HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2024

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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, 2024, 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* (GAS) 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 that 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 GAAS and GAS 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 GAS 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hudson Valley Agri-business Development Corporation's internal control 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 31, 2025

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	**1,604,707**
Grants receivable		**616,486**
Accounts receivable		**67,760**
Loans receivable		**139,560**
Due from Farm and Food Growth Fund (FFGF)		**70,647**
Prepaid expenses		**10,257**
Total current assets		**2,509,417**
NON-CURRENT ASSETS		
Restricted cash		**385,585**
Equipment and furniture, net		**7,788**
Website development costs, net		**13,706**
Loans receivable, net of current portion and allowance for credit losses of $131,003		**798,731**
Total non-current assets		**1,205,810**
Total assets	$	**3,715,227**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	**60,714**
Accrued payroll related liabilities		**27,599**
Long-term debt		**666,666**
Total current liabilities		**754,979**
LONG-TERM LIABILITIES		
Deferred revenue		**1,224,731**
Total long-term liabilities		**1,224,731**
Total liabilities		**1,979,710**
NET ASSETS		
Without donor restrictions		**962,834**
With donor restrictions		**772,683**
Total net assets		**1,735,517**
Total liabilities and net assets	$	**3,715,227**

See notes to financial statements

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND SUPPORT			
Regional county contracts	$ 135,000	$ -	**$ 135,000**
Foundation grants	350,000	-	**350,000**
Government grants	1,315,877	502,218	**1,818,095**
Consulting and grant-writing income	129,346	-	**129,346**
Management agreement - FFGF	249,283	-	**249,283**
Loan interest income	28,119	39,616	**67,735**
Loan application and related fees	-	840	**840**
In-kind contribution - rent	15,600	-	**15,600**
Total revenue and support	2,223,225	542,674	**2,765,899**
EXPENSES			
Program services:			
Technical Assistance	164,777	-	**164,777**
Access to Capital	1,184,741	-	**1,184,741**
Food Security	128,548	-	**128,548**
FFGF	265,180	-	**265,180**
Management and general	233,017	-	**233,017**
Fundraising	43,544	-	**43,544**
Total expenses	2,019,807	-	**2,019,807**
Change in net assets from operating activities	203,418	542,674	**746,092**
NON-OPERATING ACTIVITIES			
Bank interest	3,502	-	**3,502**
Interest expense	(5,833)	-	**(5,833)**
Change in net assets from non-operating activities	(2,331)	-	**(2,331)**
Change in net assets	201,087	542,674	**743,761**
NET ASSETS BEGINNING OF YEAR	761,747	230,009	**991,756**
NET ASSETS END OF YEAR	$ 962,834	$ 772,683	**$ 1,735,517**

See notes to financial statements

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2024

	Program Services					Support Services		
	Technical Assistance	Access to Capital	Food Security	FFGF	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 37,675	$ 104,826	$ 61,517	$ 194,342	$ 398,360	$ 125,578	$ 32,123	**$ 556,061**
Payroll taxes	2,892	8,047	4,722	12,907	28,568	9,640	2,466	**40,674**
Retirement plan contributions	1,641	5,472	1,781	-	8,894	5,686	1,708	**16,288**
Employee benefits	2,029	3,390	606	13,382	19,407	6,063	1,294	**26,764**
Accounting fees	-	-	-	-	-	26,417	-	**26,417**
Legal fees	-	-	-	-	-	4,958	-	**4,958**
Payroll processing fees	-	-	-	1,212	1,212	1,212	-	**2,424**
Consulting and grant writing	87,214	167,632	39,014	-	293,860	6,882	2,910	**303,652**
Grant disbursements	-	818,590	-	-	818,590	-	-	**818,590**
Advertising	24,510	2,700	4,590	-	31,800	7,239	-	**39,039**
Office	698	1,614	3,492	6,632	12,436	2,275	365	**15,076**
Information technology	765	1,768	3,825	3,625	9,983	2,492	399	**12,874**
Occupancy	225	639	574	3,900	5,338	2,271	190	**7,799**
Rent - in-kind	450	1,279	1,148	7,800	10,677	4,543	380	**15,600**
Travel	4,032	3,020	3,753	-	10,805	2,099	440	**13,344**
Conferences and meetings	1,000	-	186	1,525	2,711	339	-	**3,050**
Depreciation and amortization	658	1,521	3,290	6,247	11,716	2,143	344	**14,203**
Insurance	-	-	-	-	-	8,781	-	**8,781**
Miscellaneous	-	42	-	-	42	185	-	**227**
Dues and subscriptions	988	28,651	50	13,608	43,297	14,214	925	**58,436**
Provision for credit losses	-	35,550	-	-	35,550	-	-	**35,550**
Subtotal	164,777	1,184,741	128,548	265,180	1,743,246	233,017	43,544	**2,019,807**
Interest	-	5,833	-	-	5,833	-	-	**5,833**
Total expenses	$ 164,777	$ 1,190,574	$ 128,548	$ 265,180	$ 1,749,079	$ 233,017	$ 43,544	**$ 2,025,640**

See notes to financial statements

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	743,761
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization		14,203
Provision for credit losses		35,550
(Increase) decrease in:		
Grant receivable		(302,151)
Accounts receivable		(12,760)
Prepaid expenses		(523)
Due from FFGF		(55,647)
(Decrease) increase in:		
Accounts payable		(413)
Deferred revenue		(83,164)
Accrued payroll related liabilities		13,501
Net cash provided by operating activities		352,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of loans receivable		(541,000)
Receipts from loan receivable		85,947
Purchase of website development		(3,450)
Net cash used for investing activities		(458,503)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(106,146)
CASH AND CASH EQUIVALENTS, Beginning of year		2,096,438
CASH AND CASH EQUIVALENTS, End of year	$	1,990,292
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$	1,604,707
Restricted cash		385,585
Total	$	1,990,292
Cash paid for:		
Interest	$	2,500

See notes to financial statements

NOTE 1 – NATURE OF OPERATIONS

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. In 2021, the Organization received an award from the US Department of Commerce – Economic Development Agency to start a revolving loan fund with a focus on agribusinesses. With these two sources, the Organization's loan program issues low interest loans between $30,000 and $200,000 to small agribusiness owners. With a focus on the Mid-Hudson and Capital regions, the Organization has loaned out a total of $1,326,000 to thirteen entities as of December 31, 2024. Also in 2023, the Organization became a Community Development Financial Institution designated by the US Department of Treasury.

In addition to the loan opportunity, the Organization is partnering with the New York State Department of Agriculture and Markets to administer the statewide Meat Processing Expansion Grant (MPEG). This grant program is available for capital projects that can range from $50,000 to $250,000 on a reimbursement basis to support the expansion or retention of existing USDA inspected meat processing facilities and the establishment of new USDA inspected meat processing facilities to increase the capacity of New York sourced meat.

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.

NOTE 1 – NATURE OF OPERATIONS (Continued)

Farm and Food Growth Fund: On July 31, 2019, Farm and Food Growth Fund, Inc. (FFGF) was incorporated in the State of New York as a 501(c)(3) nonprofit organization. FFGF 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 FFGF expands upon the enterprise-focused services of the Organization both geographically, and in its emphasis on creating greater support for the underserved individuals, families and communities involved in agriculture and food production within the Northeast Foodshed area. During the year ended December 31, 2024, the Organization entered into an agreement to provide management and administrative services to FFGF. Salaries, payroll taxes, conference/meetings and dues/subscriptions are direct expenses. Office, occupancy, in-kind rent are a shared expense of 50% with the Organization and then allocated to FFGF as a direct expense.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Under this method of accounting, revenue is recognized when earned or when performance obligations are satisfied. Expenses are recognized when they are incurred.

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*" (ASC 958).

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.

Revenues are reported as increases in net assets with or without restriction. Expenses are reported as decreases in net assets without donor restrictions.

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. As of December 31, 2024, restricted cash was comprised of $198,918 for the Organization's Economic Development Administration (EDA) revolving loan fund and $186,667 for the Organization's New York Job Development Authority (JDA) loan fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment and Furniture

Equipment and furniture are stated at cost, less accumulated depreciation. 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.

The Organization periodically reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Under those circumstances, if the fair value were less than the carrying value of the asset, the Organization would recognize a loss for the difference.

Depreciation

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

Website Development Costs

Website development costs are recorded at cost, or if donated, at the estimated fair value at the date of donation in conformance with ASC 350-50, "*Intangibles – Goodwill and Other – Website Development Costs*". Amortization is recorded using the straight-line method over the estimated useful life of 3 years. Upgrades and enhancements to the website are capitalized and routine monitoring and maintenance of the website are expensed as incurred.

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, "*Income Taxes*". 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. It is at least reasonably possible actual amounts will differ from this estimate.

Leases

For all underlying classes of assets, the Organization has elected to not recognize right-of-use (ROU) assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes variable lease cost in the period in which the obligation is incurred.

Revenue Recognition

Revenue is primarily generated from grants and contributions, regional 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

For revenues from the regional county governments and consulting and grant-writing services, the Organization follows FASB ASC 606, *"Revenue from Contracts with Customers"*, which requires revenue to be recognized when the Organization's performance obligation is satisfied.

Regional county governments and/or county public authorities (i.e. enterprise funds) ("municipal entities") 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 municipal entities, the municipal entities are invoiced and revenue is recorded. At that time, the municipal entities generally acknowledge the validity of the invoice and pay the Organization. Periodically, the municipal 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 municipal entities.

For consulting and grant-writing services, the Organization enters into contracts with local not-for-profits and agricultural entities to provide specified consulting and grant-writing services. The Organization recognizes revenue for the services rendered on a pro-rata basis consistent with performance obligation satisfaction and with the terms of the contract, which can be billed monthly, quarterly, or bi-annually. Payment on these invoices is generally due from the customer within 30 days of the invoice date.

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.

Accounts receivable from contracts with customers as of December 31, 2024 and January 1, 2024 was $67,760 and $55,000, respectively, which is included in accounts receivable on the statement of financial position.

The Organization also receives contributions and grants from public and private foundations, government agencies, and other entities. When contributions and grants are received, the Organization follows FASB ASU 2018-08, *"Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made."*

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization also entered into a management services agreement with FFGF, as described in Note 1 to the financial statements. The revenue recognized under this agreement falls under the scope of FASB ASU 2018-18, *"Collaborative Arrangements (Topic 808)"*. Revenue is recognized gross for the amount of expenses to be reimbursed in addition to the administration service fee charged as the shared expenses are incurred. The reimbursed expenses are recognized gross and recorded separately on the statement of functional expenses.

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 $1,740,000 as of December 31, 2024. 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, and customers related to the Organization's consulting and grant writing services. Management expects based on its analysis of current expected credit losses (CECL) its balance of accounts receivable as of December 31, 2024 is fully collectible. No allowance for credit losses has been recorded to its accounts receivable balance as of December 31, 2024.

As of December 31, 2024, grants receivable was comprised of two entities representing 66% and 28%, respectively.

As of December 31, 2024, accounts receivable was comprised of three entities representing 31%, 23% and 15%, respectively.

As of December 31, 2024, accounts payable was comprised of three vendors representing 23%, 15% and 31%, respectively.

Loans Receivable

Loans receivable are stated at the principal outstanding less allowance for credit losses, 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 Credit Losses – Loans Receivable

The Organization follows FASB ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326)"* (ASC 326 or CECL) for recording allowance for credit losses. The Organization operates in the agribusiness services industry and its loans receivables are primarily derived from loans provided to local small businesses in the agriculture industry. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses related to its loans receivable. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the loans receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans Receivable (Continued)

Allowance for credit losses for loans receivable 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 credit losses, which is charged to the provision for credit losses and reduced by charge-offs, net of recoveries.

Loans are initially categorized into one of three "classes" as part of the initial underwriting process. Three financial measures are utilized to judge the quality of the applications. These measures are cash flow, guarantors' net worth, and collateral. Class I comprise businesses with sufficient operating cash flow from existing operations to cover the proposed debt service, collateral equal to or exceeding the loan amount, as well as a net worth exceeding the loan amount. Class II comprise businesses with sufficient operating cash flow from existing and/or proposed operations to cover the proposed new debt service, collateral of at least 85% of the loan, and a personal net worth that may be less than the loan amount. Class III comprise businesses requiring secondary sources of cash flow to satisfy loan payments (guarantees), collateral less than 85% of the loan amount, and a personal net worth that may be less than the loan amount. After the initial classification, the Organization continues to monitor the loan recipients' cash flow available to cover debt service payments, the discounted value of collateral, and their adjusted net worth to determine if the loan recipient needs to be recategorized to a different class. Re-assessments of these factors are performed at least annually, or as needed if collection experience (delayed or missed payments) indicates that a reassessment is needed.

The loans are then categorized based on the following credit and risk standards, largely based on collection experience, regardless of their initial class assignment, to determine if additional allowances are needed beyond those determined based on their class assessment:

- **Acceptable** – assets are expected to be fully collectible and represent the highest quality.
- **Special Mention Assets** – assets are currently collectible but exhibit some potential weakness.
- **Substandard Assets** – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- **Doubtful Assets** – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- **Loss** – assets are considered uncollectible.

Loans in the acceptable category are assigned a risk rating percentage based on the original category of Class I, II and III. Loans were last assessed as of the year ended December 31, 2024. Additional allowances for credit losses for loans in the special mention assets, substandard assets, and doubtful assets categories will be determined on a case-to-case basis. Loans in the loss category will reflect a full credit allowance against the remaining principal balance.

The following percentages are used for estimating the allowance for credit losses for each category – 3% for Class I, 7.5% for Class II, and 10% for Class III. The allowance estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization.

The Organization writes off loans receivable when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. There were no write-offs to the financial statements for the year ended December 31, 2024.

NOTE 2 – SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Accounts Receivable and Due from FFGF

The Organization carries its accounts receivable and its due from FFGF amounts at unamortized cost. At each reporting date, the Organization reviews its accounts receivable and amounts due from FFGF to determine if there are any balances that need to be considered for changes in credit risk since the date the accounts receivable and amounts due from FFGF were initially recorded. An allowance estimate would be made at this time calculated on a pooled basis where similar risk characteristics exist, particularly for receivables and/or amounts due from FFGF that are more than 120 days overdue. Accounts receivable and amounts due from FFGF are written off as uncollectible at the time management determines that collections are unlikely. Accounts receivable and amounts due from FFGF are un-collateralized.

The allowance estimate is derived from a review of the Organization's historical losses as well as the overdue receivables as of the reporting date. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding expected future conditions, and any other factors deemed relevant by the Organization. The current conditions and expected future economic conditions are not expected to change significantly as compared with the economic conditions included in the historical information. Given historically low write-offs, the Company has not recorded an allowance for credit losses as of December 31, 2024. There were no write-offs, provisions, or recoveries to the allowance related to accounts receivable or amounts due from FFGF for the year ended December 31, 2024. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election.

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.

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising expense was $39,039 for the year ended December 31, 2024.

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.

NOTE 2 – SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Subsequent events have been evaluated through March 31, 2025, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Loans receivable as of December 31, 2024 consist of the following:

	Balance at January 1, 2024	New Loans	Payments	Balance at December 31, 2024
(a) New York Job Development Authority (JDA)	$ 316,096	$ -	$ (54,339)	$ 261,757
(b) Economic Development Administration (EDA)	298,147	541,000	(31,610)	807,537
	614,243	$ 541,000	$ (85,949)	1,069,294
Less: Allowance for Credit Losses	(95,453)			(131,003)
	$ 518,790			$ 938,291

(a) Loans mature on dates ranging from April 1, 2029 to June 1, 2030 and are charged interest at rates ranging from 8.5% per annum to the Wall Street Journal (WSJ) Prime Rate plus 100 basis points (8.5%) as of December 31, 2024. Monthly payments of principal and interest range from $562 to $2,052.

(b) Loans mature on dates ranging from April 1, 2029 to September 1, 2033 and are charged interest at rates ranging from 7.50 per annum to the WSJ Prime Rate less 100 basis points (6.5%) as of December 31, 2024. Monthly payments of principal and interest range

The following is a roll-forward of the allowance for credit losses:

Allowance for credit losses as of January 1, 2024	$ 95,453
Provision for credit losses	35,550
Allowance for credit losses as of December 31, 2024	$ 131,003

The Organization's allowance for credit losses as of December 31, 2024, is comprised of $113,773 associated with the EDA loan fund and $17,230 associated with the JDA loan fund.

NOTE 3 – LOANS RECEIVABLE (Continued)

The following summarizes the loan portfolio by risk class as of December 31, 2024:

	Loan Receivable Balance as of December 31, 2024	Allowance for Credit Losses as of December 31, 2024
Class I		
Acceptable	$ 169,389	$ 5,082
Class II		
Acceptable	545,608	40,921
Special mention	154,297	65,000
Class III		
Acceptable	200,000	20,000
	$ 1,069,294	$ 131,003

As of the year ended December 31, 2024, there are no loans receivable in Classes I, II, or III that fall into the Substandard, Doubtful, or Loss subcategories.

EDA Loan Fund

During the year ended December 31, 2022, the Organization was awarded a grant to establish an EDA Revolving Loan Fund (RLF). The RLF supports the capital access needs of businesses as they address increased demand and adapt business practices to mitigate the impact of the COVID-19 pandemic on their workforce. The Organization focuses on communities and businesses that are underserved by existing financial institutions, those in several priority areas, including Opportunity Zones, Community Development Financial Institution (CDFI) eligible low-income census tracts, and rural communities in Dutchess, Orange, Ulster, Sullivan, Columbia and Greene counties in New York State.

JDA Loan Fund

The Organization has a loan with New York State Empire State Development (NYS ESD) related to the establishment of a JDA Loan Fund (see Note 8). This fund allows the Organization to make small business loans for agribusinesses ranging from $30,000 to $100,000.

NOTE 4 – EQUIPMENT AND FURNITURE

A summary of equipment and furniture is as follows as of December 31, 2024:

Computers	$ 21,194
Furniture	3,132
Accumulated depreciation	(16,538)
	$ 7,788

Depreciation expense for the year ended December 31, 2024 was $3,609.

NOTE 5 – WEBSITE DEVELOPMENT COSTS

Website development costs are comprised of the following as of December 31, 2024:

Website	$	46,700
Accumulated amortization		(32,994)
	$	13,706

Amortization expense for the year ended December 31, 2024 was $10,594. Amortization expense is expected to be recognized as follows:

2025	$	9,593
2026		3,457
2027		656
		13,706
Accumulated Amortization		32,994
	$	46,700

NOTE 6 – LEASE

The Organization leases office space in Hudson, New York on a month-to-month basis. Short-term lease expense for the year ended December 31, 2024 was $23,400 and is included as “occupancy” on the statement of functional expenses.

The lease is below fair market value and as a result, the Organization has determined an in-kind rent contribution of $15,600 for the year ended December 31, 2024 and is included on the statement of functional expenses as "Rent – in-kind”.

NOTE 7 – RETIREMENT PLAN

The Organization has a 403(b) retirement plan. There are discretionary employer contributions to employee 403(b) retirement plans. For the year ended December 31, 2024, the Organization incurred $16,289 in 403(b) expense which is included as “retirement plan contributions” on the statement of functional expenses.

NOTE 8 – LONG-TERM DEBT

On December 20, 2019 and November 1, 2022, respectively, the Organization entered into agreements with 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 ended 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 up 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.

NOTE 8 – LONG-TERM DEBT (Continued)

The Organization was required to make their first payment on their NYS ESD debt agreement in December 2024. This payment was not made by the required date. As a result, the full amount of debt is callable and classified as a current liability on the statement of financial position. The Organization requested a five-year extension on its first agreement with NYS ESD prior to the due date of the first principal payment required. The extension has not been granted as of March 31, 2025, however, if the extension is granted the first payment of the loan would be due in December 2027. The approval of the extension is at the lender's sole discretion; however, the Organization fully expects it to be approved. NYS EDS confirmed to management on March 24, 2025 that the term modification on the loan was proceeding and that they do not consider the loan to be in default while the process is ongoing.

NOTE 9 – LIQUIDITY

The Organization's financial assets available within one year of December 31, 2024 for general expenditure are as follows:

Current financial assets at year-end:		
Cash and cash equivalents	$	1,604,707
Grants receivable		616,486
Accounts receivable		67,760
Due from Farm and Food Growth Fund (FFGF)		70,647
Total financial assets available to meet cash needs for general expenditures within one year	$	2,359,600

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.

NOTE 10 – DEFERRED REVENUE

Deferred revenue as of December 31, 2024 consists of grant advances from the following sources:

Sullivan County contract (2025 portion)	$	15,000
Empire State Development		33,631
Ulster County - Farm Viability Grant		23,777
The Northeast Dairy Business Innovation Center		34,610
NYS Department of Agriculture and Markets		997,713
Economic Development Administration		120,000
Total deferred revenue	$	1,224,731

NOTE 11 – RELATED PARTIES

On July 31, 2019, Farm and Food Growth Fund, Inc. (FFGF) was incorporated in the State of New York as a 501(c)(3) nonprofit organization. FFGF 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 FFGF board members. During the year ended December 31, 2024, the Organization entered into an agreement to provide management and administrative services to FFGF. During the year ended December 31, 2024, the Organization recognized $249,283 in revenue from FFGF and as of December 31, 2024, $70,647 is recorded as a receivable from FFGF on the statement of financial position.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization has $772,683 of net assets with donor restrictions as of December 31, 2024, restricted for its EDA RLF.

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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 of
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, which comprise the statement of financial position as of December 31, 2024, 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 31, 2025.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-01 that we consider to be a material weakness.

Report on 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*.

Hudson Valley Agri-business Development Corporation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Hudson Valley Agri-business Development Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Hudson Valley Agri-business Development Corporation's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 31, 2025

FINDING 2024-01: Material Weakness in Internal Control over Financial Reporting – Revenue Recognition

Criteria: The Organization's financial statements are required to recognize revenue in accordance with the applicable accounting standards under U.S. Generally Accepted Accounting Principles (U.S. GAAP).

Condition: The Organization obtained grant funds of $120,000 during the year ended December 31, 2024 to enter into a loan receivable agreement with a local company through its EDA RLF program. Management recorded the $120,000 as revenue as of December 31, 2024 despite not closing on the loan until January 2025. The revenue recognition is tied to the lending of the grant funds and therefore, should have been recorded as deferred revenue as of December 31, 2024.

Cause: The Organization is a small entity with limited resources. Sufficient controls were not in place to ensure proper revenue recognition occurred resulting in a material error.

Effect or Potential Effect: If the error had not been identified and corrected by the Organization, the Organization's financial statements could have been presented with a material error.

Recommendation: Management should implement proper controls to ensure revenue is recognized in accordance with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Action: Management acknowledges the finding related to revenue recognition and the material weakness in internal controls over financial reporting. The issue identified was related to a partial grant drawn down to fund an expected loan closing in December 2024 that actually did not close until January 2025. At December 31, 2024, the grant income should have been reclassified to a deferred income liability.

Management will review the year-end financial review checklist and adjust accordingly to address revenue recognition for transactions occurring (or in this case, not occurring) before the end of the fiscal year. The checklist will specifically reference recognizing revenue related to loan closings and similar transactions at year-end.

Management will also consult with external accounting professionals to ensure compliance with revenue recognition standards.