

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Consolidated Financial Statements and
Supplementary Information

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

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TOSKI, SCHAEFER & CO.,P.C.

CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Watershed Agricultural Council of the
New York City Watersheds, Inc.:

We have audited the accompanying consolidated statements of financial position of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate (the Council), as of June 30, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Watershed Agricultural Council of the New York City Watersheds, Inc., and Affiliate as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted by the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2011, on our consideration of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statement 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 consolidated financial statements as a whole.

Toski, Schaefer & Co., P.C.

Williamsville, New York
September 7, 2011

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidated Statements of Financial Position
June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and equivalents	\$ 5,880,835	5,161,857
Accounts receivable	2,367,134	4,665,496
Prepaid expenses	27,436	34,323
Deposits	181,991	263,490
Investments, at fair value	644,844	-
Total current assets	9,102,240	10,125,166
Property and equipment, at cost, net of accumulated depreciation of \$816,766 in 2011 and \$794,228 in 2010	914,171	874,895
Total assets	<u>\$ 10,016,411</u>	<u>11,000,061</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	96,227	90,134
Accrued payroll	113,821	94,311
Compensated absences	217,864	177,733
Accrued expenses	409,411	374,026
Deferred revenue	7,197,668	8,408,961
Total current liabilities	8,034,991	9,145,165
Net assets:		
Unrestricted:		
Reserve for unemployment	309,856	265,027
Designated	19,410	523,743
Unreserved	1,007,310	966,126
Total unrestricted	1,336,576	1,754,896
Temporarily restricted	53,498	-
Permanently restricted	591,346	100,000
Total net assets	1,981,420	1,854,896
Commitments and contingencies (note 15)		
Total liabilities and net assets	<u>\$ 10,016,411</u>	<u>11,000,061</u>

See accompanying notes to consolidated financial statements.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Consolidated Statements of Activities
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Unrestricted revenue:		
Program revenue:		
BMP implementation and construction	\$ 4,038,408	3,965,194
Status reviews, revisions and NMP	456,396	462,143
Farm to Market	252,042	253,400
Croton East of Hudson	753,119	784,700
Program administration	1,697,310	1,446,768
Outreach communication	175,966	171,515
Forestry program	629,130	534,392
Easements	<u>6,612,840</u>	<u>3,699,014</u>
Total program revenue	<u>14,615,211</u>	<u>11,317,126</u>
Other revenue:		
Federal awards	989,391	621,256
Contributions	6,396	11,687
Interest	2,438	6,126
Loss on sale of assets	(1,709)	(8,604)
Donated services	129,260	231,353
Miscellaneous	<u>133</u>	<u>-</u>
Total other revenue	<u>1,125,909</u>	<u>861,818</u>
Total unrestricted revenue	<u>15,741,120</u>	<u>12,178,944</u>
Unrestricted expenses:		
Program services	14,195,788	10,858,658
Administration	<u>1,463,263</u>	<u>1,301,971</u>
Total unrestricted expenses	<u>15,659,051</u>	<u>12,160,629</u>
Increase in unrestricted net assets	82,069	18,315
Transfer of net assets (stewardship)	(500,389)	-
Unrestricted net assets at beginning of year	<u>1,754,896</u>	<u>1,736,581</u>
Unrestricted net assets at end of year	<u>\$ 1,336,576</u>	<u>1,754,896</u>

See accompanying notes to consolidated financial statements.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidated Statements of Activities, Continued

	<u>2011</u>	<u>2010</u>
Changes in temporarily restricted net assets:		
Program revenue - Council stewardship revenue	\$ 513	-
Other revenue - dividends (net of advisory fees)	<u>4,418</u>	<u>-</u>
Increase in temporarily restricted net assets	4,931	-
Transfer of net assets (stewardship)	48,567	-
Temporarily restricted net assets at beginning of year	<u>-</u>	<u>-</u>
Temporarily restricted net assets at end of year	<u>\$ 53,498</u>	<u>-</u>
Changes in permanently restricted net assets:		
Program revenue - Council stewardship revenue	22,345	-
Other revenue - unrealized appreciation on investments	<u>17,179</u>	<u>-</u>
Increase in permanently restricted net assets	39,524	-
Transfer of net assets (stewardship)	451,822	-
Permanently restricted net assets at beginning of year	<u>100,000</u>	<u>100,000</u>
Permanently restricted net assets at end of year	<u>\$ 591,346</u>	<u>100,000</u>

See accompanying notes to consolidated financial statements.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Consolidated Statements of Cash Flows
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from funding agencies	\$ 16,698,067	10,345,301
Payments to land owners and vendors	(12,273,666)	(8,704,605)
Payments for wages and employee benefits	(2,891,385)	(3,118,066)
Miscellaneous other revenue	<u>133</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>1,533,149</u>	<u>(1,477,370)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(193,362)	(113,951)
Purchase of investments	(627,665)	-
Interest income	2,438	6,126
Dividends (net of fiscal advisory fees)	<u>4,418</u>	<u>-</u>
Net cash used in investing activities	<u>(814,171)</u>	<u>(107,825)</u>
Net increase (decrease) in cash and equivalents	718,978	(1,585,195)
Cash and equivalents at beginning of year	<u>5,161,857</u>	<u>6,747,052</u>
Cash and equivalents at end of year	<u>\$ 5,880,835</u>	<u>5,161,857</u>

(Continued)

See accompanying notes to consolidated financial statements.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidated Statements of Cash Flows, Continued

	<u>2011</u>	<u>2010</u>
Reconciliation of increase in net assets to net cash provided by (used in) operating activities:		
Increase in net assets	\$ 126,524	18,315
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	152,377	133,171
Interest and dividends (net of advisory fees)	(6,856)	(6,126)
Unrealized appreciation on investments	(17,179)	
Loss on disposal of assets	1,709	8,604
Changes in:		
Accounts receivable	2,298,362	(2,086,143)
Prepaid expenses	6,887	67,707
Deposits	81,499	(82,347)
Accounts payable	6,093	(109,467)
Accrued payroll	19,510	20,838
Compensated absences	40,131	13,720
Accrued expenses	35,385	62,983
Deferred revenue	<u>(1,211,293)</u>	<u>481,375</u>
Net cash provided by (used in) operating activities	<u>\$ 1,533,149</u>	<u>(1,477,370)</u>
Supplemental schedule of cash flow information:		
In-kind revenue	<u>\$ 129,260</u>	<u>231,353</u>
In-kind expense	<u>\$ 129,260</u>	<u>231,353</u>

See accompanying notes to consolidated financial statements.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

This summary of significant accounting policies of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate is presented to assist in understanding the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

(a) Nature of Activities

The Organization is composed of affiliated entities which are described as follows:

Watershed Agricultural Council of the New York City Watersheds, Inc.

The Watershed Agricultural Council of the New York City Watersheds, Inc. (the Council) was organized as a nonprofit corporation under the laws of the State of New York on September 23, 1993, and commenced operations on October 1, 1994. The Council was formed to control and prevent contamination of New York City's drinking water supplies from non-point sources of agricultural pollution by promoting best management practices through whole farm planning while maintaining the economic vitality of agriculture within the watershed. Since its incorporation, the Council has developed into a full-service natural resource conservation consultancy, implementing water quality best management practices on farms and forestland, buying and stewarding farmland conservation easements, and working with landowners, producers, and consumers to improve the economic viability of the working landscape in the New York City water supply watershed.

Watershed Agricultural Council Conservation Easement Stewardship Endowment Fund

Watershed Agricultural Council Conservation Easement Stewardship Endowment Fund (the Affiliate), was formed on September 15, 2008, under the Not-for-Profit Laws of the State of New York. The Affiliate, sponsored by the Council, was organized solely and exclusively to provide financial resources to the Council, or any qualified successor such as a not-for-profit organization as defined by Article 49 of the New York State Environmental Conservation Law, of the agricultural conservation easements (CE's) now held by the Council, for the stewardship of those CE's.

The Council and Affiliate are collectively referred to as the Council.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Fund Accounting

In order to ensure observance of limitations placed on the use of resources available to the Council, the accounts are maintained in accordance with the principles of fund accounting, and are grouped according to the categories identified below. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund. Material interfund activity has been eliminated through consolidation. The Council records all transactions in self-balancing funds classified by the restriction categories identified below.

(i) Operating Funds - The Operating Funds include resources that are expendable for support of the Council's operations. These funds are separated by type and include a General Fund; Other Funds and Grants; Whole Farm Easements; and Agriculture and Forestry.

(ii) Plant Fund - The Plant Fund represents resources for plant acquisition and funds expended for plant, property, and equipment.

(iii) Unemployment Reserve Fund - The Unemployment Reserve Fund represents resources that are reserved for unemployment claims. This fund is supported by the Operating Funds. The Council is self-insured for unemployment.

The Affiliate records all transactions in a self-balancing fund representing financial resources provided to the Affiliate for stewardship of conservation easements.

(c) Basis of Presentation

The Council reports information regarding consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the governing Board.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they must be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Revenue Recognition

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

(e) Estimates

The preparation of consolidated 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.

(f) Cash and Equivalents

The Council 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 consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

(g) Property and Equipment

Property and equipment are stated at cost, or at fair market value for donated items. Expenditures for additions, improvements, and major renewals in excess of \$1,000 that extend the life of an asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations. Depreciation is provided for financial reporting purposes using principally the straight-line method over the estimated useful lives of the respective assets as follows:

<u>Asset Description</u>	<u>Life</u>
Equipment	5
Furniture and fixtures	7
Vehicles	5
Buildings	39

(h) Advertising Costs

Advertising costs are charged to operations when incurred.

(i) Concentration of Credit Risk

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and equivalents, which from time to time exceed Federal depository insurance coverage limit. The Council has a collateral agreement with its financial institution to collateralize uninsured balances. The collateral is held by a third-party custodial bank. Deposits and investments at year-end were covered by the Federal Depository Insurance Corporation in the amount of \$250,000 and by \$8,094,538 of collateral. All deposits were insured or collateralized at year end.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Subsequent Events

The Council has evaluated events after June 30, 2011, and through September 7, 2011, which is the date the consolidated financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these consolidated financial statements.

(k) Income Taxes

The Council and Affiliate are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the consolidated financial statements. The Council and Affiliate have been classified as publicly supported organizations that are not a private foundation under Section 509(a) of the Code. The Council and Affiliate presently disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Council and Affiliate have taken no uncertain tax positions that require adjustment in their financial statements. U.S. Forms 990 filed by the Council and Affiliate are subject to examination by taxing authorities. The Council is no longer subject to tax examination for the year ended June 30, 2007, and prior.

(2) Accounts Receivable

Accounts receivable consist of funds advanced or paid to various county agencies for the benefit of the farmers which have yet to be expended by the agencies and funds that are due from the New York City Department of Environmental Protection and various foundations for expenditures incurred. These accounts receivables at June 30, 2011 and 2010 is as follows:

	2011			
	Other Funds and Grants	Whole Farm Easements	Agriculture and Forestry	Total
Grants - New York City	\$ 233,373	3,963	2,013,399	2,250,735
Delaware County SWCD/CCE	-	-	116,231	116,231
Other	168	-	-	168
	\$ 233,541	3,963	2,129,630	2,367,134

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(2) Accounts Receivable, Continued

	2010			
	Other Funds and Grants	Whole Farm Easements	Agriculture and Forestry	Total
Grants - New York City	\$ 128,549	2,211,675	2,145,073	4,485,297
Delaware County SWCD/CCE	-	-	178,206	178,206
Other	<u>1,991</u>	<u>-</u>	<u>2</u>	<u>1,993</u>
	<u>\$ 130,540</u>	<u>2,211,675</u>	<u>2,323,281</u>	<u>4,665,496</u>

(3) Investments

Financial Instruments

The fair value of investments in marketable securities at June 30, 2011 is summarized as follows:

Cash and equivalents	\$ 73,855
Mutual funds	211,447
Equity funds	<u>359,542</u>
	<u>\$ 644,844</u>

Investments in marketable securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation is included in the consolidated statement of activities. A summary of investment gains for the year ended June 30, 2011 is as follows:

Interest and dividends	\$ 6,856
Unrealized appreciation	<u>17,179</u>
Investment income	<u>\$ 24,035</u>

Fair Value Measurement

A framework has been established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 assets and liabilities are those whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Affiliate has the ability to access. Investments held by the Affiliate are classified as level 1 in the fair value hierarchy.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(4) Property and Equipment

Property and equipment at June 30, 2011 and 2010 are summarized as follows:

	2011		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 626,576	(434,353)	192,223
Furniture and Fixtures	70,977	(56,451)	14,526
Vehicles	333,106	(211,416)	121,690
Buildings	<u>700,278</u>	<u>(114,546)</u>	<u>585,732</u>
	<u>\$ 1,730,937</u>	<u>(816,766)</u>	<u>914,171</u>
	2010		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 576,150	(401,277)	174,873
Furniture and Fixtures	73,955	(55,192)	18,763
Vehicles	318,740	(244,658)	74,082
Buildings	<u>700,278</u>	<u>(93,101)</u>	<u>607,177</u>
	<u>\$ 1,669,123</u>	<u>(794,228)</u>	<u>874,895</u>

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to \$152,377 and \$133,171, respectively.

(5) Compensated Absences

Employees of the Council, employees of the Delaware County Cornell Cooperative Extension, and employees of the Delaware County Soil and Water Conservation District, who are paid in connection with projects funded by the Council, earn vacation time at various amounts. In the event of termination of employment or upon retirement, employees are entitled to payment for accumulated vacation time. Estimated vacation time at June 30, 2011 and 2010, has been recorded as a liability in the accompanying consolidated financial statements.

(6) Designated Net Assets

Unrestricted net assets at June 30, 2011 and 2010 include \$19,410 and \$523,743, respectively, designated by the Council's Board for the purpose of conservation easements.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets amounting to \$53,498 at June 30, 2011 are restricted for the stewardship of the agricultural conservation easements held by the Council.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(8) Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the management of conservation easements and amounted to \$591,346 and \$100,000 at June 30, 2011 and 2010, respectively. The income from the investment of these assets is temporarily restricted for use in the stewardship of the agricultural conversation easements held by the Council.

(9) Related Party Transaction

At times, members of the Council's Board of Directors have owned property on which projects directly funded by the Council has occurred.

(10) Donated Services

The value of donated services included in the consolidated financial statements and the corresponding expenses for the years ended June 30, 2011 and 2010 consist of both personal and non-personal services amounting to \$129,260 and \$231,353, respectively.

(11) Retirement Program

Information regarding funding, benefits, and participation in the optional TIAA-CREF retirement program may be obtained from the plan administrators. Total employer contributions for the years ended June 30, 2011 and 2010 amounted to \$195,551 and \$166,786, respectively.

(12) Rental of Facilities

The Council leases office facilities in the Town of Yorktown, New York. The agreement expires on October 31, 2012. Terms of the lease provide for monthly rent of \$1,276 to \$1,354. Rental charges for the years ended June 30, 2011 and 2010 amounted to \$15,392 and \$14,708, respectively.

The Council also leases office facilities in Walton, New York. The lease agreement expires on March 31, 2016. Terms of the lease provide for monthly rent of \$11,127 to \$12,045. Rental charges for the years ended June 30, 2011 and 2010 amounted to \$131,344 and \$130,908, respectively.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(12) Rental of Facilities, Continued

The minimum annual rental payments for each of the remaining years of the leases are as follows:

Years ended June 30,	
2012	\$ 149,823
2013	142,070
2014	139,388
2015	142,180
2016	<u>108,405</u>
	\$ <u>681,866</u>

(13) Council's Continued Existence

The Council's continued existence is dependent upon funds received from the City of New York funding agencies to meet its normal operating expenditures.

(14) Easements

The Council has purchased and committed to purchase easements that place various restrictions on real property within the Watershed. These restrictions generally limit the use of the land and or limit the contents of the water that drains from the property and eventually into the New York City drinking water system. These easements must be stewarded in perpetuity. This stewardship responsibility creates an undetermined liability. As of June 30, 2011, the Council owned 115 such easements on 21,415 acres. The Council also had commitments to purchase 16 new easements consisting of 3,431 acres for a total purchase price of \$5,910,433 at June 30, 2011.

(15) Commitments and Contingencies

The Council receives both Federal and New York City funding for specific purposes that are subject to review and audit by both Federal and City agencies. Such audits could result in a request for reimbursement by the Federal Government or the City for expenditures disallowed under the terms and conditions of the appropriate agency. The Council believes that disallowed expenditures, if any, will not have a material effect on any of the individual Council funds or the overall financial position of the Council.

The Council through the contracts to acquire easements is obligated to steward these easements in perpetuity. The liability created by this stewardship commitment cannot be estimated.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Combining Statement of Financial Position by Fund - Council
June 30, 2011

	General fund	Other funds and grants	Whole farm easements	Agriculture and forestry WAC09	Unemployment reserve fund	Plant fund	Total
<u>Assets</u>							
Current assets:							
Cash and equivalents	\$ 631,163	39,154	3,080,587	1,818,050	311,881	-	5,880,835
Accounts receivable	-	233,541	3,963	2,129,630	-	-	2,367,134
Prepaid expenses	-	-	6,036	21,400	-	-	27,436
Deposits	-	274	73,693	108,024	-	-	181,991
Due from other funds	<u>(631,163)</u>	<u>(112,814)</u>	<u>366,664</u>	<u>379,338</u>	<u>(2,025)</u>	-	-
Total current assets	-	160,155	3,530,943	4,456,442	309,856	-	8,457,396
Property and equipment, net of accumulated depreciation of \$816,766	-	-	-	-	-	<u>914,171</u>	<u>914,171</u>
Total assets	<u>\$ -</u>	<u>160,155</u>	<u>3,530,943</u>	<u>4,456,442</u>	<u>309,856</u>	<u>914,171</u>	<u>9,371,567</u>
<u>Liabilities and Net Assets</u>							
Current liabilities:							
Accounts payable	-	472	7,470	88,285	-	-	96,227
Accrued payroll	-	23,372	26,742	63,707	-	-	113,821
Compensated absences	-	12,230	34,104	171,530	-	-	217,864
Accrued expenses	-	8,209	12,540	388,662	-	-	409,411
Deferred revenue	-	<u>3,323</u>	<u>3,450,087</u>	<u>3,744,258</u>	-	-	<u>7,197,668</u>
Total current liabilities	-	<u>47,606</u>	<u>3,530,943</u>	<u>4,456,442</u>	-	-	<u>8,034,991</u>
Unrestricted net assets:							
Reserve for unemployment	-	-	-	-	309,856	-	309,856
Designated	-	19,410	-	-	-	-	19,410
Unreserved	-	<u>93,139</u>	-	-	-	<u>914,171</u>	<u>1,007,310</u>
Total unrestricted net assets	-	<u>112,549</u>	-	-	<u>309,856</u>	<u>914,171</u>	<u>1,336,576</u>
Total liabilities and net assets	<u>\$ -</u>	<u>160,155</u>	<u>3,530,943</u>	<u>4,456,442</u>	<u>309,856</u>	<u>914,171</u>	<u>9,371,567</u>

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Combining Statement of Financial Position by Fund - Council
June 30, 2010

	General fund	Other funds and grants	Whole farm easements	Agriculture and forestry WAC08&08R	Agriculture and forestry WAC09	Unemployment reserve fund	Plant fund	Total
<u>Assets</u>								
Current assets:								
Cash and equivalents	\$ 570,125	639,236	2,922,934	164,699	598,468	266,395	-	5,161,857
Accounts receivable	-	130,540	2,211,675	-	2,323,281	-	-	4,665,496
Prepaid expenses	-	-	7,505	-	26,818	-	-	34,323
Deposits	-	-	158,051	-	105,439	-	-	263,490
Due from other funds	(570,125)	(9,500)	84,679	(15,475)	508,500	1,921	-	-
Total current assets	-	760,276	5,384,844	149,224	3,562,506	268,316	-	10,125,166
Property and equipment, net of accumulated depreciation of \$794,228	-	-	-	-	-	-	874,895	874,895
Total assets	\$ -	760,276	5,384,844	149,224	3,562,506	268,316	874,895	11,000,061
<u>Liabilities and Net Assets</u>								
Current liabilities:								
Accounts payable	-	28,510	22,844	-	35,491	3,289	-	90,134
Accrued payroll	-	5,582	19,750	-	68,979	-	-	94,311
Compensated absences	-	8,803	26,585	-	142,345	-	-	177,733
Accrued expenses	-	2,407	8,554	24,646	338,419	-	-	374,026
Deferred revenue	-	-	5,307,111	124,578	2,977,272	-	-	8,408,961
Total current liabilities	-	45,302	5,384,844	149,224	3,562,506	3,289	-	9,145,165
Unrestricted net assets:								
Reserve for unemployment	-	-	-	-	-	265,027	-	265,027
Designated	-	523,743	-	-	-	-	-	523,743
Unreserved	-	91,231	-	-	-	-	874,895	966,126
Total unrestricted	-	614,974	-	-	-	265,027	874,895	1,754,896
Permanently restricted	-	100,000	-	-	-	-	-	100,000
Total net assets	-	714,974	-	-	-	265,027	874,895	1,854,896
Total liabilities and net assets	\$ -	760,276	5,384,844	149,224	3,562,506	268,316	874,895	11,000,061

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Combining Statement of Program Activities by Fund - Council
Year ended June 30, 2011

	<u>Other funds and grants</u>	<u>Whole farm easements</u>	<u>Agriculture and forestry WAC09</u>	<u>Unemployment Reserve Fund</u>	<u>Plant Fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted revenue:							
Program revenue:							
BMP implementation and construction	\$ -	-	4,038,408	-	-	-	4,038,408
Status reviews, revisions and NMP	-	-	456,396	-	-	-	456,396
Farm to market	-	55,489	196,553	-	-	-	252,042
Croton East of Hudson	-	-	753,119	-	-	-	753,119
Program administration	-	326,981	1,326,217	44,112	-	-	1,697,310
Outreach communication	-	38,782	137,184	-	-	-	175,966
Forestry program	-	-	629,130	-	-	-	629,130
Easements	-	6,612,840	-	-	-	-	6,612,840
Total program revenue	-	7,034,092	7,537,007	44,112	-	-	14,615,211
Other revenue:							
Federal awards	989,391	-	-	-	-	-	989,391
Contributions	6,396	-	-	-	-	-	6,396
Interest	1,721	-	-	717	-	-	2,438
Acquisition of plant equipment	-	-	-	-	193,362	(193,362)	-
Loss on sale of assets	-	-	-	-	(1,709)	-	(1,709)
Donated services	55,690	1,193	72,377	-	-	-	129,260
Miscellaneous	133	-	-	-	-	-	133
Total other revenue	1,053,331	1,193	72,377	717	191,653	(193,362)	1,125,909
Total unrestricted revenue	1,053,331	7,035,285	7,609,384	44,829	191,653	(193,362)	15,741,120

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Combining Statement of Program Activities by Fund - Council, Continued
Year ended June 30, 2011

	<u>Other funds and grants</u>	<u>Whole farm easements</u>	<u>Agriculture and forestry WAC09</u>	<u>Unemployment Reserve Fund</u>	<u>Plant Fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted expenses:							
Program services expenses:							
BMP implementation and construction	\$ 321,057	-	4,038,408	-	-	-	4,359,465
Status reviews, revisions and NMP	-	-	456,396	-	-	-	456,396
Farm to Market	2,177	55,489	196,553	-	-	-	254,219
Depreciation	-	-	-	-	152,377	-	152,377
Easements	-	6,612,840	-	-	-	-	6,612,840
Croton East of Hudson	78,762	-	753,119	-	-	-	831,881
Outreach communication	-	38,782	137,184	-	-	-	175,966
Forestry program	571,396	-	629,130	-	-	-	1,200,526
Stewardship	22,858	-	-	-	-	-	22,858
Donated services	55,690	1,193	72,377	-	-	-	129,260
Total program services expenses	1,051,940	6,708,304	6,283,167	-	152,377	-	14,195,788
Administration	3,427	326,981	1,326,217	-	-	(193,362)	1,463,263
Total unrestricted expenses	1,055,367	7,035,285	7,609,384	-	152,377	(193,362)	15,659,051
Increase (decrease) in unrestricted net assets	(2,036)	-	-	44,829	39,276	-	82,069
Unrestricted net assets at beginning of year	614,974	-	-	265,027	874,895	-	1,754,896
Transfer of net assets (stewardship)	(500,389)	-	-	-	-	-	(500,389)
Unrestricted net assets at end of year	\$ 112,549	-	-	309,856	914,171	-	1,336,576
Permanently restricted net assets:							
Permanently restricted net assets at beginning of year	100,000	-	-	-	-	-	100,000
Transfer of net assets (stewardship)	(100,000)	-	-	-	-	-	(100,000)
Permanently restricted net assets at end of year	\$ -	-	-	-	-	-	-

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Combining Statement of Program Activities by Fund - Council
Year ended June 30, 2010

	<u>Other funds and grants</u>	<u>Whole farm easements</u>	<u>Agriculture and forestry WAC08&08R</u>	<u>Agriculture and forestry WAC09</u>	<u>Unemployment Reserve Fund</u>	<u>Plant Fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted revenue:								
Program services:								
BMP implementation and construction	\$ -	-	11,417	3,953,777	-	-	-	3,965,194
Status reviews revisions and NMP	-	-	-	462,143	-	-	-	462,143
Farm to market	-	54,475	5,000	193,925	-	-	-	253,400
Croton East of Hudson	-	-	106,591	678,109	-	-	-	784,700
Program administration	-	248,240	86,873	1,068,520	43,135	-	-	1,446,768
Outreach communication	-	37,469	1,950	132,096	-	-	-	171,515
Forestry program	-	-	1,538	532,854	-	-	-	534,392
Easements	-	3,699,014	-	-	-	-	-	3,699,014
Total program services	-	4,039,198	213,369	7,021,424	43,135	-	-	11,317,126
Other revenue:								
Federal awards	621,256	-	-	-	-	-	-	621,256
Contributions	11,687	-	-	-	-	-	-	11,687
Interest	5,362	-	-	-	764	-	-	6,126
Acquisition of plant equipment	-	-	-	-	-	113,951	(113,951)	-
Loss on sale of assets	-	-	-	-	-	(8,604)	-	(8,604)
Donated services	136,358	-	1,250	93,745	-	-	-	231,353
Total other revenue	774,663	-	1,250	93,745	764	105,347	(113,951)	861,818
Total unrestricted revenue	774,663	4,039,198	214,619	7,115,169	43,899	105,347	(113,951)	12,178,944

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Combining Statement of Program Activities by Fund - Council, Continued
Year ended June 30, 2010

	<u>Other funds and grants</u>	<u>Whole farm easements</u>	<u>Agriculture and forestry WAC08&08R</u>	<u>Agriculture and forestry WAC09</u>	<u>Unemployment Reserve Fund</u>	<u>Plant Fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted expenses:								
Program services expenses:								
BMP implementation and construction	\$ -	-	11,417	3,953,777	-	-	-	3,965,194
Status reviews revisions and NMP	-	-	-	462,143	-	-	-	462,143
Farm to Market	1,570	54,475	5,000	193,925	-	-	-	254,970
Depreciation	-	-	-	-	-	133,171	-	133,171
Easements	-	3,699,014	-	-	-	-	-	3,699,014
Croton East of Hudson	-	-	106,591	678,109	-	-	-	784,700
Outreach communication	-	37,469	1,950	132,096	-	-	-	171,515
Forestry program	622,186	-	1,538	532,854	-	-	-	1,156,578
Stewardship	20	-	-	-	-	-	-	20
Donated services	136,358	-	1,250	93,745	-	-	-	231,353
Total program services expenses	760,134	3,790,958	127,746	6,046,649	-	133,171	-	10,858,658
Administration	(2,538)	248,240	86,873	1,068,520	14,827	-	(113,951)	1,301,971
Total unrestricted expenses	757,596	4,039,198	214,619	7,115,169	14,827	133,171	(113,951)	12,160,629
Increase (decrease) in unrestricted net assets	17,067	-	-	-	29,072	(27,824)	-	18,315
Unrestricted net assets at beginning of year	597,907	-	-	-	235,955	902,719	-	1,736,581
Unrestricted net assets at end of year	<u>\$ 614,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,027</u>	<u>874,895</u>	<u>-</u>	<u>1,754,896</u>

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Statements of Cash Flows - Council
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from funding agencies	\$ 16,698,067	10,345,301
Payments to land owners and vendors	(12,273,666)	(8,704,605)
Payments for wages and employee benefits	(2,891,385)	(3,118,066)
Payments to affiliates	(623,247)	-
Miscellaneous receipts	<u>133</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>909,902</u>	<u>(1,477,370)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(193,362)	(113,951)
Interest income	<u>2,438</u>	<u>6,126</u>
Net cash used in investing activities	<u>(190,924)</u>	<u>(107,825)</u>
Net increase (decrease) in cash and equivalents	718,978	(1,585,195)
Cash and equivalents at beginning of year	<u>5,161,857</u>	<u>6,747,052</u>
Cash and equivalents at end of year	<u>\$ 5,880,835</u>	<u>5,161,857</u>
Reconciliation of increase in net assets to net cash provided by (used in) operating activities:		
Increase in net assets	82,069	18,315
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	152,377	133,171
Transfer of net assets	(600,389)	-
Interest income	(2,438)	(6,126)
Loss on disposal of assets	1,709	8,604
Changes in:		
Accounts receivable	2,298,362	(2,086,143)
Prepaid expenses	6,887	67,707
Deposits	81,499	(82,347)
Accounts payable	6,093	(109,467)
Accrued payroll	19,510	20,838
Compensated absences	40,131	13,720
Accrued expenses	35,385	62,983
Deferred revenue	<u>(1,211,293)</u>	<u>481,375</u>
Net cash provided by (used in) operating activities	<u>\$ 909,902</u>	<u>(1,477,370)</u>

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY OF WATERSHEDS, INC.
AND AFFILIATE

Consolidating Statement of Financial Position
June 30, 2011

<u>Assets</u>	<u>Watershed Agricultural Council</u>	<u>Stewardship Endowment Fund</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$ 5,880,835	-	5,880,835
Accounts receivables	2,367,134	-	2,367,134
Prepaid expenses	27,436	-	27,436
Deposits	181,991	-	181,991
Investments, at fair value:			
Temporarily restricted	-	53,498	53,498
Permanently restricted	-	591,346	591,346
Total current assets	<u>8,457,396</u>	<u>644,844</u>	<u>9,102,240</u>
Property and equipment, net of accumulated depreciation of \$816,766	<u>914,171</u>	<u>-</u>	<u>914,171</u>
Total assets	<u>\$ 9,371,567</u>	<u>644,844</u>	<u>10,016,411</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	96,227	-	96,227
Accrued payroll	113,821	-	113,821
Compensated absences	217,864	-	217,864
Accrued expenses	409,411	-	409,411
Deferred revenue	<u>7,197,668</u>	<u>-</u>	<u>7,197,668</u>
Total current liabilities	<u>8,034,991</u>	<u>-</u>	<u>8,034,991</u>
Net assets:			
Unrestricted:			
Reserve for unemployment	309,856	-	309,856
Designated	19,410	-	19,410
Unreserved	<u>1,007,310</u>	<u>-</u>	<u>1,007,310</u>
Total unrestricted	1,336,576	-	1,336,576
Temporarily restricted	-	53,498	53,498
Permanently restricted	<u>-</u>	<u>591,346</u>	<u>591,346</u>
Total net assets	<u>1,336,576</u>	<u>644,844</u>	<u>1,981,420</u>
Total liabilities and net assets	<u>\$ 9,371,567</u>	<u>644,844</u>	<u>10,016,411</u>

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidating Statement of Activities
Year ended June 30, 2011

	Watershed Agricultural Council		Stewardship Endowment Fund		Eliminations	Total
	Unrestricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted		
Revenue:						
Program revenue:						
BMP implementation and construction	\$ 4,038,408	-	-	-	-	4,038,408
Status reviews, revisions and NMP	456,396	-	-	-	-	456,396
Farm to Market	252,042	-	-	-	-	252,042
Croton of East Hudson	753,119	-	-	-	-	753,119
Program administration	1,697,310	-	-	-	-	1,697,310
Outreach communication	175,966	-	-	-	-	175,966
Forestry Program	629,130	-	-	-	-	629,130
Easements	6,612,840	-	-	-	-	6,612,840
Council stewardship revenue	-	-	513	22,345	(22,858)	-
Total program revenue	<u>14,615,211</u>	<u>-</u>	<u>513</u>	<u>22,345</u>	<u>(22,858)</u>	<u>14,615,211</u>
Other revenue:						
Federal awards	989,391	-	-	-	-	989,391
Contributions	6,396	-	-	-	-	6,396
Interest	2,438	-	-	-	-	2,438
Loss on sale of assets	(1,709)	-	-	-	-	(1,709)
Donated services	129,260	-	-	-	-	129,260
Miscellaneous	133	-	-	-	-	133
Dividend income	-	-	5,969	-	-	5,969
Unrealized gain on investments	-	-	-	17,179	-	17,179
Total other revenue	<u>1,125,909</u>	<u>-</u>	<u>5,969</u>	<u>17,179</u>	<u>-</u>	<u>1,149,057</u>
Total revenue	<u>15,741,120</u>	<u>-</u>	<u>6,482</u>	<u>39,524</u>	<u>(22,858)</u>	<u>15,764,268</u>

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidating Statement of Activities, Continued
Year ended June 30, 2011

	Watershed Agricultural Council		Stewardship Endowment Fund		Eliminations	Total
	Unrestricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted		
Expenses:						
Program services expenses:						
BMP implementation and construction	\$ 4,359,465	-	-	-	-	4,359,465
Status reviews, revisions and NMP	456,396	-	-	-	-	456,396
Farm to Market	254,219	-	-	-	-	254,219
Depreciation	152,377	-	-	-	-	152,377
Easements	6,612,840	-	-	-	-	6,612,840
Croton East of Hudson	831,881	-	-	-	-	831,881
Outreach communication	175,966	-	-	-	-	175,966
Forestry program	1,200,526	-	-	-	-	1,200,526
Stewardship	22,858	-	-	-	(22,858)	-
Donated services	129,260	-	-	-	-	129,260
Total program service expenses	14,195,788	-	-	-	(22,858)	14,172,930
Administration	1,463,263	-	-	-	-	1,463,263
Investment advisory fees	-	-	1,551	-	-	1,551
Total expenses	15,659,051	-	1,551	-	(22,858)	15,637,744
Increase in net assets	82,069	-	4,931	39,524	-	126,524
Net assets at beginning of year	1,754,896	100,000	-	-	-	1,854,896
Transfer of net assets (stewardship)	(500,389)	(100,000)	48,567	551,822	-	-
Net assets at end of year	\$ 1,336,576	-	53,498	591,346	-	1,981,420

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidating Statement of Cash Flows
Year ended June 30, 2011

	Watershed Agricultural Council		Stewardship Endowment Fund		Eliminations	Total
	Unrestricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted		
Cash flows from operating activities:						
Receipts from funding agencies	\$ 16,698,067	-	-	-	-	16,698,067
Payments to land owners and vendors	(12,273,666)	-	-	-	-	(12,273,666)
Payments for wages and employee benefits	(2,891,385)	-	-	-	-	(2,891,385)
Transfers to Affiliate	(523,247)	(100,000)	-	-	623,247	-
Transfers from Council	-	-	49,080	574,167	(623,247)	-
Miscellaneous other revenue	133	-	-	-	-	133
Net cash provided by (used in) operating activities	<u>1,009,902</u>	<u>(100,000)</u>	<u>49,080</u>	<u>574,167</u>	<u>-</u>	<u>1,533,149</u>
Cash flows from investing activities:						
Purchase of property and equipment	(193,362)	-	-	-	-	(193,362)
Purchase of investments	-	-	(53,498)	(574,167)	-	(627,665)
Interest income	2,438	-	-	-	-	2,438
Dividend income (net of fiscal advisory fees)	-	-	4,418	-	-	4,418
Net cash used in investing activities	<u>(190,924)</u>	<u>-</u>	<u>(49,080)</u>	<u>(574,167)</u>	<u>-</u>	<u>(814,171)</u>
Net increase (decrease) in cash and equivalents	818,978	(100,000)	-	-	-	718,978
Cash and equivalents at beginning of year	<u>5,061,857</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,161,857</u>
Cash and equivalents at end of year	<u>\$ 5,880,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,880,835</u>

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Consolidating Statement of Cash Flows, Continued
Year ended June 30, 2011

	Watershed Agricultural Council		Stewardship Endowment Fund		Eliminations	Total
	Unrestricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted		
Reconciliation of increase in net assets to net cash provided by (used in) operating activities:						
Increase in net assets	\$ 82,069	-	4,931	39,524	-	126,524
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:						
Depreciation	152,377	-	-	-	-	152,377
Transfer of net assets (stewardship)	(500,389)	(100,000)	48,567	551,822	-	-
Interest and dividend income (net of fiscal advisory fees)	(2,438)	-	(4,418)	-	-	(6,856)
Unrealized appreciation on investments	-	-	-	(17,179)	-	(17,179)
Loss on disposal of assets	1,709	-	-	-	-	1,709
Changes in:						
Accounts receivable	2,298,362	-	-	-	-	2,298,362
Prepaid expenses	6,887	-	-	-	-	6,887
Deposits	81,499	-	-	-	-	81,499
Accounts payable	6,093	-	-	-	-	6,093
Accrued payroll	19,510	-	-	-	-	19,510
Compensated absences	40,131	-	-	-	-	40,131
Accrued expenses	35,385	-	-	-	-	35,385
Deferred revenue	(1,211,293)	-	-	-	-	(1,211,293)
Net cash provided by (used in) operating activities	\$ 1,009,902	(100,000)	49,080	574,167	-	1,533,149

WATERSHED AGRICULTURAL COUNCIL OF THE
NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Rural Development, Forestry, and Communities	10.672	\$ 118,645
Watershed Protection and Flood Prevention	10.904	166,371
Agricultural Water Enhancement Program	10.925	<u>498,822</u>
Total Expenditures of Federal Awards		<u>\$ 783,838</u>

See accompanying notes to schedule of expenditures of federal awards.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Notes to Schedule of Expenditures of Federal Awards

June 30, 2011

(1) General Information

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all the Federal award programs of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate. All financial awards received directly from Federal agencies as well as financial awards passed through other governmental agencies or nonprofit organizations are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either cash or modified accrual basis accounting.

(3) Relationship to Basic Financial Statements

Federal award expenditures are reported in the statements of activities as program services and any related allowable administrative expenses under the category of administration expenses. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards due to program expenditures exceeding grant or contract budget limitations, matching an in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

TOSKI, SCHAEFER & CO.,P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Watershed Agricultural Council of the
New York City Watershed, Inc:

We have audited the consolidated financial statements of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate (the Council), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 7, 2011. 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial statements that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, others within the Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co, P.C.

Williamsville, New York
September 7, 2011

TOSKI, SCHAEFER & CO.,P.C.

CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Watershed Agricultural Council of the
New York City Watershed, Inc.:

Compliance

We have audited Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate's (the Council) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2011. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
September 7, 2011

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
1. Material weakness(es) identified?	___ Yes <u>x</u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u>x</u> None reported
3. Noncompliance material to financial statements noted?	___ Yes <u>x</u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	___ Yes <u>x</u> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u>x</u> None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))	___ Yes <u>x</u> No
7. The Council's major program audited was:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Agricultural Water Enhancement Program	10.925
8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
9. Auditee qualified as low-risk auditee?	___ Yes <u>x</u> No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No reportable findings.

WATERSHED AGRICULTURAL COUNCIL OF
THE NEW YORK CITY WATERSHEDS, INC.
AND AFFILIATE

Status of Prior Audit Findings

Year ended June 30, 2011

There were no audit findings with regard to the prior year financial statements (June 30, 2010).