

HUDSON VALLEY AGRI-BUSINESS
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2012
(with memorandum totals for December 31, 2011)

HUDSON VALLEY AGRI-BUSINESS
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hudson Valley Agri-business Development Corporation, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Hudson Valley Agri-business Development Corporation's 2011 financial statements and, in our report dated July 13, 2012, we expressed an unqualified opinion on those 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. 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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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, 2012, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Valatie, New York
September 27, 2013

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

December 31, 2012

(with memorandum totals as of December 31, 2011)

ASSETS

	2012	2011 (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 64,951	\$ 107,282
Accounts receivable	103,839	85,003
Prepaid insurance	1,650	1,560
Receivable - net investment in leases, current	17,467	17,472
Total current assets	187,907	211,317
Equipment, net	5,167	6,369
Receivable - net investment in leases, long-term	34,352	49,688
	\$ 227,426	\$ 267,374

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 6,825	\$ 1,235
Other liabilities	10,089	55
Total current liabilities	16,914	1,290
Unrestricted net assets	198,012	253,584
Temporarily restricted net assets	12,500	12,500
Total net assets	210,512	266,084
	\$ 227,426	\$ 267,374

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

(with memorandum totals as of December 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	(memorandum only)
Revenue and other sources:				
SBA grant	\$ 54,029	\$ -	\$ 54,029	\$ 256,443
Sullivan County IDA contribution	12,500	12,500	25,000	25,000
Dutchess County IDA contribution	25,000	-	25,000	25,000
Ulster County IDA contribution	25,000	-	25,000	25,000
CEDC contribution	35,000	-	35,000	30,000
EDA grant	-	-	-	12,795
Orange County IDA contribution	25,000	-	25,000	-
Washington County IDA contribution	12,500	-	12,500	-
Ag and Market contribution	18,550	-	18,550	-
Hudson Valley Bounty	58,287	-	58,287	24,223
New World Foundation grant	40,000	-	40,000	-
NYS grant	5,785	-	5,785	-
Other income	3,192	-	3,192	3,237
Interest income	6	-	6	22
Release from restriction	12,500	(12,500)	-	-
Total Revenues	327,349	-	327,349	401,720
Expenses:				
Salaries	142,019	-	142,019	143,084
Fringe benefits and taxes	25,619	-	25,619	23,462
Health insurance reimbursement	9,600	-	9,600	9,600
Workers' compensation and disability	1,592	-	1,592	475
Consultants and grant writing	70,639	-	70,639	95,365
Marketing	5,865	-	5,865	842
Office	17,631	-	17,631	19,062
Travel	11,533	-	11,533	12,794
Professional fees	9,896	-	9,896	10,983
Contract labor	-	-	-	540
Bad debt	2,440	-	2,440	-
Hudson Valley Bounty	70,521	-	70,521	43,326
Rental expense	7,200	-	7,200	5,283
Insurance	1,981	-	1,981	2,223
Conference and seminars	960	-	960	2,750
Depreciation	2,066	-	2,066	1,482
Dues and subscriptions	3,330	-	3,330	700
Miscellaneous	29	-	29	1,773
Total Expenses	382,921	-	382,921	373,744
(Decrease) increase in net assets	(55,572)	-	(55,572)	27,976
Unrestricted net assets, beginning	253,584	12,500	266,084	238,108
Unrestricted net assets, ending	\$ 198,012	\$ 12,500	\$ 210,512	\$ 266,084

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2012
(with memorandum totals for the year ended December 31, 2011)

	2012	2011 (memorandum only)
Cash flows from operating activities:		
Change in net assets	\$ (55,572)	\$ 27,976
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,066	1,482
Non-cash technical assistance to regional farmers	-	5,400
Discount on investment in leases	(3,237)	(4,770)
Bad debt	2,440	-
(Increase) decrease in:		
Accounts receivable	(21,276)	73,165
Prepaid insurance	(90)	(507)
Increase (decrease) in:		
Accounts payable	5,590	(22,602)
Other liabilities	10,034	55
Due to CEDC	-	(25,676)
Total adjustments	(4,473)	26,547
Net cash (used for) provided by operating activities	(60,045)	54,523
Cash flows from investing activities:		
Receivable - investment in Ronnybrook lease	7,778	6,672
Receivable - investment in Farm to Table Copackers lease	10,800	5,400
Acquisition of equipment	(864)	(5,399)
Net cash provided by investing activities	17,714	6,673
Net (decrease) increase in cash and cash equivalents	(42,331)	61,196
Cash and cash equivalents, beginning of year	107,282	46,086
Cash and cash equivalents, end of year	\$ 64,951	\$ 107,282

See accompanying notes and independent auditors' report

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

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 offices in Hudson and Goshen, 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 business, 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 and monitors 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, 2012.

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, 2011, in the accompanying statements are included to provide a basis for comparison with December 31, 2012, and present summarized totals only. Accordingly, the December 31, 2011 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.

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.

See independent auditors’ report

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

2. Summary of Significant Accounting Policies (Continued):

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, 2012.

Equipment:

Equipment is 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 is 5 years.

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.

The Company 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. The Company is no longer subject to examination by federal and state taxing authorities for years prior to fiscal year ended December 31, 2009.

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: county government Industrial Development Agencies (IDAs); the Columbia Economic Development Corporation (CEDC); government contracts such as the USDA, NYS, EDA, and SBA; and other contributions.

County IDAs enter into agreements with the Corporation that cover a period of years. The agreements call for scheduled annual payments by the IDAs 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 IDA, the IDA is invoiced and revenue is recorded. At that time, the IDA generally acknowledges the validity of the invoice and pays the Corporation. Periodically, the IDAs 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 IDA.

See independent auditors' report

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

2. Summary of Significant Accounting Policies (Continued):

Revenue Recognition (continued):

Conditional promises to give from the CEDC and IDAs are as follows as of December 31,:

2013	\$	130,000
2014		52,500
2015		25,000
	\$	<u>207,500</u>

Revenue recognized from the CEDC is an annual unrestricted contribution.

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.

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, 2012. 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 local County IDAs. Management believes that the entire balance at December 31, 2012 is collectable 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, 2012, the Organization believes finance receivables are fully collectible.

Subsequent Events:

Subsequent events have been evaluated through September 27, 2013, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2012 are comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance
First Niagara Bank	\$ 64,840	\$ 81,911	\$ 250,000
Petty cash	111	N/A	N/A
Total	<u>\$ 64,951</u>	<u>\$ 81,911</u>	<u>\$ 250,000</u>

See independent auditors' report

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

4. Equipment:

A summary of equipment is as follows as of December 31, 2012:

<u>Category</u>	
Computers/Software	\$ 11,031
Accumulated depreciation	<u>(5,864)</u>
	<u>\$ 5,167</u>

The depreciation expense for 2012 was \$2,066.

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. Future lease commitments are as follows at December 31, 2012:

	2013	\$ 5,560
	2014	6,672
	2015	6,672
	2016	6,672
	2017	<u>1,112</u>
Total payments		26,688
less discount		<u>(2,564)</u>
Total		<u>\$ 24,124</u>

See independent auditors' report

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

6. Receivable – Net Investment in Leases (continued):

In 2010, the Organization entered into a second lease agreement for farm equipment that the Organization purchased and is leasing 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. Future lease commitments are as follows at December 31, 2012:

	2013	\$	10,800
	2014		10,800
	2015		<u>8,100</u>
Total payments			29,700
less discount			<u>(2,005)</u>
Total		\$	<u><u>27,695</u></u>

7. Expenses:

Total expenses are comprised of the following categories at December 31, 2012:

Program services	\$	326,861
General and administrative		<u>56,060</u>
	\$	<u><u>382,921</u></u>

8. Lease Commitments:

In June 2011, the Organization relocated its facilities to Warren Street in Hudson, New York. The Organization entered into a three year agreement to make monthly payments of \$600 through May 2014 with an option to renew the lease for an additional three year term with monthly payments of \$650.

9. Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2012, are available for the following specific program services:

Sullivan County IDA	\$	<u><u>12,500</u></u>
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See independent auditors' report