

HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
(and Reports of Independent Auditors)

December 31, 2015  
(with memorandum totals for December 31, 2014)

HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
December 31, 2015

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PATTISON, KOSKEY, HOWE & BUCCI

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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) as of December 31, 2015, and the related statements of activities and cash flows for the year then ended.

***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. 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.

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

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We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 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* and should be considered in assessing the results of our audit.

*Pattison, Koskey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
March 29, 2016

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION

December 31, 2015

(with memorandum totals as of December 31, 2014)

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ASSETS

	<u>2015</u>	<u>2014</u> (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 162,345	\$ 76,798
Accounts receivable	154,684	223,906
Prepaid expenses	3,064	3,088
Receivable - net investment in leases, current	5,385	15,780
Total current assets	<u>325,478</u>	<u>319,572</u>
Computers and equipment, net	24,170	22,783
Receivable - net investment in leases, long-term	<u>1,104</u>	<u>7,539</u>
Total assets	<u><u>\$ 350,752</u></u>	<u><u>\$ 349,894</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 24,443	\$ 58,616
Other liabilities	13,099	9,519
Total current liabilities	<u>37,542</u>	<u>68,135</u>
Unrestricted net assets	294,460	248,426
Temporarily restricted net assets	<u>18,750</u>	<u>33,333</u>
Total net assets	<u>313,210</u>	<u>281,759</u>
Total liabilities and net assets	<u><u>\$ 350,752</u></u>	<u><u>\$ 349,894</u></u>

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

(with memorandum totals as of December 31, 2014)

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	2015			2014
	Unrestricted	Temporarily Restricted	Total	(memorandum only)
Revenue and other sources:				
Regional county contracts	\$ 156,250	\$ 18,750	\$ 175,000	\$ 175,000
Ag and Market contribution	119,395	-	119,395	142,669
Hudson Valley Bounty	18,330	-	18,330	16,619
American Farmland Trust grant	7,598	-	7,598	7,450
New World Foundation grant	175,000	-	175,000	210,000
USDA grant	70,000	-	70,000	49,888
Consulting and grant writing income	35,904	-	35,904	18,981
Stone barns farm training	12,000	-	12,000	-
Food hub fees for service	57,900	-	57,900	-
Other income	837	-	837	1,612
Interest income	1	-	1	3
Release from restriction	33,333	(33,333)	-	-
<b>Total Revenues</b>	<b>686,548</b>	<b>(14,583)</b>	<b>671,965</b>	<b>622,222</b>
Expenses:				
Salaries	220,827	-	220,827	180,988
Fringe benefits and taxes	36,691	-	36,691	31,673
Health insurance reimbursement	14,600	-	14,600	9,600
Workers' compensation and disability	1,353	-	1,353	1,279
Consultants and grant writing	280,624	-	280,624	297,510
Marketing	4,758	-	4,758	4,223
Office	14,362	-	14,362	14,697
Travel	12,815	-	12,815	16,083
Professional fees	12,871	-	12,871	12,551
Bad debt	833	-	833	625
Hudson Valley Bounty	20,471	-	20,471	37,992
Rental expense	7,800	-	7,800	7,600
Insurance	2,630	-	2,630	4,271
Conference and seminars	2,955	-	2,955	2,758
Depreciation	2,392	-	2,392	1,371
Dues and subscriptions	1,775	-	1,775	1,781
Miscellaneous	2,757	-	2,757	352
<b>Total Expenses</b>	<b>640,514</b>	<b>-</b>	<b>640,514</b>	<b>625,354</b>
Increase (decrease) in net assets	46,034	(14,583)	31,451	(3,132)
Net assets, beginning	248,426	33,333	281,759	284,891
<b>Net assets, ending</b>	<b>\$ 294,460</b>	<b>\$ 18,750</b>	<b>\$ 313,210</b>	<b>\$ 281,759</b>

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2015  
(with memorandum totals for the year ended December 31, 2014)

	2015	2014 (memorandum only)
Cash flows from operating activities:		
Change in net assets	\$ 31,451	\$ (3,132)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,392	1,371
Loss on disposal of equipment	348	-
Discount on investment in leases	(837)	(1,612)
Bad debt	833	625
(Increase) decrease in:		
Accounts receivable	70,179	(23,765)
Prepaid insurance	24	3,923
Increase (decrease) in:		
Accounts payable	(34,173)	51,388
Other liabilities	3,580	3,562
Grant advance	-	(72,058)
Total adjustments	42,346	(36,566)
Net cash provided by (used for) operating activities	73,797	(39,698)
Cash flows from investing activities:		
Receivable - investment in Ronnybrook lease	7,778	5,555
Receivable - investment in Farm to Table Copackers lease	8,100	12,600
Acquisition of equipment	(4,128)	(20,699)
Net cash provided by (used for) investing activities	11,750	(2,544)
Net increase (decrease) in cash and cash equivalents	85,547	(42,242)
Cash and cash equivalents, beginning of year	76,798	119,040
Cash and cash equivalents, end of year	\$ 162,345	\$ 76,798

See accompanying notes and independent auditors' report

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015  
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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, 2015.

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, 2014, in the accompanying statements are included to provide a basis for comparison with December 31, 2015, and present summarized totals only. Accordingly, the December 31, 2014 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, 2015  
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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, 2015.

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, 2015  
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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, 2015:

2016	\$	175,000
2017		<u>25,000</u>
	\$	<u>200,000</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.

The Organization's \$175,000 New World Foundation grant was received from its fiscal sponsor, Hudson Mohawk Resource Conservation and Development Council (HMRCD). The Organization's Executive Director is also a volunteer council member of HMRCD.

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, 2015. 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, 2015 is collectible and no allowance for doubtful accounts was required.

The Organization also monitors and evaluates annually the collectability of its finance receivables based on the third party company's ability to pay according to its payment schedule, the underlying financial position of the third party, and the condition of the underlying collateral. As of December 31, 2015, the Organization believes finance receivables are fully collectible.

See independent auditors' report

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

December 31, 2015

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**2. Summary of Significant Accounting Policies (Continued):**

Subsequent Events:

Subsequent events have been evaluated through March 29, 2016 which is the date the financial statements were available to be issued.

**3. Cash and Cash Equivalents:**

Cash and cash equivalents at December 31, 2015 are comprised of the following:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Insurance</u>
First Niagara Bank	\$ 162,125	\$ 234,919	\$ 250,000
Petty cash	220	N/A	N/A
Total	<u>\$ 162,345</u>	<u>\$ 234,919</u>	<u>\$ 250,000</u>

**4. Computers and Equipment:**

A summary of computers and equipment is as follows as of December 31, 2015:

<u>Category</u>	
Computers	\$ 5,938
Website	1,925
Equipment	19,300
Accumulated depreciation	<u>(2,993)</u>
	<u>\$ 24,170</u>

Depreciation expense for the year ended December 31, 2015 was \$2,392.

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. Receivable – Net Investment in Leases:**

The Organization has two lease agreements for farm equipment that the Organization purchased and is leasing to recipients. Both leases provide the recipient the opportunity to purchase the equipment upon the completion of the lease for \$1 (bargain purchase). The Organization recorded the first transaction as a sales-type lease, recording a receivable-investment for \$57,360 net of unearned income of \$7,360. Due to the lessee's cash flow constraints in 2009, the payment schedule was modified verbally to remain at \$200 per month until the end of 2010. During 2010, the lease was formally modified with new payment terms that include an interest free loan with monthly payments of \$556 which began in March 2011. The lease term was extended until February of 2017 to accommodate for the change in payment schedule.

See independent auditors' report

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

December 31, 2015  
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**5. Receivable – Net Investment in Leases (continued):**

Future lease commitments are as follows at December 31, 2015:

2016	\$	5,555
2017		<u>1,111</u>
Total payments		6,666
less discount		<u>(177)</u>
Total	\$	<u><u>6,489</u></u>

In 2010, the Organization entered into a second lease agreement for farm equipment that the Organization purchased and leased to a recipient. The Organization recorded a receivable investment for \$54,000. The lease arrangement is interest free with monthly payments of \$900 over a period of five years ending in July 2015. During the year ended December 31, 2011, the Organization received services for technical assistance to regional farmers from the lessee for \$5,400 in lieu of payments on their lease. The lease agreement was satisfied in full during 2015.

**6. Expenses:**

Total expenses are comprised of the following categories at December 31, 2015:

Program services	\$	563,629
General and administrative		<u>76,885</u>
	\$	<u><u>640,514</u></u>

**7. 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, 2015 was \$7,800.

**8. Temporarily Restricted Net Assets:**

Temporarily restricted net assets at December 31, 2015, are available for the following specific program services:

Sullivan County	\$	12,500
Rensselaer County		<u>6,250</u>
Total	\$	<u><u>18,750</u></u>

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, 2015, 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 29, 2016.

**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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hudson Valley Agri-business Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*

We noted certain matters that we have reported to management of Hudson Valley Agri-business Development Corporation in a separate letter dated March 29, 2016.

### **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.

*Pattison, Koskey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
March 29, 2016