

***NYBDC LOCAL  
DEVELOPMENT CORPORATION***

***FINANCIAL STATEMENTS***

***SEPTEMBER 30, 2022 AND 2021***



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

## **Independent Auditors' Report**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NYBDC Local Development Corporation as of September 30, 2022 and 2021, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NYBDC Local Development Corporation 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 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 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 NYBDC Local Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditors' 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 auditors' 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 GAAS and *Government 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 GAAS and *Government 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 the NYBDC Local Development Corporation'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 the NYBDC Local Development Corporation'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.

***Supplementary 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 is 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.

*Leah Becker & Charamonte, CPAs PC*

Albany, New York  
January 3, 2023

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Statements Of Financial Position

September 30

	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
<b>Assets:</b>		
Cash (Note 3)	\$ 1,047,070	\$ 896,248
Accounts receivable	214,378	131,872
Grants receivable	3,568,303	751,111
Prepaid expenses	8,408	6,693
Accrued interest receivable	391,979	328,820
Restricted cash (Note 3)	6,675,814	4,784,342
Related party loans receivable (Note 10)	9,695,222	4,204,610
Paycheck Protection Program loan participations receivable (Notes 6 and 10)	1,860,361	19,307,043
Loans receivable, net (Note 4)	<u>24,581,832</u>	<u>28,009,415</u>
<b>Total Assets</b>	<b><u>\$ 48,043,367</u></b>	<b><u>\$ 58,420,154</u></b>
<b><u>Liabilities And Net Assets</u></b>		
<b>Liabilities:</b>		
Short-term borrowings (Note 7)	\$ 296,000	\$ 308,000
Other current liabilities (Note 10)	1,064,004	470,205
Interest payable (Note 10)	94,998	100,386
Community Development Block Grant loans payable (Note 5)	143,691	197,075
Empire State Development loan funds (Note 8)	1,907,206	3,203,873
Paycheck Protection Program related party payables (Notes 6 and 10)	1,860,361	19,307,043
Long-term debt (Note 9)	<u>22,629,426</u>	<u>20,542,229</u>
Total liabilities	27,995,686	44,128,811
<b>Net assets:</b>		
Without donor restrictions	14,685,819	11,826,840
With donor restrictions (Note 11)	<u>5,361,862</u>	<u>2,464,503</u>
Total net assets	<u>20,047,681</u>	<u>14,291,343</u>
<b>Total Liabilities And Net Assets</b>	<b><u>\$ 48,043,367</u></b>	<b><u>\$ 58,420,154</u></b>

The accompanying notes are an integral part of these financial statements

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Statements Of Activities

For The Year Ended September 30, 2022

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

	<b>2022</b>			<b>2021</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenues:</b>				
Grant income	\$ 2,055,320	\$ 5,255,000	\$ 7,310,320	\$ 6,932,215
Interest income on loans	3,004,835	-	3,004,835	3,568,617
Origination and other fee income	649,136	-	649,136	1,011,557
Contribution income	437,250	-	437,250	155,598
Net assets released from restrictions	2,357,641	(2,357,641)	-	-
 Total revenues	8,504,182	2,897,359	11,401,541	11,667,987
 <b>Operating expenses:</b>				
Program services	4,597,893	-	4,597,893	4,844,138
Management and general	1,047,310	-	1,047,310	823,199
 Total operating expenses	5,645,203	-	5,645,203	5,667,337
 <b>Increase in net assets</b>	2,858,979	2,897,359	5,756,338	6,000,650
 <b>Net assets at beginning of year</b>	11,826,840	2,464,503	14,291,343	8,290,693
 <b>Net Assets At End Of Year</b>	\$ 14,685,819	\$ 5,361,862	\$ 20,047,681	\$ 14,291,343

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

	<b><u>Without Donor</u></b>	<b><u>With Donor</u></b>	<b><u>Total</u></b>
	<b><u>Restrictions</u></b>	<b><u>Restrictions</u></b>	
<b>Revenues:</b>			
Grant income	\$ 1,991,950	\$ 4,940,265	\$ 6,932,215
Interest income on loans	3,568,617	-	3,568,617
Origination and other fee income	1,011,557	-	1,011,557
Contribution income	155,598	-	155,598
Net assets released from restrictions	<u>4,213,440</u>	<u>(4,213,440)</u>	<u>-</u>
 Total revenues	 <u>10,941,162</u>	 <u>726,825</u>	 <u>11,667,987</u>
 <b>Operating expenses:</b>			
Program services	4,844,138	-	4,844,138
Management and general	<u>823,199</u>	<u>-</u>	<u>823,199</u>
 Total operating expenses	 <u>5,667,337</u>	 <u>-</u>	 <u>5,667,337</u>
 <b>Increase in net assets</b>	 5,273,825	 726,825	 6,000,650
 <b>Net assets at beginning of year</b>	 <u>6,553,015</u>	 <u>1,737,678</u>	 <u>8,290,693</u>
 <b>Net Assets At End Of Year</b>	 <u>\$ 11,826,840</u>	 <u>\$ 2,464,503</u>	 <u>\$ 14,291,343</u>

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, 2022

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

	<b>2022</b>			<b>2021</b>
	<b><u>Program</u></b>	<b><u>Management And General</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
<b>Operating expenses:</b>				
Salaries and wages	\$ 1,801,143	\$ 200,127	\$ 2,001,270	\$ 1,819,536
Shared services	646,634	646,635	1,293,269	990,041
Provision for loan losses	464,694	-	464,694	1,251,489
Interest expense	460,812	-	460,812	620,971
401(k) and profit sharing	272,286	30,254	302,540	134,450
Consulting	229,781	-	229,781	114,332
IT and software expense	146,476	-	146,476	104,238
Payroll taxes	116,702	12,967	129,669	108,354
Employee benefits	114,656	12,740	127,396	118,600
Professional fees	47,222	68,877	116,099	87,924
Public relations	88,769	-	88,769	94,313
Miscellaneous expense	63,100	21,034	84,134	63,417
Travel and meals	25,886	16,630	42,516	31,281
Credit reports	24,451	-	24,451	17,183
Referral fees	23,095	-	23,095	10,900
Insurance	-	22,179	22,179	18,806
Telephone	9,187	9,187	18,374	14,664
Rent	18,280	-	18,280	17,729
Grant expenses	17,150	-	17,150	7,740
Director fees	13,619	-	13,619	22,113
Office expenses	11,023	285	11,308	11,552
Events	2,927	2,412	5,339	2,166
Bank fees	-	3,983	3,983	5,538
<b>Total Operating Expenses</b>	<b>\$ 4,597,893</b>	<b>\$ 1,047,310</b>	<b>\$ 5,645,203</b>	<b>\$ 5,667,337</b>

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

	<u>Program</u>	<u>Management And General</u>	<u>Total</u>
<b>Operating expenses:</b>			
Salaries and wages	\$ 1,637,582	\$ 181,954	\$ 1,819,536
Provision for loan losses	1,251,489	-	1,251,489
Shared services	495,020	495,021	990,041
Interest expense	620,971	-	620,971
401(k) and profit sharing	121,005	13,445	134,450
Employee benefits	108,836	9,764	118,600
Consulting	114,332	-	114,332
Payroll taxes	97,519	10,835	108,354
IT and software expense	104,238	-	104,238
Public relations	94,313	-	94,313
Professional fees	30,486	57,438	87,924
Miscellaneous expense	47,979	15,438	63,417
Travel and meals	25,280	6,001	31,281
Director fees	22,113	-	22,113
Insurance	-	18,806	18,806
Rent	17,729	-	17,729
Credit reports	17,183	-	17,183
Telephone	7,332	7,332	14,664
Office expenses	11,008	544	11,552
Referral fees	10,900	-	10,900
Grant expenses	7,740	-	7,740
Bank fees	-	5,538	5,538
Events	1,083	1,083	2,166
	1,083	1,083	2,166
<b>Total Operating Expenses</b>	<u>\$ 4,844,138</u>	<u>\$ 823,199</u>	<u>\$ 5,667,337</u>

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Operating activities:</b>		
Increase in net assets	\$ 5,756,338	\$ 6,000,650
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Provision for loan losses	464,694	1,251,489
Changes in operating assets and liabilities:		
Accrued interest receivable	(63,159)	262,691
Prepaid expenses	(1,715)	2,865
Accounts receivable	(82,506)	(24,138)
Grants receivable	(2,817,192)	(156,334)
Other current liabilities	593,799	229,408
Accrued interest payable	<u>(5,388)</u>	<u>(91,451)</u>
Net cash flows from operating activities	<u>3,844,871</u>	<u>7,475,180</u>
<b>Investing activities:</b>		
Loans collected, net	2,962,889	5,039,070
Advances on related party loans receivable, net	<u>(5,490,612)</u>	<u>(1,204,610)</u>
Net cash flows from (for) investing activities	<u>(2,527,723)</u>	<u>3,834,460</u>
<b>Financing activities:</b>		
Payments on short-term borrowings, net	(12,000)	(10,181,773)
Issuance of long-term debt	6,280,724	2,527,501
Repayments on long-term debt	(4,193,527)	(3,637,815)
Payments on NYC Economic Development Corporation borrowings	-	(250,000)
Proceeds from (payments on) Empire State Development loan funds, net	(1,296,667)	47,500
Payments on Community Development Block Grant loans payable, net	<u>(53,384)</u>	<u>(268,563)</u>
Net cash flows from (for) financing activities	<u>725,146</u>	<u>(11,763,150)</u>
<b>Net increase (decrease) in cash and restricted cash</b>	2,042,294	(453,510)
<b>Cash and restricted cash - beginning of year</b>	<u>5,680,590</u>	<u>6,134,100</u>
<b>Cash And Restricted Cash - End Of Year (Note 3)</b>	<u>\$ 7,722,884</u>	<u>\$ 5,680,590</u>

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

	<u>2022</u>	<u>2021</u>
<b>Supplemental disclosure of cash flows information:</b>		
Interest Paid	\$ 466,200	\$ 712,422
<b>Supplemental schedules of noncash investing and financing activities:</b>		
Purchase of participation in Paycheck Protection Program loans receivable, net of repayments and forgiveness	\$ (17,446,682)	\$ 19,307,043
Less: advances on related party loan, net of repayments and forgiveness	<u>(17,446,682)</u>	<u>19,307,043</u>
<b>Net Cash Paid For Paycheck Protection Program Loan Participations</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To 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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 1: Summary Of Significant Accounting Policies (Continued)**

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.

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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 1: Summary Of Significant Accounting Policies (Continued)**

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.

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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 1: Summary Of Significant Accounting Policies (Continued)**

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.

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.



# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 2: Availability And Liquidity**

The following represents the Company's financial assets at September 30, 2022 that could readily be made available to meet general expenditures over the next twelve months:

Financial assets at year end:

Loans receivable, net	\$ 24,581,832
Paycheck Protection Program loan participation receivables	1,860,361
Cash (includes restricted cash)	7,722,884
Related party loan receivable	9,695,222
Grants receivable	3,568,303
Accounts receivable	<u>214,378</u>
Total financial assets	<u>47,642,980</u>

Less: amounts not readily available to be used within twelve months:

Loans receivable, net	9,922,342
Paycheck Protection Program loan participation receivables	1,365,925
Restricted cash	6,675,814
Related party loan receivable	9,695,222
Net assets with donor restrictions	<u>5,361,862</u>
Total amounts not readily available to be used within twelve months	<u>33,021,165</u>

**Financial Assets Available To Meet General Expenditures  
Over The Next Twelve Months**

**\$ 14,621,815**

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 10) 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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **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, 2022 and 2021 that sum to the total of the same such amounts in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Restricted cash	\$ 6,675,814	\$ 4,784,342
Cash	<u>1,047,070</u>	<u>896,248</u>
<b>Total Cash And Restricted Cash</b>	<b><u>\$ 7,722,884</u></b>	<b><u>\$ 5,680,590</u></b>

### **Note 4: Loans Receivable And Allowance For Loan Losses**

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

	<u>2022</u>	<u>2021</u>
Pursuit Community Finance loans receivable	\$ 56,646,619	\$ 56,437,222
Interim loans receivable	1,924,997	4,911,369
Community Development Block Grant loans receivable (Note 5)	<u>143,691</u>	<u>197,075</u>
	58,715,307	61,545,666
Less: participations sold	<u>(29,112,183)</u>	<u>(28,514,687)</u>
	29,603,124	33,030,979
Less: allowance for loan losses	<u>(5,021,292)</u>	<u>(5,021,564)</u>
<b>Loans Receivable, Net</b>	<b><u>\$ 24,581,832</u></b>	<b><u>\$ 28,009,415</u></b>

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Notes To Financial Statements

**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:

<b>September 30, 2022</b>				
<b><u>Current</u></b>	<b><u>30 - 59 Days Past Due</u></b>	<b><u>60 - 89 Days Past Due</u></b>	<b><u>90 + Days Past Due</u></b>	<b><u>Total Loans</u></b>
\$ <u>27,596,095</u>	\$ <u>306,507</u>	\$ <u>66,741</u>	\$ <u>1,633,781</u>	\$ <u>29,603,124</u>

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

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2022 and 2021 was \$392,032 and \$820,286, 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:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Balance, beginning of year	\$ 5,021,564	\$ 5,259,912
Provision for loan losses	464,694	1,251,489
Recoveries	209,186	44,139
Losses charged to the allowance	(592,269)	(1,613,368)
Other adjustments	<u>(81,883)</u>	<u>79,392</u>
<b>Balance, End Of Year</b>	<b><u>\$ 5,021,292</u></b>	<b><u>\$ 5,021,564</u></b>

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

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Notes To Financial Statements

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

	<u>2022</u>	<u>2021</u>
<b>Ending allowance balance attributable to loans:</b>		
Individually evaluated for impairment	\$ 1,201,000	\$ 1,132,000
Collectively evaluated for impairment	<u>3,820,292</u>	<u>3,889,564</u>
<b>Total Ending Allowance Balance</b>	<u>\$ 5,021,292</u>	<u>\$ 5,021,564</u>
<b>Loans:</b>		
Individually evaluated for impairment	\$ 1,241,749	\$ 1,269,554
Collectively evaluated for impairment	<u>28,361,375</u>	<u>31,761,425</u>
<b>Total Ending Loan Balance</b>	<u>\$ 29,603,124</u>	<u>\$ 33,030,979</u>

Loans on which the accrual of interest has been discontinued, or impaired loans, totaled \$1,241,749 and \$1,269,554 at September 30, 2022 and 2021, respectively.

Impaired loans as of September 30 are presented as follows:

<b>September 30, 2022</b>				
<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
<u>\$ 1,241,749</u>	<u>\$ 1,241,749</u>	<u>\$ 1,201,000</u>	<u>\$ 1,014,190</u>	<u>\$ -</u>
<b>September 30, 2021</b>				
<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
<u>\$ 1,269,554</u>	<u>\$ 1,269,554</u>	<u>\$ 1,132,000</u>	<u>\$ 966,140</u>	<u>\$ -</u>

The Company did not acquire any loans with deteriorated credit quality in 2022 and 2021.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **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, 2022 and 2021, no loan awards have been disbursed to qualified applicants for both years. As of September 30, 2022 and 2021, \$143,691 and \$197,075 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City. During the fiscal years ended September 30, 2022 and 2021, \$0- of grant awards have been disbursed to qualified applicants.

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, 2022 and 2021, the City was billed \$0- for the Company's services.

### **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 10). 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, 2022, the PPP loan participations receivable, which are net of repayments and forgiveness granted by the SBA, total \$1,860,361, and are offset by the corresponding payable to the related party.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 7: Short-Term Borrowings**

Short-term borrowings as of September 30 consist of:

	<u>2022</u>	<u>2021</u>
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 6.25% at September 30, 2022), however, is subject to an interest rate floor of 3.25%. The Company has \$7,204,000 available on this line at September 30, 2022.	\$ 296,000	\$ 308,000
The Company has short-term funding available from a related party with principal due on demand. 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 4.10% at September 30, 2022).	-	-
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 6.25% at September 30, 2022), however, is subject to an interest rate floor of 3.00%. The Company has \$7,000,000 available on this line at September 30, 2022.	-	-
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 6.25% at September 30, 2022), however, is subject to an interest rate floor of 3.00%. The Company has \$1,500,000 available on this line at September 30, 2022.	-	-
<b>Total Short-Term Borrowings</b>	<u>\$ 296,000</u>	<u>\$ 308,000</u>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **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:

	<u>2022</u>	<u>2021</u>
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, in annual equal principal installments 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.	333,333	500,000
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	247,500

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Notes To Financial Statements

**Note 8: Empire State Development Loan Funds (Continued)**

	<u>2022</u>	<u>2021</u>
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
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 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	50,000
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 had been deferred until September 2022, per the amended agreement. This note has been satisfied in full in the current year.	-	1,130,000
<b>Total Empire State Development Loan Funds</b>	<u>\$ 1,907,206</u>	<u>\$ 3,203,873</u>



# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 8: Empire State Development Loan Funds (Continued)**

Maturities of Empire State Development loan funds are as follows:

2023	\$ 1,109,707
2024	166,666
2025	113,867
2026	115,005
2027	116,155
Thereafter	<u>285,806</u>
<b>Total</b>	<b><u>\$ 1,907,206</u></b>

### **Note 9: Long-Term Debt**

Long-term debt as of September 30 consists of:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Revolving note payable with a bank, due May 2025. 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 3.14% at September 30, 2022). The Company has \$-0- available on this note at September 30, 2022.	\$ 5,000,000	\$ 5,000,000
Loan payable to the U.S. Small Business Administration, due January 2032, without interest. Principal payments of approximately \$23,148 are payable monthly beginning January 2023. 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.	2,500,000	-
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.	1,588,160	1,818,283

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 9: Long-Term Debt (Continued)**

	<b><u>2022</u></b>	<b><u>2021</u></b>
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.	1,586,335	1,857,976
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, in monthly installments of \$13,889, 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.	1,472,222	1,500,000
Notes payable to a foundation, with \$451,300 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 \$1,451,300 (see Note 10), as the note supports NYBDC's participation in a COVID-related recovery program.	1,451,300	2,336,004
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.	1,299,902	3,820,244
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

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 9: Long-Term Debt (Continued)**

	<b><u>2022</u></b>	<b><u>2021</u></b>
Loan payable to a bank, due April 2027, with interest only payments payable monthly at 2.75% through October, 2023, followed by monthly payments of \$25,001 until maturity. The loan is unsecured.	1,000,000	-
Loan payable to a bank, due July 2032, with interest only payable quarterly at 2.00% through July 2027, followed by quarterly payments of \$52,671, including interest at 2.00%, until maturity. Loan proceeds may be used solely to fund loans or provide other financial support to minority-owned or minority-managed businesses.	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.	861,111	972,222
Revolving credit note payable to a bank, with a limit of \$2,000,000, and interest payable at the Prime rate plus 2.00% (Prime was 6.25% at September 30, 2022), with the requirement that the Company shall use the proceeds to fund commercial lines of credit to businesses located in the states of New York, New Jersey, and Pennsylvania. The loan shall mature on the date that is one year after the last customer line of credit is originated prior to the first anniversary of the agreement, subject to annual extensions at the discretion of the bank and the Company. Interest on the loan shall be due and payable monthly, and principal on the loan shall be due and payable on the maturity date. The revolving credit note is secured by customer lines of credit, all proceeds thereof, and all deposit accounts of the Company at the bank.	716,229	-
Loan payable to an unrelated corporation, due December 2028, in quarterly installments of \$22,568, including interest at 2.60%, payable beginning December 2022. Loan proceeds must be used solely to make eligible veteran loans.	500,000	-

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 9: Long-Term Debt (Continued)**

	<b><u>2022</u></b>	<b><u>2021</u></b>
<p>Loan payable to the New Jersey Economic Development Agency, due July 2041, with no payments for the first 2 years, followed by interest only payments for next 5 years, payable quarterly at a rate of 2.00%. Thereafter, principal and interest payments shall be due quarterly until maturity. Loan proceeds shall be disbursed in three equal tranches, the first at closing, and the two remaining tranches will be disbursed once 75% of each previous tranche is committed. Total loan proceeds of \$1,500,000 must be fully disbursed within 24 months of the date of closing. Loan proceeds may be used solely to capitalize a revolving loan fund in New Jersey.</p>	500,000	-
<p>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.</p>	354,167	437,500
<p>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 under the program total \$55,000 and 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.</p>	<u>300,000</u>	<u>300,000</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 22,629,426</u></b>	<b><u>\$ 20,542,229</u></b>

Maturities of long-term debt are as follows:

2023	\$	1,399,707
2024		4,475,755
2025		8,126,994
2026		3,000,331
2027		1,378,360
Thereafter		<u>4,248,279</u>
<b>Total</b>		<b><u>\$ 22,629,426</u></b>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 10: Related Party Transactions**

At September 30, 2022 and 2021, 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:

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b><u>Due to/from related parties</u></b>		
Due From NYBDC - Represents 100% participation in PPP loans receivable with a related party (see Note 6).	<u>\$ 1,860,361</u>	<u>\$ 19,307,043</u>
Due To NYBDC - Represents offsetting payables related to 100% participation in PPP loans receivable with a related party (see Note 6).	<u>\$ 1,860,361</u>	<u>\$ 19,307,043</u>
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 4.10% at September 30, 2022).	<u>\$ 8,243,922</u>	<u>\$ 1,868,606</u>
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 9).	<u>\$ 1,451,300</u>	<u>\$ 2,336,004</u>
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).	<u>\$ 753,994</u>	<u>\$ 124,448</u>
Accrued Interest - Due from NYBDC (included in interest receivable on the statements of financial position).	<u>\$ 188,822</u>	<u>\$ -</u>
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	<u>\$ -</u>	<u>\$ 5,189</u>

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Notes To Financial Statements

**Note 10: Related Party Transactions (Continued)**

**Income and expenses**

Interest Income - Received from NYBDC.	<u>\$ 235,447</u>	<u>\$ -</u>
Staffing And Shared Services - Paid to NYBDC.	<u>\$ 1,293,269</u>	<u>\$ 990,041</u>
Interest Expense - Paid to NYBDC.	<u>\$ 818</u>	<u>\$ 209,663</u>
Employee Benefits Expense - Paid to NYBDC.	<u>\$ 171,468</u>	<u>\$ 128,726</u>
Rent Expense - Paid to NYBDC.	<u>\$ 18,280</u>	<u>\$ 17,729</u>

**Note 11: 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 2023. Net assets with donor restrictions are as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Loan programs	<u>\$ 5,361,862</u>	<u>\$ 2,464,503</u>

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

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Loan programs	<u>\$ 2,357,641</u>	<u>\$ 4,213,440</u>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 12: 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, 2022 and 2021 were \$302,540 and \$134,450, respectively.

### **Note 13: Commitments And Contingencies**

At September 30, 2022, the Company has committed to loans totaling \$2,257,889 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, 2022, 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 14: 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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 15: 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 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 16: 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**



CELEBRATING 50 YEARS OF SERVICE

**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, 2022, 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 NYBDC Local Development Corporation'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 NYBDC Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYBDC Local Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the NYBDC Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

**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 & Charamonte CPAs PC*

Albany, New York  
January 3, 2023



CELEBRATING 50 YEARS OF SERVICE

**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**

***Opinion on Each 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 NYBDC Local Development Corporation's major federal programs for the year ended September 30, 2022. The NYBDC Local Development Corporation's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the NYBDC Local Development Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal program for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the NYBDC Local Development Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NYBDC Local Development Corporation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the NYBDC Local Development Corporation's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the NYBDC Local Development Corporation's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the NYBDC Local Development Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 NYBDC Local Development Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the NYBDC Local Development Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 & Charomonte, CPAs PC*

Albany, New York  
January 3, 2023

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Schedule Of Expenditures Of Federal Awards

September 30, 2022

<b><u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u></b>	<b><u>Federal Assistance Listing Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Small Business Administration</u></b>		
Direct Program:		
Microloan Program	59.046	\$ 3,298,000
Microloan Program Grant	59.046	<u>1,255,318</u>
Total U.S Small Business Administration		<u>4,553,318</u>
<b><u>U.S. Department of Treasury</u></b>		
Direct Program:		
Community Development Financial Institutions Program	21.020	<u>245,250</u>
Total U.S Department of Treasury		<u>245,250</u>
<b>Total Expenditures Of Federal Awards</b>		<b><u>\$ 4,798,568</u></b>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Schedule Of Expenditures Of Federal Awards

### **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, 2022. 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

For The Year Ended September 30, 2022

**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:**

**Assistance Listing**

<b>Number</b>	<b>Name of Federal Program</b>
59.046	U.S. Small Business Administration Microloan 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**

Summary Schedule Of Prior Audit Findings

For The Year Ended September 30, 2022

*Audit Finding Reference:* Finding #2021-1: SEFA Reporting

*Status of Prior Audit Finding:* Planned corrective action appears to have been completed during the current fiscal year, as we believe that all Federal awards have been properly identified, and amounts have been accurately reported in the Schedule of Expenditures of Federal Awards for the current audit period.