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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.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

Hudson, New York

March 31, 2025

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2024

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.