

**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 and Management of  
the 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, 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 and have issued our report thereon dated March 28, 2024.

***Report on 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) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness.

## ***Report on 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 financial statements. 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*.

## **Hudson Valley Agri-business Development Corporation's Response to Findings**

Hudson Valley Agri-business Development Corporation's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Hudson Valley Agri-business Development Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*UHV LLP*

Hudson, New York  
March 28, 2024

**HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES**

December 31, 2023

**Finding 2023-01**

**Material Weakness in Internal Control over Financial Reporting – Revenue Recognition and Prior Year Restatement**

*Criteria:* The Organization's financial statements are required to recognize revenue in accordance with the applicable accounting standards under U.S. Generally Accepted Accounting Principles (GAAP).

*Condition:* Certain adjustments were required during the audit process to ensure the Organization's financial statements recognized revenue in accordance with the applicable revenue recognition standards including a prior year restatement.

*Cause:* The Organization is a small entity with limited resources to ensure controls are operating timely to prevent these errors from occurring. The Organization's longtime consulting bookkeeper retired as of December 31, 2023, which created a challenge for the Organization to close its books timely for the year end audit to commence. Sufficient controls were not in place to ensure proper revenue recognition occurred resulting in errors in the current and prior year.

*Effect or Potential Effect:* If the errors had not been identified in 2023 and corrected by the Organization, the Organization's financial statements could have been presented with significant errors. Errors in the prior year resulted in a prior year restatement.

*Recommendation:* Management should implement proper controls to ensure revenue is recognized appropriately for each of its contract and grant agreements.

*Views of Responsible Officials and Planned Corrective Action:*

Management reflects on its budgets and interim income statements, which include a number of municipal/government contracts, under which it has the capacity and commitment to deliver the contracted services made available to the client and are generally on an annual, renewable retainer basis. Most of those contract revenues reflect multi-year relationships with long-standing municipal clients. The contract revenue is projected for budget purposes when staff and management believe the contract will be approved and executed, but given the governmental nature of those clients, the contract renewal period may not synchronize with government budgeting, contracting, and/or payment cycles. From time to time, the management and Board consider whether or not to reflect as earned (but not yet billed) revenues earned under the terms of a not-yet-fully executed contract. Going forward, those decisions will be again reviewed by the Board and decided prior to the end of each calendar year, with year-end adjustments made to revenues based on all available information (including timing/barriers to contract execution) prior to closing the books.