272,701</u>
Total Current Assets					
Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>301,129</u>	-	-	-	<u>301,129</u>
Long-Term Assets:					
Long-Term Investments	175,953	-	-	117,426	293,379
Lease Receivable	-	-	-	-	-
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	-
CWC Holdings I	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	-
CWC Holdings III	-	-	-	-	-
Total Long-Term Assets	<u>175,953</u>	<u>-</u>	<u>-</u>	<u>117,426</u>	<u>293,379</u>
	<u>\$ 32,342,273</u>	<u>\$ 866,061</u>	<u>\$ 104,352</u>	<u>\$ 554,523</u>	<u>\$ 33,867,209</u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 1,118,310	\$ 65	\$ -	\$ -	\$ 1,118,375
Accrued Expenditures	137,055	-	-	-	137,055
Deferred Grant Revenue	30,845,969	865,996	104,351	554,338	32,370,654
Deferred Interest Income	-	-	-	-	-
Total Current Liabilities	<u>32,101,334</u>	<u>866,061</u>	<u>104,351</u>	<u>554,338</u>	<u>33,626,084</u>
Net Assets:					
Unrestricted	240,940	-	-	185	241,125
Temporarily Restricted	-	-	-	-	-
Permanently Restricted	-	-	-	-	-
Total Net Assets	<u>240,940</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>241,125</u>
	<u>\$ 32,342,274</u>	<u>\$ 866,061</u>	<u>\$ 104,351</u>	<u>\$ 554,523</u>	<u>\$ 33,867,209</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, 2015

ASSETS	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
Current Assets:						
Cash - Checking	\$ 26,726,900	\$ 423,909	\$ 2,753,467	\$ 142,292	\$ 7,421,345	\$ 37,467,913
Cash - Reserved	3,022,389	-	-	150,000	1,240,018	4,412,407
Short-Term Investments	3,441,341	-	7,989,392	-	18,627,885	30,058,618
Accounts Receivable	720	-	-	-	31,313	32,033
Accrued Interest Receivable	3,636	-	48,778	-	207,605	260,019
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	4,963,578	4,963,578
Due from Other Funds	10,000	-	221	(3)	(10,218)	-
Prepaid Expenses	67,715	-	-	-	8,944	76,659
Total Current Assets	33,272,701	423,909	10,791,858	292,289	32,490,470	77,271,227
Property, Plant, and Equipment, Net of Accumulated Depreciation						
	301,129	-	-	-	22,868	323,997
Long-Term Assets:						
Long-Term Investments	293,379	-	4,543,010	-	11,334,273	16,170,662
Lease Receivable	-	-	-	-	141,324	141,324
Loans Receivable, Net of Allowance for Doubtful Accounts	-	-	-	-	17,813,962	17,813,962
CWC Holdings I	-	-	-	-	-	-
CWC Holdings II LLC	-	-	-	-	1,350,820	1,350,820
CWC Holdings III	-	-	-	-	-	-
Total Long-Term Assets	293,379	-	4,543,010	-	30,640,379	35,476,768
	\$ 33,867,209	\$ 423,909	\$ 15,334,868	\$ 292,289	\$ 63,153,717	\$ 113,071,992
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts Payable	\$ 1,118,375	\$ -	\$ 55,736	\$ -	\$ 5,270	\$ 1,179,381
Accrued Expenses	137,055	-	-	-	40,000	177,055
Deferred Grant Revenue	32,370,654	423,909	10,944,662	292,289	60,554,366	104,585,880
Deferred Interest Income	-	-	-	-	-	-
Total Current Liabilities	33,626,084	423,909	11,000,398	292,289	60,599,636	105,942,316
Net Assets:						
Unrestricted	241,125	-	4,334,470	-	2,554,081	7,129,676
Temporarily Restricted	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-
Total Net Assets	241,125	-	4,334,470	-	2,554,081	7,129,676
	\$ 33,867,209	\$ 423,909	\$ 15,334,868	\$ 292,289	\$ 63,153,717	\$ 113,071,992

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, 2015

	Unrestricted Operating	Alternate Design	Septic Program III	Septic Program IV	Subtotal Carried Forward
Revenue:					
Grant Revenue	\$ 195,647	\$ -	\$ 274,752	\$ 5,960,055	\$ 6,430,454
Interest and Other Income	17,800	1,260	1,174	1,371	21,605
Total Revenue	<u>213,447</u>	<u>1,260</u>	<u>275,926</u>	<u>5,961,426</u>	<u>6,452,059</u>
Expenditures:					
Salary	372,030	-	-	239,681	611,711
Fringe Benefits	140,074	-	-	82,636	222,710
Program	2,486	-	236,919	5,376,639	5,616,044
Occupancy Costs	34,372	-	-	-	34,372
Advertising & Promotion	1,923	-	120	1,020	3,063
Office Supplies	19,605	-	-	-	19,605
Communication	16,185	-	22	1,983	18,190
Grants	-	-	-	-	-
Travel	23,478	-	-	296	23,774
Conferences and Seminars	359	-	-	370	729
Insurance	35,633	-	-	-	35,633
Repairs & Maintenance	9,436	-	-	100	9,536
Subscriptions & Publications	4,622	-	-	-	4,622
Professional Fees	91,459	-	37,539	-	128,998
Administrative	(567,124)	-	-	252,093	(315,031)
Depreciation	27,327	-	1,326	6,608	35,261
Dues, Licenses, and Memberships	1,030	-	-	-	1,030
Miscellaneous	552	-	-	-	552
Impairment Loss	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-
Total Expenditures	<u>213,447</u>	<u>-</u>	<u>275,926</u>	<u>5,961,426</u>	<u>6,450,799</u>
Change in Net Assets	-	1,260	-	-	1,260
Net Assets, Beginning	<u>-</u>	<u>234,589</u>	<u>-</u>	<u>-</u>	<u>234,589</u>
Net Assets, Ending	<u>\$ -</u>	<u>\$ 235,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,849</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, 2015

	Subtotal Brought Forward	Septic System Maintenance	Flood Hazard	Stream Corridor Protection	Community Wastewater Management	Sand & Salt Storage Program	Subtotal Carried Forward
Revenue:							
Grant Revenue	\$ 6,430,454	\$ 49,575	\$ 73,698	\$ -	\$ -	\$ -	\$ 6,553,727
Interest and Other Income	21,605	848	443	264	1,183	58	24,401
Total Revenue	<u>6,452,059</u>	<u>50,423</u>	<u>74,141</u>	<u>264</u>	<u>1,183</u>	<u>58</u>	<u>6,578,128</u>
Expenditures:							
Salary	611,711	5,103	34,836	-	-	-	651,650
Fringe Benefits	222,710	1,703	11,211	-	-	-	235,624
Program	5,616,044	39,339	-	-	-	-	5,655,383
Occupancy Costs	34,372	-	-	-	-	-	34,372
Advertising & Promotion	3,063	-	-	-	-	-	3,063
Office Supplies	19,605	-	-	-	-	-	19,605
Communication	18,190	299	25	-	-	-	18,514
Grants	-	-	-	-	-	-	-
Travel	23,774	-	143	-	-	-	23,917
Conferences and Seminars	729	-	-	-	-	-	729
Insurance	35,633	-	-	-	-	-	35,633
Repairs & Maintenance	9,536	-	-	-	-	-	9,536
Subscriptions & Publications	4,622	-	-	-	-	-	4,622
Professional Fees	128,998	-	1,636	-	-	-	130,634
Administrative	(315,031)	3,979	26,290	-	-	-	(284,762)
Depreciation	35,261	-	-	-	-	-	35,261
Dues, Licenses, and Memberships	1,030	-	-	-	-	-	1,030
Miscellaneous	552	-	-	-	-	-	552
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>6,450,799</u>	<u>50,423</u>	<u>74,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,575,363</u>
Change in Net Assets	1,260	-	-	264	1,183	58	2,765
Net Assets, Beginning	<u>234,589</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>3,538</u>	<u>96</u>	<u>238,328</u>
Net Assets, Ending	<u>\$ 235,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 4,721</u>	<u>\$ 154</u>	<u>\$ 241,093</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, 2015

	Subtotal Brought Forward	Community Wastewater Management II & III	Public Education Program	Stormwater Retrofits	Stormwater Technical Assistance	Tax Consulting	Subtotal Carried Forward
Revenue:							
Grant Revenue	\$ 6,553,727	\$ 8,249,400	\$ 186,174	\$ 428,237	\$ 25,055	\$ -	\$ 15,442,593
Interest and Other Income	24,401	2,971	10	550	23	1,980	29,935
Total Revenue	<u>6,578,128</u>	<u>8,252,371</u>	<u>186,184</u>	<u>428,787</u>	<u>25,078</u>	<u>1,980</u>	<u>15,472,528</u>
Expenditures:							
Salary	651,650	72,731	14,692	14,556	15,277	970	769,876
Fringe Benefits	235,624	20,407	4,059	8,263	9,801	347	278,501
Program	5,655,383	8,096,413	772	371,370	-	-	14,123,938
Occupancy Costs	34,372	-	-	-	-	-	34,372
Advertising & Promotion	3,063	319	156	-	-	-	3,538
Office Supplies	19,605	17	-	-	-	-	19,622
Communication	18,514	84	375	67	-	-	19,040
Grants	-	-	152,755	-	-	-	152,755
Travel	23,917	-	464	301	-	-	24,682
Conferences and Seminars	729	-	-	-	-	-	729
Insurance	35,633	-	-	-	-	-	35,633
Repairs & Maintenance	9,536	-	-	-	-	-	9,536
Subscriptions & Publications	4,622	-	-	-	-	-	4,622
Professional Fees	130,634	5,162	-	-	-	-	135,796
Administrative	(284,762)	57,238	12,911	34,230	-	463	(179,920)
Depreciation	35,261	-	-	-	-	-	35,261
Dues, Licenses, and Memberships	1,030	-	-	-	-	-	1,030
Miscellaneous	552	-	-	-	-	15	567
Impairment Loss	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-
Total Expenditures	<u>6,575,363</u>	<u>8,252,371</u>	<u>186,184</u>	<u>428,787</u>	<u>25,078</u>	<u>1,795</u>	<u>15,469,578</u>
Change in Net Assets	2,765	-	-	-	-	185	2,950
Net Assets, Beginning	<u>238,328</u>	-	-	-	-	-	<u>238,328</u>
Net Assets, Ending	<u>\$ 241,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185</u>	<u>\$ 241,278</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, 2015

	Subtotal Brought Forward	Tax Litigation Avoidance Program	WOH Future Stormwater Controls	Local Technical Assistance	Catskill Fund for the Future	Totals
Revenue:						
Grant Revenue	\$ 15,442,593	\$ 23,019	\$ 342,349	\$ 84	\$ -	\$ 15,808,045
Interest and Other Income	29,935	86	105,043	59	1,194,471	1,329,594
Total Revenue	<u>15,472,528</u>	<u>23,105</u>	<u>447,392</u>	<u>143</u>	<u>1,194,471</u>	<u>17,137,639</u>
Expenditures:						
Salary	769,876	3,957	17,318	71	174,314	965,536
Fringe Benefits	278,501	1,576	9,953	30	63,189	353,249
Program	14,123,938	12,500	225,125	-	62,115	14,423,678
Occupancy Costs	34,372	-	-	-	9,640	44,012
Advertising & Promotion	3,538	-	-	-	11,266	14,804
Office Supplies	19,622	-	-	-	254	19,876
Communication	19,040	7	19	3	1,276	20,345
Grants	152,755	-	-	-	-	152,755
Travel	24,682	-	301	-	58	25,041
Conferences and Seminars	729	-	130	-	5,000	5,859
Insurance	35,633	-	-	-	8,524	44,157
Repairs & Maintenance	9,536	-	-	-	30,435	39,971
Subscriptions & Publications	4,622	-	468	-	2,400	7,490
Professional Fees	135,796	3,016	-	-	150,378	289,190
Administrative	(179,920)	2,049	18,827	44	159,000	-
Depreciation	35,261	-	1,326	-	43,306	79,893
Dues, Licenses, and Memberships	1,030	-	-	-	-	1,030
Miscellaneous	567	-	144	-	410	1,121
Impairment Loss	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-
Total Expenditures	<u>15,469,578</u>	<u>23,105</u>	<u>273,611</u>	<u>148</u>	<u>721,565</u>	<u>16,488,007</u>
Change in Net Assets	2,950	-	173,781	(5)	472,906	649,632
Net Assets, Beginning	<u>238,328</u>	<u>-</u>	<u>4,160,689</u>	<u>5</u>	<u>2,081,022</u>	<u>6,480,044</u>
Net Assets, Ending	<u>\$ 241,278</u>	<u>\$ -</u>	<u>\$ 4,334,470</u>	<u>\$ -</u>	<u>\$ 2,553,928</u>	<u>\$ 7,129,676</u>

Note: Totals may not add due to rounding.

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