HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2013
(with memorandum totals for December 31, 2012)

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:

Report on the Financial Statements

We have audited the accompanying statement of financial position of Hudson Valley Agri-business Development Corporation (a nonprofit organization) as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. The prior year summarized comparative information has been derived from Hudson Valley Agri-business Development Corporation's 2012 financial statements and, in our report dated September 27, 2013, we expressed an unmodified 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2013, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 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* and should be considered in assessing the results of our audit.

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

Valatie, New York
June 27, 2014

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(with memorandum totals as of December 31, 2012)

ASSETS

	2013	2012 (memorandum only)
Current assets:		
Cash and cash equivalents	$ 119,040	$ 64,951
Accounts receivable	200,766	103,839
Prepaid expenses	7,011	1,650
Receivable - net investment in leases, current	19,175	17,467
Total current assets	345,992	187,907
Equipment, net	22,755	5,167
Receivable - net investment in leases, long-term	20,687	34,352
Total assets	$ 389,434	$ 227,426

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$ 26,528	$ 6,825
Other liabilities	5,957	10,089
Total current liabilities	32,485	16,914
Grant advance	72,058	-
Total liabilities	104,543	16,914
Unrestricted net assets	272,391	198,012
Temporarily restricted net assets	12,500	12,500
Total net assets	284,891	210,512
Total liabilities and net assets	$ 389,434	$ 227,426

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
Year ended December 31, 2013
(with memorandum totals as of December 31, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	(memorandum only)
Revenue and other sources:				
SBA grant	$ -	$ -	$ -	$ 54,029
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	40,000	-	40,000	35,000
Orange County IDA contribution	25,000	-	25,000	25,000
Washington County IDA contribution	25,000	-	25,000	12,500
Rensselaer County IDA contribution	25,000	-	25,000	-
Ag and Market contribution	10,315	-	10,315	18,550
Hudson Valley Bounty	44,805	-	44,805	58,287
New World Foundation grant	175,000	-	175,000	40,000
NYS grant	-	-	-	5,785
USDA grant	36,712	-	36,712	-
Other income	2,510	-	2,510	3,192
Interest income	9	-	9	6
Release from restriction	12,500	(12,500)	-	-
Total Revenues	459,351	-	459,351	327,349
Expenses:				
Salaries	155,151	-	155,151	142,019
Fringe benefits and taxes	20,001	-	20,001	25,619
Health insurance reimbursement	9,600	-	9,600	9,600
Workers' compensation and disability	105	-	105	1,592
Consultants and grant writing	98,993	-	98,993	70,639
Marketing	2,096	-	2,096	5,865
Office	17,446	-	17,446	17,631
Travel	11,676	-	11,676	11,533
Professional fees	11,455	-	11,455	9,896
Bad debt	-	-	-	2,440
Hudson Valley Bounty	45,177	-	45,177	70,521
Rental expense	7,200	-	7,200	7,200
Insurance	1,103	-	1,103	1,981
Conference and seminars	825	-	825	960
Depreciation	1,712	-	1,712	2,066
Dues and subscriptions	2,406	-	2,406	3,330
Miscellaneous	26	-	26	29
Total Expenses	384,972	-	384,972	382,921
Increase (decrease) in net assets	74,379	-	74,379	(55,572)
Net assets, beginning	198,012	12,500	210,512	266,084
Net assets, ending	$ 272,391	$ 12,500	$ 284,891	$ 210,512

See accompanying notes and independent auditors' report.

HUDSON VALLEY AGRI-BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2013
(with memorandum totals for the year ended December 31, 2012)

	2013	2012 (memorandum only)
Cash flows from operating activities:		
Change in net assets	$ 74,379	$ (55,572)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,712	2,066
Discount on investment in leases	(1,910)	(3,237)
Bad debt	-	2,440
(Increase) decrease in:		
Accounts receivable	(96,927)	(21,276)
Prepaid insurance	(5,361)	(90)
Increase (decrease) in:		
Accounts payable	403	5,590
Other liabilities	(4,132)	10,034
Grant advance	72,058	-
Total adjustments	(34,157)	(4,473)
Net cash provided by (used for) operating activities	40,222	(60,045)
Cash flows from investing activities:		
Receivable - investment in Ronnybrook lease	6,667	7,778
Receivable - investment in Farm to Table Copackers lease	7,200	10,800
Acquisition of equipment	-	(864)
Net cash provided by investing activities	13,867	17,714
Net increase (decrease) in cash and cash equivalents	54,089	(42,331)
Cash and cash equivalents, beginning of year	64,951	107,282
Cash and cash equivalents, end of year	$ 119,040	$ 64,951
Non-cash activity-		
Fixed assets within accounts payable	$ 19,300	$ -

See accompanying notes and independent auditors' report

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 an office located in Hudson, 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 businesses, 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, while monitoring 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, 2013.

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, 2012, in the accompanying statements are included to provide a basis for comparison with December 31, 2013, and present summarized totals only. Accordingly, the December 31, 2012 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.

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, 2013.

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, 2011.

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 United States Department of Agriculture (USDA), New York State (NYS), Economic Development Administration (EDA), and Small Business Administration (SBA); and other contributions.

2. Summary of Significant Accounting Policies (Continued):

Revenue Recognition (continued)

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.

Conditional promises to give from the IDAs are as follows as of December 31, 2013:

2014	$	115,000
2015		90,000
2016		25,000
	$	230,000

Revenue recognized from the CEDC is an annual discretionary 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.

The Organization's $175,000 New World Foundation grant was received from its fiscal sponsor, Hudson Mohawk Resource Conservation and Development Council (HMRCD). The Organization's Executive Director is also a volunteer council member of HMRCD.

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, 2013. 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 IDAs. Management believes that the entire balance at December 31, 2013 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, 2013, the Organization believes finance receivables are fully collectible.

2. Summary of Significant Accounting Policies (Continued):

Subsequent Events:

Subsequent events have been evaluated through June 27, 2014, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2013 are comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance
First Niagara Bank	$ 119,033	$ 145,707	$ 250,000
Petty cash	7	N/A	N/A
Total	$ 119,040	$ 145,707	$ 250,000

4. Equipment:

A summary of equipment is as follows as of December 31, 2013:

Category	
Computers/Software	$ 11,031
Equipment	19,300
Accumulated depreciation	(7,576)
	$ 22,755

The depreciation expense for 2013 was $1,712. In December 2013, the Organization purchased a component for a piece of equipment for $19,300, which is part of a larger project to be completed in 2014 and will result in a sales-type lease upon completion of installation. The Organization was awarded a USDA grant to fund this project.

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, 2013:

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

2014	$	5,564
2015		6,672
2016		6,672
2017		1,112
Total payments		20,020
less discount		(1,484)
Total	$	18,536

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. Included in the year 2014 commitment below, is $3,600 of payments for the months of September through December 2013 which was paid in January 2014, in full. Future lease commitments are as follows at December 31, 2013:

2014	$	14,400
2015		8,100
Total payments		22,500
less discount		(1,174)
Total	$	21,326

6. Expenses:

Total expenses are comprised of the following categories at December 31, 2013:

Program services	$	329,226
General and administrative		55,746
	$	384,972

7. Lease Commitments:

The Organization leases office space in Hudson, New York. The Organization has 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. Rental expense for the year ended December 31, 2013 was $7,200.

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2013, are available for the following specific program services:

Sullivan County IDA	$ 12,500

9. Grant Advance:

The grant advance balance of $72,058 at December 31, 2013 consists of an advance on a grant from Hudson Valley Food Hub. The grant is based on cost reimbursement, therefore, revenue is recognized as expenses are incurred. This amount was received in advance of the earning process.

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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 AUDITORS' 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, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 27, 2014.

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.

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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. 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.

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*

We noted certain matters that we have reported to management of Hudson Valley Agri-business Development Corporation in a separate letter dated June 27, 2014.

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.

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

Valatie, New York
June 27, 2014