

**HUDSON VALLEY AGRI-BUSINESS
DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2022
(with memorandum totals for the year ended December 31, 2021)

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hudson Valley Agri-business Development Corporation:

Report on the Financial Statements

Opinion

We have audited the financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hudson Valley Agri-business Development Corporation as of December 31, 2022, and the changes in its net assets 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 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* issued by the Comptroller General of the United States. Our responsibilities under those 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 Hudson Valley Agri-business Development Corporation 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 these 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 Hudson Valley Agri-business Development Corporation's ability to continue as a going concern for one year after the date the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards 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 Hudson Valley Agri-business Development Corporation'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 Hudson Valley Agri-business Development Corporation'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.

Report on Summarized Comparative Information

We have previously audited Hudson Valley Agri-business Development Corporation's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of Hudson Valley Agri-business Development Corporation'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 the controls over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hudson Valley Agri-business Development Corporation's internal control over financial reporting and compliance.

UHY LLP

Hudson, New York
March 30, 2023

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(with memorandum totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u> (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 432,744	\$ 380,924
Accounts receivable	236,638	210,950
Loan receivable	50,301	31,268
Prepaid expenses	4,089	7,560
Total current assets	<u>723,772</u>	<u>630,702</u>
NON-CURRENT ASSETS		
Restricted cash	244,560	200,000
Fixed assets, net	11,331	6,897
Website development costs, net	12,796	7,194
Loan receivable, net of current portion	321,806	266,817
Total non-current assets	<u>590,493</u>	<u>480,908</u>
Total assets	<u>\$ 1,314,265</u>	<u>\$ 1,111,610</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,705	\$ 72,960
Accrued payroll related liabilities	4,033	10,502
Total current liabilities	<u>35,738</u>	<u>83,462</u>
LONG-TERM LIABILITIES		
Long-term debt	666,667	500,000
Total long-term liabilities	<u>666,667</u>	<u>500,000</u>
Total liabilities	<u>702,405</u>	<u>583,462</u>
NET ASSETS		
Without donor restrictions	<u>611,860</u>	<u>528,148</u>
Total net assets	<u>611,860</u>	<u>528,148</u>
Total liabilities and net assets	<u>\$ 1,314,265</u>	<u>\$ 1,111,610</u>

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2022

(with memorandum totals for the year ended December 31, 2021)

	2022	2021 (memorandum only)
OPERATING ACTIVITIES		
REVENUE AND SUPPORT:		
Regional county contracts	\$ 192,500	\$ 170,000
Technical assistance grants	175,000	222,470
Government grants	155,203	111,668
Consulting and grant writing income	132,516	187,921
Loan interest income	14,257	7,914
Loan application and related fees	550	3,672
Total revenue	<u>670,026</u>	<u>703,645</u>
EXPENSES:		
Program services:		
Technical Assistance	191,588	236,114
Access to Capital	99,196	109,775
Food Security	93,751	90,983
Management and general	146,959	135,240
Fundraising	49,776	47,709
Total expenses	<u>581,270</u>	<u>619,821</u>
Change in net assets from operating activities	<u>88,756</u>	<u>83,824</u>
NON-OPERATING ACTIVITIES:		
Forgiveness of paycheck protection program (PPP) loans	-	109,466
Bank interest	7	22
Interest expense	(5,051)	(2,904)
Change in net assets from non-operating activities	<u>(5,044)</u>	<u>106,584</u>
Change in net assets	83,712	190,408
NET ASSETS BEGINNING OF YEAR	<u>528,148</u>	<u>337,740</u>
NET ASSETS END OF YEAR	<u>\$ 611,860</u>	<u>\$ 528,148</u>

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022
(with memorandum totals for the year ended December 31, 2021)

	2022							2021 (memorandum only)
	Program Services				Support Services			
	Technical Assistance	Access to Capital	Food Security	Total Program	Management and General	Fundraising	Total	
Salaries and wages	\$ 85,912	\$ 56,052	\$ 50,172	\$ 192,136	\$ 71,456	\$ 35,432	\$ 299,024	\$ 265,169
Payroll taxes	4,789	2,521	5,545	12,855	11,092	1,260	25,207	21,967
Pension plan contributions	3,502	2,413	687	6,602	2,415	1,583	10,600	9,631
Employee benefits	6,736	4,867	734	12,337	2,770	2,542	17,649	16,994
Accounting fees	-	-	-	-	18,727	-	18,727	12,514
Legal fees	-	-	-	-	790	-	790	3,265
Payroll processing fees	-	-	-	-	1,765	-	1,765	1,660
Consulting and grant writing	66,236	29,180	16,836	112,252	384	6,228	118,864	201,728
Advertising	7,832	-	9,364	17,196	510	-	17,706	16,186
Office	6,543	1,266	4,289	12,098	4,740	1,027	17,865	18,182
Information technology	3,255	630	2,134	6,019	5,664	511	12,194	7,492
Occupancy	1,083	675	832	2,590	4,777	433	7,800	7,800
Travel	1,658	447	1,020	3,125	1,442	263	4,830	734
Conferences and meetings	875	-	-	875	788	-	1,663	9,521
Depreciation and amortization	3,167	613	2,075	5,855	2,293	497	8,645	6,470
Insurance	-	-	-	-	7,567	-	7,567	10,947
Miscellaneous	-	-	63	63	3,448	-	3,511	852
Dues and subscriptions	-	532	-	532	6,331	-	6,863	8,709
Subtotal	<u>191,588</u>	<u>99,196</u>	<u>93,751</u>	<u>384,535</u>	<u>146,959</u>	<u>49,776</u>	<u>581,270</u>	<u>619,821</u>
Interest	-	5,051	-	5,051	-	-	5,051	2,904
Total expenses	<u>\$ 191,588</u>	<u>\$ 104,247</u>	<u>\$ 93,751</u>	<u>\$ 389,586</u>	<u>\$ 146,959</u>	<u>\$ 49,776</u>	<u>\$ 586,321</u>	<u>\$ 622,725</u>

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

(with memorandum totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u> (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 83,712	\$ 190,408
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	8,645	6,470
Forgiveness of PPP loans	-	(109,466)
(Increase) decrease in:		
Accounts receivable	(25,688)	136,664
Prepaid insurance	3,471	(1,390)
(Decrease) increase in:		
Accounts payable	(41,255)	(12,890)
Accrued payroll related liabilities	(6,469)	(343)
Net cash provided by operating activities	<u>22,416</u>	<u>209,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of loans receivable	(189,743)	(200,000)
Receipts from loan receivable	115,721	1,915
Acquisition of equipment	(7,107)	(1,593)
Purchase of website development	(11,574)	-
Net cash used for investing activities	<u>(92,703)</u>	<u>(199,678)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	166,667	333,333
Proceeds from PPP loans	-	109,466
Net cash provided by financing activities	<u>166,667</u>	<u>442,799</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,380	452,574
CASH AND CASH EQUIVALENTS, Beginning of year	<u>580,924</u>	128,350
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 677,304</u>	<u>\$ 580,924</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 432,744	\$ 380,924
Restricted cash	244,560	200,000
Total	<u>\$ 677,304</u>	<u>\$ 580,924</u>
Cash paid for		
Interest	<u>\$ 2,551</u>	<u>\$ 2,904</u>

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Hudson Valley Agri-business Development Corporation:

The Hudson Valley Agri-business Development Corporation (the “Organization”) was established to assist the Hudson Valley region’s existing agricultural producers and processors to promote the expansion of existing farm production, and to promote the conservation and preservation of existing farm lands in the Hudson Valley of New York. The Organization has an office located in Hudson, New York.

The Organization operates the following programs:

Technical Assistance: The Organization’s technical assistance programs include: Incubator Without Walls (IWW); Farm and Food Funding Accelerator (FFFA); and Hudson Valley Bounty (HVB). These programs are designed to provide analysis and start-up assistance for new ventures and enterprises, market expansion and improved distribution networks for existing agricultural and food businesses. The Organization provides the resources to access technical and professional service providers, project planning and development services, and funding and capital access and feasibility analysis. As needs emerge, the Organization also presents timely topic specific instruction such as its Food Labeling workshop, Making It Happen financial analysis sessions and Local Lamb Lessons series on starting a sheep business. These public programs are open to all interested parties.

Access to Capital: In 2018, the Organization was designated as one of eight third-party lenders participating in the New York Job Development Authority’s (JDA) Agriculture Loan Fund Program. With a focus on the Mid-Hudson and Capital regions, the Organization’s loan program issues low interest loans between \$50,000 and \$200,000 to small agribusiness owners. As of December 31, 2022, the Organization has loaned out a total of \$500,000 to six entities.

In addition to the loan opportunity, the Organization is partnering with the Hudson Mohawk Resource Conservation and Development Council, Inc. (HMRC&D) to administer the Grown & Certified (G&C) Producer grant program in the Capital District Region. The G&C producer grants will be awarded for capital projects that will enable qualified agricultural producers to meet food safety standards necessary for participation in the program. Eligible agricultural producers can apply for up to 90% of their total project cost, not to exceed \$50,000.

Food Security: The Organization is working on the issue of food security through the FeedHV program. FeedHV is a regional food rescue and gleaning network dedicated to meeting the needs of neighbors while mitigating food waste. Through a web-based and mobile application powered by ChowMatch, FeedHV links food donors of prepared but unserved food and fresh produce (including farms, restaurants, catering services, grocery stores, hospitals, universities and more) to nonprofit organizations with food assistance programs (such as food pantries, soup kitchens and shelters) and a network of volunteers who transport, glean and process donated food.

Farm and Food Growth Fund, Inc.:

On July 31, 2019, Farm and Food Growth Fund, Inc. (FFG Fund) was incorporated in the State of New York as a 501(c)(3) nonprofit organization. FFG Fund shares a majority of common board members with the Organization and is also managed by the same employees of the Organization and is considered a related party. The Organization does not have the right to appoint or replace FFG Fund board members. During the year ended December 31, 2022, there were no economic transactions between the two entities. While the Organization controls the FFG Fund, there currently is no economic dependency and the Organization does not share in the financial results of the FFG Fund. FFG Fund had (unaudited) total assets of \$145,736, (unaudited) total liabilities of \$103,914, (unaudited) total net assets of \$41,822, (unaudited) total revenues of \$135,566, and (unaudited) total expenses of \$93,854 for the year ended December 31, 2022.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Amounts

Amounts shown for December 31, 2021 in the accompanying statements are included to provide a basis for comparison with December 31, 2022 and present summarized totals only. Accordingly, the December 31, 2021 amounts are not intended to present all information necessary for a fair presentation in accordance with U.S. GAAP.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash is long-term in nature and restricted by the lender to be used for the small-business type loans the Organization will be lending to local entities.

Fixed Assets

Fixed assets are stated at cost. Expenditures for additions, improvements, and major renewals which extend the life of the asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of fixed assets are included in non-operating activities on the statement of activities.

Depreciation

Depreciation is provided for using the straight-line method over the estimated useful lives of the respective fixed assets.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Website Development Costs

Website development costs are recorded at cost, or if donated, at the estimated fair value at the date of donation. Amortization is recorded using the straight-line method over the estimated useful life of 3 years. Amortization related to the website was \$5,972 for the year ended December 31, 2022. Upgrades and enhancements to the website are capitalized and routine monitoring and maintenance of the website are expensed as incurred.

As of December 31, 2022, the Organization has a total of \$24,525 of website developments costs with related accumulated amortization of \$11,729 for a net book value of \$12,796.

Income Taxes

The Organization is exempt from federal income taxes as an Organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) 170(b)(1)(A)(vi).

The Organization has evaluated any uncertain tax positions and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization's returns are currently under examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Revenue Recognition

Revenue is primarily generated from grants and contributions, county governments (generally enterprise funds whose purpose is economic development), government contracts such as the United States Department of Agriculture (USDA), New York State (NYS), Economic Development Administration (EDA), and other similar sources.

County governments and/or county public authorities (i.e. enterprise funds) enter into agreements with the Organization that generally cover multi-year periods. The agreements call for scheduled annual payments to the Organization. In order for the Organization to earn the annual funding commitment, the Organization must demonstrate that a commensurate level of effort was incurred during the year to carry out objectives of the agreement. At the end of each annual period, the Organization provides the necessary documentation to the entity, the entity is invoiced and revenue is recorded. At that time, the entity generally acknowledges the validity of the invoice and pays the Organization. Periodically, the entities may advance funds prior to the achievement of program objectives. Funds received in advance are deferred until the program objectives have been met and the necessary expenses have been incurred. Any unspent funds from program objectives not being met could require the Organization to remit some if not all of the advances back to the entity.

Government grants are generally cost reimbursement grants. Therefore, in the period the related expenses are incurred the Organization will draw down the funds and recognize the related revenue.

Revenue is also generated from providing consulting services to organizations which is recognized in the period such services are provided.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Concentrations of Credit and Market Risks

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts receivable, and loans receivable. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution.

The Organization's bank balance was in excess of the Federal Deposit Insurance Company (FDIC) limit by approximately \$208,600 as of December 31, 2022. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

Accounts receivable consist primarily of uncollateralized amounts due from local County public authorities and governments, grants, and customers related to the Organization's consulting and grant writing services. Management believes that the entire balance at December 31, 2022 is collectible and no allowance for doubtful accounts was required.

The Organization had two grants that comprised 20%, and 26%, respectively, of total operating revenue for the year ended December 31, 2022.

As of December 31, 2022, accounts receivable was comprised of six entities representing 11%, 11%, 15%, 18%, 16%, and 11%, respectively.

The Organization extends credit to eligible small agribusiness borrowers under its loan program. Loans are generally collateralized by a lien on operating assets of the borrower. Loans receivable are considered past due when payment is not received within the period allowed under the terms of the credit agreement. Periodically, management reviews past due receivables and provides for an allowance for loan receivables deemed uncollectible after all reasonable collection efforts have been exhausted. The allowance for doubtful accounts is principally provided in amounts considered to be appropriate, based primarily upon the Organization's past loss experiences and an evaluation of potential losses in the receivables outstanding. Management believes the allowance is adequate to cover future losses. As of December 31, 2022, loans receivable is comprised of five loans. No allowance for loan losses has been deemed necessary as of December 31, 2022.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

Loans receivable are stated at the principal outstanding less allowance for loan loss, if any. Interest is calculated based on the principal outstanding. Loan origination costs are expensed as incurred because they are considered immaterial.

Loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal and interest is delinquent for 90 days or more with deferral agreement in place. Interest income on all loans is recognized only to the extent that interest payments have been received. Accrued interest is not recorded unless considered material to the financial statements.

Allowance for loan loss is maintained at a level which management has determined is adequate to absorb credit losses inherent in the loan portfolio. Actual allowances for impaired loans are determined based on a discounted cash flow or market valuation. It is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased by a provision for loan losses, which is charged to bad debt expense and reduced by charge-offs, net of recoveries.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Interest income earned on the Organization's loans receivable are considered operating income. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Interest expense related to the Organization's long-term debt is considered a non-operating expense. Interest income earned from loans receivable is considered operating income.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, including salaries and wages, payroll taxes, employee benefits, pension plan contributions, and travel are allocated by management using an allocation methodology based on estimated time worked by personnel in each category. Occupancy expenses are allocated based on estimated square footage of the Organization's facilities devoted to each category. Other expenses, including office, information technologies, and depreciation are allocated by management using an allocation methodology based on full time equivalent of time devoted to each category. Management believes these allocations have been made on a reasonable basis. All other expenses are reported to each program and support function based on actual expenses incurred.

Risks and Uncertainties

During the year ended December 31, 2021, the Organization applied for and received two separate loans totaling \$109,466 (\$54,784 and \$54,682, respectively), from its bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). In June and August 2021, respectively, the loans, including principal and interest, were forgiven and considered repaid in full.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan was forgiven in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Loans receivable as of December 31, 2022 consist of the following:

	Origination Date	Maturity Date	Original Amount	Balance as of 12/31/2022	Description of Collateral
Loan #2	10/28/2021	10/1/2028	\$ 100,000	\$ 97,768	Lien on recipient's operating assets
Loan #3	6/9/2021	6/1/2030	100,000	94,947	Lien on recipient's operating assets
Loan #4	4/20/2022	5/1/2027	100,000	89,649	Secondary lien on operating assets
Loan #5	9/23/2022	10/1/2028	50,000	50,000	Lien on all furniture and equipment purchased with loan proceeds
Loan #6	9/23/2022	10/1/2028	50,000	39,743	Lien on all furniture and equipment purchased with loan proceeds
Total loans receivable				<u>372,107</u>	
Less: current portion				<u>(50,301)</u>	
Total long-term loans receivable				<u><u>\$ 321,806</u></u>	

Each of the loans receivable listed above are subject to interest set at the Wall Street Journal Prime Rate plus 100 basis points (8.50% as of December 31, 2022). This interest rate is subject to change on a quarterly basis and at no point during the life of the loan drop below a range of 4.25% to 5.50% per annum.

During the year ended December 31, 2022, one loan recipient who received a \$100,000 loan during the year ended December 31, 2020 from the Organization paid off in full the \$98,085 balance of the note that was outstanding as of December 31, 2021.

Future receipts from the loans receivable as of December 31, 2022 are as follows:

2023	\$ 50,301
2024	55,518
2025	60,427
2026	65,767
2027	55,719
Thereafter	<u>84,375</u>
	<u><u>\$ 372,107</u></u>

After a competitive bid process completed in 2022, the Organization entered into a contract for underwriting services with an experienced non-profit organization who employs a member of the board of directors and incurred \$7,500 related to those services during the year ended December 31, 2022.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 – FIXED ASSETS

A summary of fixed assets is as follows as of December 31, 2022:

		<u>Useful Life</u>
Computers	\$ 20,309	5 years
Furniture	550	5 years
Accumulated depreciation	<u>(9,528)</u>	
	<u>\$ 11,331</u>	

Depreciation expense for the year ended December 31, 2022 was \$2,673.

NOTE 5 – LEASE

The Organization leases office space in Hudson, New York on a month-to-month basis. Rental expense for the year ended December 31, 2022 was \$7,800 and is included as “Occupancy” on the statement of functional expenses.

NOTE 6 – PENSION PLAN

The Organization has a simplified employee pension IRA (SEP IRA) pension plan. The Organization contributes 5% of eligible employee’s gross wages each year. For the year ended December 31, 2022, the Organization incurred \$10,600 in pension expense which is included as “pension plan contributions” on the statement of functional expenses.

The Organization is in the process of adding a 403(b) retirement plan for its employees. There is not expected to be any employer contributions to employee individual retirement plans when this new plan is finalized.

NOTE 7 – LONG-TERM DEBT

On December 20, 2019 and November 1, 2022, respectively, the Organization entered into agreements with New York State Empire State Development Corporation (NYS ESD) on two separate \$500,000, 10-year notes to be used for loans to eligible small agribusinesses. Commencing on the first anniversary date of each note, the Organization began to accrue interest of 1% per annum on the unpaid principal balance of the debt payable in semi-annual installments on June 30th and December 31st of each year, beginning with the fiscal year ended December 31, 2021 for the first note and the fiscal year ending December 31, 2023 for the second note. Principal payments equal to 33.33% of the principal balance outstanding shall commence on the fifth anniversary date for each note and will be paid on the seventh and tenth anniversary dates for each note, with a lump sum payment of unpaid principal and interest due on the tenth anniversary date for each note. Each note is subject to a five-year extension after the maturity date at NYS ESD’s sole discretion, provided the Organization is not in default on the applicable note before the tenth anniversary date. Funds are to be used solely to provide loans to qualified entities. As of December 31, 2022, the Organization has received the full amount of \$500,000 of the first note and \$166,667 on the second note.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 8 – LIQUIDITY

The Organization's financial assets available within one year of December 31, 2022 for general expenditure are as follows:

Current financial assets at year-end:

Cash and cash equivalents	\$ 432,744
Accounts receivable	<u>236,638</u>

Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 669,382</u>
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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson Valley Agri-business Development Corporation:

We have audited 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, the financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hudson Valley Agri-business Development Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Hudson Valley Agri-business Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Hudson Valley Agri-business Development Corporation'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 entity's 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 Hudson Valley Agri-business Development Corporation'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Hudson, New York
March 30, 2023