

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

Consolidated Financial Statements and  
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

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

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate (the Council) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the consolidated 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 Council'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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information in Schedules 1 through 6 are presented for purposes of additional analysis 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 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 consolidated financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with the Government Auditing Standards, we have also issued our report dated October 23, 2018, 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 23, 2018

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Consolidated Statements of Financial Position  
June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and equivalents	\$ 9,765,891	8,401,134
Accounts receivable	112,035	2,194,405
Inventory	1,197	-
Prepaid expenses	140,786	79,962
Deposits	189,372	174,250
Investments, at fair value	<u>2,624,108</u>	<u>1,916,902</u>
Total current assets	12,833,389	12,766,653
Property and equipment, at cost, net of accumulated depreciation of \$1,198,652 in 2018 and \$1,117,151 in 2017	<u>1,294,119</u>	<u>782,812</u>
Total assets	<u>\$ 14,127,508</u>	<u>13,549,465</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	191,647	156,272
Accrued payroll	158,575	146,340
Compensated absences	295,557	296,801
Accrued expenses	624,401	573,676
Deferred revenue	<u>8,243,725</u>	<u>9,034,596</u>
Total current liabilities	<u>9,513,905</u>	<u>10,207,685</u>
Net assets:		
Unrestricted:		
Reserve for unemployment	610,004	560,877
Designated	19,565	18,583
Unreserved	<u>1,378,269</u>	<u>862,756</u>
Total unrestricted	2,007,838	1,442,216
Temporarily restricted	494,367	403,357
Permanently restricted	<u>2,111,398</u>	<u>1,496,207</u>
Total net assets	4,613,603	3,341,780
Commitments and contingencies (note 17)		
Total liabilities and net assets	<u>\$ 14,127,508</u>	<u>13,549,465</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets:		
Unrestricted revenue:		
Program revenue:		
Watershed Agricultural Program	\$ 7,488,816	5,484,272
Program administration	2,306,630	1,881,135
Outreach communication/economic viability	437,554	437,871
Forestry program	1,153,785	1,024,374
Easements	<u>2,793,342</u>	<u>3,175,077</u>
Total program revenue	<u>14,180,127</u>	<u>12,002,729</u>
Other revenue:		
Federal awards	292,673	336,595
Pure catskills membership and advertising	24,374	22,000
Interest income	3,632	4,152
Investment income	982	2,049
Donated services	<u>401,814</u>	<u>392,606</u>
Total other revenue	<u>723,475</u>	<u>757,402</u>
Total unrestricted revenue	<u>14,903,602</u>	<u>12,760,131</u>
Unrestricted expenses:		
Program services	12,755,288	10,991,923
Administration	1,582,692	1,725,395
Investment fees	<u>-</u>	<u>189</u>
Total unrestricted expenses	<u>14,337,980</u>	<u>12,717,507</u>
Increase in unrestricted net assets	565,622	42,624
Unrestricted net assets at beginning of year	<u>1,442,216</u>	<u>1,399,592</u>
Unrestricted net assets at end of year	<u><u>\$ 2,007,838</u></u>	<u><u>1,442,216</u></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>2018</u>	<u>2017</u>
Changes in temporarily restricted net assets - other revenue:		
Investment gain, net of fiscal advisory fees	\$ 91,010	153,787
Temporarily restricted net assets at beginning of year	<u>403,357</u>	<u>249,570</u>
Temporarily restricted net assets at end of year	<u>\$ 494,367</u>	<u>403,357</u>
Changes in permanently restricted net assets - program revenue:		
Council stewardship revenue	615,191	616,056
Permanently restricted net assets at beginning of year	<u>1,496,207</u>	<u>880,151</u>
Permanently restricted net assets at end of year	<u>\$ 2,111,398</u>	<u>1,496,207</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from funding agencies	\$ 16,996,885	19,520,768
Payments to land owners, vendors and contractors	(9,454,921)	(8,328,428)
Payments for wages and employee benefits	<u>(4,906,250)</u>	<u>(4,331,872)</u>
Net cash provided by operating activities	<u>2,635,714</u>	<u>6,860,468</u>
Cash flows from investing activities:		
Purchase of property and equipment	(674,251)	(102,881)
Sale (purchase) of investments	(707,206)	(770,458)
Proceeds from sale of property and equipment	18,508	1,150
Investment income, net of fiscal advisory fees	<u>91,992</u>	<u>155,836</u>
Net cash used in investing activities	<u>(1,270,957)</u>	<u>(716,353)</u>
Net increase in cash and equivalents	1,364,757	6,144,115
Cash and equivalents at beginning of year	<u>8,401,134</u>	<u>2,257,019</u>
Cash and equivalents at end of year	<u>\$ 9,765,891</u>	<u>8,401,134</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>2018</u>	<u>2017</u>
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 1,271,823	812,467
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	162,944	120,639
Investment income, net of fiscal advisory fees	(91,992)	(155,836)
Gain on disposal of property and equipment	(18,508)	(1,150)
Changes in:		
Accounts receivable	2,082,370	5,471,382
Inventory	(1,197)	-
Prepaid expenses	(60,824)	22,555
Deposits	(15,122)	20,838
Accounts payable	35,375	8,853
Accrued payroll	12,235	22,825
Compensated absences	(1,244)	11,859
Accrued expenses	50,725	64,929
Deferred revenue	(790,871)	461,107
Net cash provided by operating activities	<u>\$ 2,635,714</u>	<u>6,860,468</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, 2018 and 2017

(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 and forestland 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.

(b) Endowment

The Affiliate's endowment was established by donations made directly to the Affiliate. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of explicit donor-imposed restrictions. See note 10 for endowment detail.

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) Endowment, Continued

New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted on September 17, 2010 and removes the prohibition on appropriations below the historic dollar value of endowment funds absent explicit donor stipulations to the contrary.

In accordance with NYPMIFA, the Affiliate considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. Alternatives to expenditure of the endowment fund.
8. The investment policies of the organization.

(c) 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.

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) 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.

(e) 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.

(f) Estimates

The preparation of consolidated financial statements in accordance 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.

(g) 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.

(h) 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:

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

(h) Property and Equipment, Continued

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

(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 \$11,160,679 of collateral. All deposits were insured or collateralized at year end.

(j) Advertising Costs

Advertising costs are charged to operations when incurred.

(k) Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Subsequent Events

The Council has evaluated subsequent events through the date of the report which is the date the consolidated financial statements were available to be issued.

(m) Income Taxes

The Council and Affiliate are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the 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.

(n) Inventory

Inventory consists of items used by the WAC Investigation Repair Crew (WIRC) in emergency repairs as needed and is stated at cost using the first in first out method.

(o) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

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

Notes to Consolidated Financial Statements, Continued

(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, 2018 and 2017 is as follows:

	2018					
	Other Funds and Grants	Whole Farm Easements	Endowment	Agriculture and Forest	Stewardship and Conservation Easement	Total
	Grants - New York City	\$ -	-	-	-	-
Delaware County SWCD/CCE	-	-	-	34,286	-	34,286
Other	<u>73,401</u>	<u>1,558</u>	<u>1,222</u>	<u>1,568</u>	-	<u>77,749</u>
	<u>\$ 73,401</u>	<u>1,558</u>	<u>1,222</u>	<u>35,854</u>	<u>-</u>	<u>112,035</u>

  

	2017					
	Other Funds and Grants	Whole Farm Easements	Endowment	Agriculture and Forest	Stewardship and Conservation Easement	Total
	Grants - New York City	\$ -	1,336,526	-	-	607,897
Delaware County SWCD/CCE	-	-	-	204,025	-	204,025
Other	<u>42,504</u>	-	<u>1,245</u>	<u>2,208</u>	-	<u>45,957</u>
	<u>\$ 42,504</u>	<u>1,336,526</u>	<u>1,245</u>	<u>206,233</u>	<u>607,897</u>	<u>2,194,405</u>

(3) Investments

Financial Instruments

The cost and fair value of investments in marketable securities at June 30, 2018 and 2017 is summarized as follows:

<u>Asset Category</u>	2018		2017	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash	\$ 70,686	70,686	72,617	72,617
Mutual Funds:				
Domestic Equity	483,884	587,571	338,310	402,735
Global Equity	214,643	239,385	191,780	198,290
International Equity	494,653	525,338	360,784	392,561
International Equity Income	51,104	48,018	39,907	39,593
Taxable Fixed Income Funds	<u>1,185,237</u>	<u>1,153,110</u>	<u>812,392</u>	<u>811,106</u>
Total assets	<u>\$ 2,500,207</u>	<u>2,624,108</u>	<u>1,815,790</u>	<u>1,916,902</u>

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
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Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

Financial Instruments, Continued

Investments in marketable securities are stated at fair value. A summary of investment income for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 60,717	34,221
Realized gains	24,650	1,733
Unrealized appreciation	<u>22,790</u>	<u>131,073</u>
Investment income	108,157	167,027
Less fiscal advisory fees	<u>(16,165)</u>	<u>(11,191)</u>
Investment income, net of fiscal advisory fees	\$ <u>91,992</u>	<u>155,836</u>
Unrestricted	982	2,049
Temporarily restricted	<u>91,010</u>	<u>153,787</u>
	\$ <u>91,992</u>	<u>155,836</u>

Fair Value Measurement

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. 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). The three levels of the fair value hierarchy are described below:

- Level 1 - 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.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

Fair Value Measurement, Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Affiliate believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Affiliate's assets at fair value as of June 30, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ 70,686	-	-	70,686
Mutual Funds:				
Domestic Equity Mutual Funds	587,571	-	-	587,571
Global Equity Mutual Funds	239,385	-	-	239,385
International Equity Mutual Funds	525,338	-	-	525,338
International Equity Income Mutual Funds	48,018	-	-	48,018
Taxable Fixed Income Funds	<u>1,153,110</u>	<u>-</u>	<u>-</u>	<u>1,153,110</u>
	<u>\$ 2,624,108</u>	<u>-</u>	<u>-</u>	<u>2,624,108</u>
	2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 72,617	-	-	72,617
Mutual Funds:				
Domestic Equity Mutual Funds	402,735	-	-	402,735
Global Equity Mutual Funds	198,290	-	-	198,290
International Equity Mutual Funds	392,561	-	-	392,561
International Equity Income Mutual Funds	39,593	-	-	39,593
Taxable Fixed Income Funds	<u>811,106</u>	<u>-</u>	<u>-</u>	<u>811,106</u>
	<u>\$ 1,916,902</u>	<u>-</u>	<u>-</u>	<u>1,916,902</u>



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, 2018 and 2017 are summarized as follows:

	2018		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 740,863	(571,169)	169,694
Furniture and Fixtures	31,063	(31,063)	-
Vehicles	634,770	(338,328)	296,442
Buildings	761,703	(254,664)	507,039
Leasehold improvements	32,565	(3,428)	29,137
Land	<u>291,807</u>	<u>-</u>	<u>291,807</u>
	<u>\$ 2,492,771</u>	<u>(1,198,652)</u>	<u>1,294,119</u>
	2017		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 691,546	(552,859)	138,687
Furniture and Fixtures	31,063	(31,063)	-
Vehicles	445,776	(301,191)	144,585
Buildings	<u>731,578</u>	<u>(232,038)</u>	<u>499,540</u>
	<u>\$ 1,899,963</u>	<u>(1,117,151)</u>	<u>782,812</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$162,944 and \$120,639, 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, 2018 and 2017, has been recorded as a liability in the accompanying consolidated financial statements.

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

Notes to Consolidated Financial Statements, Continued

(6) Line of Credit

The Council has a line of credit with Wayne Bank providing for maximum borrowings of \$1,500,000 at the interest rate of 5.00% and 4.25% at June of 2018 and 2017, respectively, secured by receivables from the New York City Department of Environmental Protection. The line is renewable on December 26, 2018. At June 30, 2018, the Council had no outstanding liabilities under this line of credit.

(7) Unrestricted Net Assets Reserved

(a) Reserve for Unemployment

Unrestricted net assets at June 30, 2018 and 2017 include \$610,004 and \$560,877, respectively, designated by the Council's Board for an unemployment reserve.

(b) Designated Net Assets

Unrestricted net assets at June 30, 2018 and 2017 include \$19,565 and \$18,583, respectively, designated by the Council's Board for the purpose of conservation easements.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets amounting to \$494,367 and \$403,357 at June 30, 2018 and 2017, respectively, are restricted for the stewardship of the agricultural conservation easements held by the Council.

(9) Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the management of conservation easements and amounted to \$2,111,398 and \$1,496,207 at June 30, 2018 and 2017, 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.

(10) Endowment Funds

The Affiliate's endowment includes donor restricted funds to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

Notes to Consolidated Financial Statements, Continued

(10) Endowment Funds, Continued

Interpretation of Relevant Law - The Board of Directors of the Affiliate has interpreted the New York Prudent Management on Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Affiliate classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent explicit donor stipulations to the contrary, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Affiliate in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA the Affiliate considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Affiliate, (7) the Affiliate's investment policies, and (8) alternatives to expenditure of the endowment fund.

Investment Return Objectives, Risk Parameters and Strategies - The Affiliate has adopted investment and spending policies, approved by the Endowment Committee of the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Spending Policy - The Endowment Committee of the Affiliate will determine from time to time the amount available for expenditure from the donor-restricted endowment funds.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2018	\$ <u>494,367</u>	<u>2,111,398</u>	<u>2,605,765</u>
2017	\$ <u>403,357</u>	<u>1,496,207</u>	<u>1,899,564</u>

(11) Related Party Transactions

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

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

Notes to Consolidated Financial Statements, Continued

(12) Donated Services

The value of donated services included in the consolidated financial statements and the corresponding expenses for the years ended June 30, 2018 and 2017 consist of both personal and non-personal services amounting to \$401,814 and \$392,606, respectively.

(13) 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, 2018 and 2017 amounted to \$263,116 and \$237,709, respectively.

(14) Rental of Facilities

The Council leases office facilities in the Town of Yorktown, New York. The agreement expires on June 30, 2022. Terms of the lease provide for monthly rents of \$1,640 to \$1,915. Rental charges for the years ended June 30, 2018 and 2017 amounted to \$19,680 and \$18,595, respectively.

The Council also leases office facilities in Walton, New York. The lease agreement expires on March 31, 2021. This lease was amended on January 15, 2018 for additional square footage. Terms of the lease provide for monthly rent of \$14,842 to \$15,751. Rental charges for the years ended June 30, 2018 and 2017 amounted to \$166,476 and \$152,715, respectively.

The Council also leases other facilities in Walton, New York. The lease agreement expires on December 31, 2018. Terms for the lease provide for monthly rent of \$300. Rental charges for each of the years ended June 30, 2018 and 2017 amounted to \$3,600. The Council is currently in negotiations for a new lease and paying month to month at the current rate.

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

Years ending June 30,	
2019	\$ 204,777
2020	207,471
2021	163,839
2022	<u>22,980</u>
	\$ <u>599,067</u>

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

Notes to Consolidated Financial Statements, Continued

(15) 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.

(16) 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, 2018, the Council owned 153 original grantor conservation easements consisting of 27,520 acres. The Council also had commitments to acquire new conservation easements consisting of 1,811 acres for a total purchase price of \$1,608,404 at June 30, 2018.

(17) Commitments and Contingencies

(a) Litigation

The Council is also involved in various claims and lawsuits, both for and against the Council, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Council's financial position.

(b) Other

Commitments and contingencies at June 30, 2018 consist of the following:

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, 2018

	<u>General fund</u>	<u>NON NYC Funds and Grants</u>	<u>Easement agriculture and forestry CAT 403</u>	<u>Watershed agriculture and forestry CAT 433</u>	<u>Capital agriculture and forestry CAT 433</u>	<u>Administration of stewardship conservation CAT 450</u>	<u>Unemployment reserve fund</u>	<u>Plant fund</u>	<u>Total</u>
<u>Assets</u>									
Current assets:									
Cash and equivalents	\$ 50,558	50,143	2,245,845	3,865,407	2,952,468	-	601,470	-	9,765,891
Accounts receivable	-	73,401	1,558	31,353	4,501	-	-	-	110,813
Inventory	-	-	-	-	1,197	-	-	-	1,197
Prepaid expenses	-	-	55,725	85,061	-	-	-	-	140,786
Deposits	-	273	46,277	83,977	58,845	-	-	-	189,372
Investments	-	19,565	-	-	-	-	-	-	19,565
Due to/from other funds	(50,558)	(17,454)	17,564	142,779	(100,865)	-	8,534	-	-
Total current assets	-	125,928	2,366,969	4,208,577	2,916,146	-	610,004	-	10,227,624
Property and equipment, net of accumulated depreciation of \$1,198,652	-	-	-	-	-	-	-	1,294,119	1,294,119
Total assets	\$ -	125,928	2,366,969	4,208,577	2,916,146	-	610,004	1,294,119	11,521,743
<u>Liabilities and Net Assets</u>									
Current liabilities:									
Accounts payable	-	(834)	27,922	99,458	65,101	-	-	-	191,647
Accrued payroll	-	10,974	36,825	89,644	21,132	-	-	-	158,575
Compensated absences	-	11,214	55,415	188,558	40,370	-	-	-	295,557
Accrued expenses	-	859	390	622,562	590	-	-	-	624,401
Deferred revenue	-	-	2,246,417	3,208,355	2,788,953	-	-	-	8,243,725
Total current liabilities	-	22,213	2,366,969	4,208,577	2,916,146	-	-	-	9,513,905
Unrestricted net assets:									
Reserve for unemployment	-	-	-	-	-	-	610,004	-	610,004
Designated	-	19,565	-	-	-	-	-	-	19,565
Unreserved	-	84,150	-	-	-	-	-	1,294,119	1,378,269
Total unrestricted net assets	-	103,715	-	-	-	-	610,004	1,294,119	2,007,838
Total liabilities and net assets	\$ -	125,928	2,366,969	4,208,577	2,916,146	-	610,004	1,294,119	11,521,743

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Combining Statement of Financial Position by Fund - Council  
June 30, 2017

	General fund	NON NYC Funds and Grants	Easement agriculture and forestry CAT 403	Watershed agriculture and forestry CAT 433	Capital agriculture and forestry CAT 433	Administration of stewardship conservation CAT 450	Unemployment reserve fund	Plant fund	Total
<u>Assets</u>									
Current assets:									
Cash and equivalents	\$ 264,975	82,806	2,330,639	3,233,447	1,928,390	-	560,877	-	8,401,134
Accounts receivable/(credit)	-	42,504	1,336,526	233,817	(27,584)	607,897	-	-	2,193,160
Prepaid expenses	-	-	34,842	45,120	-	-	-	-	79,962
Deposits	-	273	44,412	82,220	47,345	-	-	-	174,250
Investments	-	18,583	-	-	-	-	-	-	18,583
Due to/from other funds	(264,975)	(17,035)	277,047	(17,696)	22,659	-	-	-	-
Total current assets	-	127,131	4,023,466	3,576,908	1,970,810	607,897	560,877	-	10,867,089
Property and equipment, net of accumulated depreciation of \$1,117,151	-	-	-	-	-	-	-	782,812	782,812
Total assets	\$ -	127,131	4,023,466	3,576,908	1,970,810	607,897	560,877	782,812	11,649,901
<u>Liabilities and Net Assets</u>									
Current liabilities:									
Accounts payable	-	1,224	32,133	115,545	7,370	-	-	-	156,272
Accrued payroll	-	12,046	34,876	82,136	17,282	-	-	-	146,340
Compensated absences	-	15,334	44,238	197,620	39,609	-	-	-	296,801
Accrued expenses	-	-	594	574,290	(1,208)	-	-	-	573,676
Deferred revenue	-	-	3,911,625	2,607,317	1,907,757	607,897	-	-	9,034,596
Total current liabilities	-	28,604	4,023,466	3,576,908	1,970,810	607,897	-	-	10,207,685
Unrestricted net assets:									
Reserve for unemployment	-	-	-	-	-	-	560,877	-	560,877
Designated	-	18,583	-	-	-	-	-	-	18,583
Unreserved	-	79,944	-	-	-	-	-	782,812	862,756
Total unrestricted net assets	-	98,527	-	-	-	-	560,877	782,812	1,442,216
Total liabilities and net assets	\$ -	127,131	4,023,466	3,576,908	1,970,810	607,897	560,877	782,812	11,649,901

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Combining Statement of Program Activities by Fund - Council  
Year ended June 30, 2018

	<u>Non NYC Funds and grants</u>	<u>Easement agriculture and forestry CAT 403</u>	<u>Watershed agriculture and forestry CAT 433</u>	<u>Capital agriculture and forestry CAT 433</u>	<u>Administration of stewardship conservation CAT 450</u>	<u>Unemployment reserve fund</u>	<u>Plant fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted revenue:									
Program services:									
Watershed Agricultural Program	\$ 37,608	-	3,656,165	3,795,043	-	-	-	-	7,488,816
Program administration	-	624,915	1,391,213	233,740	-	56,762	-	-	2,306,630
Outreach communication/economic viability	16	37,142	400,396	-	-	-	-	-	437,554
Forestry program	-	87,146	1,066,639	-	-	-	-	-	1,153,785
Stewardship	-	-	-	-	607,897	-	-	(607,897)	-
Easements	-	2,793,342	-	-	-	-	-	-	2,793,342
Total program services	<u>37,624</u>	<u>3,542,545</u>	<u>6,514,413</u>	<u>4,028,783</u>	<u>607,897</u>	<u>56,762</u>	<u>-</u>	<u>(607,897)</u>	<u>14,180,127</u>
Other revenue:									
Federal awards	292,673	-	-	-	-	-	-	-	292,673
Pure catskills membership and advertising	-	-	24,374	-	-	-	-	-	24,374
Interest income	73	-	-	-	-	3,559	-	-	3,632
Investment income	982	-	-	-	-	-	-	-	982
Acquisition of plant equipment	-	-	-	-	-	-	674,251	(674,251)	-
Donated services	-	-	401,814	-	-	-	-	-	401,814
Total other revenue	<u>293,728</u>	<u>-</u>	<u>426,188</u>	<u>-</u>	<u>-</u>	<u>3,559</u>	<u>674,251</u>	<u>(674,251)</u>	<u>723,475</u>
Total unrestricted revenue	<u>331,352</u>	<u>3,542,545</u>	<u>6,940,601</u>	<u>4,028,783</u>	<u>607,897</u>	<u>60,321</u>	<u>674,251</u>	<u>(1,282,148)</u>	<u>14,903,602</u>

(Continued)



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

Combining Statement of Program Activities by Fund - Council, Continued

	<u>Non NYC Funds and grants</u>	<u>Easement agriculture and forestry CAT 403</u>	<u>Watershed agriculture and forestry CAT 433</u>	<u>Capital agriculture and forestry CAT 433</u>	<u>Administration of stewardship conservation CAT 450</u>	<u>Unemployment reserve fund</u>	<u>Plant fund</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted expenses:									
Program services expenses:									
Watershed Agricultural Program	\$ 105,805	-	3,656,165	3,795,043	-	-	-	-	7,557,013
Depreciation	-	-	-	-	-	-	162,944	-	162,944
Easements	-	2,793,342	-	-	-	-	-	-	2,793,342
Stewardship	-	-	-	-	607,897	-	-	(607,897)	-
Outreach communication/economic viability	2	37,142	424,770	-	-	-	-	-	461,914
Forestry program	224,476	87,146	1,066,639	-	-	-	-	-	1,378,261
Donated services	-	-	401,814	-	-	-	-	-	401,814
Total program services expenses	<u>330,283</u>	<u>2,917,630</u>	<u>5,549,388</u>	<u>3,795,043</u>	<u>607,897</u>	<u>-</u>	<u>162,944</u>	<u>(607,897)</u>	<u>12,755,288</u>
Administration	<u>(4,119)</u>	<u>624,915</u>	<u>1,391,213</u>	<u>233,740</u>	<u>-</u>	<u>11,194</u>	<u>-</u>	<u>(674,251)</u>	<u>1,582,692</u>
Total unrestricted expenses	<u>326,164</u>	<u>3,542,545</u>	<u>6,940,601</u>	<u>4,028,783</u>	<u>607,897</u>	<u>11,194</u>	<u>162,944</u>	<u>(1,282,148)</u>	<u>14,337,980</u>
Increase in unrestricted net assets	5,188	-	-	-	-	49,127	511,307	-	565,622
Unrestricted net assets at beginning of year	<u>98,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,877</u>	<u>782,812</u>	<u>-</u>	<u>1,442,216</u>
Unrestricted net assets at end of year	<u>\$ 103,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,004</u>	<u>1,294,119</u>	<u>-</u>	<u>2,007,838</u>

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Combining Statement of Program Activities by Fund - Council  
Year ended June 30, 2017

	Non NYC Funds and grants	Easement agriculture and forestry CAT 403	Watershed agriculture and forestry CAT 433	Capital agriculture and forestry CAT 433	Administration of stewardship conservation CAT 450	Unemployment reserve fund	Plant fund	Eliminations	Total
Unrestricted revenue:									
Program services:									
Watershed Agricultural Program	\$ 57,884	-	3,229,422	2,196,966	-	-	-	-	5,484,272
Program administration	1,527	550,122	1,285,675	(4,422)	-	48,233	-	-	1,881,135
Outreach communication/economic viability	12	37,281	400,578	-	-	-	-	-	437,871
Forestry program	-	83,742	940,632	-	-	-	-	-	1,024,374
Stewardship	-	-	-	-	607,897	-	-	(607,897)	-
Easements	-	3,175,077	-	-	-	-	-	-	3,175,077
Total program services	<u>59,423</u>	<u>3,846,222</u>	<u>5,856,307</u>	<u>2,192,544</u>	<u>607,897</u>	<u>48,233</u>	<u>-</u>	<u>(607,897)</u>	<u>12,002,729</u>
Other revenue:									
Federal awards	336,595	-	-	-	-	-	-	-	336,595
Pure catskills membership and advertising	-	-	22,000	-	-	-	-	-	22,000
Interest income	62	-	-	-	-	4,090	-	-	4,152
Investment income	2,049	-	-	-	-	-	-	-	2,049
Acquisition of plant equipment	-	-	-	-	-	-	102,881	(102,881)	-
Donated services	27,480	-	365,126	-	-	-	-	-	392,606
Total other revenue	<u>366,186</u>	<u>-</u>	<u>387,126</u>	<u>-</u>	<u>-</u>	<u>4,090</u>	<u>102,881</u>	<u>(102,881)</u>	<u>757,402</u>
Total unrestricted revenue	<u>425,609</u>	<u>3,846,222</u>	<u>6,243,433</u>	<u>2,192,544</u>	<u>607,897</u>	<u>52,323</u>	<u>102,881</u>	<u>(710,778)</u>	<u>12,760,131</u>

(Continued)

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

Combining Statement of Program Activities by Fund - Council, Continued

	Non NYC Funds and grants	Easement agriculture and forestry CAT 403	Watershed agriculture and forestry CAT 433	Capital agriculture and forestry CAT 433	Administration of stewardship conservation CAT 450	Unemployment reserve fund	Plant fund	Eliminations	Total
Unrestricted expenses:									
Program services expenses:									
Watershed Agricultural Program	\$ 56,384	-	3,229,422	2,196,966	-	-	-	-	5,482,772
Depreciation	-	-	-	-	-	-	120,639	-	120,639
Easements	-	3,175,077	-	-	-	-	-	-	3,175,077
Stewardship	-	-	-	-	607,897	-	-	(607,897)	-
Outreach communication/economic viability	1	37,281	422,578	-	-	-	-	-	459,860
Forestry program	336,595	83,742	940,632	-	-	-	-	-	1,360,969
Donated services	27,480	-	365,126	-	-	-	-	-	392,606
Total program services expenses	<u>420,460</u>	<u>3,296,100</u>	<u>4,957,758</u>	<u>2,196,966</u>	<u>607,897</u>	<u>-</u>	<u>120,639</u>	<u>(607,897)</u>	<u>10,991,923</u>
Administration	(3,100)	550,122	1,285,675	(4,422)	-	1	-	(102,881)	1,725,395
Investment fees	189	-	-	-	-	-	-	-	189
Total unrestricted expenses	<u>417,549</u>	<u>3,846,222</u>	<u>6,243,433</u>	<u>2,192,544</u>	<u>607,897</u>	<u>1</u>	<u>120,639</u>	<u>(710,778)</u>	<u>12,717,507</u>
Increase (decrease) in unrestricted net assets	8,060	-	-	-	-	52,322	(17,758)	-	42,624
Unrestricted net assets at beginning of year	<u>90,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,555</u>	<u>800,570</u>	<u>-</u>	<u>1,399,592</u>
Unrestricted net assets at end of year	<u>\$ 98,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,877</u>	<u>782,812</u>	<u>-</u>	<u>1,442,216</u>

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

Statements of Cash Flows - Council  
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from funding agencies	\$ 16,381,671	18,905,957
Payments to land owners, vendors and contractors	(9,454,921)	(8,328,428)
Payments for wages and employee benefits	<u>(4,906,250)</u>	<u>(4,331,872)</u>
Net cash provided by operating activities	<u>2,020,500</u>	<u>6,245,657</u>
Cash flows from investing activities:		
Purchase of property and equipment	(674,251)	(102,881)
Sale (purchase) of investments	(982)	(1,860)
Proceeds from sale of property and equipment	18,508	1,150
Investment income	<u>982</u>	<u>2,049</u>
Net cash used in investing activities	<u>(655,743)</u>	<u>(101,542)</u>
Net increase in cash and equivalents	1,364,757	6,144,115
Cash and equivalents at beginning of year	<u>8,401,134</u>	<u>2,257,019</u>
Cash and equivalents at end of year	<u>\$ 9,765,891</u>	<u>8,401,134</u>
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	565,622	42,624
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	162,944	120,639
Investment income, net of fiscal advisory fees	(982)	(2,049)
Gain on disposal of property and equipment	(18,508)	(1,150)
Changes in:		
Accounts receivable	2,082,347	5,472,627
Inventory	(1,197)	-
Prepaid expenses	(60,824)	22,555
Deposits	(15,122)	20,838
Accounts payable	35,375	8,853
Accrued payroll	12,235	22,825
Compensated absences	(1,244)	11,859
Accrued expenses	50,725	64,929
Deferred revenue	<u>(790,871)</u>	<u>461,107</u>
Net cash provided by operating activities	<u>\$ 2,020,500</u>	<u>6,245,657</u>

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

Consolidating Statement of Financial Position  
June 30, 2018

<u>Assets</u>	<u>Watershed Agricultural Council</u>	<u>Stewardship Endowment Fund</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and equivalents	\$ 9,765,891	-	9,765,891
Accounts receivables	110,813	1,222	112,035
Inventory	1,197	-	1,197
Prepaid expenses	140,786	-	140,786
Deposits	189,372	-	189,372
Investments, at fair value:			
Unrestricted	19,565	-	19,565
Temporarily restricted	-	493,145	493,145
Permanently restricted	-	<u>2,111,398</u>	<u>2,111,398</u>
Total current assets	10,227,624	2,605,765	12,833,389
Property and equipment, net of accumulated depreciation	<u>1,294,119</u>	-	<u>1,294,119</u>
Total assets	<u>\$11,521,743</u>	<u>2,605,765</u>	<u>14,127,508</u>
<u>Liabilities and Net Assets</u>			
<b>Current liabilities:</b>			
Accounts payable	191,647	-	191,647
Accrued payroll	158,575	-	158,575
Compensated absences	295,557	-	295,557
Accrued expenses	624,401	-	624,401
Deferred revenue	<u>8,243,725</u>	-	<u>8,243,725</u>
Total current liabilities	<u>9,513,905</u>	-	<u>9,513,905</u>
<b>Net assets:</b>			
Unrestricted:			
Reserve for unemployment	610,004	-	610,004
Designated	19,565	-	19,565
Unreserved	<u>1,378,269</u>	-	<u>1,378,269</u>
Total unrestricted	2,007,838	-	2,007,838
Temporarily restricted	-	494,367	494,367
Permanently restricted	-	<u>2,111,398</u>	<u>2,111,398</u>
Total net assets	<u>2,007,838</u>	<u>2,605,765</u>	<u>4,613,603</u>
Total liabilities and net assets	<u>\$11,521,743</u>	<u>2,605,765</u>	<u>14,127,508</u>

(Continued)

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

Consolidating Statement of Financial Position  
June 30, 2017

<u>Assets</u>	<u>Watershed Agricultural Council</u>	<u>Stewardship Endowment Fund</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$ 8,401,134	-	8,401,134
Accounts receivables	2,193,160	1,245	2,194,405
Prepaid expenses	79,962	-	79,962
Deposits	174,250	-	174,250
Investments, at fair value:			
Unrestricted	18,583	-	18,583
Temporarily restricted	-	1,494,962	1,494,962
Permanently restricted	-	403,357	403,357
Total current assets	<u>10,867,089</u>	<u>1,899,564</u>	<u>12,766,653</u>
Property and equipment, net of accumulated depreciation	<u>782,812</u>	<u>-</u>	<u>782,812</u>
Total assets	<u>\$11,649,901</u>	<u>1,899,564</u>	<u>13,549,465</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	156,272	-	156,272
Accrued payroll	146,340	-	146,340
Compensated absences	296,801	-	296,801
Accrued expenses	573,676	-	573,676
Deferred revenue	9,034,596	-	9,034,596
Total current liabilities	<u>10,207,685</u>	<u>-</u>	<u>10,207,685</u>
Net assets:			
Unrestricted:			
Reserve for unemployment	560,877	-	560,877
Designated	18,583	-	18,583
Unreserved	862,756	-	862,756
Total unrestricted	<u>1,442,216</u>	<u>-</u>	<u>1,442,216</u>
Temporarily restricted	-	403,357	403,357
Permanently restricted	-	1,496,207	1,496,207
Total net assets	<u>1,442,216</u>	<u>1,899,564</u>	<u>3,341,780</u>
Total liabilities and net assets	<u>\$11,649,901</u>	<u>1,899,564</u>	<u>13,549,465</u>

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Consolidating Statement of Activities  
Year ended June 30, 2018

	Watershed Agricultural Council <u>Unrestricted</u>	<u>Stewardship Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Revenue:					
Program revenue:					
Watershed Agricultural Program	\$ 7,488,816	-	-	-	7,488,816
Program administration	2,306,630	-	-	-	2,306,630
Outreach communication/economic viability	437,554	-	-	-	437,554
Forestry program	1,153,785	-	-	-	1,153,785
Easements	2,793,342	-	-	-	2,793,342
Investment gain	-	107,175	-	-	107,175
Council stewardship revenue	-	-	615,191	-	615,191
Total program revenue	<u>14,180,127</u>	<u>107,175</u>	<u>615,191</u>	<u>-</u>	<u>14,902,493</u>
Other revenue:					
Federal awards	292,673	-	-	-	292,673
Pure catskills membership and advertising	24,374	-	-	-	24,374
Interest income	3,632	-	-	-	3,632
Investment income	982	-	-	-	982
Donated services	401,814	-	-	-	401,814
Total other revenue	<u>723,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,475</u>
Total revenue	<u>14,903,602</u>	<u>107,175</u>	<u>615,191</u>	<u>-</u>	<u>15,625,968</u>

(Continued)

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

	Watershed Agricultural Council <u>Unrestricted</u>	<u>Stewardship Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Expenses:					
Program services expenses:					
Watershed Agricultural Program	\$ 7,557,013	-	-	-	7,557,013
Depreciation	162,944	-	-	-	162,944
Easements	2,793,342	-	-	-	2,793,342
Outreach communication/economic viability	461,914	-	-	-	461,914
Forestry program	1,378,261	-	-	-	1,378,261
Donated services	<u>401,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,814</u>
Total program service expenses	12,755,288	-	-	-	12,755,288
Administration	1,582,692	-	-	-	1,582,692
Investment advisory fees	<u>-</u>	<u>16,165</u>	<u>-</u>	<u>-</u>	<u>16,165</u>
Total expenses	<u>14,337,980</u>	<u>16,165</u>	<u>-</u>	<u>-</u>	<u>14,354,145</u>
Increase in net assets	565,622	91,010	615,191	-	1,271,823
Net assets at beginning of year	<u>1,442,216</u>	<u>403,357</u>	<u>1,496,207</u>	<u>-</u>	<u>3,341,780</u>
Net assets at end of year	<u>\$ 2,007,838</u>	<u>494,367</u>	<u>2,111,398</u>	<u>-</u>	<u>4,613,603</u>

(Continued)



WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Consolidating Statement of Activities  
Year ended June 30, 2017

	Watershed Agricultural Council <u>Unrestricted</u>	Stewardship Endowment Fund		<u>Eliminations</u>	<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Revenue:					
Program revenue:					
Watershed Agricultural Program	\$ 5,484,272	-	-	-	5,484,272
Program administration	1,881,135	-	-	-	1,881,135
Outreach communication/economic viability	437,871	-	-	-	437,871
Forestry program	1,024,374	-	-	-	1,024,374
Easements	3,175,077	-	-	-	3,175,077
Investment gain	-	164,979	-	-	164,979
Council stewardship revenue	-	-	616,056	-	616,056
Total program revenue	<u>12,002,729</u>	<u>164,979</u>	<u>616,056</u>	<u>-</u>	<u>12,783,764</u>
Other revenue:					
Federal awards	336,595	-	-	-	336,595
Pure catskills membership and advertising	22,000	-	-	-	22,000
Interest income	4,152	-	-	-	4,152
Investment income	2,049	-	-	-	2,049
Donated services	392,606	-	-	-	392,606
Total other revenue	<u>757,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757,402</u>
Total revenue	<u>12,760,131</u>	<u>164,979</u>	<u>616,056</u>	<u>-</u>	<u>13,541,166</u>

(Continued)

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

	Watershed Agricultural Council <u>Unrestricted</u>	<u>Stewardship Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Expenses:					
Program services expenses:					
Watershed Agricultural Program	\$ 5,482,772	-	-	-	5,482,772
Depreciation	120,639	-	-	-	120,639
Easements	3,175,077	-	-	-	3,175,077
Outreach communication/economic viability	459,860	-	-	-	459,860
Forestry program	1,360,969	-	-	-	1,360,969
Donated services	392,606	-	-	-	392,606
Total program service expenses	10,991,923	-	-	-	10,991,923
Administration	1,725,395	-	-	-	1,725,395
Investment advisory fees	189	11,192	-	-	11,381
Total expenses	12,717,507	11,192	-	-	12,728,699
Increase in net assets	42,624	153,787	616,056	-	812,467
Net assets at beginning of year	1,399,592	249,570	880,151	-	2,529,313
Net assets at end of year	\$ 1,442,216	403,357	1,496,207	-	3,341,780

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Consolidating Statement of Cash Flows  
Year ended June 30, 2018

	Watershed Agricultural Council Unrestricted	Stewardship Endowment Fund		Total
		Temporarily Restricted	Permanently Restricted	
Cash flows from operating activities:				
Receipts from funding agencies	\$ 16,381,671	-	615,214	16,996,885
Payments to land owners, vendors and contractors	(9,454,921)	-	-	(9,454,921)
Payments for wages and employee benefits	(4,906,250)	-	-	(4,906,250)
Net cash provided by operating activities	<u>2,020,500</u>	<u>-</u>	<u>615,214</u>	<u>2,635,714</u>
Cash flows from investing activities:				
Purchase of property and equipment	(674,251)	-	-	(674,251)
Purchase of investments	(982)	(91,010)	(615,214)	(707,206)
Proceeds from sale of property and equipment	18,508	-	-	18,508
Investment income, net of fiscal advisory fees	982	91,010	-	91,992
Net cash used in investing activities	<u>(655,743)</u>	<u>-</u>	<u>(615,214)</u>	<u>(1,270,957)</u>
Net increase in cash and equivalents	1,364,757	-	-	1,364,757
Cash and equivalents at beginning of year	<u>8,401,134</u>	<u>-</u>	<u>-</u>	<u>8,401,134</u>
Cash and equivalents at end of year	<u>\$ 9,765,891</u>	<u>-</u>	<u>-</u>	<u>9,765,891</u>

(Continued)

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

	Watershed Agricultural Council <u>Unrestricted</u>	Stewardship Endowment Fund		<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Reconciliation of increase in net assets to net cash provided by operating activities:				
Increase in net assets	\$ 565,622	91,010	615,191	1,271,823
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation	162,944	-	-	162,944
Investment income, net of fiscal advisory fees	(982)	(91,010)	-	(91,992)
Gain on disposal of property and equipment	(18,508)	-	-	(18,508)
Changes in:				
Accounts receivable	2,082,347	-	23	2,082,370
Inventory	(1,197)	-	-	(1,197)
Prepaid expenses	(60,824)	-	-	(60,824)
Deposits	(15,122)	-	-	(15,122)
Accounts payable	35,375	-	-	35,375
Accrued payroll	12,235	-	-	12,235
Compensated absences	(1,244)	-	-	(1,244)
Accrued expenses	50,725	-	-	50,725
Deferred revenue	(790,871)	-	-	(790,871)
Net cash provided by operating activities	<u>\$ 2,020,500</u>	<u>-</u>	<u>615,214</u>	<u>2,635,714</u>

(Continued)

WATERSHED AGRICULTURAL COUNCIL OF  
THE NEW YORK CITY WATERSHEDS, INC.  
AND AFFILIATE  
Consolidating Statement of Cash Flows  
Year ended June 30, 2017

	Watershed Agricultural Council Unrestricted	Stewardship Endowment Fund		Total
		Temporarily Restricted	Permanently Restricted	
Cash flows from operating activities:				
Receipts from funding agencies	\$ 18,905,957	-	614,811	19,520,768
Payments to land owners, vendors and contractors	(8,328,428)	-	-	(8,328,428)
Payments for wages and employee benefits	(4,331,872)	-	-	(4,331,872)
Net cash provided by operating activities	<u>6,245,657</u>	<u>-</u>	<u>614,811</u>	<u>6,860,468</u>
Cash flows from investing activities:				
Purchase of property and equipment	(102,881)	-	-	(102,881)
Purchase of investments	(1,860)	(153,787)	(614,811)	(770,458)
Proceeds from sale of property and equipment	1,150	-	-	1,150
Investment income, net of fiscal advisory fees	2,049	153,787	-	155,836
Net cash used in investing activities	<u>(101,542)</u>	<u>-</u>	<u>(614,811)</u>	<u>(716,353)</u>
Net increase in cash and equivalents	6,144,115	-	-	6,144,115
Cash and equivalents at beginning of year	2,257,019	-	-	2,257,019
Cash and equivalents at end of year	<u>\$ 8,401,134</u>	<u>-</u>	<u>-</u>	<u>8,401,134</u>

(Continued)

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

	Watershed Agricultural Council Unrestricted	Stewardship Endowment Fund		Total
		Temporarily Restricted	Permanently Restricted	
Reconciliation of increase in net assets to net cash provided by operating activities:				
Increase in net assets	\$ 42,624	153,787	616,056	812,467
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation	120,639	-	-	120,639
Investment income, net of fiscal advisory fees	(2,049)	(153,787)	-	(155,836)
Gain on disposal of property and equipment	(1,150)	-	-	(1,150)
Changes in:				
Accounts receivable	5,472,627	-	(1,245)	5,471,382
Prepaid expenses	22,555	-	-	22,555
Deposits	20,838	-	-	20,838
Accounts payable	8,853	-	-	8,853
Accrued payroll	22,825	-	-	22,825
Compensated absences	11,859	-	-	11,859
Accrued expenses	64,929	-	-	64,929
Deferred revenue	461,107	-	-	461,107
Net cash provided by operating activities	<u>\$ 6,245,657</u>	<u>-</u>	<u>614,811</u>	<u>6,860,468</u>

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

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

We have audited, in accordance with the 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, the consolidated financial statements of Watershed Agricultural Council of the New York City Watersheds, Inc. and Affiliate (the Council), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's consolidated financial statements are free from 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.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 23, 2018