NYBDC LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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 Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 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 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 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 December 12, 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 PC

Albany, New York
December 12, 2023

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Financial Position

September 30

		2023		2022
Assets				
Assets:				
Cash (Note 4)	$	50,571	$	1,047,070
Restricted cash (Note 4)		5,173,726		6,675,814
Accounts receivable		192,709		214,378
Grants receivable		2,084,216		3,568,303
Accrued interest receivable		272,244		391,979
Investments (Note 3)		5,000,000		-
Loans receivable, net (Note 5)		32,985,335		24,581,832
Paycheck Protection Program loan participations receivable (Notes 7 and 11)		37,323		1,860,361
Related party loans receivable (Note 11)		4,380,448		9,695,222
Prepaid expenses		8,393		8,408
Total Assets	$	50,184,965	$	48,043,367
Liabilities And Net Assets				
Liabilities:				
Short-term borrowings (Note 8)	$	934,600	$	296,000
Other current liabilities (Note 11)		803,113		1,064,004
Interest payable (Note 11)		105,609		94,998
Empire State Development loan funds (Note 9)		2,743,040		1,907,206
Long-term debt (Note 10)		20,956,394		22,629,426
Community Development Block Grant loans payable (Note 6)		120,851		143,691
Paycheck Protection Program related party payables (Notes 7 and 11)		37,323		1,860,361
Total liabilities		25,700,930		27,995,686
Net assets:				
Without donor restrictions		16,887,786		14,685,819
With donor restrictions (Note 12)		7,596,249		5,361,862
Total net assets		24,484,035		20,047,681
Total Liabilities And Net Assets	$	50,184,965	$	48,043,367

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Activities

For The Year Ended September 30, 2023
(With Summarized Comparative Totals For The Year Ended September 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Grant income	$ 2,426,997	$ 4,862,630	$ 7,289,627	$ 7,310,320
Interest income on loans	3,062,317	-	3,062,317	3,004,835
Origination and other fee income	1,771,889	-	1,771,889	649,136
Contribution income	203,005	-	203,005	437,250
Net assets released from restrictions	2,628,243	(2,628,243)	-	-
Total revenues	10,092,451	2,234,387	12,326,838	11,401,541
Operating expenses:				
Program services	6,333,524	-	6,333,524	4,597,893
Management and general	1,556,960	-	1,556,960	1,047,310
Total operating expenses	7,890,484	-	7,890,484	5,645,203
Increase in net assets	2,201,967	2,234,387	4,436,354	5,756,338
Net assets at beginning of year	14,685,819	5,361,862	20,047,681	14,291,343
Net Assets At End Of Year	$ 16,887,786	$ 7,596,249	$ 24,484,035	$ 20,047,681

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grant income	$ 2,055,320	$ 5,255,000	$ 7,310,320
Interest income on loans	3,004,835	-	3,004,835
Origination and other fee income	649,136	-	649,136
Contribution income	437,250	-	437,250
Net assets released from restrictions	2,357,641	(2,357,641)	-
Total revenues	8,504,182	2,897,359	11,401,541
Operating expenses:			
Program services	4,597,893	-	4,597,893
Management and general	1,047,310	-	1,047,310
Total operating expenses	5,645,203	-	5,645,203
Increase in net assets	2,858,979	2,897,359	5,756,338
Net assets at beginning of year	11,826,840	2,464,503	14,291,343
Net Assets At End Of Year	$ 14,685,819	$ 5,361,862	$ 20,047,681

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, 2023
(With Summarized Comparative Totals For The Year Ended September 30, 2022)

	2023			2022
	Program	**Management And General**	**Total**	**Total**
Operating expenses:				
Salaries and wages	$ 2,295,877	$ 255,097	$ 2,550,974	$ 2,001,270
Shared services	1,092,232	1,092,232	2,184,464	1,293,269
Provision for loan losses	834,748	-	834,748	464,694
Interest expense	695,557	-	695,557	460,812
Consulting	342,532	-	342,532	229,781
401(k) and profit sharing	241,122	26,791	267,913	302,540
Employee benefits	169,597	18,844	188,441	127,396
Payroll taxes	154,753	17,195	171,948	129,669
Travel and meals	76,278	31,968	108,246	42,516
IT and software expense	108,029	-	108,029	146,476
Professional fees	36,909	69,101	106,010	116,099
Public relations	92,475	-	92,475	88,769
Miscellaneous expense	30,879	14,047	44,926	84,134
Credit reports	42,421	-	42,421	24,451
Referral fees	33,720	-	33,720	23,095
Office expenses	24,084	2,358	26,442	11,308
Shared office space expense	26,310	-	26,310	18,280
Events	18,584	3,523	22,107	5,339
Insurance	-	21,299	21,299	22,179
Director fees	14,070	-	14,070	13,619
Telephone	3,347	3,347	6,694	18,374
Bank fees	-	1,158	1,158	3,983
Grant expenses	-	-	-	17,150
Total Operating Expenses	$ 6,333,524	$ 1,556,960	$ 7,890,484	$ 5,645,203

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Functional Expenses

For The Year Ended September 30, 2022

	Program	Management And General	Total
Operating expenses:			
Salaries and wages	$ 1,801,143	$ 200,127	$ 2,001,270
Shared services	646,634	646,635	1,293,269
Provision for loan losses	464,694	-	464,694
Interest expense	460,812	-	460,812
401(k) and profit sharing	272,286	30,254	302,540
Consulting	229,781	-	229,781
IT and software expense	146,476	-	146,476
Payroll taxes	116,702	12,967	129,669
Employee benefits	114,656	12,740	127,396
Professional fees	47,222	68,877	116,099
Public relations	88,769	-	88,769
Miscellaneous expense	63,100	21,034	84,134
Travel and meals	25,886	16,630	42,516
Credit reports	24,451	-	24,451
Referral fees	23,095	-	23,095
Insurance	-	22,179	22,179
Telephone	9,187	9,187	18,374
Shared office space expense	18,280	-	18,280
Grant expenses	17,150	-	17,150
Director fees	13,619	-	13,619
Office expenses	11,023	285	11,308
Events	2,927	2,412	5,339
Bank fees	-	3,983	3,983
Total Operating Expenses	$ 4,597,893	$ 1,047,310	$ 5,645,203

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Cash Flows

For The Years Ended September 30

		2023		2022
Operating activities:				
Increase in net assets	$	4,436,354	$	5,756,338
Adjustments to reconcile increase in net assets to net cash flows from operating activities:				
Provision for loan losses		834,748		464,694
Changes in operating assets and liabilities:				
Accrued interest receivable		119,735		(63,159)
Prepaid expenses		15		(1,715)
Accounts receivable		21,669		(82,506)
Grants receivable		1,484,087		(2,817,192)
Other current liabilities		(260,891)		593,799
Accrued interest payable		10,611		(5,388)
Net cash flows from operating activities		6,646,328		3,844,871
Investing activities:				
Loans collected (disbursed), net		(9,238,251)		2,962,889
Advances on (repayments from) related party loans receivable, net		5,314,774		(5,490,612)
Purchase of investments		(5,000,000)		-
Net cash flows for investing activities		(8,923,477)		(2,527,723)
Financing activities:				
Proceeds from (payments on) short-term borrowings, net		638,600		(12,000)
Issuance of long-term debt		3,750,000		6,280,724
Repayments on long-term debt		(5,423,032)		(4,193,527)
Proceeds from (payments on) Empire State Development loan funds, net		835,834		(1,296,667)
Payments on Community Development Block Grant loans payable, net		(22,840)		(53,384)
Net cash flows from (for) financing activities		(221,438)		725,146
Net increase (decrease) in cash and restricted cash		(2,498,587)		2,042,294
Cash and restricted cash - beginning of year		7,722,884		5,680,590
Cash And Restricted Cash - End Of Year	$	5,224,297	$	7,722,884

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Cash Flows

For The Years Ended September 30

		2023		2022
Supplemental disclosure of cash flows information:				
Interest Paid	$	684,946	$	466,200
Supplemental schedule of noncash investing and financing activities:				
Purchase of participation in Paycheck Protection Program loans receivable, net of repayments and forgiveness	$	(1,823,038)	$	(17,446,682)
Less: advances on related party loan, net of repayments and forgiveness		(1,823,038)		(17,446,682)
Net Cash Paid For Paycheck Protection Program Loan Participations	$	-	$	-

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.

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.

Note 1: Summary Of Significant Accounting Policies (Continued)

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.

Restricted cash - Restricted cash includes certain state, borrower, and lender loan loss reserve contributions funded through participation in various enhancement programs. These funds are held in restricted cash until such time that they may be required to fund program 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.

Fair value measurements - Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure fair value. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

Note 1: Summary Of Significant Accounting Policies (Continued)

The three levels of the fair value hierarchy in accordance with accounting principles generally accepted in the United States of America are described below:

Level 1: Unadjusted quoted prices in active markets for identical, unrestricted assets, or liabilities that the Company has the ability to access at the measurement date;

Level 2: Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets, or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3: Significant unobservable prices or inputs (including the Company's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments - The Company carries investments in held to maturity debt securities at amortized cost on the statements of financial position. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on the actual cost of the specific security.

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.

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.

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 program 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 program and management and general based on management's estimates.

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.

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 net assets.

Note 1: Summary Of Significant Accounting Policies (Continued)

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 2: Availability And Liquidity

The following represents the Company's financial assets at September 30, 2023 that could readily be made available to meet general expenditures over the next twelve months:

Financial assets at year end:	
Loans receivable, net	$ 32,985,335
Paycheck Protection Program loan participation receivables	37,323
Cash (includes restricted cash)	5,224,297
Certificates of deposit	5,000,000
Related party loan receivable	4,380,448
Grants receivable	2,084,216
Accounts receivable	192,709
Total financial assets	49,904,328
Less: amounts not readily available to be used within twelve months:	
Loans receivable, net	15,686,814
Paycheck Protection Program loan participation receivables	23,130
Restricted cash	5,173,726
Certificates of deposit	5,000,000
Related party loan receivable	4,380,448
Net assets with donor restrictions	7,596,249
Total amounts not readily available to be used within twelve months	37,860,367
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	$ 12,043,961

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 8 and 11) with any excess cash on hand. This funding source, along with other available lines of credit with banks (see Note 8), provides the Company with sufficient resources to meet its liquidity needs.

Note 3: Fair Value Measurements

The following is a description of the valuation methodologies used for assets at fair value at September 30, 2023:

Certificates of deposit: Valued at amortized cost.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All assets have been valued using a cost approach. There were no changes in the valuation techniques during the current year.

Fair Value Measurements At Reporting Date Using:

	In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
September 30, 2023				
Certificates of deposit	$ -	$ 5,000,000	$ -	$ 5,000,000
Total Investments	$ -	$ 5,000,000	$ -	$ 5,000,000

The certificates of deposit mature October 2024.

Note 4: 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, 2023 and 2022 that sum to the total of the same such amounts in the statements of cash flows:

	2023	2022
Restricted cash	$ 5,173,726	$ 6,675,814
Cash	50,571	1,047,070
Total Cash And Restricted Cash	$ 5,224,297	$ 7,722,884

Note 5: Loans Receivable And Allowance For Loan Losses

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

	2023	2022
Pursuit Community Finance loans receivable	$ 80,541,323	$ 56,646,619
Interim loans receivable	5,302,690	1,924,997
Community Development Block Grant loans receivable (Note 6)	120,703	143,691
	85,964,716	58,715,307
Less: participations sold	(47,994,933)	(29,112,183)
	37,969,783	29,603,124
Less: allowance for loan losses	(4,984,448)	(5,021,292)
Loans Receivable, Net	$ 32,985,335	$ 24,581,832

Note 5: 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, 2023

Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 35,094,119	$ 354,631	$ 135,675	$ 2,385,358	$ 37,969,783

September 30, 2022

Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 27,596,095	$ 306,507	$ 66,741	$ 1,633,781	$ 29,603,124

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2023 and 2022 was $1,049,739 and $392,032, 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:

	2023	2022
Balance, beginning of year	$ 5,021,292	$ 5,021,564
Provision for loan losses	834,748	464,694
Recoveries	6,909	209,186
Losses charged to the allowance	(876,429)	(592,269)
Other adjustments	(2,072)	(81,883)
Balance, End Of Year	$ 4,984,448	$ 5,021,292

Other adjustments consist of loan loss reserves and related recoveries resulting from participation in various programs that have been funded by the state, lender, and the borrower as required under the programs (see Note 1).

Note 5: Loans Receivable And Allowance For Loan Losses (Continued)

	2023	2022
Ending allowance balance attributable to loans:		
Individually evaluated for impairment	$ 1,240,000	$ 1,201,000
Collectively evaluated for impairment	3,744,448	3,820,292
Total Ending Allowance Balance	$ 4,984,448	$ 5,021,292
Loans:		
Individually evaluated for impairment	$ 1,335,938	$ 1,241,749
Collectively evaluated for impairment	36,633,845	28,361,375
Total Ending Loan Balance	$ 37,969,783	$ 29,603,124

Loans on which the accrual of interest has been discontinued, or impaired loans, totaled $1,335,938 and $1,241,749 at September 30, 2023 and 2022, respectively.

Impaired loans as of September 30 are presented as follows:

September 30, 2023

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 1,335,938	$ 1,335,938	$ 1,240,000	$ 1,020,691	$ -

September 30, 2022

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 1,241,749	$ 1,241,749	$ 1,201,000	$ 1,014,190	$ -

The Company did not acquire any loans with deteriorated credit quality in 2023 and 2022.

Note 6: 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, 2023 and 2022, no loan awards have been disbursed to qualified applicants for both years. As of September 30, 2023 and 2022, $120,703 and $143,691 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City. No additional grants are permitted under the terms of the agreement.

Note 7: 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, 2023, the PPP loan participations receivable, which are net of repayments and forgiveness granted by the SBA, total $37,323, and are offset by the corresponding payable to the related party.

Note 8: Short-Term Borrowings

Short-term borrowings as of September 30 consist of:

	2023	2022
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 8.50% at September 30, 2023), however, is subject to an interest rate floor of 3.25%. The Company has $6,565,400 available on this line at September 30, 2023.	$ 934,600	$ 296,000
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 (the internal cost of funds was 7.01% at September 30, 2023).	-	-
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 8.50% at September 30, 2023), however, is subject to an interest rate floor of 3.00%. The Company has $7,000,000 available on this line at September 30, 2023.	-	-
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 8.50% at September 30, 2023), however, is subject to an interest rate floor of 3.00%. The Company has $1,500,000 available on this line at September 30, 2023.	-	-
Total Short-Term Borrowings	$ 934,600	$ 296,000

Note 9: 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:

	2023	2022
Revolving loan fund payable to ESD, up to a maximum of $3,000,000, with semi-annual payments of interest-only payable at a rate of 1%. Repayment commences on the fifth anniversary date, June 2028, in annual equal principal installments equivalent to 33.33% of the original principal balance.	$ 1,000,000	$ -
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 $1,000,000, 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.	250,000	247,500

Note 9: Empire State Development Loan Funds (Continued)

	2023	2022
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 $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.	166,667	333,333
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
Total Empire State Development Loan Funds	$ 2,743,040	$ 1,907,206

Note 9: Empire State Development Loan Funds (Continued)

Maturities of Empire State Development loan funds are as follows:

2024	$ 1,109,707
2025	114,352
2026	124,490
2027	137,108
2028	507,640
Thereafter	749,743
Total	$ 2,743,040

Note 10: Long-Term Debt

Long-term debt as of September 30 consists of:

	2023	2022
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 U.S. Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	$ 2,314,815	$ 2,500,000
Loan payable to a bank, due May 2024, with interest payable monthly at 1.50%, and the balance of any unpaid principal due at maturity. Loan proceeds will be used to finance eligible loans through community investment initiatives.	2,250,000	-
Revolving note payable with a bank, due May 2025. The note has a limit of $10,000,000 and is secured by all business assets. Borrowings against the note are due at maturity and interest is payable monthly at the one-month SOFR rate plus 1.00% (one-month SOFR was 5.31% at September 30, 2022). The Company has $8,000,000 available on this note at September 30, 2023.	2,000,000	5,000,000

Note 10: Long-Term Debt (Continued)

	2023	2022
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 New Jersey Economic Development Agency, due July 2041, with no payments for the first 2 years, followed by interest only payments for the 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.	1,500,000	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.	1,355,142	1,588,160
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.	1,310,935	1,586,335
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.	1,305,556	1,472,222

Note 10: Long-Term Debt (Continued)

	2023	2022
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.	1,116,868	1,299,902
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 a bank, due April 2027, with interest only payments payable monthly at 2.75% through October 2023, followed by monthly installments of $25,001, including interest at 2.75%, until maturity. The loan is unsecured.	1,000,000	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	1,000,000
Loan payable to an unrelated corporation, due December 2028, in quarterly installments of $22,568, including interest at 2.60%. Loan proceeds must be used solely to make eligible veteran loans.	883,365	500,000
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.	750,000	861,111

Note 10: Long-Term Debt (Continued)

	2023	2022
Notes payable to a foundation, due October 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 $656,429 (see Note 11), as the note supports NYBDC's participation in a COVID-related recovery program.	656,429	1,451,300
Revolving credit note payable to a bank, with a limit of $5,000,000, and interest payable at the Prime rate plus 2.00% (Prime was 8.50% at September 30, 2023), 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 (currently due October 2024). 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.	442,450	716,229
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 $50,000 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.	300,000	300,000
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.	270,834	354,167
Total Long-Term Debt	$ 20,956,394	$ 22,629,426

Note 10: Long-Term Debt (Continued)

Maturities of long-term debt are as follows:

2024	$ 6,138,550
2025	5,655,551
2026	2,288,706
2027	1,463,802
2028	1,334,526
Thereafter	4,075,259
Total	$ 20,956,394

Note 11: Related Party Transactions

At September 30, 2023 and 2022, 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:

Due to/from related parties	**2023**	**2022**
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 (the internal cost of funds was 7.01% at September 30, 2023).	$ 3,724,019	$ 8,243,922
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).	$ 656,429	$ 1,451,300
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).	$ 237,965	$ 753,994
Due From NYBDC - Represents 100% participation in PPP loans receivable with a related party (see Note 7).	$ 37,323	$ 1,860,361

Note 11: Related Party Transactions (Continued)

	2023	2022
Due To NYBDC - Represents offsetting payables related to 100% participation in PPP loans receivable with a related party (see Note 7).	$ 37,323	$ 1,860,361
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	$ 2,705	$ -
Accrued Interest - Due from NYBDC (included in interest receivable on the statements of financial position).	$ -	$ 188,822
Income and expenses		
Interest Income - Received from NYBDC.	$ 186,186	$ 235,447
Staffing And Shared Services - Paid to NYBDC.	$ 2,184,464	$ 1,293,269
Interest Expense - Paid to NYBDC.	$ 76,396	$ 818
Employee Benefits Expense - Paid to NYBDC.	$ 188,441	$ 171,468
Shared Office Space Expense - Paid to NYBDC.	$ 26,310	$ 18,280

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 2024. Net assets with donor restrictions are as follows for the years ended September 30:

	2023	2022
Subject to expenditure for specified purpose:		
Loan programs	$ 7,596,249	$ 5,361,862

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

	2023	2022
Satisfaction of purpose restrictions:		
Loan programs	$ 2,628,243	$ 2,357,641

Note 13: 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, 2023 and 2022 were $267,913 and $302,540, respectively.

Note 14: Commitments And Contingencies

At September 30, 2023, the Company has committed to loans totaling $2,628,000 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, 2023, 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 15: 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 16: Subsequent Events

Subsequent events have been evaluated through December 12, 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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 NYBDC Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 & Chiaramonte, CPAs PC

Albany, New York
December 12, 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

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 NYBDC Local Development Corporation's major federal programs for the year ended September 30, 2023. 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, 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 programs for the year ended September 30, 2023.

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 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 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 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 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 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 NYBDC Local Development Corporation'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 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 & Chiaramonte, CPAs PC

Albany, New York
December 12, 2023

NYBDC LOCAL DEVELOPMENT CORPORATION

Schedule Of Expenditures Of Federal Awards

September 30, 2023

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	$ 2,731,500
Microloan Program Grant	59.046	1,723,334
Prime Technical Assistance Grant	59.050	200,000
Community Navigator Pilot Program	59.077	116,529
Total U.S. Small Business Administration		4,771,363
U.S. Department of Treasury		
Direct Program:		
Community Development Financial Institutions Program	21.020	618,198
Total U.S. Department of Treasury		618,198
Total Expenditures Of Federal Awards		$ 5,389,561

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, 2023. 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

Notes To Schedule Of Expenditures Of Federal Awards

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 Number	Name of Federal Program
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