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Hudson Valley Agri-business Development Corporation
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To the Board of Directors and Todd Erling
of Hudson Valley Agri-business Development Corporation

In planning and performing our audit of the financial statements of Hudson Valley Agri-business Development Corporation as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Hudson Valley Agri-business Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, is not intended to be, and should not be, used by anyone other than these specified parties.

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Valatie, New York
March 25, 2015

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ATTACHMENT

Current Year Observations and Recommendations

None.

Update to Prior Year Observations and Recommendations

1. Capitalization Policy

Observation

No formal fixed asset capitalization policy existed at December 31, 2013. It was unclear what assets should be capitalized or expensed during the year.

Recommendation

We recommended the Organization implement a policy that would designate the expenditures over a certain dollar value as capital expenditures that are to be recorded as depreciable fixed assets. This will allow for much stronger control of existing fixed assets, to ensure company assets are properly safeguarded.

Management's Updated response

In December 2014, the Organization's Board of Directors formally adopted a capitalization policy with a threshold of \$500.

2. Non-Profit Revitalization Act of 2013

Observation

In 2013, the New York State Legislature passed a new law impacting non-profit organizations signed into law by the Governor with an effective date of July 1, 2014. Some of the areas covered by this new law included: audit committee responsibilities, conflicts of interest, whistle blower programs, compensation of officers/directors, electronic correspondence/communications, and audit requirements, to name a few.

Recommendation

We recommended the Organization review the new law and work with its attorney to ensure compliance and policies and procedures are updated to comply in 2014.

Management's Updated Response

The Organization did review the Organization's policies and procedures related to the requirements under the new law and management feels the Organization is in compliance with all necessary requirements at this time.

We recommend, if the Organization has not already done so, that a presentation is made to the Board outlining how the Organization has complied with this law.

3. Public Authority Compliance

Observation

The Organization was required to follow the guidelines of the New York State Public Authority Law. Fiscal 2013 was the first year the Organization has been required to file an annual PARIS report and positively assert its compliance with such guidelines.

Recommendation

We recommended management review current policies and procedures and update them accordingly to ensure compliance with the New York State Public Authority Law.

Management's Updated Response

Management reviewed the Organization's policies and procedures and has determined it is in compliance with New York State Public Authority Law with the exception of an investment policy which is in progress.

4. Manual Journal Entries

Observation

The Organization did not have an effective method of keeping track of manual journal entries that have been made throughout the year. Two individuals had access to QuickBooks and had authorization to make journal entries, yet no policy exists for the Executive Director or Board of Directors to review the entries after they occur.

Recommendation

We recommended the Organization begin to print out and file the journal entries that have been made in a binder. This will allow for easier reference to journal entries that have been posted as well as serve as an effective method to ensure that controls are being properly followed and journal entries are authorized.

Management's Updated Response

The two individuals who post journal entries to QuickBooks print a copy of the journal entry and attach it to the supporting documentation. While the Executive Director currently does not evidence his review, he is made aware of the journal entries posted as they occur. Management has committed to organizing journal entries in a binder and requiring the Executive Director to sign off on the journal entry after his review, going forward.