

HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
(and Reports of Independent Auditors)

December 31, 2016  
(with memorandum totals for December 31, 2015)

HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
December 31, 2016

TABLE OF CONTENTS

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	<u>Page(s)</u>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying statement of financial position of Hudson Valley Agri-business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Valley Agri-business Development Corporation as of December 31, 2016, 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.

### **Report on Summarized Comparative Information**

We have previously audited Hudson Valley Agri-business Development Corporation's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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, 2017 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 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.

*Pattison, Koslany, Howe & Bucci, CPAs, PC*

Kingston, New York

March 30, 2017

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(with memorandum totals as of December 31, 2015)

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ASSETS

	2016	2015 (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 77,501	\$ 162,345
Accounts receivable	229,753	154,684
Prepaid expenses	3,170	3,064
Receivable - net investment in leases, current	458	5,385
Total current assets	310,882	325,478
Computers and equipment, net	26,813	24,170
Receivable - net investment in leases, long-term	-	1,104
Total assets	\$ 337,695	\$ 350,752

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 6,059	\$ 24,443
Deferred Revenue	14,589	-
Other liabilities	12,905	13,099
Total current liabilities	33,553	37,542
Unrestricted net assets	304,142	294,460
Temporarily restricted net assets	-	18,750
Total net assets	304,142	313,210
Total liabilities and net assets	\$ 337,695	\$ 350,752

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

(with memorandum totals as of December 31, 2015)

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	2016			2015
	Unrestricted	Temporarily Restricted	Total	(memorandum only)
Revenue and other sources:				
Regional county contracts	\$ 199,698	\$ -	\$ 199,698	\$ 175,000
Ag and Market contribution	97,185	-	97,185	119,395
Hudson Valley Bounty	-	-	-	18,330
American Farmland Trust grant	-	-	-	7,598
New World Foundation grant	221,218	-	221,218	175,000
USDA grant	25,921	-	25,921	70,000
Consulting and grant writing income	26,307	-	26,307	35,904
Stone barns farm training	7,000	-	7,000	12,000
Food hub fees for service	-	-	-	57,900
Other income	5,875	-	5,875	837
Interest income	1	-	1	1
Release from restriction	18,750	(18,750)	-	-
<b>Total Revenues</b>	<b>601,955</b>	<b>(18,750)</b>	<b>583,205</b>	<b>671,965</b>
Expenses:				
Salaries	219,038	-	219,038	220,827
Fringe benefits and taxes	29,295	-	29,295	36,691
Health insurance reimbursement	13,226	-	13,226	14,600
Workers' compensation and disability	948	-	948	1,353
Consultants and grant writing	264,626	-	264,626	280,624
Marketing	3,743	-	3,743	4,758
Office	13,435	-	13,435	14,362
Travel	13,017	-	13,017	12,815
Professional fees	12,145	-	12,145	12,871
Bad debt	-	-	-	833
Hudson Valley Bounty	3,457	-	3,457	20,471
Rental expense	7,800	-	7,800	7,800
Insurance	2,703	-	2,703	2,630
Conference and seminars	2,890	-	2,890	2,955
Depreciation	2,730	-	2,730	2,392
Dues and subscriptions	2,355	-	2,355	1,775
Miscellaneous	865	-	865	2,757
<b>Total Expenses</b>	<b>592,273</b>	<b>-</b>	<b>592,273</b>	<b>640,514</b>
Increase (decrease) in net assets	9,682	(18,750)	(9,068)	31,451
Net assets, beginning	294,460	18,750	313,210	281,759
Net assets, ending	\$ 304,142	\$ -	\$ 304,142	\$ 313,210

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS

Year ended December 31, 2016

(with memorandum totals for the year ended December 31, 2015)

	2016	2015
	2016	(memorandum only)
Cash flows from operating activities:		
Change in net assets	\$ (9,068)	\$ 31,451
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,730	2,392
Loss on disposal of equipment	-	348
Discount on investment in leases	-	(837)
Bad debt	-	833
(Increase) decrease in:		
Accounts receivable	(75,069)	70,179
Prepaid insurance	(106)	24
(Decrease) increase in:		
Accounts payable	(18,384)	(34,173)
Deferred Revenue	14,589	-
Other liabilities	(194)	3,580
Grant advance	-	-
Total adjustments	(76,434)	42,346
Net cash (used for/ provided by operating activities)	(85,502)	73,797
Cash flows from investing activities:		
Receivable - investment in Ronnybrook lease	6,031	7,778
Receivable - investment in Farm to Table Copackers lease	-	8,100
Acquisition of equipment	(5,373)	(4,128)
Net cash provided by investing activities	658	11,750
Net (decrease) increase in cash and cash equivalents	(84,844)	85,547
Cash and cash equivalents, beginning of year	162,345	76,798
Cash and cash equivalents, end of year	\$ 77,501	\$ 162,345

See accompanying notes and independent auditors' report

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
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**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 an "Incubator without Walls" program, where qualified businesses are admitted to, allowing them to tap into a wide range of services to accelerate their growth and increase their chances for long-term success. Another program of the Organization, Hudson Valley Bounty, promotes local foods throughout the Hudson Valley Region. The Hudson Valley Bounty program's mission is to promote and support networking connections between local agricultural producers and culinary businesses, while educating the community about the preservation of local farms and the use of local and regional sustainable food products.

The Organization also assists businesses with needs identification, and coaches the business through the challenges of starting a new business, while monitoring progress every step of the way.

The Organization also provides assistance gaining access to experts and networking opportunities along with available financing.

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

Financial Statement Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, "Financial Statements of Not-For-Profit Organizations." Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Hudson Valley Agri-business Development Corporation has no permanently restricted net assets as of December 31, 2016.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions. Temporarily restricted contributions recognized and released from restriction in the same year are recorded as unrestricted support.

Prior Year Amounts:

Amounts shown for December 31, 2015, in the accompanying statements are included to provide a basis for comparison with December 31, 2016, and present summarized totals only. Accordingly, the December 31, 2015 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Certain prior year amounts have been reclassified to conform to the current year presentation.

See independent auditors' report



HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016  
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**2. Summary of Significant Accounting Policies (Continued):**

Basis of Accounting:

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents:

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents is comprised of cash in a bank at December 31, 2016.

Computers and Equipment:

Computers and equipment 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 current operations.

Depreciation:

Depreciation is provided for using principally straight-line methods over the estimated useful lives of the respective assets. The useful life used for computers/software and website is 5 years and 3 years, respectively.

Income Taxes:

Hudson Valley Agri-business Development Corporation qualifies as a tax exempt corporation under Section 501(c)(6) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes.

Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (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 the following sources in the form of 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 Small Business Administration (SBA); and other similar sources.

See independent auditors' report

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016  
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**2. Summary of Significant Accounting Policies (Continued):**

Revenue Recognition (continued)

County governments and/or county public authorities (i.e. enterprise funds) enter into agreements with the Corporation that cover a period of years. The agreements call for scheduled annual payments by the entities to the Corporation. In order for the Corporation to earn the annual funding commitment, the Corporation 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 Corporation 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 Corporation. 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 Corporation to remit some if not all of the advances back to the entity.

Conditional promises to give from these entities are as follows as of December 31, 2016:

2017	\$	37,500
2018		25,000
2019		<u>6,250</u>
Total	\$	<u>68,750</u>

Government contracts are cost reimbursable, 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 performed.

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 and receivables. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution. The Organization did not exceed the FDIC limit as of December 31, 2016. 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 amounts due from local County public authorities. Management believes that the entire balance at December 31, 2016 is collectible and no allowance for doubtful accounts was required.

Subsequent Events:

Subsequent events have been evaluated through March 30, 2017 which is the date the financial statements were available to be issued.

See independent auditors' report

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016  
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**3. Cash and Cash Equivalents:**

Cash and cash equivalents at December 31, 2016 are comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance
Key Bank	\$ 77,281	\$ 106,446	\$ 250,000
Petty cash	220	N/A	N/A
Total	<u>\$ 77,501</u>	<u>\$ 106,446</u>	<u>\$ 250,000</u>

Cash balances at December 31, 2016 are fully covered by Federal Deposit Insurance Company (FDIC) insurance.

**4. Computers and Equipment:**

A summary of computers and equipment is as follows as of December 31, 2016:

<u>Category</u>	
Computers	\$ 9,667
Website	5,775
Equipment	19,300
Accumulated depreciation	<u>(7,929)</u>
	<u>\$ 26,813</u>

Depreciation expense for the year ended December 31, 2016 was \$2,730.

In December 2013, the Organization purchased a component for a piece of equipment for \$19,300, which is part of a larger project to be completed in the near future and will result in a sales-type lease upon completion of installation. The Organization was awarded a USDA grant to fund this project.

**5. Expenses:**

Total expenses are comprised of the following categories at December 31, 2016:

Program services	\$ 519,388
General and administrative	<u>72,885</u>
	<u>\$ 592,273</u>

**6. Lease Commitments:**

The Organization leases office space in Hudson, New York. The Organization had a three year agreement to make monthly payments of \$600 through May 2014 and renewed the lease for an additional three year term with monthly payments of \$650. Rental expense for the year ended December 31, 2016 was \$7,800.

See independent auditors' report



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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 AUDITORS' 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, 2016, and the related statements of activities 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, 2017.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Patterson, Koshey, Howe & Bucci, CPAs, PC*

Kingston, New York  
March 30, 2017