

CONSOLIDATED FINANCIAL REPORT  
Audited  
**WATERSHED AGRICULTURAL COUNCIL OF THE NEW  
YORK CITY WATERSHED, INC. AND AFFILIATE**  
June 30, 2021

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***Audited for:***

Council of Directors

Watershed Agricultural Council of the New York City Watershed, Inc. and Affiliate

***Audited by:***

RBT CPAs, LLP  
11 Racquet Road  
Newburgh, NY 12550  
(845) 567-9000

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

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LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

### Council Members

Watershed Agricultural Council of the New York City Watershed, Inc. and Affiliate  
33195 State Highway 10  
Walton, New York 13856

### Opinion

We have audited the accompanying consolidated financial statements of Watershed Agricultural Council of the New York City Watershed, Inc and Affiliate. (the "Council", a non-profit organization) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of June 30, 2021 and the changes in its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards (Government Audit Standards)* issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months from the report date.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Schedules of Financial Position and Activities are 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 *Government Auditing Standards*, we have also issued our report, dated December 13, 2022, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's internal control over financial reporting and compliance.

*RBT CPAs, LLP*

Newburgh, NY  
December 13, 2022

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As of June 30**

**2021**

### ASSETS

#### Current Assets:

Cash and Cash Equivalents (Note 3)	\$	1,487,576
Investments - Other		487,971
Equity Investments (Note 4)		5,124,527
Accounts Receivable (Note 6)		4,173,148
Inventory		250
Deposits		179,350
Prepaid Expenses		57,822

Total Current Assets		11,510,644
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#### Fixed Assets:

Land	291,807
Buildings	761,703
Leasehold Improvements	32,565
Vehicles	557,186
Furniture and Fixtures	33,712
Equipment	961,522

2,638,495

Less: Accumulated Depreciation		1,655,546
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Total Net Fixed Assets		982,949
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Total Assets	\$	12,493,593
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### LIABILITIES AND NET ASSETS

#### Current Liabilities:

Accounts Payable	\$	405,201
Accrued Expenses (Note 7)		652,576
Deferred Revenue		1,325,212

Total Current Liabilities		2,382,989
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#### Long Term Liabilities:

Paycheck Protection Program Loan (Note 8)		1,048,482
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Total Liabilities		3,431,471
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#### Net Assets:

##### Without Donor Restrictions:

Board Designated (Note 9)	747,509
Unrestricted	2,724,554

With Donor Restrictions (Note 10)		5,590,059
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Total Net Assets		9,062,122
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Total Liabilities and Net Assets	\$	12,493,593
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**WATERSHED AGRICULTURAL COUNCIL OF THE NEW YORK CITY  
WATERSHED, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contract Revenues	\$ 12,505,715	\$ 607,897	\$ 13,113,612
Grants	26,498	-	26,498
Contributions	6,029	330	6,359
In-Kind Revenue	304,120	-	304,120
Miscellaneous Revenue	25,796	-	25,796
Net Investment Results	8,152	923,131	931,283
	12,876,310	1,531,358	14,407,668
Net Assets Released From Restrictions	77	(77)	-
Total Revenues, Gains and Other Support	12,876,387	1,531,281	14,407,668
Expenses:			
Program	11,180,891	-	11,180,891
Management and General	1,870,977	-	1,870,977
Total Expenses	13,051,868	-	13,051,868
Change in Net Assets	(175,481)	1,531,281	1,355,800
Net Assets - Beginning	1,972,842	4,058,778	6,031,620
Prior Period Adjustments (Note 15)	1,674,702	-	1,674,702
Net Assets - Ending	\$ 3,472,063	\$ 5,590,059	\$ 9,062,122

*See Notes to Financial Statements*

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

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2021**

		Program	Management and General	Total
Salaries	A	\$ 3,286,909	\$ 691,768	\$ 3,978,677
Payroll Taxes and Benefits	A	1,375,095	246,268	1,621,363
Total Compensation and Related Expenses		4,662,004	938,036	5,600,040
Director's Expenses	B	-	81,890	81,890
BMP Implementation	C	3,124,212	-	3,124,212
Subcontracts	C	1,385,927	-	1,385,927
Forestry	C	364,444	-	364,444
Nutrient Management	C	621,310	-	621,310
Outreach	C	64,626	-	64,626
Easements	C	19,713	-	19,713
Occupancy	A	8,332	215,698	224,030
Advertising	B	-	4,731	4,731
Transportation	A	27,738	29,818	57,556
Insurance	A	9,559	87,553	97,112
Web Service	C	53,147	-	53,147
IT Services and Maintenance	B	-	72,356	72,356
Education and Training	A	2,869	219	3,088
Professional Fees	A	14,395	102,170	116,565
In-Kind Expenses	C	304,120	-	304,120
Contract Services	A	357,615	35,320	392,935
Tools and Equipment	A	11,280	-	11,280
Office Expense	A	56,654	116,685	173,339
Administrative Expenses	A	134,987	9,690	144,677
Interest Expense	B	-	5,053	5,053
Depreciation	B	-	180,217	180,217
		11,222,932	1,879,436	13,102,368
Unemployment Reserves (Note 14)	A	(42,041)	(8,459)	(50,500)
<b>Total Expenses</b>		<b>\$ 11,180,891</b>	<b>\$ 1,870,977</b>	<b>\$ 13,051,868</b>

Method of Allocation:

- A Estimated Time and Effort
- B Direct Management Expense
- C Direct Program Expense



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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30	2021
Cash Flows From Operating Activities:	
Change in Net Assets	\$ 1,355,800
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by/(Used in) Operating Activities:	
Depreciation	180,217
Realized Gain on Investments	(130,228)
Unrealized Gain on Investments	(719,351)
Changes in Working Capital:	
(Increase)/Decrease in:	
Accounts Receivable	(2,848,327)
Prepaid Expenses	30,652
Inventory	360
Deposits	(2,507)
Increase/(Decrease) in:	
Accounts Payable	261,756
Accrued Expenses	106,771
Deferred Revenue	(582,569)
<b>Net Cash Used in Operating Activities</b>	<b>(2,347,426)</b>
Cash Flows From Investing Activities:	
Purchase of Investments	(1,238,986)
Reinvested Dividends	(7,266)
Proceeds from Sale of Investments	936,090
<b>Net Cash Used in Investing Activities</b>	<b>(310,162)</b>
Cash Flows From Financing Activities:	
Proceeds from Paycheck Protection Program Loan	1,048,482
Proceeds from Line of Credit	(249,752)
Repayments to Line of Credit	249,752
<b>Net Cash Provided by Financing Activities</b>	<b>1,048,482</b>
<b>Net Decrease in Cash</b>	<b>(1,609,106)</b>
Cash - Beginning	3,096,682
Cash - Ending	\$ 1,487,576
Supplemental Disclosures:	
Cash Paid for Interest	\$ 684

See Notes to Financial Statements

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

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Nature of Business:**

Watershed Agricultural Council of the New York City Watershed, 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 (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 (“CEs”) now held by the Council, for the stewardship of those CEs.

### **2. Summary of Significant Accounting Policies:**

#### **Basis of Accounting**

The Council uses the accrual method of accounting which recognizes income when it is earned and expenses as they are incurred.

#### **Principles of Consolidation**

The consolidated financial statements include all accounts of the Council and its Affiliate. Interentity transactions are eliminated in consolidation.

#### **Pervasiveness of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Restricted Assets**

The Council reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Council reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

#### **Accounts Receivable**

The Council provides for bad debts using the reserve method. The allowance for doubtful accounts is based on specifically identified amounts that the Council believes to be uncollectible. Management has determined that no allowance is necessary as of June 30, 2021.

#### **Fixed Assets**

The Council’s capitalization policy is to capitalize purchases of \$1,000 or more for assets that have useful lives of more than one year. These assets are stated at cost. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years. Improvements to leased property are depreciated over the lesser of the expected life of the lease or the life of the improvements.

#### **Compensated Absences**

Employees of the Council are generally entitled to paid vacation and sick time depending on length of service and other factors. The Council also pays for compensated absences related to subcontracts. The Council accrues for unused sick and vacation days based upon actual days accrued and available as of year end.

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

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## 2. Summary of Significant Accounting Policies (continued):

### Investments Other

Certificates of deposit held for investment that are not debt securities are included in "Investments - Other".

### Paycheck Protection Program Loan

The Council accounts for its Paycheck Protection Program ("PPP") Loan as a financial liability in accordance with FASB ASC 470 Debt. See Note 8.

### Revenue Recognition

The Council derives 100% of its revenues from non-exchange contracts and other revenues not subject to FASB ASC 606, Revenue from Contracts with Customers.

### Contributions

The Council recognizes contributions when an unconditional promise is made or when cash or cash equivalents are received, if an unconditional promise does not exist. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. Conditional promises to give without a stipulated due date, and for which the Council has met all conditions precedent to receipt of the contribution prior to year-end, are classified as net assets without donor restrictions.

A donor restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, net assets with donor restrictions are re-classified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The principal and any donor restricted income from restricted gifts are classified as net assets with donor restrictions. Income on those assets, not restricted by the donor, is classified as net assets with donor restrictions (if restricted by relevant law) or revenue without donor restrictions.

Contributed supplies and other in-kind contributions are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been made. The Council does not imply time restrictions on contributions of long-lived assets (or assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, those restrictions expire when the long-lived assets are placed in service.

### Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of functional expenses. The methods of allocation are disclosed on the statement of functional expenses.

### Advertising

Advertising expenses are charged against income as incurred. Advertising costs for the year ended June 30, 2021 totaled \$4,731.

### Fair Value of Financial Instruments

The carrying amounts of financial instruments, including receivables and payables arising in the ordinary course of business, approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with the market interest rates or the fixed rates are based on current rates offered to the Council for debt with similar terms and maturities.

### Subsequent Events

Management has evaluated subsequent events from June 30, 2021, through December 13, 2022, the date on which the financial statements were available to be issued.

## 3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following:

As of June 30	2021
Cash	\$ 1,486,976
Petty Cash	600
	<u>\$ 1,487,576</u>

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

## 4. Investments:

The following is a summary of the Council's investments at year end.

As of June 30, 2021	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value
Mutual Funds- Bond Funds	\$ 2,227,376	\$ 99,387	\$ (2,746)	\$ 2,324,017
Mutual Funds- Equity Funds	1,826,899	692,059	-	2,518,958
Exchange Traded Funds	209,772	71,780	-	281,552
	<u>\$ 4,264,047</u>	<u>\$ 863,226</u>	<u>\$ (2,746)</u>	<u>\$ 5,124,527</u>

## 5. Fair Value of Investments:

The estimated carrying and fair values of the Council's financial instruments are as follows:

As of June 30, 2021	Carrying Value	Estimated Fair Value
Mutual Funds- Bond Funds	\$ 2,227,376	\$ 2,324,017
Mutual Funds- Equity Funds	1,826,899	2,518,958
Exchange Traded Funds	209,772	281,552
	<u>\$ 4,264,047</u>	<u>\$ 5,124,527</u>

The fair value of the equity securities is based on quoted market rates.

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

To determine the appropriate levels, the Council performed a detailed analysis of the assets and liabilities that are subject to fair market value measurement in accordance with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

As of June 30, 2021	Total	Level 1	Level 2	Level 3
Mutual Funds- Bond Funds	\$ 2,324,017	\$ 2,324,017	\$ -	\$ -
Mutual Funds- Equity Funds	2,518,958	2,518,958	-	-
Exchange Traded Funds	281,552	281,552	-	-
	<u>\$ 5,124,527</u>	<u>\$ 5,124,527</u>	<u>\$ -</u>	<u>\$ -</u>

## 6. Accounts Receivable:

Accounts receivable consisted of the following:

As of June 30	2021
Accounts Receivable - NYC Contracts	\$ 4,060,998
Accounts Receivable - Subcontractors	82,350
Accounts Receivable - Grants	29,690
Accounts Receivable - Other	110
	<u>\$ 4,173,148</u>

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

## 7. Accrued Expenses:

The Council's accrued expenses consisted of the following:

As of June 30	2021
Accrued Wages Payable	\$ 200,306
Accrued Leave	405,276
Accrued Nutrient Management Credits	39,523
Accrued Interest	5,456
Other Accrued Expenses	2,015
	<u>\$ 652,576</u>

## 8. Paycheck Protection Program Loan Payable:

In February 2021, the Council received a Paycheck Protection Program ("PPP") loan of \$1,048,482 provided under the CARES Act in response to the economic impact of the COVID-19 global pandemic. This amount has been recorded as Paycheck Protection Program Loan and is due and payable in February 2026 along with 1% accrued interest.

## 9. Board Designated Funds:

Board Designated Funds consist of accumulated unemployment reserves from the Council's self-insured unemployment program. The reserve totaled \$747,509 as of June 30, 2021.

## 10. Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following:

As of June 30	2021
Stewardship of Agricultural Conservation Easements:	
Time or Purpose Restricted	\$ 1,885,875
Endowment	3,677,816
Total Stewardship of Agricultural Conservation Easements	<u>5,563,691</u>
Conservation Easement Fund	25,321
Agricultural Fairbairn Certificate of Deposit	1,047
	<u>\$ 5,590,059</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the donors as follows:

For the Year Ended June 30	2021
Operating Costs - Purpose Restrictions	\$ 77
	<u>\$ 77</u>

## 11. Endowment Funds:

The Affiliate's endowment funds are managed by NBT Wealth Management. As of June 30, 2021, the balance of the endowment fund was \$5,563,691. Changes to the endowment totaled \$1,526,372. Additions to the endowment fund consisted of New York City Department of Environmental Protection contractual payments of \$607,897 and donor restricted contributions of \$330. New York City DEP funds are restricted solely for the stewardship of Watershed Conservation Easements.

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

## Interpretation of Relevant Law

The Council of Directors has interpreted New York's Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the original gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Affiliate classifies as net assets with donor restrictions (a) the original value of gifts donated or permanent endowments, (b) the original value of any subsequent gifts to permanent endowments, and (c) accumulations to the permanently restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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## 11. Endowment Funds (continued):

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

1. The duration and preservation of the fund.
2. The purposes of the Council 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 Affiliate.
7. Alternatives to expenditure of the endowment fund.
8. The investment policies of the Affiliate.

## Return Objectives and Risk Parameters

The Affiliate has adopted investment and spending policies, approved by the Endowment Committee of the Council 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.

Endowment Net Asset Composition by Type of Fund for the fiscal year ended June 30:

	2021
Donor Restricted Endowment Funds	\$ 5,563,691

Changes in the Endowment Net Assets with Donor Restrictions for the fiscal year ended June 30:

	2021
Endowment New Assets, Beginning of Year	\$ 4,037,319
Contract and Contribution Revenue	608,227
Investment Return:	
Unrealized Gain on Investments	715,206
Realized Gain on Investments	130,228
Dividend and Interest Income	99,825
Investment Fees	(27,114)
Change in Net Assets	1,526,372
Endowment Net Assets, End of Year	\$ 5,563,691

## 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.

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

## 12. Liquidity and Availability of Financial Assets:

The following reflects the Council's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2021.

As of June 30	2021
Financial Assets at Year-End:	
Cash	\$ 1,487,576
Investment - Other	487,971
Equity Investments	5,124,527
Accounts Receivable	4,173,148
Total Financial Assets at Year-End	11,273,222
Less Those Unavailable for General Expenditures Within One Year, Due to:	
Board Designated Net Assets	747,509
Donor-Restricted Purposes	5,590,059
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	\$ 4,935,654

As of June 30, 2021, the Council had enough liquid assets to cover expenses for approximately 4 months. Management deems this liquidity sufficient as contracts are reimbursement based and advance payments are requested. The Council also maintains a line of credit with Wayne Bank. See Note 16.

## 13. Operating Leases:

The Council leases office space and equipment with expiration dates through August 2022.

The total minimum lease commitment at June 30, 2021 are as follows:

2022	\$ 31,210
2023	1,372
Total	\$ 32,582

## 14. Unemployment Reserves:

The Council self-insures for Unemployment Insurance with a maximum of \$850 per employee per year. These amounts are billed against New York City Department of Conservation contracts in lieu of third-party insurance policy expenses. Unused amounts of the Unemployment Reserve are then recognized as a refund from the Council quarterly. For the year ended June 30, 2021, Unemployment Reserve expenses were \$50,500 and Unemployment Reserve refunds were \$50,500. This amount is offset against expenses in the Statement of Functional Expenses.

## 15. Prior Period Adjustments:

A prior period adjustment was recorded to net assets of July 1, 2019, for the following items:

- Certain balances in accounts receivable and deferred revenues were incorrect, resulting in an understatement of \$957,067 to Net Assets Without Donor Restrictions.
- The opening balances of accrued expenses related to Nutrient Management Credits were incorrect, resulting in a net understatement of \$717,635 to Net Assets Without Donor Restrictions.

## 16. Line of Credit:

The Council's line of credit consisted of the following:

As of June 30, 2021	Available	Outstanding
Line of Credit with Wayne Bank at 3.25% interest rate collateralized by NYC DEP Receivables	\$ 1,500,000	\$ -

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

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## **17. Related Parties:**

The Council of Directors is made up of local farmers and landowners in order to better inform and serve the Council regarding program needs and services. Council members are reimbursed for time and travel related to Council meetings at approved fixed rates. During the year ended June 30, 2021, \$74,945 was paid to council members related to meetings. From time to time, Council members also participate in programs. All Council members must follow the same application and approval process, as well as the same reimbursement and credit rates and procedures as non-council members. During the year ended June 30, 2021, council members received \$626,574 through the BMP Implementation Program and \$49,593 through the Nutrient Management Credit Program.

## **18. Taxes:**

The Council files an annual form 990 as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As such, no federal or New York State taxes are paid by the Council. The Council has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi).

The Council adopted the provisions of accounting principles generally accepted in the United States of America regarding accounting for uncertain tax positions. Management evaluated the Council's tax positions and concluded that the Council had taken no uncertain tax positions that would require adjustment to the financial statements in order to comply with the provisions of this guidance. With few exceptions, the Council is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years prior to 2018.

## **19. Concentration of Credit Risk:**

The Council maintains its cash and cash equivalents in accounts which periodically exceed federally insured limits. It has not experienced any losses to date resulting from this policy.

## **20. Contingencies:**

The Council's Nutrient Management Credit ("NMC") program approves farm credits annually based on records provided by farmers. NMC approved balances are used to reimburse farmers for Nutrient Management related expenses as they are incurred. Eligible expenses include items such as manure spreaders, barn cleaners, and custom services. The credit can be used over a 3 to 5 year period. For the year ended June 30, 2021, the Council had an estimated contingency of \$748,107 relating to approved nutrient management awards not yet expensed by farmers.

## **21. Economic Dependency:**

For the year ended June 30, 2021, the Council received approximately 93% of its revenues from the New York City Department of Environmental Conservation. The Council is dependent on continued funding from these contracts.

Pursuant to the Council's relationships with governmental units, the governments have the right to examine the books and records of the Council involving transactions relating to their contracts. The accompanying financial statements do not include any provision for possible disallowances for examinations in the future. In the opinion of management, any actual disallowances would be unlikely and immaterial.

## **22. New Accounting Standards:**

### ***Leases***

FASB Accounting Standards Update No. 2016-02, Leases is effective, and will be adopted by the Council, for fiscal year 2023. The new standard establishes two categories of leases – operating and financing – and requires lessees to recognize a right-of-use asset and a liability for all leases in both categories. Implementation of the standard will require certain retrospective adjustments at the time of application. Management is currently evaluating the impact of this standard on its financial reporting.

### ***Contributed Nonfinancial Assets***

FASB Accounting Standards Update No. 2020-07, Not-For-Profit Entities, is effective for fiscal years beginning after June 15, 2021. The new standard establishes a separate line on the Statement of Activities for contributed nonfinancial assets ("CNFA"), also known as gifts in kind, separate from contributions of cash and other financial assets. The standard also requires the categorization of CNFA and disclosures as to the monetization, utilization, and valuation of CNFA.



## **SUPPLEMENTARY INFORMATION**

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**As of June 30, 2022**

	Watershed Agricultural Council of the New York City Watersheds, Inc.	Watershed Agricultural Council Conservation Easement Stewardship Foundation	Eliminations	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,373,128	\$ 114,448	\$ -	\$ 1,487,576
Investments - Other	487,971	-		487,971
Equity Investments	25,324	5,099,203	-	5,124,527
Accounts Receivable	4,173,108	40	-	4,173,148
Inventory	250	-	-	250
Deposits	179,350	-	-	179,350
Prepaid Expenses	57,822	-	-	57,822
Total Current Assets	6,296,953	5,213,691	-	11,510,644
Fixed Assets:				
Land	291,807	-	-	291,807
Buildings	761,703	-	-	761,703
Leasehold Improvements	32,565	-	-	32,565
Vehicles	557,186	-	-	557,186
Furniture and Fixtures	33,712	-	-	33,712
Equipment	961,522	-	-	961,522
	2,638,495	-	-	2,638,495
Less: Accumulated Depreciation	1,655,546	-	-	1,655,546
Total Net Fixed Assets	982,949	-	-	982,949
Other Assets:				
Due from Affiliate	-	350,000	(350,000)	-
Total Assets	\$ 7,279,902	\$ 5,563,691	\$ (350,000)	\$ 12,493,593
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts Payable	\$ 405,201	\$ -	\$ -	\$ 405,201
Accrued Expenses	652,576	-	-	652,576
Due to Affiliate	350,000	-	(350,000)	-
Deferred Revenue	1,325,212	-	-	1,325,212
Total Current Liabilities	2,732,989	-	(350,000)	2,382,989
Long Term Liabilities:				
Paycheck Protection Program Loan	1,048,482	-	-	1,048,482
Total Liabilities	3,781,471	-	(350,000)	3,431,471
Net Assets:				
Without Donor Restrictions:				
Board Designated	747,509	-	-	747,509
Unrestricted	2,724,554	-	-	2,724,554
With Donor Restrictions	26,368	5,563,691	-	5,590,059
Total Net Assets	3,498,431	5,563,691	-	9,062,122
Total Liabilities and Net Assets	\$ 7,279,902	\$ 5,563,691	\$ (350,000)	\$ 12,493,593

# WATERSHED AGRICULTURAL COUNCIL OF THE NEW YORK CITY

## WATERSHED, INC. AND AFFILIATE

### CONSOLIDATING SCHEDULE OF ACTIVITIES

Year Ended June 30, 2021

	Watershed Agricultural Council of the New York City Watersheds, Inc.	Watershed Agricultural Council Conservation Easement Stewardship Foundation	Eliminations	Total
<b>Without Donor Restrictions:</b>				
Revenues, Gains and Other Support:				
Contract Revenues	\$ 12,505,715	\$ -	\$ -	\$ 12,505,715
Grants	26,498	-	-	26,498
Contributions	6,029	-	-	6,029
In-Kind Revenue	304,120	-	-	304,120
Miscellaneous Revenue	25,796	-	-	25,796
Net Investment Results	8,152	-	-	8,152
	12,876,310	-	-	12,876,310
Net Assets Released From Restrictions	77	-	-	77
Total Revenue, Grants and Other Support	12,876,387	-	-	12,876,387
Expenses:				
Program	11,830,829	-	(607,897)	11,222,932
Management and General	1,879,436	-	-	1,879,436
Fundraising	-	-	-	-
Unemployment Reserves	(50,500)	-	-	(50,500)
Total Expenses	13,659,765	-	(607,897)	13,051,868
Change in Net Assets Without Donor Restrictions	(783,378)	-	607,897	(175,481)
<b>With Donor Restrictions:</b>				
Revenues, Gains and Other Support:				
Contracts and Grants	607,897	607,897	(607,897)	607,897
Contributions	-	330	-	330
Net Investment Results	4,986	918,145	-	923,131
	612,883	1,526,372	(607,897)	1,531,358
Net Assets Released from Restrictions	(77)	-	-	(77)
Change in Net Assets With Donor Restrictions	612,806	1,526,372	(607,897)	1,531,281
Change in Net Assets	(170,572)	1,526,372	-	1,355,800
Net Assets - Beginning	1,994,301	4,037,319	-	6,031,620
Prior Period Adjustments	1,674,702	-	-	1,674,702
Net Assets - Ending	\$ 3,498,431	\$ 5,563,691	\$ -	9,062,122



## **Other Reporting Required by *Government Auditing Standards***



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S 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***

Council of Directors

Watershed Agricultural Council of the New York City Watershed, Inc. and Affiliate  
33195 State Highway 10  
Walton, New York 13856

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 financial statements of the Watershed Agricultural Council of the New York City Watershed, Inc and Affiliate (the "Council", a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 13, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-003 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's 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.

*RBT CPAs, LLP*

Newburgh, NY  
December 13, 2022

**SCHEDULE OF FINDINGS**

**A. Internal Control Findings**

**Material Weaknesses in Internal Control**

**2021-001 Nutrient Management Credit Program**

Condition:	Nutrient Management Credits have historically been accrued and expensed by the Council based on the total approved contracts for the year rather than actual expenses incurred.
Criteria:	Expenses should be recorded in the fiscal year incurred.
Cause:	There was no control to reconcile actual expenses incurred to the amounts recorded in the general ledger.
Effect:	The entire contingent liability was accrued resulting in an adjustment during the 2021 fiscal year of \$708,584 and a prior period adjustment of \$717,635.
Recommendation:	RBT recommends that the Council track the contingent liability, however, only expenses incurred and due to farmers should be recorded as expenses in the general ledger. RBT further recommends that the Council require participants to submit for reimbursement within a specified time in order to aid in timely recording and tracking of expenses incurred.

Management's Response: See Attached.

**2021-002 Accounts Receivable and Deferred Revenues**

Condition:	Contract revenues have historically been recorded as deferred revenue and offset by accounts receivable. A separate entry is done to recognize revenues based on actual expenses incurred for the period. There is no reconciliation between deferred revenues, accounts receivable and cash received at year end.
Criteria:	Only cash received and not earned in the fiscal year should be recorded as deferred revenues at year end. Only actual revenues related to expenditures not yet reimbursed in the period should be recorded in accounts receivable at year end.
Cause:	There was no control to reconcile payments received against deferred revenue and accounts receivable in the accounting system.
Effect:	Reconciliations performed after year end resulted in an audit entry to deferred revenues of \$2,236,927; to receivables of \$1,341,635 and a prior period adjustment of \$957,067.
Recommendation:	RBT recommends reconciling deferred revenues and accounts receivable to actual payments received at least quarterly.

Management's Response: See Attached.



**WATERSHED AGRICULTURAL COUNCIL OF THE NEW YORK CITY WATERSHED, INC. AND  
AFFILATE  
JUNE 30, 2021**

A. Internal Control Findings (continued)

**Significant Deficiencies in Internal Control**

**2021-003 Documented Controls and Reviews**

Condition:	During the audit, RBT noted that the Council does not have review processes over bank statements and reconciliations, investments, journal entries and fixed assets, and payroll.
Criteria:	The Council has a responsibility to implement effective internal controls.
Cause:	There are limited controls over these transaction cycles. Certain controls are not documented.
Effect:	There were significant and numerous audit entries that may have been identified by stronger internal controls. Lack of control over bank accounts and fixed assets can lead to fraud and/or misappropriation of assets.
Recommendation:	For effective internal controls, bank statements and reconciliations should be reviewed by the Executive Director or a board member. A board member or member of the audit committee should review investment statements and investment activity recorded in the accounting system. Management should review the listing of fixed assets at least annually to determine if assets are still in use, the listing is complete, and that any and all disposals or impairments are recorded. All journal entries should be reviewed. Payroll registers should be signed as reviewed.
Management's Response:	See Attached.

B. Compliance Findings

No compliance findings noted.

# Watershed Agricultural Council

Agriculture ♦ Forestry ♦ Conservation Easements ♦ Economic Viability

33195 State Highway 10, Walton, New York 13856

phone: 607-865-7790

fax: 607-865-4932

nycwatershed.org



December 13, 2022

RBT BPAs, LLP  
11 Racquet Road  
Newburgh, NY 12550

Below please find Management's Responses to audit findings reported to the Watershed Agricultural Council of the New York City Watershed, Inc. and Affiliate as of June 30, 2021:

## **2021-001 Nutrient Management Credit Program:**

**Recommendation:** RBT recommends that the Council track the contingent liability, however, only expenses incurred and due to farmers should be recorded as expenses in the general ledger. RBT further recommends that the Council require participants to submit for reimbursement within a specified time in order to aid in timely recording and tracking of expense incurred.

**Management's Response:** The Council agrees with the finding and will continue to track Nutrient Management Credit contingent liabilities but only record expenses incurred and due to farmers in the general ledger. The Council will also review the Program Guidelines to determine if changes related to participant submission requirements may be appropriate to aid in timely recording of expenses incurred. In addition, the Council is currently working with New York City Department of Environmental Protection to document the funding and contract reimbursement process related to the Nutrient Management Credit Program which will further improve controls and accountability over the program.

## **2021-002 Accounts Receivable and Deferred Revenues:**

**Recommendation:** RBT recommends reconciling deferred revenues and accounts receivable to actual payments received at least quarterly.

**Management's Response:** The Council agrees with the recommendation and will implement a quarterly reconciliation of New York City Department of Environmental Protection contract revenues.

## **2021-003 Documented Controls and Reviews:**

**Recommendation:** For effective controls, bank statements and reconciliations should be reviewed by the Executive Director or a board member. A board member or member of the audit committee should review investment statements and investment activity recorded in the accounting system. Management should review the listing of fixed assets at least annually to determine if assets are still in use, the listing is complete, and that any and all disposals or impairments are recorded. All journal entries should be reviewed. Payroll registers should be signed as reviewed.

**Management's Response:** Bank statements and monthly bank reconciliations are currently prepared by the General Ledger Staff Accountant and reviewed by the Finance Director. The Staff Accountant has access to online banking information and is authorized to approve ACH and cash transfers, further, the Staff Accountant does not have check signing authority. The Finance Director is authorized by the Council to act as a signatory. In general, staff who are authorized to initiate banking transfers and ACH transactions do not have approval authority for those same transactions. Cash transfers are reviewed and approved by the Council Treasurer. Standard Requests for Payment forms (RFP's) are signed by the applicable Program Manager or Director, the Contract & Grants Specialist and the Executive Director before payments are processed by the Accounts Payable Staff Accountant. Check and ACH payments are reviewed by the Council Treasurer and require two authorized signatures – typically the Treasurer and Finance Director. The Council feels these controls adequately segregate duties given the size of the organization.

Investment activity is recorded in the accounting system on a quarterly basis. The entries are prepared by the General Ledger Staff Accountant and reviewed and approved by the Finance Director prior to posting which includes review of investment account statements. There is also an existing Endowment Committee of Council that will be re-instated and tasked with reviewing and approving investment statements, activities and endowment fund financial statements on a semiannual basis.

The Council agrees with the recommendation that Management should review the listing of fixed assets at least annually and has plans to conduct a physical fixed asset inventory review prior to June 30, 2023 year end to determine if assets are still in use, the listing is complete, and all disposals or impairments are recorded.

Journal entries prepared by the General Ledger Staff Accountant are reviewed by the Finance Director. The Council will implement a process whereby any journal entries prepared by the Finance Director will be reviewed by the Executive Director or Director of Operations.

Biweekly payroll journals are reviewed and approved by the Director of Operations and summary payroll journals are reviewed and approved by the Finance Director. In addition, the Council Treasurer reviews and approves the biweekly payroll cash transfers.

#### **Comments related to less significant deficiencies and management suggestions:**

**Cash receipts:** Contract vouchers are now being reviewed and signed by the Contract & Grants Specialist in accordance with organizational procedures.

**IT Controls:** The Council has recently solicited bids and is in the process of finalizing the selection of a vendor to upgrade servers and software organization wide that will include a disaster recovery plan and enhanced security features such as periodic password expirations. The project is expected to begin in the spring of 2023.

**Payroll Change Notices:** The Council will initiate a process to issue annual salary notices and maintain in respective personnel files even when there are no changes.

Thank you for the opportunity to comment.

*Ryan Naatz*

Ryan Naatz  
Executive Director

