UHY LLP
Certified Public Accountants

One Hudson City Centre, Suite 204
Hudson, NY 12534

Phone 518-828-1565
Fax 518-828-2672
Web www.uhy-us.com

March 28, 2024

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

We have audited the financial statements of Hudson Valley Agri-business Development Corporation as of and for the year ended December 31, 2023, and have issued our report thereon dated March 28, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 3, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Hudson Valley Agri-business Development Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comment regarding a material weakness noted during our audit in our 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* (Yellow Book report) dated March 28, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls;
- Current expected credit losses (CECL) implementation;
- Revenue recognition related to cutoff

As a result of our audit procedures, we did identify a material weakness related to revenue recognition and a prior year restatement as noted in our Yellow Book report as noted on page 1.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Hudson Valley Agri-business Development Corporation is included in Note 2 to the financial statements. As described in Note 2 to the financial statements, during the year, the entity changed its method of accounting for determining the allowance for uncollectible accounts receivables from the incurred loss model to an expected loss model, as a result of adopting ASC 326 "*Financial Instruments – Credit Losses.*" No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allowance of credit losses.

Management's estimate of the allowance for credit losses is based on a combination of management's analysis of existing receivables balances, economic conditions, and the credit-worthiness and future expected business successes of its loan recipients. We evaluated the key factors and assumptions used to development to allowance for credit losses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Hudson Valley Agri-business Development Corporation's financial statements relate to:

- Revenue recognition;
- Related party transactions;
- Loans receivable;
- Deferred revenue; and
- Long-term debt.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, is immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Decrease opening net assets and increase current year revenue by $12,500 for the portion of a contract that should have been recognized as revenue in 2023 versus 2022.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Decrease revenue and accounts receivable by $25,000 to reverse a municipal contract that was not yet executed as of December 31, 2023.
- To decrease net assets without donor restrictions and accounts receivable by $18,750 for revenue recorded in 2022 on a regional county contract that had not yet been signed.
- To increase net assets with donor restrictions and decrease net assets without donor restrictions for $50,000 to properly reflect the restricted economic development administration revolving loan fund activity.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Hudson Valley Agri-business Development Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated March 28, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Hudson Valley Agri-business Development Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Hudson Valley Agri-business Development Corporation's auditors.

Emphasis of Matters

We have included an emphasis of matters section in our auditor's report related to a restatement and change in accounting principle (implementation of ASC 326 – "Financial Instruments – Credit Losses").

This report is intended solely for the information and use of the Board of Directors and management of Hudson Valley Agri-business Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

UHY LLP