HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2023

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Hudson Valley Agri-business Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hudson Valley Agri-business Development Corporation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hudson Valley Agri-business Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

<u>Change in Accounting Principle</u>

As discussed in Note 2 to the financial statements, Hudson Valley Agri-business Development Corporation adopted ASC 326, "*Financial Instruments – Credit Losses*" as of January 1, 2023, and as a result, changed its methodology for determining its allowance for uncollectible accounts receivable from the incurred loss model to an expected loss model. Our opinion is not modified with respect to this matter.

<u>Restatement</u>

As discussed in Note 2 to the financial statements, the 2022 financial statements have been restated to reverse a contract revenue recorded in 2022 before being earned and to reclassify the Organization's restricted revolving loan fund grant to net assets with donor restrictions. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hudson Valley Agri-business Development Corporation's ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hudson Valley Agri-business Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hudson Valley Agri-business Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 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 controls 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 28, 2024

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,902,918
Accounts receivable		369,335
Loans receivable		77,613
Due from Farm and Food Growth Fund (FFGF)		15,000
Prepaid expenses		9,733
Total current assets		2,374,599
NON-CURRENT ASSETS		
Restricted cash		193,520
Equipment and furniture, net		11,397
Website development costs, net		20,850
Loans receivable, net of current portion and allowance		441,177
Total non-current assets		666,944
Total assets	$	3,041,543
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	61,127
Accrued payroll related liabilities		14,098
Long-term debt, current portion		166,667
Total current liabilities		241,892
LONG-TERM LIABILITIES		
Long-term debt		500,000
Deferred revenue		1,307,895
Total long-term liabilities		1,807,895
Total liabilities		2,049,787
NET ASSETS		
Without donor restrictions		761,747
With donor restrictions		230,009
Total net assets		991,756
Total liabilities and net assets	$	3,041,543

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND SUPPORT			
Regional county contracts	$ 120,000	$ -	**$ 120,000**
Technical assistance grants	182,525	-	**182,525**
Government grants	570,382	183,759	**754,141**
Consulting and grant writing income	74,128	-	**74,128**
Management agreement - FFGF	15,000	-	**15,000**
Loan interest income	37,254	-	**37,254**
Loan application and related fees	750	-	**750**
In-kind donated rent	15,600	-	**15,600**
Contribution	10,000	-	**10,000**
Total revenue and support	1,025,639	183,759	**1,209,398**
EXPENSES			
Program services:			
Technical Assistance	167,054	-	**167,054**
Access to Capital	255,862	-	**255,862**
Food Security	101,146	-	**101,146**
Management and general	205,015	-	**205,015**
Fundraising	51,779	-	**51,779**
Total expenses	780,856	-	**780,856**
Change in net assets from operating activities	244,783	183,759	**428,542**
NON-OPERATING ACTIVITIES			
Bank interest	19	-	**19**
Interest expense	(6,041)	-	**(6,041)**
Change in net assets from non-operating activities	(6,022)	-	**(6,022)**
Change in net assets	238,761	183,759	**422,520**
NET ASSETS BEGINNING OF YEAR, AS RESTATED	543,110	50,000	**593,110**
Impact of adoption of ASU 2016-13 - CECL (Note 2)	(20,124)	(3,750)	**(23,874)**
NET ASSETS END OF YEAR	$ 761,747	$ 230,009	**$ 991,756**

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023

	Technical Assistance	Access to Capital	Food Security	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 90,082	$ 72,993	$ 58,661	$ 221,736	$ 86,452	$ 36,061	**$ 344,249**
Payroll taxes	7,442	3,871	6,486	17,799	8,904	1,178	**27,881**
Retirement plan contributions	4,204	3,589	1,920	9,713	3,936	1,723	**15,372**
Employee benefits	4,960	4,481	1,009	10,450	4,702	3,344	**18,496**
Accounting fees	-	-	-	-	27,781	-	**27,781**
Legal fees	-	-	-	-	3,443	-	**3,443**
Payroll processing fees	-	-	-	-	2,675	-	**2,675**
Consulting and grant writing	41,299	81,224	13,635	136,158	8,127	6,030	**150,315**
Advertising	900	1,770	3,600	6,270	15,257	-	**21,527**
Office	3,694	1,922	3,220	8,836	4,421	585	**13,842**
Information technology	3,409	1,774	2,972	8,155	4,080	540	**12,775**
Occupancy	927	918	1,026	2,871	4,521	408	**7,800**
In-kind donated rent	1,854	1,836	2,052	5,742	9,042	816	**15,600**
Travel	930	1,110	3,199	5,239	1,360	506	**7,105**
Conferences and meetings	3,588	1,950	100	5,638	1,183	-	**6,821**
Depreciation and amortization	3,765	1,957	3,266	8,988	4,496	588	**14,072**
Insurance	-	-	-	-	6,591	-	**6,591**
Miscellaneous	-	-	-	-	144	-	**144**
Dues and subscriptions	-	4,888	-	4,888	7,900	-	**12,788**
Bad debt reserve	-	71,579	-	71,579	-	-	**71,579**
Subtotal	167,054	255,862	101,146	524,062	205,015	51,779	**780,856**
Interest	-	6,041	-	6,041	-	-	**6,041**
Total expenses	$ 167,054	$ 261,903	$ 101,146	$ 530,103	$ 205,015	$ 51,779	**$ 786,897**

See notes to financial statements.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 422,520
Adjustment to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	14,072
Bad debt	71,579
(Increase) decrease in:	
Accounts receivable	(151,447)
Prepaid expenses	(5,644)
Due from related party	(15,000)
(Decrease) increase in:	
Accounts payable	29,422
Deferred revenue	1,307,895
Accrued payroll related liabilities	10,065
Net cash provided by operating activities	1,683,462
CASH FLOWS FROM INVESTING ACTIVITIES	
Disbursements of loans receivable	(295,257)
Receipts from loan receivable	53,121
Acquisition of equipment	(3,467)
Purchase of website development	(18,725)
Net cash used for investing activities	(264,328)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,419,134
CASH AND CASH EQUIVALENTS, Beginning of year	677,304
CASH AND CASH EQUIVALENTS, End of year	$ 2,096,438
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	$ 1,902,918
Restricted cash	193,520
Total	$ 2,096,438
Cash paid for:	
Interest	$ 2,499

See notes to financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

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, market expansion and improved distribution networks for existing agricultural and food businesses. The Organization provides the resources to access technical and professional service providers, project planning and development services, and funding and capital access and feasibility analysis. As needs emerge, the Organization also presents timely topic specific instruction such as its Food Labeling workshop, Making It Happen financial analysis sessions and Local Lamb Lessons series on starting a sheep business. These public programs are open to all interested parties.

Access to Capital: In 2018, the Organization was designated as one of eight third-party lenders participating in the New York Job Development Authority's (JDA) Agriculture Loan Fund Program. In 2021, the Organization received an award from the US Department of Commerce – Economic Development Agency to start a revolving loan fund with a focus on agribusinesses. With these two sources, the Organization's loan program issues low interest loans between $50,000 and $200,000 to small agribusiness owners. With a focus on the Mid-Hudson and Capital regions, the Organization has loaned out a total of $785,000 to nine entities as of December 31, 2023. Also in 2023, the Organization became a Community Development Financial Institution designated by the US Department of Treasury.

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

Food Security: The Organization is working on the issue of food security through the FeedHV program. FeedHV is a regional food rescue and gleaning network dedicated to meeting the needs of neighbors while mitigating food waste. Through a web-based and mobile application powered by ChowMatch, FeedHV links food donors of prepared but unserved food and fresh produce (including farms, restaurants, catering services, grocery stores, hospitals, universities and more) to nonprofit organizations with food assistance programs (such as food pantries, soup kitchens and shelters) and a network of volunteers who transport, glean and process donated food.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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 (U.S. GAAP).

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, "*Not-for-Profit Entities*" (ASC 958).

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash is long-term in nature and restricted by the lender to be used for the small-business type loans the Organization will be lending to local entities. As of December 31, 2023, restricted cash was comprised of $6,853 for the Organization's Economic Development Administration (EDA) revolving loan fund and $186,667 for the Organization's New York Job Development Authority (JDA) loan fund.

Equipment and Furniture

Equipment and furniture 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 equipment and furniture are included in non-operating activities on the statement of activities.

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

Depreciation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Website Development Costs

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

Income Taxes

The Organization is exempt from federal income taxes as an Organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) 170(b)(1)(A)(vi).

The Organization has evaluated any uncertain tax positions and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740, "*Income Taxes*". Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization's returns are currently under examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate impacting the financial statements relates to the allowance for current losses required by ASC 326. It is at least reasonably possible actual amounts will differ from this estimate.

Revenue Recognition

Revenue is primarily generated from 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 other similar sources.

County governments and/or county public authorities (i.e. enterprise funds) enter into agreements with the Organization that generally cover multi-year periods. The agreements call for scheduled annual payments to the Organization. In order for the Organization to earn the annual funding commitment, the Organization must demonstrate that a commensurate level of effort was incurred during the year to carry out objectives of the agreement. At the end of each annual period, the Organization provides the necessary documentation to the 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 grants are generally cost reimbursement grants. Therefore, in the period the related expenses are incurred the Organization will draw down the funds and recognize the related revenue.

Revenue is also generated from providing consulting services to organizations which is recognized in the period such services are provided.

NOTE 2 – 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.

Accounts receivable from contracts with customers as of December 31, 2023 was $55,000 which is included in accounts receivable on the statement of financial position.

Concentrations of Credit and Market Risks

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts receivable, and loans receivable. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution.

The Organization's bank balance was in excess of the Federal Deposit Insurance Company (FDIC) limit by approximately $1,588,000 as of December 31, 2023. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

Accounts receivable consist primarily of uncollateralized amounts due from local County public authorities and governments, grants, and customers related to the Organization's consulting and grant writing services. Management believes that the entire balance at December 31, 2023 is collectible and no allowance for doubtful accounts was required.

As of December 31, 2023, accounts receivable was comprised of two entities representing 44%, 31%, respectively.

The Organization extends credit to eligible small agribusiness borrowers under its loan program. Loans are generally collateralized by a lien on operating assets of the borrower. Loans receivable are considered past due when payment is not received within the period allowed under the terms of the credit agreement. Periodically, management reviews past due receivables and provides for an allowance for loan receivables deemed uncollectible after all reasonable collection efforts have been exhausted. The allowance for doubtful accounts is principally provided in amounts considered to be appropriate, based primarily upon the Organization's past loss experiences and an evaluation of potential losses in the receivables outstanding. Management believes the allowance is adequate to cover future losses. As of December 31, 2023, loans receivable is comprised of nine loans. An allowance for credit losses of $95,453 was recognized as of December 31, 2023.

As of December 31, 2023, accounts payable was comprised of three vendors representing 19%, 18% and 26%, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

Loans receivable are stated at the principal outstanding less allowance for credit losses, if any. Interest is calculated based on the principal outstanding. Loan origination costs are expensed as incurred because they are considered immaterial.

Loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal and interest is delinquent for 90 days or more with deferral agreement in place. Interest income on all loans is recognized only to the extent that interest payments have been received. Accrued interest is not recorded unless considered material to the financial statements.

Restatement

As of December 31, 2022, the Organization restated its net assets for the following items:

- To reverse revenue and accounts receivable of $18,750 recorded during the year ended December 31, 2022, for a municipal county contract that had not been executed.
- To reclassify $50,000 from net assets without donor restrictions to net assets with donor restrictions for an Economic Development Administration grant disbursement to the Organization's revolving loan fund.

The following summarizes the impact to the net assets with donor restrictions as of December 31, 2022:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
At December 31, 2022, as previously stated	$ 611,860	$ -	$ 611,860
Reversal of contract revenue	(18,750)	-	(18,750)
Reclassification of revolving loan fund	(50,000)	50,000	-
At December 31, 2022, as restated	$ 543,110	$ 50,000	$ 593,110

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standard

In 2016, the FASB issued ASU 2016-13, "*Financial Instruments – Credit Losses*" (ASC 326), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 were municipal contracts and loans receivables.

The Organization adopted the standard effective January 1, 2023, using the modified retrospective method. Results for reporting periods beginning January 1, 2023, are presented under ASC 326.

The impact of adoption of ASC 326 on the Organization's statement of financial position as of January 1, 2023 was as follows:

	At December 31, 2022, as restated	Adjustments due to Topic 326	At January 1, 2023
Allowance for credit losses	$ -	$ 23,874	$ 23,874
Net assets without donor restrictions	543,110	(20,124)	522,986
Net assets with donor restrictions	50,000	(3,750)	46,250

Allowance for Credit Losses

The Organization operates in the agribusiness services industry and its accounts receivables are primarily derived from loans provided to local small businesses in the agriculture industry. In addition, the Organization has certain municipal service contracts. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

Allowance for credit losses is maintained at a level which management has determined is adequate to absorb credit losses inherent in the loan portfolio. Actual allowances for impaired loans are determined based on a discounted cash flow or market valuation. It is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased by a provision for credit losses, which is charged to bad debt expense and reduced by charge-offs, net of recoveries.

Loans are categorized into one of three "classes" as part of the initial underwriting process. Three financial measures are utilized to judge the quality of the applications. These measures are cash flow, guarantors' net worth, and collateral. Class I comprise businesses with sufficient operating cash flow from existing operations to cover the proposed debt service. Class II comprise businesses with sufficient operating cash flow from existing and/or proposed operations to cover the proposed new debt service. Class III comprise businesses with sufficient backing through collateral or through personal guarantees to help mitigate the potential risk that operating cash flow from existing and/or proposed operations may be insufficient to cover the proposed new debt service.

NOTE 2 – SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (continued)

Allowance for Credit Losses (Continued)

The loans are then categorized based on the following credit and risk standards, regardless of their initial class assignment, to determine the estimate for credit losses:

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

Loans in the acceptable category are assigned a risk rating percentage based on the original category of Class I, II and II. Allowance for credit losses for loans in the special mention assets, substandard assets, and doubtful assets categories will be determined on a case to cash basis. Loans in the loss category will reflect a full credit allowance against the remaining principal balance, at the time of default.

The estimate for the allowance is determined based on the methodology above. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. There were no write-offs to the financial statements for the year ended December 31, 2023.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Interest income earned on the Organization's loans receivable are considered operating income. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Interest expense related to the Organization's long-term debt is considered a non-operating expense. Interest income earned from loans receivable is considered operating income.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, including salaries and wages, payroll taxes, employee benefits, pension plan contributions, and travel are allocated by management using an allocation methodology based on estimated time worked by personnel in each category. Occupancy expenses are allocated based on estimated square footage of the Organization's facilities devoted to each category. Other expenses, including office, information technologies, and depreciation are allocated by management using an allocation methodology based on full time equivalent of time devoted to each category. Management believes these allocations have been made on a reasonable basis. All other expenses are reported to each program and support function based on actual expenses incurred.

NOTE 2 – SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

During the year ended December 31, 2021, the Organization applied for and received two separate loans totaling $109,466 ($54,784 and $54,682, respectively), from its bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). In June and August 2021, respectively, the loans, including principal and interest, were forgiven and considered repaid in full.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan was forgiven in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Subsequent Events

Subsequent events have been evaluated through March 28, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Loans receivable as of December 31, 2023 consist of the following:

	Balance at January 1, 2023	New Loans	Payments	Balance at December 31, 2023
(a) New York Job Development Authority (JDA)	$ 322,107	$ 40,257	$ (46,268)	$ 316,096
(b) Economic Development Administration (EDA)	50,000	255,000	(6,853)	298,147
	372,107	$ 295,257	$ (53,121)	614,243
Less: Allowance for Loan Losses	(23,874)			(95,453)
	$ 348,233			$ 518,790

(a) Loans mature on dates ranging from April 1, 2029 to June 1, 2030 and are charged interest at rates ranging from 7.5% per annum to the Wall Street Journal (WSJ) Prime Rate plus 100 basis points (9.5%) as of December 31, 2023. Monthly payments of principal and interest range from $562 to $2,052.

(b) Loans mature on dates ranging from April 1, 2029 to September 1, 2033 and are charged interest at the WSJ Prime Rate less 100 basis points (7.5%) as of December 31, 2023. Monthly payments of principal and interest range

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

Allowance for credit losses as of December 31, 2022	$ -
Impact of adoption of ASU 2016-13 - CECL (Note 2)	23,874
Increase in bad debt reserve	71,579
Allowance for credit losses as of December 31, 2023	$ 95,453

The Organization's allowance for credit losses as of December 31, 2023, is comprised of $74,991 associated with the EDA loan fund and $20,462 associated with the JDA loan fund.

NOTE 3 – LOANS RECEIVABLE (continued)

The following summarizes the loan portfolio by risk class as of December 31, 2023:

	Loan Receivable Balance as of December 31, 2023	Allowance for Credit Losses as of December 31, 2023
Class I	$ 72,118	$ 2,164
Class II	377,190	28,289
Special mention	164,935	65,000
	$ 614,243	$ 95,453

After a competitive bid process completed in 2022, the Organization entered into a contract for underwriting services with an experienced non-profit organization who employs a member of the board of directors that was fully disclosed and recused during the request for proposal and selection process and incurred $37,500 related to those services during the year ended December 31, 2023.

EDA Loan Fund

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

As of the year ended December 31, 2023, the Organization had $6,853 of restricted cash in its EDA revolving loan fund. During the years ended December 31, 2023 and 2022, the Organization recognized as revenue $141,400 and $87,796, respectively, related to administrative expenses incurred and allowed to be reimbursed using grant proceeds. During the years ended December 31, 2023 and 2022, the Organization recognized as revenue $255,000 and $50,000, respectively, related to RLF grants. During the year ended December 31, 2023, $180,009 was recognized as revenue with donor restrictions and $74,991 (for the EDA RLF allowance for credit losses) as revenue without donor restrictions in the statement of activities.

JDA Loan Fund

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

NOTE 4 – EQUIPMENT AND FURNITURE

A summary of equipment and furniture is as follows as of December 31, 2023:

			Useful Life
Computers	$	21,194	5 years
Furniture		3,132	5 years
Accumulated depreciation		(12,929)	
	$	11,397	

Depreciation expense for the year ended December 31, 2023 was $3,401.

NOTE 5 – WEBSITE DEVELOPMENT COSTS

Website development costs are comprised of the following as of December 31, 2023:

Website	$	43,250
Accumulated amortization		(22,400)
	$	20,850

Amortization expense for the year ended December 31, 2023 was $10,671. Amortization expense is expected to be recognized as follows:

2024	$	10,100
2025		8,443
2026		2,307
		20,850
Accumulated Amortization		22,400
	$	43,250

NOTE 6 – LEASE

The Organization leases office space in Hudson, New York on a month-to-month basis. Lease expense for the year ended December 31, 2023 was $23,400 and is included as “occupancy” on the statement of functional expenses.

NOTE 7 – RETIREMENT PLAN

The Organization has a 403(b) retirement plan. There are discretionary employer contributions to employee 403(b) retirement plans. For the year ended December 31, 2023, the Organization incurred $15,372 in 403(b) expense which is included as “retirement plan contributions” on the statement of functional expenses.