NYBDC LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Teal, Becker & Chiaramonte™
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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To The Board Of Directors
NYBDC Local Development Corporation
Albany, New York

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of NYBDC Local Development Corporation (a Not-For-Profit Corporation) (the Company), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYBDC Local Development Corporation as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, on our consideration of NYBDC Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of NYBDC Local Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYBDC Local Development Corporation's internal control over financial reporting and compliance.

Teal, Becker & Chiaramonte, CPAs, P.C.

Albany, New York
January 3, 2023

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Financial Position

September 30

	2021	2020
Assets		
Assets:		
Cash (Note 3)	$ 896,248	$ 217,740
Accounts receivable	131,872	107,734
Grants receivable	751,111	594,777
Prepaid expenses	6,693	9,558
Accrued interest receivable	328,820	591,511
Restricted cash (Note 3)	4,784,342	5,916,360
Related party loans receivable (Note 11)	4,204,610	3,000,000
Paycheck Protection Program loan participations receivable (Notes 6 and 11)	19,307,043	-
Loans receivable, net (Note 4)	28,009,415	34,299,974
Total Assets	$ 58,420,154	$ 44,737,654
Liabilities And Net Assets		
Liabilities:		
Short-term borrowings (Notes 7 and 11)	$ 308,000	$ 10,326,783
Other current liabilities (Note 11)	470,205	403,787
Interest payable (Note 11)	100,386	191,837
Community Development Block Grant loans payable (Note 5)	197,075	465,638
Empire State Development loan funds (Note 8)	3,203,873	3,156,373
NYC Economic Development Corporation borrowings (Note 9)	-	250,000
Paycheck Protection Program related party payables (Notes 6 and 11)	19,307,043	-
Long-term debt (Note 10)	20,542,229	21,652,543
Total liabilities	44,128,811	36,446,961
Net assets:		
Without donor restrictions	11,826,840	6,553,015
With donor restrictions (Note 12)	2,464,503	1,737,678
Total net assets	14,291,343	8,290,693
Total Liabilities And Net Assets	$ 58,420,154	$ 44,737,654

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Activities

For The Year Ended September 30, 2021
(With Summarized Comparative Totals For The Year Ended September 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Grant income	$ 1,991,950	$ 4,940,265	$ 6,932,215	$ 5,127,092
Interest income on loans	3,568,617	-	3,568,617	4,270,712
Origination and other fee income	1,011,557	-	1,011,557	406,666
Contribution income	155,598	-	155,598	-
Contribution from merger (Note 13)	-	-	-	2,669,924
Community Development Block Grant income (Note 5)	-	-	-	1,520
Net assets released from restrictions	4,213,440	(4,213,440)	-	-
Total revenues	10,941,162	726,825	11,667,987	12,475,914
Operating expenses:				
Program services	4,844,138	-	4,844,138	6,126,154
Management and general	823,199	-	823,199	726,042
Total operating expenses	5,667,337	-	5,667,337	6,852,196
Increase in net assets	5,273,825	726,825	6,000,650	5,623,718
Net assets at beginning of year	6,553,015	1,737,678	8,290,693	2,666,975
Net Assets At End Of Year	$ 11,826,840	$ 2,464,503	$ 14,291,343	$ 8,290,693

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Activities

For The Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grant income	$ 4,427,092	$ 700,000	$ 5,127,092
Interest income on loans	4,270,712	-	4,270,712
Contribution from merger (Note 13)	2,669,924	-	2,669,924
Origination and other fee income	406,666	-	406,666
Community Development Block Grant income (Note 5)	1,520	-	1,520
Net assets released from restrictions	389,261	(389,261)	-
Total revenues	12,165,175	310,739	12,475,914
Operating expenses:			
Program services	6,126,154	-	6,126,154
Management and general	726,042	-	726,042
Total operating expenses	6,852,196	-	6,852,196
Increase in net assets	5,312,979	310,739	5,623,718
Net assets at beginning of year	1,240,036	1,426,939	2,666,975
Net Assets At End Of Year	$ 6,553,015	$ 1,737,678	$ 8,290,693

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Functional Expenses

For The Year Ended September 30, 2021
(With Summarized Comparative Totals For The Year Ended September 30, 2020)

	2021			2020
	Program	Management And General	Total	Total
Operating expenses:				
Salaries and wages	$ 1,637,582	$ 181,954	$ 1,819,536	$ 1,278,338
Provision for loan losses	1,251,489	-	1,251,489	2,435,255
Shared services	495,020	495,021	990,041	945,581
Interest expense	620,971	-	620,971	1,233,775
401(k) and profit sharing	121,005	13,445	134,450	84,794
Employee benefits	108,836	9,764	118,600	101,490
Consulting	114,332	-	114,332	245,606
Payroll taxes	97,519	10,835	108,354	83,438
IT and software expense	104,238	-	104,238	137,340
Public relations	94,313	-	94,313	65,134
Professional fees	30,486	57,438	87,924	57,567
Miscellaneous expense	47,979	15,438	63,417	19,776
Travel and meals	25,280	6,001	31,281	28,889
Director fees	22,113	-	22,113	13,509
Insurance	-	18,806	18,806	15,891
Rent	17,729	-	17,729	15,186
Credit reports	17,183	-	17,183	20,059
Telephone	7,332	7,332	14,664	12,138
Office expenses	11,008	544	11,552	17,300
Referral fees	10,900	-	10,900	25,105
Grant expenses	7,740	-	7,740	-
Bank fees	-	5,538	5,538	6,621
Events	1,083	1,083	2,166	2,904
Independent contractor	-	-	-	6,500
Total Operating Expenses	$ 4,844,138	$ 823,199	$ 5,667,337	$ 6,852,196

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Functional Expenses

For The Year Ended September 30, 2020

	Program	Management And General	Total
Operating expenses:			
Provision for loan losses	$ 2,435,255	$ -	$ 2,435,255
Salaries and wages	1,150,504	127,834	1,278,338
Interest expense	1,233,775	-	1,233,775
Shared services	472,790	472,791	945,581
Consulting	245,606	-	245,606
IT and software expense	137,340	-	137,340
Employee benefits	92,867	8,623	101,490
401(k) and profit sharing	76,315	8,479	84,794
Payroll taxes	75,094	8,344	83,438
Public relations	65,134	-	65,134
Professional fees	13,763	43,804	57,567
Travel and meals	17,206	11,683	28,889
Referral fees	25,105	-	25,105
Credit reports	20,059	-	20,059
Miscellaneous expense	8,000	11,776	19,776
Office expenses	14,373	2,927	17,300
Insurance	-	15,891	15,891
Rent	15,186	-	15,186
Director fees	13,509	-	13,509
Telephone	6,069	6,069	12,138
Bank fees	-	6,621	6,621
Independent contractor	6,500	-	6,500
Events	1,704	1,200	2,904
Total Operating Expenses	$ 6,126,154	$ 726,042	$ 6,852,196

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Cash Flows

For The Years Ended September 30

	2021	2020
Operating activities:		
Increase in net assets	$ 6,000,650	$ 5,623,718
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Provision for loan losses	1,251,489	2,435,255
Changes in operating assets and liabilities:		
Accrued interest receivable	262,691	(217,809)
Prepaid expenses	2,865	2,009
Accounts receivable	(24,138)	(15,767)
Grants receivable	(156,334)	388,072
Other current liabilities	66,418	(4,940,995)
Pass-through grant payable	-	(437,008)
Accrued interest payable	(91,451)	(183,447)
Net cash flows from operating activities	7,312,190	2,654,028
Investing activities:		
Loans collected, net	5,039,070	9,499,091
Advances on related party loans receivable, net	(1,204,610)	(3,000,000)
Net cash flows from investing activities	3,834,460	6,499,091
Financing activities:		
Payments on short-term borrowings, net	(10,018,783)	(12,806,146)
Issuance of long-term debt	2,527,501	8,929,984
Repayments on long-term debt	(3,637,815)	(3,017,256)
Payments on NYC Economic Development Corporation borrowings	(250,000)	(1,250,000)
Proceeds from (payments on) Empire State Development loan funds, net	47,500	(385,843)
Payments on Community Development Block Grant loans payable, net	(268,563)	(919,306)
Net cash flows for financing activities	(11,600,160)	(9,448,567)
Net decrease in cash and restricted cash	(453,510)	(295,448)
Cash and restricted cash - beginning of year	6,134,100	6,429,548
Cash And Restricted Cash - End Of Year (Note 3)	$ 5,680,590	$ 6,134,100

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Cash Flows

For The Years Ended September 30

	2021	2020
Supplemental disclosure of cash flows information:		
Interest Paid	$ 712,422	$ 1,417,222
Supplemental schedules of noncash investing and financing activities:		
Purchase of participation in Paycheck Protection Program loans receivable, net of repayments and forgiveness	$ 19,307,043	$ -
Less: advances on related party loan, net of repayments and forgiveness	19,307,043	-
Net Cash Paid For Paycheck Protection Program Loan Participations	$ -	$ -

The accompanying notes are an integral part of these financial statements

Note 1: Summary Of Significant Accounting Policies

Background information - NYBDC Local Development Corporation (the Company) was formed on January 8, 2009, pursuant to Section 1411 of the Not-For-Profit Corporation Laws of the State of New York, 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. The Company also provides a wider range of financial and business advisory services to small businesses in New York State. The Company is certified as a Community Development Financial Institution (CDFI) and has operated under the name Pursuit Community Finance since February 2020, as a result of a corporate rebranding effort.

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

> Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the Board of Directors.
>
> Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Functional allocation of expenses - The costs of program and management and general activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and other activities benefited. Such allocations are determined by management on an equitable basis. While most costs are directly allocated to their specific program or other activity, certain costs are allocated using the following methods:

- Payroll expenses are allocated between programs and management and general based on management's estimates of personnel costs identified with each of these categories. The percentage allocation is then used to allocate payroll benefits between programs and management and general.

- Professional services which cannot be specifically identified as program expenses are allocated between programs and management and general based on management's estimates.

Note 1: Summary Of Significant Accounting Policies (Continued)

Recently adopted accounting principles - Effective October 1, 2019, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments issued thereafter, that amend the accounting guidance on revenue recognition. The Company adopted Topic 606 using a modified retrospective method with a cumulative-effect adjustment to net assets recognized as of the date of adoption.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of this accounting guidance as of October 1, 2019 did not have a material effect on the Company's statements of financial position and results of operations, and the Company did not record a cumulative catch-up adjustment to the opening balance of net assets.

Revenue recognition - Revenue from contracts with customers is recognized using the five-step model: (1) identify the contract, (2) identify performance obligations, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue. Contracts with customers are typically defined by the Company's customary business practices and are valued at the contract selling price per unit. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance, and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, and revenue generated from grants and contributions. The Company has identified its major revenue streams as follows:

Grant income - Revenues from grants are outside the scope of ASC Topic 606 and are within the scope of ASC 985-605, *Not-For-Profit Entities - Revenue Recognition*. Revenue is derived from grants received from financial institutions, as well as federal and state sources, some of which are conditioned upon certain performance requirements. These grants are mainly issued for the purposes of supplying small businesses with loans and technical assistance in order to support their business endeavors, as well as to support the Company's ongoing activities.

Note 1: Summary Of Significant Accounting Policies (Continued)

Contributions - Revenues from contributions are outside the scope of ASC Topic 606 and are within the scope of ASC 985-605, *Not-For-Profit Entities - Revenue Recognition*. Contributions are recognized when cash, securities or other assets, and unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met.

Interest income - Interest income is outside the scope of ASC Topic 606 and is within the scope of ASC 310, *Receivables.* Interest income is earned on the unpaid principal balance of loans receivable.

Origination and other fee income - Servicing and origination fees are outside the scope of ASC Topic 606 and are within the scope of ASC 310, *Receivables.* Servicing and origination fees are fees earned for servicing and originating loans, and are based on a contractual percentage of the outstanding principal loan balance or a fixed amount per loan.

Contributions - Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Restricted cash - Restricted cash includes certain state, borrower, and lender loan loss reserve contributions funded under the New York State Capital Access Program (CAP) and the U.S. Small Business Administration Microloan Program (MLP). These funds are held in restricted cash until such time that they may be required to fund CAP or MLP related loan losses. Restricted cash also includes borrowings on debt and proceeds from grants that are designated for specific loan programs that have not been disbursed in accordance with the borrowing or grant agreements as of the end of the fiscal year.

Note 1: Summary Of Significant Accounting Policies (Continued)

Loans receivable - Loans receivable are stated at unpaid principal balances, reduced by bank participations. Interest on loans is calculated utilizing the simple interest method over the term of the loan. Accrual of interest is discontinued on a loan at such time as management believes, after considering economic business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic and environmental conditions, and other risks inherent in the portfolio.

Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near-term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Subsequent recoveries, if any, are credited to the allowance for loan losses. Changes in the allowance are charged or credited to the provision for loan losses. When, in the opinion of management, the collection of principal appears unlikely, the loan balance is evaluated in light of its sources of repayment and a charge-off against the allowance for loan losses is recorded, when appropriate.

Advertising - Advertising costs are charged to operations when incurred or when such advertising takes place.

Income taxes - NYBDC Local Development Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax positions are evaluated and recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary. Significant estimates made by the Company in the accompanying financial statements include certain assumptions related to loans receivable. Actual results could differ from these estimates.

Note 1: Summary Of Significant Accounting Policies (Continued)

Presentation - Certain reclassifications, when applicable, are made to the prior year financial statement presentation to correspond to the current year's format. Reclassifications, when made, have no effect on total net assets or increase in unrestricted net assets.

Recently issued accounting standard - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes leasing guidance in Topic 840, *Leases*. Under the new guidance, all leasing arrangements with terms greater than twelve months are required to recognize lease assets and lease liabilities on the statements of financial position. Leases will be classified as either finance or operating, with classification affecting the expense recognition in the statements of activities. In October 2019 and again in June 2020, the FASB issued deferrals of the effective date. The new standard is now effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating the effects that this standard will have on the financial statements.

Note 2: Availability And Liquidity

The following represents the Company's financial assets at September 30, 2021 that could readily be made available to meet general expenditures over the next twelve months:

Financial assets at year end:	
Loans receivable, net	$ 28,009,415
Paycheck Protection Program loan participation receivables	19,307,043
Cash (includes restricted cash)	5,680,590
Related party loan receivable	4,204,610
Grants receivable	751,111
Accounts receivable	131,872
Total financial assets	58,084,641
Less: amounts not readily available to be used within twelve months:	
Loans receivable, net	10,892,237
Paycheck Protection Program loan participation receivables	16,674,265
Restricted cash	4,784,342
Related party loan receivable	4,204,610
Net assets with donor restrictions	2,464,503
Total amounts not readily available to be used within twelve months	39,019,957
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	**$ 19,064,684**

Note 2: Availability And Liquidity (Continued)

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet operating expenses over a twelve-month period, the Company considers all expenses related to its ongoing program-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In an effort to reduce the cost of borrowing, the Company's policy is to pay down short-term borrowings with a related party (see Notes 7 and 11) with any excess cash on hand. This funding source, along with other available lines of credit with banks (see Note 7), provides the Company with sufficient resources to meet its liquidity needs.

Note 3: Cash And Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported on the statements of financial position as of September 30, 2021 and 2020 that sum to the total of the same such amounts in the statements of cash flows:

	2021	2020
Restricted cash	$ 4,784,342	$ 5,916,360
Cash	896,248	217,740
Total Cash And Restricted Cash	$ 5,680,590	$ 6,134,100

Note 4: Loans Receivable And Allowance For Loan Losses

As of September 30, outstanding loans receivable consist of the following:

	2021	2020
Pursuit Community Finance loans receivable	$ 56,437,222	$ 35,743,901
Interim loans receivable	4,911,369	7,347,563
Community Development Block Grant loans receivable (Note 5)	197,075	465,638
	61,545,666	43,557,102
Less: participations sold	(28,514,687)	(3,997,216)
	33,030,979	39,559,886
Less: allowance for loan losses	(5,021,564)	(5,259,912)
Loans Receivable, Net	$ 28,009,415	$ 34,299,974

Note 4: Loans Receivable And Allowance For Loan Losses (Continued)

Loans receivable, presented by the aging of the recorded investment in past due loans, as of September 30 are as follows:

September 30, 2021				
Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 30,490,451	$ 159,678	$ 291,010	$ 2,089,840	$ 33,030,979

September 30, 2020				
Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 33,389,496	$ 418,861	$ 669,927	$ 5,081,602	$ 39,559,886

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2021 and 2020 was $820,286 and $3,900,341, respectively.

The allowance for loan losses account is increased by a provision for loan loss, and reduced by losses, net of recoveries. A summary of the changes in the allowance for loan losses as of September 30 consists of:

	2021	2020
Balance, beginning of year	$ 5,259,912	$ 3,899,431
Provision for loan losses	1,251,489	2,435,255
Recoveries	44,139	404,757
Losses charged to the allowance	(1,613,368)	(1,136,106)
Other adjustments	79,392	(343,425)
Balance, End Of Year	$ 5,021,564	$ 5,259,912

Other adjustments consist of loan loss reserves and related recoveries resulting from participation in the New York State Capital Access Program and the U.S. Small Business Administration Microloan Program that have been funded by the state, lender, and the borrower as required under the programs (see Note 1).

Note 4: Loans Receivable And Allowance For Loan Losses (Continued)

	2021	2020
Ending allowance balance attributable to loans:		
Individually evaluated for impairment	$ 1,132,000	$ 1,050,000
Collectively evaluated for impairment	3,889,564	4,209,912
Total Ending Allowance Balance	$ 5,021,564	$ 5,259,912
Loans:		
Individually evaluated for impairment	$ 1,269,554	$ 1,181,261
Collectively evaluated for impairment	31,761,425	38,378,625
Total Ending Loan Balance	$ 33,030,979	$ 39,559,886

Loans on which the accrual of interest has been discontinued, or impaired loans, totaled $1,269,554 and $1,181,261 at September 30, 2021 and 2020, respectively.

Impaired loans as of September 30 are presented as follows:

September 30, 2021

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 1,269,554	$ 1,269,554	$ 1,132,000	$ 966,140	$ -

September 30, 2020

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 1,181,261	$ 1,181,261	$ 1,050,000	$ 831,933	$ -

The Company did not acquire any loans with deteriorated credit quality in 2021 and 2020.

Note 5: Community Development Block Grant Disaster Recovery Program Grant And Loan Fund

The Company entered into an agreement with the City of New York (the City) in a prior year to administer grants and loans related to the Community Development Block Grant Disaster Recovery Program (CDBG-DR or the Program). The Program was designed to assist small businesses in New York City affected by weather events and other eligible events during calendar years 2011, 2012, and 2013. Under the agreement, the Company agreed to assist the City in administering a loan and grant program funded by CDBG-DR monies from the U.S. Department of Housing and Urban Development (HUD). HUD allocated $1.7 billion to the City for the Program. Grant and loan applications were submitted to the City for approval. The Company used proceeds of awards solely to make program loans and grants to approved applicants. The Company administers the collections process, including the remittance of repayments from the underlying borrowers.

During the fiscal years ended September 30, 2021 and 2020, no loan awards have been disbursed to qualified applicants for both years. As of September 30, 2021 and 2020, $197,075 and $465,638 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City. During the fiscal years ended September 30, 2021 and 2020, $-0- and $9,762 of grant awards have been disbursed to qualified applicants, respectively.

Under the agreement with the City, the Company has charged the City a servicing fee for each loan and grant application file that was serviced, along with out-of-pocket expenses, and a specified marketing, outreach, and program development fee. For the years ended September 30, 2021 and 2020, the City was billed $-0- and $1,520, for the Company's services, respectively.

Note 6: Paycheck Protection Program Loan Participations

In August 2021, the Company entered into an agreement with a related party to purchase a 100% participation in approximately 500 Paycheck Protection Program (PPP) loans receivable totaling $28,014,213. The PPP loans receivable are 100% guaranteed by the U.S. Small Business Administration (SBA).

The transaction was financed by the same related party in a non-cash transaction under a separate agreement (see Note 11). Under the terms of this agreement, borrowings are due to the related party as the underlying PPP loans are paid or forgiven by the SBA. Interest payments are due monthly, accruing at a rate of 0.675%.

At September 30, 2021, the PPP loan participations receivable, which are net of repayments and forgiveness granted by the SBA, total $19,307,043, and are offset by the corresponding payable to the related party.

Note 7: Short-Term Borrowings

Short-term borrowings as of September 30 consist of:

	2021	2020
Line of credit with a bank. The line has a limit of $7,500,000 and is unsecured. Borrowings against the line are due on demand and interest is payable monthly at the Prime rate less 0.50% (Prime was 3.25% at September 30, 2021), however, is subject to an interest rate floor of 3.25%. The Company has $7,192,000 available on this line at September 30, 2021.	$ 308,000	$ 336,890
The Company has short-term funding available from a related party with principal due on demand (see Note 11). Interest on these borrowings are payable monthly at the related party's internal cost of funds plus 1.50% (the internal cost of funds was 2.01% at September 30, 2021).	-	9,773,980
Line of credit with a bank. The line has a limit of $7,000,000 and is unsecured. Borrowings against the line are due on demand and interest is payable monthly at the Prime rate plus 0.50% (Prime was 3.25% at September 30, 2021), however, is subject to an interest rate floor of 3.00%. The Company has $7,000,000 available on this line at September 30, 2021.	-	215,913
Line of credit with a bank. The line has a limit of $1,500,000 and is secured by all business assets. Borrowings against the line are due on demand and interest is payable monthly at the Prime rate plus 0.50% (Prime was 3.25% at September 30, 2021), however, is subject to an interest rate floor of 3.00%. The Company has $1,500,000 available on this line at September 30, 2021.	-	-
Total Short-Term Borrowings	$ 308,000	$ 10,326,783

Note 8: Empire State Development Loan Funds

The Company has entered into various loan fund agreements with New York State Urban Development Corporation d/b/a Empire State Development (ESD). The loan fund agreements are summarized as follows:

	2021	2020
Revolving note payable to ESD, up to a maximum of $1,695,000, with semi-annual installments of interest only payable at a rate of 1.00%. Loan proceeds may be used solely to make loans to small businesses. For funds that have been deployed, the loan and attached note are due September 2022 (as amended), with principal payments beginning March 2020 and recurring annually in equal installments. Each principal installment will be equivalent to 33.33% of the original principal balance. The March 2021 principal installment has been deferred until September 2022, per the amended agreement. As of September 30, 2021, $1,695,000 had been deployed, and repayment has begun.	$ 1,130,000	$ 1,130,000
Revolving loan fund payable to ESD, up to a maximum of $537,471, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2020. ESD has not provided guidance as to the requested repayment terms, nor has ESD demanded repayment at this time. Loan funds may be used solely to provide loans to minority-owned and women-owned businesses within certain geographical limitations. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	537,471	537,471
Revolving loan fund payable to ESD, up to a maximum of $1,500,000, without interest, due May 2024, with principal payments beginning May 2022 and recurring annually in equal installments. Each principal installment will be equivalent to 33.33% of the original principal balance. Loan funds may be used solely to provide loans to exporting businesses located in New York State.	500,000	500,000

Note 8: Empire State Development Loan Funds (Continued)

	2021	**2020**
Revolving loan fund payable to ESD, up to a maximum of $1,000,000, due February 2029, with semi-annual installments of interest only payable at a rate of 1.00% through March 2024, at which time the remaining balance will be converted to a five (5) year term loan, with interest payable at 1.00%. Loan funds may be used solely to make loans to small businesses and minority-owned and woman-owned business enterprises located within the economically-distressed communities of the Metropolitan Economic Revitalization Fund designation areas.	333,333	333,333
Revolving loan fund payable to ESD, up to a maximum of $900,000, due March 2029, with semi-annual installments of interest only payable at a rate of 1.00% through March 2024, at which time the remaining balance will be converted to a five (5) year term loan, with interest payable at 1.00%. Loan funds may be used solely to make loans to minority-owned and woman-owned business.	247,500	250,000
Revolving loan fund payable to ESD, up to a maximum of $231,754, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2022. Loan funds may be used solely to provide loans to small businesses located in the Finger Lakes region of New York State. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	231,754	231,754
Revolving loan fund payable to ESD, up to a maximum of $173,815, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2022. Loan funds may be used solely to provide loans to small businesses located in the Long Island region of New York State. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	173,815	173,815

Note 8: Empire State Development Loan Funds (Continued)

	2021	2020
Revolving loan fund payable to ESD, up to a maximum of $100,000, due April 2028, with semi-annual installments of interest only payable at a rate of 0.50%. Commencing on April 2028, ESD may convert any remaining balance to a (5) year term loan, with interest payable at 0.5%. Loan funds will be used solely to make small business loans.	50,000	-
Total Empire State Development Loan Funds	$ 3,203,873	$ 3,156,373

Maturities of Empire State Development loan funds are as follows:

2022	$ 1,834,138
2023	166,667
2024	572,235
2025	113,867
2026	115,005
Thereafter	401,961
Total	$ 3,203,873

Note 9: New York City Economic Development Corporation Borrowings

The Company entered into an agreement with the New York City Economic Development Corporation (the Corporation) in a prior year. Under the agreement, the Corporation provided $1,500,000 to the Company to be used solely as loan capital for a program outlined by the Corporation. Up to $2,000,000 may be allocated to the Company under the agreement. Specifically, the loan capital will be distributed to minority-owned and women-owned businesses that operate as contractors or sub-contractors under contracts with various entities approved by the Corporation. Any funds received by the Company relating to the program loans are to be remitted to the Corporation. Any funds not distributed as of the expiration date of the agreement shall be returned to the Corporation. Notwithstanding other events, the agreement expires the day preceding the two year anniversary of the commencement date and all capital provided is due to the Corporation two years after the expiration date. The agreement expired in March 2019, and funds were due March 2021. Prior to the agreement's expiration, $1,500,000 had been disbursed to the Company, of which $250,000 had been disbursed to borrowers under the program. As of September 30, 2021, all of the funds advanced to the Company have been returned to the Corporation, and this obligation has been satisfied.

Note 10: Long-Term Debt

Long-term debt as of September 30 consists of:

	2021	2020
Revolving note payable with a bank, due May 2022. The note has a limit of $5,000,000 and is secured by all business assets. Borrowings against the note are due at maturity and interest is payable monthly at the LIBOR rate plus 1.00% (LIBOR was 0.08% at September 30, 2021). The Company has $-0- available on this note at September 30, 2021.	$ 5,000,000	$ 5,000,000
Notes payable with a financing company, due at various dates through March 2025, in monthly installments of interest only at rates determined at the time of each advance, currently at 3.50% and 4.50%, with the lump sum balance of each advance due at maturity. The master promissory note has no stated limit and is unsecured.	3,820,244	5,160,105
Notes payable to a foundation, with $1,336,004 due October 2025 and $1 million due December 2025, without interest. Mandatory prepayments are due on the notes as repayments of the project loans are received from the end borrowers. The Company has recorded a corresponding loan receivable from NYBDC for $2,336,004 (see Note 11), as the note supports NYBDC's participation in a COVID-related recovery program.	2,336,004	3,000,000
Loan payable to the U.S. Small Business Administration, due April 2028, in monthly installments of $24,845, including interest at 1.375%. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	1,857,976	2,125,987
Loan payable to the U.S. Small Business Administration, due April 2029, in monthly installments of $21,200, including interest at 1.25%. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	1,818,283	2,045,618

Note 10: Long-Term Debt (Continued)

	2021	2020
Note payable to a foundation, due June 2024, with quarterly installments of interest only at a rate of 2.50%, and the balance of any unpaid principal due at maturity. Loan proceeds may be used to provide small business loans and business advisory services in New York State for low-income and moderate-income individuals.	1,500,000	1,500,000
Loan payable to the U.S. Small Business Administration, due July 2031, without interest. Principal payments of approximately $13,889 are payable monthly beginning July 2022. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	1,500,000	-
Loan payable to an unrelated corporation, due February 2025, with interest payable at 2.50%. The loan principal balance and any accrued and unpaid interest shall be paid on the maturity date. Loan proceeds may be used solely to finance eligible loans offered through community investment initiatives.	1,000,000	1,000,000
Loan payable to the U.S. Small Business Administration, due June 2030, in monthly installments of $9,259, without interest. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	972,222	1,000,000
Loan payable to the U.S. Small Business Administration, due December 2026, in monthly installments of $6,944, without interest. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	437,500	520,833

Note 10: Long-Term Debt (Continued)

	2021	2020
Loan payable to the Pennsylvania Minority Business Development Authority, due November 2024, with interest-only payable semi-annually at 1.50%. Funds that have not been disbursed as of November 2021 may be due on demand at that time, the remaining outstanding principal balance and unpaid interest shall be due at maturity. Loan proceeds may be used solely to make loans to Minority Business Enterprises.	300,000	300,000
Total Long-Term Debt	$ 20,542,229	$ 21,652,543

Maturities of long-term debt are as follows:

2022	$ 7,845,265
2023	1,391,165
2024	3,302,039
2025	4,780,033
2026	896,027
Thereafter	2,327,700
Total	$ 20,542,229

Note 11: Related Party Transactions

At September 30, 2021 and 2020, the Company was involved in various transactions with New York Business Development Corporation (NYBDC), an affiliate related through common management. Transactions and balances with the related party at September 30 consist of:

	2021	2020
Due to/from related parties		
Due From NYBDC - Represents 100% participation in PPP loans receivable with a related party (see Note 6).	$ 19,307,043	$ -
Due To NYBDC - Represents offsetting payables related to 100% participation in PPP loans receivable with a related party (see Note 6).	$ 19,307,043	$ -
Due From NYBDC - Represents short-term lending to fund related party working capital (included in related party loans receivable on the statements of financial position). Advances are due on demand and interest on these advances is payable monthly at the related party's internal cost of funds plus 1.50% (the internal cost of funds was 2.01% at September 30, 2021).	$ 1,868,606	$ -
Due From NYBDC - Represents amounts due from NYBDC related to their administration of a program funded through a debt facility with a foundation (included in related party loans receivable on the statements of financial position) (see Note 10).	$ 2,336,004	$ 3,000,000
Due To NYBDC - Represents short-term borrowings to fund operations (included in short-term borrowings on the statements of financial position) (see Note 7).	$ -	$ 9,773,980
Due To NYBDC - Represents staffing, shared services, and other charges payable to a related party (included in other current liabilities on the statements of financial position).	$ 124,448	$ -
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	$ 5,189	$ 39,128

Note 11: Related Party Transactions (Continued)

Income and expenses

Staffing And Shared Services - Paid to NYBDC.	$ 990,041	$ 945,581
Interest Expense - Paid to NYBDC.	$ 209,663	$ 614,464
Employee Benefits Expense - Paid to NYBDC.	$ 128,726	$ 110,339
Rent Expense - Paid to NYBDC.	$ 17,729	$ 15,186

Note 12: Net Assets With Donor Restrictions

Net assets with donor restrictions comprise grant income funds that are subject to donor restrictions on their use in accordance with the specific program objectives. These assets are expected to be used by September 2022. Net assets with donor restrictions are as follows for the years ended September 30:

	2021	**2020**
Subject to expenditure for specified purpose:		
Loan programs	$ 2,464,503	$ 1,737,678

Net assets released from net assets with donor restrictions are as follows for the years ended September 30:

	2021	**2020**
Satisfaction of purpose restrictions:		
Loan programs	$ 4,213,440	$ 389,261

Note 13: Merger

In August 2020, the Board of Directors of World Trade Center Small Business Recovery Fund, Inc. (WTC), a New York not-for-profit corporation, and NYBDC Local Development Corporation entered into an agreement and adopted a Plan of Merger, where WTC would be merged with and into the Company, with NYBDC Local Development Corporation remaining as the surviving corporation. Based on the terms and structure of the merger agreement, the transaction has been treated as an inherent contribution, and the transaction has been recorded under the acquisition method. The assets and liabilities acquired consisted of the following:

Cash	$ 2,702,180
Less: accounts payable	32,256
Total	$ 2,669,924

Note 14: Defined Contribution Plan

Employees of the Company may participate in the New York Business Development Corporation Employees Salary Reduction 401(k) Plan, a participant directed 401(k) Plan. The Plan provides for the participation of employees immediately upon hire and attainment of age 21. Employees may elect to defer 100% of eligible compensation, as defined in the Plan. The Plan allows for matching employer contributions up to 6% of eligible participant deferrals. Employer contributions allocated to the Company for the years ended September 30, 2021 and 2020 were $134,450 and $84,794, respectively.

Note 15: Commitments And Contingencies

At September 30, 2021, the Company has committed to loans totaling $4,943,550 to be made in subsequent fiscal years. 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.

The Company follows the guidance for uncertainty in income taxes. As of September 30, 2021, the Company believes that it has appropriate support for the income tax positions taken and to be taken on its returns based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Note 16: Concentrations Of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk consist principally of cash in financial institutions. Accounts at each institution are insured up to the Federal Deposit Insurance Corporation limits.

Note 17: Risks And Uncertainties

In March 2020, the World Health Organization (WHO) recognized and declared the novel strain of coronavirus, known as COVID-19, as a global pandemic. In response to this pandemic, federal, state, county, and local governments and public health organizations and authorities have implemented a variety of measures intended to control the spread of the virus, including quarantines, “stay-at-home” orders, travel restrictions, school closures, business limitations and closures, social distancing, and hygiene requirements. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, and have disrupted normal operations of many businesses, including that of the Company. Potential impacts to the Company include disruptions or restrictions on our employee’s ability to work, lack of demand for new loans, or the borrower’s ability to pay the required monthly payments. Changes to the operating environment may also be impacted.

Although the Company has been able to continue operations, the COVID-19 pandemic remains a rapidly evolving situation, and economic uncertainties have arisen which could negatively impact current and future operating results. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak which are uncertain and cannot be predicted at this time.

Note 18: Subsequent Events

Subsequent events have been evaluated through January 3, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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*

To The Board Of Directors
NYBDC Local Development Corporation

Independent Auditors' Report

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 NYBDC Local Development Corporation (the Company), which comprise the statement of financial position as of September 30, 2021, 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 January 3, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing 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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 Company'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding #2021-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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*.

NYBDC Local Development Corporation's Response to Findings

NYBDC Local Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NYBDC Local Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Teal, Becker & Chiaramonte, CPAs PC

Albany, New York
January 3, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To The Board Of Directors
NYBDC Local Development Corporation

Independent Auditors' Report

Report on Compliance for the Major Federal Program

We have audited NYBDC Local Development Corporation's (the Company) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended September 30, 2021. The Company's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Company's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on the Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Teal, Becker & Chiaramonte, CPAs PC

Albany, New York
January 3, 2023

NYBDC LOCAL DEVELOPMENT CORPORATION

Schedule Of Expenditures Of Federal Awards

September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures
U.S. Small Business Administration		
Direct Program:		
Microloan Program	59.046	$ 2,426,000
Microloan Program Grant	59.046	1,240,721
Total U.S Small Business Administration		3,666,721
U.S. Department of Treasury		
Direct Program:		
Community Development Financial Institutions Program	21.020	714,000
Community Development Financial Institutions Rapid Response Program	21.024	1,826,265
Total U.S Department of Treasury		2,540,265
Total Expenditures Of Federal Awards		$ 6,206,986

Note 1: Basis Of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the NYBDC Local Development Corporation (the Company) under programs of the federal government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Company.

Note 2: Summary Of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) was prepared on the accrual basis of accounting. Loans are disbursed as awards are received; corresponding assets and liabilities arising from the loans are recorded.

The amounts reported as federal expenditures in the Schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the Schedule.

NYBDC LOCAL DEVELOPMENT CORPORATION

Schedule Of Findings And Questioned Costs

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ yes	☒ no
• Significant deficiency(ies) identified?	☒ yes	☐ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

FEDERAL AWARDS

Internal control over the major programs:		
• Material weakness(es) identified?	☐ yes	☒ no
• Significant deficiency(ies) identified?	☐ yes	☒ none reported
Type of auditors' report issued on compliance for the major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ yes	☒ no

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA Number	Name of Federal Program
59.046	U.S. Small Business Administration Microloan Program
21.024	CDFI Rapid Response Program

Dollar threshold used to distinguish between Federal Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☒ yes	☐ no

NYBDC LOCAL DEVELOPMENT CORPORATION

Schedule Of Findings And Questioned Costs

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding #2021-1: SEFA Reporting

Criteria:	In accordance with 2 CFR 200.508(b), the auditee must prepare the schedule of expenditures of Federal awards (SEFA), which must list individual Federal awards by Federal agency, including the total Federal awards expended, name of pass-through entity, Assistance Listing Numbers, and amounts provided to sub-recipients. The information contained in the SEFA should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.
Condition:	The SEFA presented for audit did not include grants from the U.S. Department of Treasury under the Community Development Financial Institutions Rapid Response Program, which resulted in an understatement of the total awards expended by $1,826,265.
Cause:	This finding was caused by insufficient communication between the grant management department and the financial reporting department, and because the Company did not reconcile the expenditures reported on the SEFA with the amounts reported on the required quarterly and annual reports provided to the grantor.
Effect:	This finding is material to the financial statements and the Schedule Of Expenditures Of Federal Awards, and we consider this to be a significant deficiency in internal control over financial reporting.
Recommendation:	We recommend that the Company review and update its policies and procedures to ensure that all Federal awards are properly identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner. The Company should review and update its policies and procedures to reconcile amounts reported on the schedule of expenditures of Federal awards with expenditures in the Company's general ledger, and with those amounts reported to the award grantors in program required reports.
Company's Response:	The Company concurs with the auditors' finding and recommendation. The Company will review and update its policies and procedures, including its reconciliation process of amounts reported on the schedule of expenditures of Federal awards with those amounts in the Company's general ledger and those reported in required program reports, to ensure that all Federal awards are properly identified and reported accurately on the SEFA. Expected Completion Date: December 31, 2022 Responsible Person(s): Steve Cohen, President and Owen Burns, CFO

SECTION III - FEDERAL AWARDS FINDINGS

No findings reported.