

**HUDSON VALLEY AGRI-BUSINESS  
DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(with memorandum totals for the year ended December 31, 2018)

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

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One Hudson City Centre, Suite 204  
Hudson, NY 12534

Phone 518-828-1565  
Fax 518-828-2672  
Web [www.uhy-us.com](http://www.uhy-us.com)

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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.

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, 2019, 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.

***Emphasis of Matter***

As discussed in Note 1, Hudson Valley Agri-business Development Corporation adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

Pattison, Koskey, Howe & Bucci, CPAs, P.C., who combined with UHY LLP effective January 1, 2020, previously audited Hudson Valley Agri-business Development Corporation's December 31, 2018 financial statements, and it expressed an unmodified audit opinion on those audited financial statements in its report dated March 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 26, 2020 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.

*UHY* LLP

Hudson, New York  
March 26, 2020

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019  
(with memorandum totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u> (memorandum only)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 48,753	\$ 79,856
Accounts receivable	303,846	264,999
Prepaid expenses	4,963	3,008
Total current assets	<u>357,562</u>	<u>347,863</u>
<b>RESTRICTED CASH</b>	<b>166,667</b>	-
<b>FIXED ASSETS, net</b>	<b>4,052</b>	<b>23,818</b>
Total assets	<u>\$ 528,281</u>	<u>\$ 371,681</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,942	\$ 36,130
Deferred revenue	-	11,275
Accrued payroll related liabilities	7,943	7,070
Total current liabilities	<u>24,885</u>	<u>54,475</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	<u>166,667</u>	-
Total long-term liabilities	<u>166,667</u>	-
Total liabilities	<u>191,552</u>	<u>54,475</u>
<b>NET ASSETS</b>		
Without donor restrictions	326,192	317,206
With donor restrictions	<u>10,537</u>	-
Total net assets	<u>336,729</u>	<u>317,206</u>
Total liabilities and net assets	<u>\$ 528,281</u>	<u>\$ 371,681</u>

See notes to financial statements.

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

(with memorandum totals for the year ended December 31, 2018)

	2019			2018 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND SUPPORT:</b>				
Regional county contracts	\$ 175,000	\$ -	\$ 175,000	\$ 175,000
Hudson Mohawk RC&D grant	174,033	-	174,033	165,545
Government grants	198,002	10,537	208,539	39,637
Consulting and grant writing income	111,093	-	111,093	168,009
Total revenue	<u>658,128</u>	<u>10,537</u>	<u>668,665</u>	<u>548,191</u>
<b>EXPENSES:</b>				
Program services:				
Technical Assistance	236,368	-	236,368	269,550
Access to Capital	137,605	-	137,605	55,095
Food Security	63,909	-	63,909	50,726
Management and general	189,060	-	189,060	128,728
Fundraising	32,122	-	32,122	40,984
Total expenses	<u>659,064</u>	<u>-</u>	<u>659,064</u>	<u>545,083</u>
Change in net assets from operating activities	<u>(936)</u>	<u>10,537</u>	<u>9,601</u>	<u>3,108</u>
<b>NON-OPERATING ACTIVITIES:</b>				
Interest income	2	-	2	17
Non-operating government grant	40,700	-	40,700	-
Loss on sale of equipment	(30,780)	-	(30,780)	-
Change in net assets from non-operating activities	<u>9,922</u>	<u>-</u>	<u>9,922</u>	<u>17</u>
Change in net assets	8,986	10,537	19,523	3,125
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>317,206</u>	<u>-</u>	<u>317,206</u>	<u>314,081</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 326,192</u>	<u>\$ 10,537</u>	<u>\$ 336,729</u>	<u>\$ 317,206</u>

See notes to financial statements.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019  
(with memorandum totals for the year ended December 31, 2018)

	2019							2018
	Program Services				Support Services			(memorandum only)
	Technical Assistance	Access to Capital	Food Security	Total Program	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 87,139	\$ 53,723	\$ 41,797	\$ 182,659	\$ 68,788	\$ 24,472	\$ 275,919	\$ 254,659
Payroll taxes	7,575	4,734	6,228	18,537	6,945	1,873	27,355	21,320
Pension plan contributions	3,585	2,140	321	6,046	2,462	1,124	9,632	9,632
Employee benefits	6,891	4,686	6,650	18,227	4,967	2,196	25,390	18,146
Accounting fees	-	-	-	-	11,133	-	11,133	9,625
Legal fees	-	-	-	-	25,154	-	25,154	-
Payroll processing fees	-	-	-	-	1,635	-	1,635	1,737
Consulting and grant writing	115,081	66,320	-	181,401	39,456	-	220,857	167,872
Advertising	988	272	272	1,532	7,616	-	9,148	7,681
Office expenses	3,677	2,298	3,023	8,998	3,371	909	13,278	17,368
Information technology	1,039	649	854	2,542	1,734	257	4,533	1,705
Occupancy	1,553	933	728	3,214	4,224	362	7,800	7,800
Travel	7,021	1,454	3,515	11,990	611	772	13,373	12,193
Conferences and meetings	261	-	-	261	650	-	911	3,705
Depreciation	634	396	521	1,551	582	157	2,290	2,885
Insurance	-	-	-	-	4,219	-	4,219	4,183
Miscellaneous	-	-	-	-	648	-	648	143
Dues and subscriptions	-	-	-	-	4,865	-	4,865	3,892
Bad debt	924	-	-	924	-	-	924	537
	<u>\$ 236,368</u>	<u>\$ 137,605</u>	<u>\$ 63,909</u>	<u>\$ 437,882</u>	<u>\$ 189,060</u>	<u>\$ 32,122</u>	<u>\$ 659,064</u>	<u>\$ 545,083</u>

See notes to financial statements.

# HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

(with memorandum totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u> (memorandum only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,523	\$ 3,125
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,290	2,885
Non-operating government grant	(40,700)	-
Loss on sale of equipment	30,780	-
Bad debt	924	537
(Increase) decrease in:		
Accounts receivable	(39,771)	(61,710)
Prepaid insurance	(1,955)	747
(Decrease) increase in:		
Accounts payable	(19,188)	21,212
Deferred revenue	(11,275)	1,825
Accrued payroll related liabilities	873	(17,922)
Total adjustments	<u>(78,022)</u>	<u>(52,426)</u>
Net cash used for operating activities	<u>(58,499)</u>	<u>(49,301)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(42,524)	(2,075)
Proceeds from sale of equipment	29,220	-
Net cash used for investing activities	<u>(13,304)</u>	<u>(2,075)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	166,667	-
Non-operating government grant	40,700	-
Net cash provided by financing activities	<u>207,367</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>135,564</b>	<b>(51,376)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u><b>79,856</b></u>	<u>131,232</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u><b>\$ 215,420</b></u></u>	<u><u><b>\$ 79,856</b></u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 48,753	\$ 79,856
Restricted cash	166,667	-
Total	<u><u><b>\$ 215,420</b></u></u>	<u><u><b>\$ 79,856</b></u></u>

See notes to financial statements.



**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Hudson Valley Agri-business Development Corporation:

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 and to 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. With a focus on the Mid-Hudson and Capital regions, the Organization’s loan program issues low interest loans between \$50,000 and \$200,000 to small agribusiness owners.

In addition to the loan opportunity, the Organization is partnering with the Hudson Mohawk Resource Conservation and Development Council, Inc. (HMRC&D) to administer the Grown & Certified (G&C) Producer grant program in the Capital District Region. The G&C producer grants will be awarded for capital projects that will enable qualified agricultural producers to meet food safety standards necessary for participation in the program. Eligible agricultural producers can apply for up to 90% of their total project cost, not to exceed \$50,000.

**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.

Farm and Food Growth Fund, Inc.:

On July 31, 2019, Farm and Food Growth Fund, Inc. (FFG Fund) was incorporated in the State of New York as a 501(c)(3) nonprofit organization. FFG Fund shares a majority of common board members with the Organization and is also managed by the same employees of the Organization. FFG Fund had no activity from the date of its incorporation to the year ended December 31, 2019.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-For-Profit Entities" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the ASC, 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.

**Prior Year Amounts**

Amounts shown for December 31, 2018, in the accompanying statements are included to provide a basis for comparison with December 31, 2019, and present summarized totals only. Accordingly, the December 31, 2018 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.

**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. Cash and cash equivalents are comprised of cash held with two financial institutions at December 31, 2019.

Restricted cash of \$166,667 as of December 31, 2019 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 in future years.

**Fixed Assets**

Fixed assets 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 nonoperating activities on the statement of activities.

**Depreciation**

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

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Tax Status**

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.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. 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 accounting principles generally accepted in the United States of America (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. 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.

County governments and/or county public authorities (i.e. enterprise funds) enter into agreements with the Organization that cover a period of years. The agreements call for scheduled annual payments by the entities 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 entity, the entity is invoiced and revenue is recorded. At that time, the entity generally acknowledges the validity of the invoice and pays the Organization. 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 Organization to remit some if not all of the advances back to the entity.

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.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Revenue Recognition** (Continued)

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.

**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 Federal Deposit Insurance Company (FDIC) limit as of December 31, 2019. 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, 2019 is collectible and no allowance for doubtful accounts was required.

**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 have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Payroll taxes and benefits	Time and Effort
Pension plan contributions	Time and Effort
Office expenses	Full Time Equivalent
Information technology	Full Time Equivalent
Occupancy	Square Footage
Travel	Time and Effort
Depreciation	Full Time Equivalent

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**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 Hudson Valley Agri-business Development Corporation’s ongoing activities. 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.

**New Accounting Pronouncement**

The Organization implemented ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires the presentation of total change in cash, cash equivalents, restricted cash and restricted cash equivalents for the period in the statement of cash flows. The ASU has been applied retrospectively to all periods presented.

**Subsequent Events**

Subsequent events have been evaluated through March 26, 2020 which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization’s finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Organization’s activities, results of operations, financial condition and cash flow.

**NOTE 2 – FIXED ASSETS**

A summary of fixed assets is as follows as of December 31, 2019:

		<u>Useful Life</u>
Computers	\$ 10,127	5 years
Website	3,850	3 years
Furniture	550	5 years
Accumulated depreciation	<u>(10,475)</u>	
	<u>\$ 4,052</u>	

Depreciation expense for the year ended December 31, 2019 was \$2,290.

**NOTE 3 – LEASE COMMITMENTS**

The Organization leases office space in Hudson, New York on a month to month basis. Rental expense for the year ended December 31, 2019 was \$7,800 and is included as “Occupancy” on the Statement of Functional Expenses.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – PENSION PLAN**

The Organization has a simplified employee pension IRA (SEP IRA) pension plan. The Organization pays 5% of eligible employee’s gross wages each year. For the year ended December 31, 2019, the Corporation recorded \$9,632 in pension expense which is included as “pension plan contributions” on the Statement of Functional Expenses.

**NOTE 5 – LIQUIDITY**

The Organization’s financial assets available within one year of December 31, 2019 for general expenditure are as follows:

Current financial assets at year-end:	
Cash and cash equivalents	\$ 48,753
Accounts receivable	303,846
Total financial assets	<u>352,599</u>
Less: amounts unavailable for general expenditure within one year, due to:	
Restricted by donors for purpose restrictions	<u>(10,537)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 342,062</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of December 31, 2019.

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 6 – LONG-TERM DEBT**

On December 20, 2019, the Organization entered into an agreement with New York State Empire State Development (NYS ESD) on a \$500,000, 10-year note. The Organization will receive advances on the note in three (3) equal installments over the course of the first two years of the note. The Organization will not pay or accrue any interest nor pay any principal on the advanced balances for the first year of the note. Commencing on the first anniversary date of the note, the Organization will pay interest of 1% per annum on the unpaid principal balance of the note in semi-annual installments on June 30<sup>th</sup> and December 31<sup>st</sup> of each year, beginning with the fiscal year ending December 31, 2021. Principal payments equal to 33.33% of the principal balance outstanding shall commence on the fifth anniversary date of the note and will be paid on the seventh and tenth anniversary dates of the note, with a lump sum payment of unpaid principal and interest due on the tenth anniversary date of the note. This note is subject to a five-year extension after the maturity date at NYS ESD’s sole discretion, provided the Organization is not in default on the note before the tenth anniversary date. Funds are to be used to provide loans to qualified entities.

As of December 31, 2019, the Organization has received its first advance of \$166,667 on this note. No amounts from this first advance have been loaned out by the Organization to local entities as of the date of the auditors’ report.

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets consist of the following as of December 31, 2019:

**Subject to expenditure for specified purpose:**

CDFI - Technical Assistance	<u>\$ 10,537</u>
Total net assets with donor restrictions	<u><u>\$ 10,537</u></u>

One Hudson City Centre, Suite 204  
Hudson, NY 12534

Phone 518-828-1565  
Fax 518-828-2672  
Web [www.uhy-us.com](http://www.uhy-us.com)

**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  
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, 2019, 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 26, 2020.

***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.

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.

*UHY* LLP

Hudson, New York  
March 26, 2020