

**NEW YORK BUSINESS
DEVELOPMENT CORPORATION**



COMBINED FINANCIAL STATEMENTS

As of and for the years ended September 30, 2023 and 2022

NEW YORK BUSINESS DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
New York Business Development Corporation

Opinion

We have audited the accompanying combined financial statements of New York Business Development Corporation and affiliates ("Company") which comprise the combined statements of financial condition as of September 30, 2023 and 2022, and the related combined statements of operations, changes in equity and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of New York Business Development Corporation and affiliates as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 New York Business Development Corporation and affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Company'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 Company'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.

UHY LLP

Albany, New York
December 19, 2023

NEW YORK BUSINESS DEVELOPMENT CORPORATION
COMBINED STATEMENTS OF FINANCIAL CONDITION

	September 30	
	2023	2022
Assets		
Loans receivable	\$ 142,963,404	\$ 189,009,112
Less allowance for loan losses	<u>(6,023,545)</u>	<u>(6,839,354)</u>
Net loans receivable	136,939,859	182,169,758
Cash	582,396	852,161
Restricted cash	57,165,573	10,117,553
Accrued interest receivable	935,858	1,067,574
Investments	9,208,902	12,333,494
Deferred tax benefit	586,085	601,924
Other receivables	1,056,456	247,618
Right of use asset	2,487,571	-
Other assets	<u>3,417,800</u>	<u>4,359,223</u>
	<u><u>\$ 212,380,500</u></u>	<u><u>\$ 211,749,305</u></u>
Liabilities and Equity		
Liabilities		
Notes payable:		
Members	\$ 19,997,219	\$ 20,000,000
New York State Common Retirement Fund	27,997,974	36,178,366
Bank and other lines of credit	6,444,444	12,742,285
PPP loans payable	19,204,562	47,167,726
Other obligations	<u>60,182,063</u>	<u>18,304,102</u>
Total notes payable	133,826,262	134,392,479
Accrued interest payable	599,858	564,941
Lease liability	2,540,788	-
Accrued expenses and other liabilities	<u>8,511,236</u>	<u>11,549,764</u>
Total liabilities	<u><u>145,478,144</u></u>	<u><u>146,507,184</u></u>
Commitments and Contingencies (Note 7)		
Equity		
Capital stock, no par value, authorized 474,461 shares; issued 215,829 shares; \$5 stated value per share	1,079,145	1,079,145
Paid-in capital	3,443,626	3,443,626
Retained earnings	<u>48,605,030</u>	<u>47,789,671</u>
	53,127,801	52,312,442
Less treasury stock at cost, 3,268 shares, as of September 30, 2023 and 2022	<u>(321,987)</u>	<u>(321,987)</u>
Total NYBDC stockholders' equity	<u><u>52,805,814</u></u>	<u><u>51,990,455</u></u>
Net assets of Empire State Certified Development Corporation	<u>14,096,542</u>	<u>13,251,666</u>
Total ESCDC net assets	<u><u>14,096,542</u></u>	<u><u>13,251,666</u></u>
Total equity	<u><u>66,902,356</u></u>	<u><u>65,242,121</u></u>
	<u><u>\$ 212,380,500</u></u>	<u><u>\$ 211,749,305</u></u>

See notes to combined financial statements.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
COMBINED STATEMENTS OF OPERATIONS

	Years Ended September 30	
	2023	2022
Interest income	\$ 9,781,268	\$ 18,495,824
Interest expense	3,295,886	3,224,239
Net interest income	6,485,382	15,271,585
(Recovery) Provision for loan losses	(688,528)	2,900
Net interest income after provision for loan losses	7,173,910	15,268,685
Investment related (loss) income	(1,340,819)	1,040,730
Fees and other income	21,403,981	18,675,708
Income before operating expenses	27,237,072	34,985,123
Operating expenses:		
Salaries and employee benefits	16,831,826	16,970,140
Other expenses	8,015,639	7,463,602
Total operating expenses	24,847,465	24,433,742
Income before provision for income taxes	2,389,607	10,551,381
Provision for income taxes	729,372	3,069,432
Net income	\$ 1,660,235	\$ 7,481,949

See notes to combined financial statements.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Years Ended September 30, 2023 and 2022						
	NYBDC				ESCDC	Total Combined Equity	
	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total Equity		Net Assets
Balance at September 30, 2021	\$ 1,079,145	\$ 3,443,626	\$ 40,797,827	\$ (291,826)	# \$ 45,028,772	\$ 12,761,561	\$ 57,790,333
Treasury Shares Purchased			-	(30,161)	(30,161)	-	(30,161)
Net income:							
New York Business Development Corporation	-	-	6,991,844	-	6,991,844	-	6,991,844
Empire State Certified Development Corporation	-	-	-	-	-	490,105	490,105
Balance at September 30, 2022	<u>1,079,145</u>	<u>3,443,626</u>	<u>47,789,671</u>	<u>(321,987)</u>	- 51,990,455	<u>13,251,666</u>	<u>65,242,121</u>
Net income:							
New York Business Development Corporation	-	-	815,359	-	815,359	-	815,359
Empire State Certified Development Corporation	-	-	-	-	-	844,876	844,876
Balance at September 30, 2023	<u>\$ 1,079,145</u>	<u>\$ 3,443,626</u>	<u>\$ 48,605,030</u>	<u>\$ (321,987)</u>	<u>\$ 52,805,814</u>	<u>\$ 14,096,542</u>	<u>\$ 66,902,356</u>

See notes to combined financial statements.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
COMBINED STATEMENTS OF CASH FLOWS

	Years Ended September 30	
	2023	2022
Cash Flows From Operating Activities		
Net income	\$ 1,660,235	\$ 7,481,949
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized and realized loss (gain) on investments	1,340,819	(1,040,730)
Depreciation	99,323	111,181
Provision for loan losses	(688,528)	2,900
Noncash operating lease expense	53,217	-
Deferred tax expense	15,839	227,199
Changes in:		
Accrued interest receivable	131,716	2,419,698
Other receivables	(808,838)	130,645
Other assets	954,884	(243,572)
Other liabilities	(3,003,611)	(1,833,429)
Net cash (used in) provided by operating activities	<u>(244,944)</u>	<u>7,255,841</u>
Cash Flows From Investing Activities		
Loans disbursed, net of participations	(17,369,030)	(65,106,035)
Loan payments received	63,287,457	388,118,771
Purchase of investments	(190,605)	(793,255)
Proceeds from sale of investments	1,974,378	643,220
Changes in other obligations	41,877,961	8,168,467
Changes in other assets	(112,784)	32,914
Net cash provided by investing activities	<u>89,467,377</u>	<u>331,064,082</u>
Cash Flows From Financing Activities		
Purchase of Treasury Stock	-	(30,161)
Borrowings on bank and other lines of credit	122,950,000	16,695,884
Repayments on bank and other lines of credit	(129,247,841)	(15,218,775)
Borrowings under notes, loans and other obligations	4,572,219	4,119,668
Repayments under notes, loans and other obligations	(12,755,392)	(40,932,980)
Borrowings related to PPP loans and NYC small business continuity fund	-	2,792,211
Repayments related to PPP loans and NYC small business continuity fund	(27,963,164)	(396,886,813)
Dividends paid	-	-
Net cash used in financing activities	<u>(42,444,178)</u>	<u>(429,460,966)</u>
Net change in cash	46,778,255	(91,141,043)
Cash and restricted cash, beginning of year	10,969,714	102,110,757
Cash and restricted cash, end of year	\$ 57,747,969	\$ 10,969,714
Reconciliation of Cash and Restricted Cash to the Statement of Financial Position		
Cash	\$ 582,396	\$ 852,161
Restricted Cash	57,165,573	10,117,553
	<u>\$ 57,747,969</u>	<u>\$ 10,969,714</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	\$ 3,260,969	\$ 4,046,576
Income taxes	\$ 1,153,650	\$ 3,436,126
Supplemental Schedule of Noncash Financing Activities		
Right of use asset	\$ 3,409,643	\$ -
Lease liability	\$ 3,409,643	\$ -

See notes to combined financial statements.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: In 1955, by a special act, the New York State Legislature created New York Business Development Corporation (NYBDC). In 1981, Empire State Certified Development Corporation (ESCDC), an affiliate of NYBDC through common management, was organized, pursuant to Section 402 of the Not-for-Profit Laws of the State of New York, to assist business concerns through financings under the U.S. Small Business Administration's Certified Development Company (Sections 504) Program.

Together, NYBDC and ESCDC act as a complement to banks in providing long-term working capital, equipment, and real estate loans to a variety of businesses located in the State of New York, either in participation with, or as an adjunct to, the banking industry. ESCDC operations include the states of New Jersey and Pennsylvania for certain loan programs. NYBDC's loans are generally disbursed in amounts up to \$2.0 million and are secured by borrowers' assets and, in some instances, U.S. Small Business Administration (SBA) guarantees. A borrower's creditworthiness is evaluated on a case-by-case basis, with the amount of collateral obtained based upon management's credit evaluation of the borrower. Interest rates are either fixed or variable, and maturities range up to 20 years, depending upon the purpose of the loan.

Prudent Lenders, LLC, (Prudent) was organized as a limited liability company in the state of New York on May 23, 2012, for the purpose of providing lender services, including processing, closing, and servicing for loans under the United States Small Business Administration's ("SBA") 7a, 504, and Community Advantage loan programs. Prudent provides lender services to community banks, community development institutions and SBA-certified development companies. Prudent is registered in various states. In May 2012, the Company entered into an operating agreement with Prudent to provide loan processing, closing, servicing, and liquidation support. NYBDC made an initial investment of \$35,000 and was a 50% owner. On December 31, 2021, NYBDC acquired the remaining 50% and Prudent became a wholly owned subsidiary of NYBDC.

On September 14, 2022, Pursuit SPE LLC (SPE) was organized as a limited liability company in the state of Delaware as a lending program administration conduit and is a wholly owned subsidiary of NYBDC.

Reporting Policy: The combined financial statements include the accounts of NYBDC, ESCDC, Prudent Lenders, SPE and other wholly owned subsidiaries of NYBDC which, from time to time, are utilized as real estate holding companies. These entities are collectively referred to as the "Company." All material intercompany accounts and transactions have been eliminated.

Loans and Allowance for Loan Losses: Loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated utilizing the simple interest method. Accrual of interest is discontinued on a loan at such time as management believes, after considering economic/business conditions and collection efforts that the borrowers' financial condition is such that collection of interest is doubtful. Impaired loans, or loans for which it is probable the Company will be unable to collect all contractual principal and interest payments, are generally recorded at the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the underlying collateral. Interest payments received on such loans are applied as a reduction of the loan principal balance.

The allowance for loan losses is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and amount of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions, collateral, and the extent of SBA guarantees.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Allowance for Loan Losses (Continued): The allowance for loan losses consists of specific valuation allowances based on probable losses on specifically identified impaired loans, generally determined based on collateral values or the present value of estimated cash flows; and general valuation allowances based on net historical loan loss experience for similar loans with similar characteristics and trends adjusted as appropriate for risk factors specific to the respective loan types. This evaluation is inherently subjective as it requires the estimation and quantification of future events that are susceptible to significant revision as more certain information becomes available. Because of uncertainties inherent in the estimation process, management's estimate of future credit losses in the loan portfolio and the related allowance may change in the near term.

Restricted Cash: Restricted cash, which includes money market cash equivalents, is comprised, in part, of net draw downs and borrower loan payments pending disbursement under the New York State Common Retirement Fund Loan (see Note 4). Such cash, which approximates \$277,000 and \$3,851,000 at September 30, 2023 and 2022, respectively, is designated as the Uninvested Collateral Account and pledged against these borrowings. The Company also participates in the New York State Capital Access Program (CAP), a program that provides certain matching funds to financial institutions for loan loss reserves as an incentive to increase small business lending. Under the CAP program, certain state, borrower and lender contributions are funded at closing and held in a restricted cash account until such time that they may be required to fund CAP related loan losses. The restricted cash held by the Company under the CAP program, which approximated \$1,098,000 and \$1,096,000 at September 30, 2023 and 2022, respectively, has been charged with cumulative CAP related loan losses amounting to approximately \$237,800 as of September 30, 2023. The Company also participates in the Community Advantage Lending Program, an SBA program which allows CDC's to fund 7-A lending programs. The restricted cash held by the Company under the Community Advantage Lending Program approximated \$715,000 and \$714,000 at September 30, 2023 and 2022, respectively. The Company also participates in the NYS Food Manufacturers Fund. Restricted cash held by the Company under this program approximated \$- and \$92,000 at September 30, 2023 and 2022, respectively. Additionally, at September 30, 2023 and 2022, restricted cash includes required borrower deposits of \$94,000 and \$91,000, respectively, which relate to certain acquired loans and other required borrower payments. During 2020, the Company became a participating member of a financial institution's program to assist small businesses owned by veterans. There was no restricted cash held by the Company under this program at both September 30, 2023 and 2022. Restricted cash related to the Company's facilitation of the Paycheck Protection Program ("PPP"), NYC LMI Small Business Restart fund and administration of the NYC Small Business Continuity Fund (see Notes 4 and 9) totaled \$4,000, \$1,141,000 and \$400,000 respectively, at September 30, 2023 and \$1,719,000, \$1,841,000 and \$393,000, respectively, at September 30, 2022. The Company had restricted cash of approximately \$53,078,000 related to the Taxi Medallion Relief Grant Program (see Note 4) as of September 30, 2023. Additionally, restricted cash includes approximately \$345,000 and \$307,000 of which relate to certain loans sold and other required deposits at September 30, 2023 and 2022, respectively. Restricted cash also includes approximately \$13,000 of funds associated with New York State Common Retirement Fund for both years ended September 30, 2023 and 2022.

Investments: The Company's investments consist of equity securities of publicly traded companies and partnership interests in privately held investment funds (see Note 3). Investments are recorded at fair value with changes in fair value recorded as earnings. The investments in privately held funds require future capital commitments and, in this regard, as of September 30, 2023, the Company had invested approximately \$2,217,000 out of a total commitment of \$2,250,000, leaving a commitment of \$33,000.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets: Other assets include furniture and equipment, prepaids, and certain other assets, including other real estate owned (OREO) and other similar accounts. Generally, OREO properties are acquired through loan foreclosure and held for sale. These properties are initially recorded at the lower of the carrying amount of the related loan or the asset's fair value, less costs to sell. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less costs to sell. There were no OREO properties at both September 30, 2023 and 2022.

Fees and Other Income: Fees and other income are principally derived from servicing and processing fees (approximating \$17,596,000 and \$13,786,000 in the fiscal years ended September 30, 2023 and 2022, respectively), gains on the sale of loans (approximating \$413,000 and \$346,000 in the fiscal years ended September 30, 2023 and 2022, respectively), and certain other income. Fees are recognized as revenue at the time the related services are performed (see Note 9 for accounting for PPP loan processing fees).

Income Taxes: Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes using the asset and liability method of accounting for income taxes (see Note 5). Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax reporting purposes. These differences, which primarily relate to the future tax benefits associated with recording loan losses, also include amounts attributable to certain employee benefits and deferred compensation. Deferred tax benefit (an asset account) represents the net future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Leases: The Company adopted Accounting Standard Codification 842, Leases, effective October 1, 2022 using a modified retrospective method and will not restate comparative periods. As permitted under the transition guidance, the Company will carry forward the assessment whether its contracts contain or are leases, classification of leases and remaining lease terms.

The Company determines if an arrangement is a lease at inception. Operating leases are included in right of use ("ROU") assets, current portion of lease liabilities, and lease liabilities in the combined balance sheets. Finance leases are included in property and equipment and finance lease liabilities in our combined statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses the risk-free rate available at the lease commencement date, in determining the present value of lease payments. The ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Company have also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates and Assumptions: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain items in the 2022 financial statements have been reclassified to conform with the current year presentation.

Subsequent Events: Subsequent events have been evaluated through December 19, 2023, the date the financial statements were available to be issued.

NOTE 2 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable, as presented on the Combined Statements of Financial Condition, consist of the following:

	September 30	
	2023	2022
Loans receivable	\$ 196,459,930	\$ 213,376,465
Paycheck Protection Program	10,984,981	32,134,782
New York City Small Business Continuity Fund	8,063,298	13,193,503
Related parties	-	2,530,628
Less fees, net of origination costs	(1,370,533)	(2,621,303)
Less participations sold	(71,174,272)	(69,604,963)
	<u>142,963,404</u>	<u>189,009,112</u>
Less allowance for loan losses	(6,023,545)	(6,839,354)
Loans receivable, net	<u>\$ 136,939,859</u>	<u>\$ 182,169,758</u>

The Company did not record a loan loss provision for the Paycheck Protection Program or the New York City Small Business Continuity Fund loans (See Note 9). In addition, the Company did not record a provision for the related party loans (See Note 8).

The allowance for loan losses (a contra-asset account) is periodically increased by a provision for loan losses, which is charged to expense, and reduced by losses, net of recoveries and other adjustments. Because of uncertainties inherent in the estimation and quantification of future events, management's estimate of future credit losses in the loan portfolio and the related allowance is subject to change in future years, and the amount of such change is not reasonably possible to estimate.

A table of the changes in the allowance for loan losses account is as follows:

	September 30	
	2023	2022
Balance, beginning of year	\$ 6,839,354	\$ 6,781,493
(Recovery) Provision for loan losses	(688,528)	2,900
Recoveries credited to the allowance	120,348	549,580
Losses charged to the allowance	(129,263)	(492,539)
Other adjustments	(118,366)	(2,080)
Balance, end of year	<u>\$ 6,023,545</u>	<u>\$ 6,839,354</u>

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

Other adjustments represent reserve activity related to participation in various loan-enhancement programs.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans receivable based on impairment evaluation method:

	September 30	
	2023	2022
<u>Allowance for loan losses</u>		
Individually evaluated for impairment	\$ 1,582,000	\$ 1,455,000
Collectively evaluated for impairment	4,441,545	5,384,354
Balance, end of year	<u>\$ 6,023,545</u>	<u>\$ 6,839,354</u>
<u>Loans</u>		
Individually evaluated for impairment	\$ 14,173,278	\$ 17,018,948
Collectively evaluated for impairment	128,790,126	171,990,164
Balance, end of year	<u>\$ 142,963,404</u>	<u>\$ 189,009,112</u>

The following tables present information about impaired loans:

September 30, 2023			
Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
<u>\$ 5,657,697</u>	<u>\$ 5,657,697</u>	<u>\$ 1,582,000</u>	<u>\$ 5,327,577</u>
September 30, 2022			
Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
<u>\$ 4,997,457</u>	<u>\$ 4,997,457</u>	<u>\$ 1,455,000</u>	<u>\$ 6,860,726</u>

Interest income recognized for the time that loans were impaired during 2023 and 2022 was not significant.

The following tables present loan balance information with regard to past due, non-accrual, and current loans:

September 30, 2023						
30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Non-Accrual	Current	Total Loans
<u>\$ 716,270</u>	<u>\$ 418,132</u>	<u>\$ 1,707,593</u>	<u>\$ 2,841,995</u>	<u>\$ 12,057,816</u>	<u>\$ 128,063,593</u>	<u>\$ 142,963,404</u>
September 30, 2022						
30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Non-Accrual	Current	Total Loans
<u>\$ 850,656</u>	<u>\$ 615,514</u>	<u>\$ 2,163,622</u>	<u>\$ 3,629,792</u>	<u>\$ 14,118,446</u>	<u>\$ 171,260,874</u>	<u>\$ 189,009,112</u>

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES *(Continued)*

Loans are placed on nonaccrual status when timely collection of principal and interest in accordance with contractual terms is doubtful. Loans are transferred to nonaccrual status generally when principal or interest payments become ninety days delinquent, unless management has indications that nonaccrual status is not prudent based on known borrower circumstances. When a loan is transferred to a nonaccrual status, all interest income previously accrued but not collected is charged-off against interest income.

If ultimate repayment of a nonaccrual loan is expected, any payments received are applied in accordance with contractual terms. If ultimate repayments of principal is not expected, any payment received on a nonaccrual loan is applied to principal until it returns to accrual status. Nonaccrual loans are returned to accrual status when they become current as to principal and interest and demonstrate a period of performance under the contractual terms and, in the opinion of management, are fully collectible as to principal and interest. When in the opinion of management the collection of principal appears unlikely, the loan balance is charged-off in total or in part.

Loans on which the accrual of interest has been discontinued approximated \$12,058,000 (or \$10,254,000, net of SBA guarantees) and \$14,118,000 (or \$10,628,000, net of SBA guarantees) at September 30, 2023 and 2022, respectively.

The Company has an internal grading system to help evaluate and quantify the Company's loan portfolio with respect to credit quality and risk. Management reviews loans on a regular basis and categorizes them into risk categories based on relevant information about the ability of the borrowers to service their debt. In evaluating the ability of borrowers to service their debt consideration is given to items such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

Management provides for the classification of loans which are considered to be of lesser quality as substandard, doubtful, or loss (classified loans). Management considers a loan substandard if it is inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard loans, which have a well-defined weakness that jeopardizes liquidation of the loan, include those loans where there is the distinct possibility that the Company will sustain some loss of principal if the deficiencies are not corrected. Loans that are classified as doubtful have all of the weaknesses inherent in those loans that are classified as substandard, but also have the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans that management classifies as loss are those considered uncollectible and of such little value that their continuance as an asset is not appropriate and the uncollectible amounts are charged off. Loans that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess some weakness and deserve management's close attention, are designated as special mention.

These potential loan weaknesses, if not corrected, may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risks to warrant classification. Commercial loans not meeting the above criteria are considered to be pass rated loans.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents information pertaining to the credit risk profile of loans at September 30, 2023 and 2022, aggregated by risk category:

<u>Risk Category</u>	<u>September 30</u>	
	<u>2023</u>	<u>2022</u>
Pass	\$ 94,892,704	\$ 135,907,278
Special Mention	34,286,449	36,271,757
Substandard	13,520,915	16,716,016
Doubtful	263,336	114,061
Total	<u>\$ 142,963,404</u>	<u>\$ 189,009,112</u>

ESCDC's 504 program loans serviced for the SBA have no loan loss exposure and are not included in the accompanying Combined Statements of Financial Position. The unpaid principal balance on these loans approximated \$1.407 billion and \$1.329 billion at September 30, 2023 and 2022, respectively.

In 2023 and 2022, the Company entered into a series of transactions which provided for the sale (to unrelated parties) of the SBA guaranteed portion of certain of its loans. The Company retained the non-guaranteed portion of these loans and the related servicing rights on the entire loan portfolio. These transactions included 37 and 20 loans in 2023 and 2022, respectively, with an average interest rate approximating 11.1% and 6.6% at September 30, 2023 and 2022, respectively. The transactions were recorded utilizing discounted present value factors to determine the fair value of the guaranteed portion of the loans and resulted in financial statement gains in the approximate amount of \$413,000 and \$353,000 for the years ended September 30, 2023 and 2022, respectively. The gains are included as a component of other income on the Company's Combined Statements of Operations. These transactions, together with transactions entered into in previous years, also resulted in the computed value of the continuing service rights (on the loans sold) to be recorded as an other asset of approximately \$532,000 and \$590,000 in 2023 and 2022, respectively, which will be amortized over the term of the underlying loans.

In 2022, the company purchased a loan portfolio including financial assets with credit deterioration for approximately \$391,000. The total principal balance of the portfolio was approximately \$1,830,000 and was valued at approximately \$391,000. The allowance for credit losses at the date of acquisition was approximately \$1,432,000. During the year ended September 30, 2022, approximately \$180,000 of recoveries were collected associated with the balance written off at the time of the purchase. No recoveries associated with these loans was recognized during the year ended September 30, 2023. The principal balance at was approximately \$232,000 and \$303,000 at September 30, 2023 and 2022, respectively.

NOTE 3 — INVESTMENTS

Generally Accepted Accounting Principles for fair value measurements defines fair value, establishes a framework for measuring fair value, and provides disclosures about fair value measurements. Fair value measurements emphasize that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 3 — INVESTMENTS (Continued)

Fair value measurement accounting establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is classified into three general levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include data points that are observable, such as quoted prices for similar assets in active markets and quoted prices for identical assets or similar assets in markets that are not active; and Level 3 inputs are unobservable data points for the asset, and include situations where there is little, if any, market activity for the asset.

Investments are stated at fair value and include both marketable equity securities and partnership interests in certain privately held investment funds. Since there is no active market which provides for the redemption of the Company's privately held investments, they are classified as Level 3 in the fair value hierarchy.

Marketable securities, which are principally held as a funding offset for certain Company benefit plans, include approximately \$1,850,000 in marketable debt and equity securities valued at quoted market prices. At both September 30, 2023 and 2022, the fair value of the Company's marketable securities approximated the corresponding liability under these plans. The corresponding liability is included in accrued expenses and other liabilities on the Company's Combined Statements of Financial Condition. Accordingly, the Company bears no material risk of loss in holding its marketable securities.

Investments consist of the following:

	September 30	
	2023	2022
Marketable securities (classified as Level 1)	\$ 1,849,518	\$ 3,418,068
Non-marketable equity securities (classified as Level 3)	7,359,384	8,915,426
	<u>\$ 9,208,902</u>	<u>\$ 12,333,494</u>

NOTE 4 — NOTES PAYABLE

Member Borrowings

Members consist principally of banks which have applied for membership and have been accepted by NYBDC's Board of Directors. Many members are also stockholders of NYBDC. Funds are obtained from members who, at the time they become members, agree to lend money to NYBDC upon call, subject to limits provided in the basic legislation which established the Company. The loan limit available from members was approximately \$65.3 million at September 30, 2023.

Calls on members have terms for maturities of one year or less with the September 30, 2023 outstanding loan balances maturing August 1, 2024. Interest is payable twice a year, on February 1 and August 1. Member borrowings provide for interest at the lowest prime commercial rate, prime less 50 to 100 basis points or 111 to 300 basis points above the 30 day SOFR rate or 225 basis points above the BSBY rate (dependent upon the member). At September 30, 2023, the interest rates paid to members ranged from 6.43% to 8.50%. Member loans, which amounted to \$19,997,000 and \$20,000,000 at September 30, 2023 and 2022, respectively, are unsecured.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 4 — NOTES PAYABLE (Continued)

New York State Common Retirement Fund Borrowings

NYBDC has entered into four loan agreements, the most recent of which was effective in July 2019 with the New York State Common Retirement Fund (the "Fund") under which the Fund has made available to NYBDC an aggregate principal amount not to exceed \$400 million. The proceeds of these loans may be used by NYBDC to extend credit to small businesses operating in the State of New York.

Under the agreements, borrowings under the loans bear interest at the following annual rate: (i) the aggregate of the 30-day net yield on the "Vision Treasury Money Market Fund" on uninvested funds and (ii) between 0.50% and 1.50% (principally dependent upon the nature of the SBA involvement) over the applicable treasury note rate for comparable original maturities, on the principal amount of each outstanding loan. At September 30, 2023, the interest rates paid to the Fund ranged from 1.40% to 4.23%.

At September 30, 2023 and 2022, the outstanding balances on these loans were approximately \$27,998,000 and \$36,178,000, respectively. The principal payments on the loans generally parallel the underlying loan repayments between NYBDC and its borrower (over a maximum of 15 years).

The loans are collateralized by NYBDC's right, title and interest in the Uninvested Collateral Account. In addition, the loan agreements provide for various restrictive covenants, such as restrictions on incurring new secured indebtedness or liens (except for certain office equipment and furniture), restrictions on the payment of dividends, and restrictions on providing any guarantees.

Bank and Other Lines of Credit Borrowings

NYBDC has available lines of credit with various banks (all of which are members and stockholders), other economic development agencies, and certain other lenders totaling approximately \$54.5 million at September 30, 2023. The amounts outstanding on these borrowings at September 30, 2023 and 2022 were approximately \$6,444,000 and \$12,742,000, respectively. The line of credit agreements, all of which are unsecured, are renewed annually and generally provide for interest at LIBOR, BSBY or SOFR based index rates. At September 30, 2023, the interest rates under available lines of credit ranged from 1.00% to 8.33%.

Paycheck Protection Act and NYC Small Business Continuity Fund

In support of its PPP related activities, NYBDC borrowed \$291.0 million on lines of credit from 24 financial institutions during the year ended September 30, 2020. Each line had a stated interest rate of 1.00% and no stated repayment terms or maturity dates. All funds borrowed on these lines were paid in full along with accrued interest prior to September 30, 2020. Several financial institutions have kept NYBDC's lines open in the event additional federal funding is advanced for the Paycheck Protection Act.

In April 2020, NYBDC entered into a loan agreement with NYS Empire State Development in which NYBDC received \$6.0 million in support of its PPP related activities. This agreement has a stated interest rate of 0.25% and was scheduled to mature on December 31, 2023. Approximately \$3 million is outstanding at September 30, 2022 and repaid in full as of September 30, 2023.

In May 2020, NYBDC entered into a loan agreement with a financial institution to borrow up to \$110.0 million on an as-needed basis to support PPP related activities. The agreement bore no interest and was closed on October 1, 2022.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 4 — NOTES PAYABLE (Continued)

Paycheck Protection Act and NYC Small Business Continuity Fund (Continued)

In June 2020, NYBDC entered into a loan agreement with the Federal Reserve to borrow up to an amount equal to the PPP loans pledged as collateral on an as-needed basis to support PPP related activities. The agreement has a stated interest rate of 0.35%. Maturity mirrors the underlying PPP loans, accelerated by loan forgiveness. Approximately \$10.8 million is outstanding at September 30, 2023.

In April 2020, the NYBDC entered an agreement to administer the NYC Small Business Continuity Fund, a program designed to assist small businesses in their recovery from the Covid-19 pandemic. NYBDC borrowed a total of \$24.0 million in notes from three unrelated parties. Each underlying note is interest free and has a stated maturity date of October 8, 2025. Approximately \$8.5 million is outstanding at September 30, 2023.

Other Obligations

Other obligations includes an escrow reserve fund resulting from the Company's purchase of Statewide's performing loan portfolio (see Note 7). This escrow, which was established to fund any future Company losses and related costs arising from loans purchased under the Statewide transaction, amounted to approximately \$1,326,000 at both September 30, 2023 and 2022. In addition, other obligations includes a payable to the New York City Economic Development Corporation for funds related to the NYC LMI Small Business Restart fund. The funds were provided to administer a program to fund loans to assist eligible small businesses in New York City in restarting their operations and continuing to operate in their communities. The payable for the program amounted to approximately \$2,014,000 at both September 30, 2023 and 2022. Other obligations also includes funds payable for the Taxi Medallion Relief Grant Program, which provides relief to economically distressed individual medallion owners in New York City and surrounding areas. The total payable for the program amounted to approximately \$53,078,000 and \$6,720,000 at September 30, 2023 and 2022.

NOTE 5 — INCOME TAXES

The components of income tax expense are as follows:

	September 30	
	2023	2022
Current taxes		
Federal	\$ 448,679	\$ 1,986,390
State and city	264,854	855,843
Deferred taxes	<u>15,839</u>	<u>227,199</u>
Net expense	<u>\$ 729,372</u>	<u>\$ 3,069,432</u>

As of September 30, 2023 and 2022, net deferred tax assets, which are recognized for deductible temporary differences, principally related to the allowance for loan losses and deferred compensation, approximated \$586,000 and \$602,000, respectively. Net deferred tax assets are included as an asset in the Combined Statements of Financial Condition.

Effective tax rates for the years ended September 30, 2023 and 2022 are 30.5% and 29.1%, respectively. The differences between income taxes computed under federal statutory rates and effective rates is primarily attributable to state and city taxes, and certain tax adjustments.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 5 — INCOME TAXES *(Continued)*

NYBDC accounts for uncertain tax positions according to guidance issued by the Financial Accounting Standards Board. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold which an income tax position is required to meet before being recognized in the financial statements and applies to all tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

NYBDC believes that there are no tax positions taken or to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date. None of NYBDC's or ESCDC's income tax returns are currently under examination by the Internal Revenue Service or state authorities.

NOTE 6 — EMPLOYEE BENEFIT PLANS

The Company maintains a salary reduction 401(k) plan and a Supplemental Executive Retirement Plan (SERP).

The salary reduction 401(k) plan allows employees to defer and contribute a portion of their salary into the plan with the employer matching the employees' contributions up to 6% and providing for certain profit sharing contributions, subject to limitations imposed by the Internal Revenue Service. The plan is funded on a current basis. The net expense for the plan was approximately \$1,699,000 and \$1,841,000 for the years ended September 30, 2023 and 2022, respectively.

The SERP, a non-qualified plan, is intended to provide supplemental retirement benefits due to limitations imposed under the Internal Revenue Code. The computed benefit under the SERP, a component of accrued expenses on the Company's Combined Statements of Financial Condition, approximated \$1,128,000 at September 30, 2022. The expense for the SERP, a component of operating expenses on the Company's Combined Statements of Operations, was \$741,000 and \$100,000 for the years ended September 30, 2023 and 2022, respectively. During the year ended September 30, 2023, the balance in the SERP was distributed in accordance with the terms of the agreement.

The total expense for all Company employee benefit plans was approximately \$2,440,000 and \$1,941,000 for the years ended September 30, 2023 and 2022, respectively.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Commitments with Off-Balance-Sheet Risk

In the normal course of business, NYBDC provides commitments to extend credit in order to meet the financing needs of its customers. These commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Combined Statements of Financial Condition.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 7 — COMMITMENTS AND CONTINGENCIES (Continued)

Commitments with Off-Balance-Sheet Risk (Continued)

Loan commitments, excluding SBA 504 Program loan commitments, at September 30, 2023 are as follows:

	Number of Loans	Amount
Loans authorized, but not fully disbursed to borrowers	18	\$ 16,225,114
Less estimated bank participations on loan commitments	-	(3,648,500)
Net outstanding loan commitments	<u>18</u>	<u>\$ 12,576,614</u>

Commitments to extend credit represent obligations to lend to a customer as long as there is no violation of any condition established under the loan approval. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At September 30, 2023, ESCDC's outstanding SBA 504 Program loan commitments, approved by the Company's Board of Directors, approximate \$502.6 million. However, commitments under the SBA 504 Program do not expose the Company to any material losses.

Concentration of Credit Risk

The Company's loan portfolio consists primarily of real estate and similarly secured loans to small business borrowers throughout New York State. The borrower's ability to honor their loan agreements is, in part, dependent upon the State's economy.

Statewide Contingency

In September 2013, Statewide Zone Capital Corporation (Statewide), a privately owned loan and investment fund, adopted a plan of dissolution as a consequence of certain changes to its enabling legislation under New York State Law. The operations of Statewide are managed by NYBDC, which also owns approximately 9.4% of Statewide's outstanding common stock. Concurrent with the adoption of the plan, the Company and Statewide (which is not combined in the accompanying financial statements) entered into a Loan Purchase and Sale Agreement under which all of Statewide's performing loans, approximating \$15.3 million, were purchased by the Company in an amount equal to the principal portion of all loans and unpaid interest, net of an escrow reserve fund in the amount of \$3 million. The transaction provided for the holdback of the escrow reserve, which was intended to fund any future Company losses and related costs arising from loans purchased under the Agreement, to be held by the Company in an unrestricted account. Statewide may be entitled to periodic distributions from the escrow reserve as the aggregate principal balance of the purchased loans declines to an amount which is less than the amount remaining in the escrow reserve.

The balance of NYBDC's purchased Statewide loans approximated \$351,000 and \$581,000 at September 30, 2023 and 2022, respectively.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 8 — RELATED PARTIES

As a result of common management and operational support, NYBDC Local Development Corporation d/b/a Pursuit Community Finance (“PCF”), Prudent Lenders LLC (“Prudent”), and Excelsior Local Development Corporation (“ELDC”) are considered affiliates of the Company. The Company charges each affiliate for its share of staffing, certain shared operating expenses, and expenses paid on the affiliates’ behalf, or based on an agreed-upon billing structure based on services provided. In addition, the Company has entered into a Loan Agreement with each affiliate, individually, and occasionally makes additional advances in support of operations. Prior to the acquisition of Prudent, effective December 31, 2021, Prudent Lenders LLC was an affiliate of NYBDC.

PCF

During the years ended September 30, 2023 and 2022, NYBDC charged PCF approximately \$2,184,000 and \$1,293,000 for reimbursement of staff time and certain operating expenses. In addition, in October 2018, the Company and PCF entered into a Loan Agreement with a stated interest rate of the Company’s internal cost of funds. The line of credit matures September 30, 2024, with automatic renewal options. For the years ended September 30, 2023 and 2022, the Company recognized interest expense of approximately \$110,000 and \$54,000, respectively. At September 30, 2023 and 2022, the Company owed PCF approximately \$3,724,000 and \$8,244,000, respectively, and is presented with other obligations on the Combined Statement of Financial Condition. Effective August 31, 2021, NYBDC sold a 100% participation in approximately 500 Paycheck Protection Program (“PPP”) loans to PCF totaling approximately \$28.0 million through a non-cash transaction. The amount owed by PCF will be reduced as the underlying PPP loans are paid off or forgiven (\$37 thousand at September 30, 2023). NYBDC is charging PCF an annual interest rate of 0.675%, billed monthly.

Prudent

In May 2012, the Company entered into an operating agreement with Prudent to provide loan processing, closing, servicing, and liquidation support. NYBDC made an initial investment of \$35,000 and was a 50% owner. On December 31, 2021, NYBDC acquired the remaining 50% and Prudent became a wholly owned subsidiary of NYBDC. The investment was being accounted for using the equity method. For the period ended December 31, 2021, NYBDC charged Prudent approximately \$402,000 for services provided.

In September 2013, NYBDC entered into a Loan Agreement with Prudent in the amount of \$250,000. The line of credit bears interest at 6.00%. For the period ended December 31, 2021, the Company recognized interest income of approximately \$1,000.

ELDC

In October 2019, ELDC was created to assist both new and existing small businesses in the State of New York by providing financing for the acquisition of real property and construction and renovation projects. During the year ended September 30, 2023 and 2022, NYBDC charged ELDC approximately \$245,000 and \$44,000, respectively, for reimbursement of staff time. In addition, the Company and ELDC entered into a Loan Agreement with a stated interest rate of the Company’s internal cost of funds. The line of credit matures September 30, 2024, with automatic renewal options. For the year ended September 30, 2023 and 2022, the Company recognized interest income of approximately \$130,000 and \$149,000, respectively. The outstanding balance on the line was approximately \$41,000 payable and \$2,531,000 receivable at September 30, 2023 and 2022, respectively, and is presented with other obligations and loans receivable on the Combined Statements of Financial Condition.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 9 — COVID-19

Paycheck Protection Program

Section 1103 of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) created the PPP, a program administered by the SBA to provide loans to small business for payroll and other basic expenses during the COVID-19 pandemic. The Company has participated in the PPP as a lender. Loans made under the PPP are fully guaranteed by the SBA, whose guarantee is backed by the full faith and credit of the United States. The SBA will reimburse PPP lenders for any amount of a PPP covered loan that is forgiven, and PPP lenders will not be held liable for any representations made by the PPP borrowers in connection with their requests for loan forgiveness. Lenders receive pre-determined fees for processing and servicing PPP loans. Fees, net of origination costs, are recognized in interest income over the life of the loan using the effective yield method or once forgiven. The Company recognized approximately \$561,000 and \$8,212,000 of net fees in interest income on the Combined Statement of Operations during the years ended September 30, 2023 and 2022. The remaining balance of approximately \$186,000 at September 30, 2023 is deferred and is included as an offset to loans receivable on the Combined Statement of Financial Condition.

The PPP commenced on April 3, 2020 and was available to qualified borrowers through August 8, 2020. The Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act extended the authority to make PPP loans through a second drawing throughout 2021. The Company began accepting applications from qualified borrowers on April 3, 2020 and as of September 30, 2023 and 2022 approximately \$11.0 million and \$32.1 million, respectively, was outstanding. PPP loans are considered to be pass rated loans. The loans have an interest rate of 1.0%, a two-year or five-year loan term to maturity, and a principal and interest payments deferred until the lender receives the notice of forgiveness or ten months after the period the business has used such funds.

NYC Small Business Continuity Fund

New York City (“NYC”) was offering zero percent interest loans of up to \$75,000 to businesses located within one of the five boroughs of NYC, with fewer than 100 employees whose sales have decreased by 25% or more due to COVID-19. As of September 30, 2023, the Company had approximately 370 loans totaling over \$8.1 million outstanding. Fees, net of origination costs, are recognized in interest income over the life of the loan using the effective yield method. The Company recognized approximately \$113,000 of net fees in interest income on the Combined Statement of Operations during both of the years ended September 30, 2023 and 2022. The remaining balance of approximately \$113,000 at September 30, 2023 is deferred and is included as an offset to loans receivable on the Combined Statement of Financial Condition. Due to the overwhelming interest, the program stopped accepting applications on April 8, 2020.

NYC LMI Storefront Loan Program

New York City (“NYC”) was offering zero percent interest loans up to \$100,000 to businesses located within designated neighborhoods of NYC with fewer than 100 employees and that are able to demonstrate the ability to repay the loan. As of September 30, 2023, the Company had approximately 180 loans totaling over \$9.5 million outstanding. Fees are recognized in interest income over the life of the loan. The Company recognized approximately \$647,000 of net fees in interest income on the Combined Statement of Operations during the year ended September 30, 2023. The remaining balance of approximately \$1,000,000 at September 30, 2023 is deferred and is included as an offset to loans receivable on the Combined Statement of Financial Condition. Due to overwhelming interest, the program stopped accepting applications on November 22, 2021.

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 10 — LEASE OBLIGATIONS

The following table presents the components of our right-of-use assets and liabilities related to leases and their classification in our combined balance sheets at September 30, 2023:

Components of lease balances	
Operating Leases	
Right of use asset	<u>\$ 2,487,571</u>
Current portion of lease liabilities	\$ 913,585
Operating lease liabilities, net of current portion	<u>1,627,203</u>
Total operating lease liabilities	<u>\$ 2,540,788</u>

The Company's real estate lease agreements typically have initial terms of five or more years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded in the combined statement of financial position.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term, usually for five years. The exercise of lease renewal options requires regulatory approval. Therefore, renewal options are generally not recognized as part of the right of use assets and lease liabilities.

Cash flow and other information related to leases is included in the following table:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows for operating leases	<u>\$ 994,168</u>

The weighted-average lease terms and discount rates for operating leases are presented in the following table:

	<u>September 30, 2023</u>
Weighted-average remaining lease term (years)	
Operating Leases	<u>3.29</u>
Weighted-average discount rate	
Operating Leases	<u>4.27%</u>

NEW YORK BUSINESS DEVELOPMENT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 10 — LEASE OBLIGATIONS *(Continued)*

Future maturities of lease liabilities at are presented in the following table:

	Operating Leases
2024	\$ 1,000,146
2025	724,191
2026	514,761
2027	348,067
2028	100,983
2029	34,498
Thereafter	-
	<hr/>
Total lease payments	2,722,646
Less: Imputed interest	181,858
	<hr/>
Total lease obligation	2,540,788
Less: Current portion	913,585
	<hr/>
Long-term lease obligation	<u>\$ 1,627,203</u>