NYBDC LOCAL
DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS AND REPORT ON
SBA COMMUNITY ADVANTAGE PROGRAM LOAN AND
LOAN LOSS RESERVE COMPLIANCE

Years ended September 30, 2024 and 2023

NYBDC LOCAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NYBDC Local Development Corporation

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 statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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, 2024, and the results of its operations and its cash flows for the year 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.

Prior Period Financial Statements

The financial statements of NYBDC Local Development Corporation as of September 30, 2023 were audited by other auditors whose report dated December 12, 2023 expressed an unmodified opinion on those statements.

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 January 28, 2025, 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.

UHY LLP

Albany, New York
January 28, 2025

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash	**$ 995,820**	$ 50,571
Restricted cash	**6,808,925**	5,173,726
Accounts receivable	**151,273**	192,709
Grants receivable	**1,269,274**	2,084,216
Accrued interest receivable	**274,858**	272,244
Investments	**5,000,000**	5,000,000
Loans receivable, net	**33,492,061**	32,985,335
Paycheck Protection Program loan participations receivable	**18,225**	37,323
Related party loans receivable	**2,635,703**	4,380,448
Prepaid expenses	**10,626**	8,393
Other assets	**75,835**	-
Total assets	**$ 50,732,600**	$ 50,184,965
LIABILITIES AND NET ASSETS		
LIABILITIES		
Short-term borrowings	**$ -**	$ 934,600
Other current liabilities	**1,727,278**	803,113
Interest payable	**99,274**	105,609
Empire State Development loan funds	**3,544,331**	2,743,040
Long-term debt	**18,318,973**	20,956,394
Community Development Block Grant loans payable	**119,066**	120,851
Paycheck Protection Program and other related party payables	**4,788,137**	37,323
Total liabilities	**28,597,059**	25,700,930
NET ASSETS		
Without donor restrictions	**19,053,811**	16,887,786
With donor restrictions	**3,081,730**	7,596,249
Total net assets	**22,135,541**	24,484,035
Total liabilities and net assets	**$ 50,732,600**	$ 50,184,965

See notes to financial statements.

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2024
(With Summarized Comparative Totals for the Year Ended September 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Grant income	$ 2,776,165	$ 252,667	**$ 3,028,832**	$ 7,289,627
Interest income on loans	3,130,478	-	**3,130,478**	3,062,317
Origination and other fee income	1,422,559	-	**1,422,559**	1,771,889
Contribution income	127,500	-	**127,500**	203,005
Other revenue	86,628	-	**86,628**	-
Net assets released from restrictions	4,767,186	(4,767,186)	**-**	-
Total revenues	12,310,516	(4,514,519)	**7,795,997**	12,326,838
Recovery (provision) for credit losses	234,443	-	**234,443**	(834,748)
Net revenues	12,544,959	(4,514,519)	**8,030,440**	11,492,090
Operating expenses:				
Program services	6,460,035	-	**6,460,035**	5,498,776
Management and general	1,956,283	-	**1,956,283**	1,556,960
Total operating expenses	8,416,318	-	**8,416,318**	7,055,736
Increase (decrease) in net assets	4,128,641	(4,514,519)	**(385,878)**	4,436,354
Net assets at beginning of year prior to adoption of ASC 326, Credit Losses	16,887,786	7,596,249	**24,484,035**	20,047,681
Adoption of ASC 326, Credit Losses	(1,962,616)	-	**(1,962,616)**	-
Net assets at end of year	$ 19,053,811	$ 3,081,730	**$ 22,135,541**	$ 24,484,035

See notes to financial statements.

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grant income	$ 2,426,997	$ 4,862,630	$ 7,289,627
Interest income on loans	3,062,317	-	3,062,317
Origination and other fee income	1,771,889	-	1,771,889
Contribution income	203,005	-	203,005
Net assets released from restrictions	2,628,243	(2,628,243)	-
Total revenues	10,092,451	2,234,387	12,326,838
Provision for credit losses	(834,748)	-	(834,748)
Net revenues	9,257,703	2,234,387	11,492,090
Operating expenses:			
Program services	5,498,776	-	5,498,776
Management and general	1,556,960	-	1,556,960
Total operating expenses	7,055,736	-	7,055,736
Increase in net assets	2,201,967	2,234,387	4,436,354
Net assets at beginning of year	14,685,819	5,361,862	20,047,681
Net assets at end of year	$ 16,887,786	$ 7,596,249	$ 24,484,035

See notes to financial statements.

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2024
(With Summarized Comparative Totals for the Year Ended September 30, 2023)

	2024			2023
	Program	Management and General	Total	Total
Operating expenses:				
Salaries and wages	$ 2,710,246	$ 301,138	**$ 3,011,384**	$ 2,550,974
Shared services	1,364,875	1,364,875	**2,729,750**	2,184,464
Interest	490,364	-	**490,364**	695,557
Consulting	438,000	-	**438,000**	342,532
Employee benefits	229,040	25,449	**254,489**	188,441
401(k) and profit sharing	215,383	23,931	**239,314**	267,913
Professional fees	141,071	75,700	**216,771**	106,010
Payroll taxes	188,799	20,978	**209,777**	171,948
Miscellaneous	140,738	53,733	**194,471**	44,926
Travel and meals	76,350	43,245	**119,595**	108,246
IT and software	119,065	-	**119,065**	108,029
Credit reports	96,953	-	**96,953**	42,421
Public relations	88,638	-	**88,638**	92,475
Events	39,213	15,044	**54,257**	22,107
Director fees	42,516	-	**42,516**	14,070
Referral fees	33,785	-	**33,785**	33,720
Shared office space	27,263	-	**27,263**	26,310
Insurance	-	19,050	**19,050**	21,299
Office	14,583	3,937	**18,520**	26,442
Telephone	3,153	3,152	**6,305**	6,694
Bank fees	-	6,051	**6,051**	1,158
Total operating expenses	$ 6,460,035	$ 1,956,283	**$ 8,416,318**	$ 7,055,736

See notes to financial statements.

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Program	Management and General	Total
Operating expenses:			
Salaries and wages	$ 2,295,877	$ 255,097	$ 2,550,974
Shared services	1,092,232	1,092,232	2,184,464
Interest	695,557	-	695,557
Consulting	342,532	-	342,532
401(k) and profit sharing	241,122	26,791	267,913
Employee benefits	169,597	18,844	188,441
Payroll taxes	154,753	17,195	171,948
Travel and meals	76,278	31,968	108,246
IT and software	108,029	-	108,029
Professional fees	36,909	69,101	106,010
Public relations	92,475	-	92,475
Miscellaneous	30,879	14,047	44,926
Credit reports	42,421	-	42,421
Referral fees	33,720	-	33,720
Office	24,084	2,358	26,442
Shared office space	26,310	-	26,310
Events	18,584	3,523	22,107
Insurance	-	21,299	21,299
Director fees	14,070	-	14,070
Telephone	3,347	3,347	6,694
Bank fees	-	1,158	1,158
Total operating expenses	$ 5,498,776	$ 1,556,960	$ 7,055,736

See notes to financial statements.

NYBDC LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (385,878)**	$ 4,436,354
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
(Recovery) provision for credit losses	**(234,443)**	834,748
Changes in operating assets and liabilities:		
Accrued interest receivable	**(2,614)**	119,735
Prepaid expenses	**(2,233)**	15
Accounts receivable	**41,436**	21,669
Grants receivable	**814,942**	1,484,087
Other Assets	**(75,835)**	-
Other current liabilities	**924,165**	(260,891)
Accrued interest payable	**(6,335)**	10,611
Net cash flows from operating activities	**1,073,205**	6,646,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans (disbursed) collected, net	**(2,234,899)**	(9,238,251)
Advances on (repayments from) related party loans receivable, net	**1,744,745**	5,314,774
Purchase of investments	**-**	(5,000,000)
Net cash flows for investing activities	**(490,154)**	(8,923,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments on) short-term borrowings, net	**(934,600)**	638,600
Issuance of long-term debt	**5,870,860**	3,750,000
Repayments on long-term debt	**(8,508,281)**	(5,423,032)
Proceeds from (payments on) Empire State Development loan funds, net	**801,291**	835,834
Payments on Community Development Block Grant loans payable, net	**(1,785)**	(22,840)
Proceeds from related party payables, net	**4,769,912**	-
Net cash flows from (for) financing activities	**1,997,397**	(221,438)
Net increase (decrease) in cash and restricted cash	**2,580,448**	(2,498,587)
Cash and restricted cash, beginning of year	**5,224,297**	7,722,884
Cash and restricted cash, end of year	**$ 7,804,745**	$ 5,224,297
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Interest paid	**$ 695,247**	$ 684,946
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans purchased from ESCDC in exchange for note payable	**$ 3,769,912**	$ -
Purchase of participation in Paycheck Protection Program loans receivable, net of repayments and forgiveness	**$ (19,098)**	$ (1,823,038)
Less: advances on related party loan, net of repayments and forgiveness	**(19,098)**	(1,823,038)
Net cash paid for Paycheck Protection Program Loan Participations	**$ -**	$ -

See 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.

Revenue Recognition

The Company has identified its major revenue streams as follows:

Grant income – Revenues from grants are recognized in accordance with Accounting Standards Codification (ASC) 958-605, *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 recognized in accordance with ASC 958-605, *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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Interest income – Interest income are recognized in accordance with 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 recognized in accordance with 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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Company carries investments in held to maturity debt securities at amortized cost on the statements of financial position, which approximates fair value. 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 credit 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, reasonable and supportable forecasts, and other risks inherent in the portfolio.

Each portfolio segment calculates the allowance for credit loss utilizing the weighted average remaining maturity (WARM) method. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications.

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 reasonable 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 credit losses, which is charged to expense and reduced by charge-offs, net of recoveries. Subsequent recoveries, if any, are credited to the allowance for credit 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 credit losses is recorded, when appropriate.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Estimates

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

On October 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, Accounting Standards Codification (ASC) 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after October 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to net assets of $1,962,616 as of October 1, 2023 for the cumulative effect of adopting ASC 326.

NOTE 2 — AVAILABILITY AND LIQUIDITY

The following represents the Company's financial assets at September 30, 2024 that could readily be made available to meet general expenditures over the next twelve months:

Financial assets at year end:	
Loans receivable, net	$ 33,492,061
Paycheck Protection Program loan participation receivables	18,225
Cash (includes restricted cash)	7,804,745
Investments	5,000,000
Related party loan receivable	2,635,703
Grants receivable	1,269,274
Accounts receivable	151,273
Total financial assets	50,371,281
Less: amounts not readily available to be used within twelve months:	
Loans receivable, net	19,454,974
Paycheck Protection Program loan participation receivables	7,426
Restricted cash	6,808,925
Related party loan receivable	2,635,703
Net assets with donor restrictions	3,081,730
Total amounts not readily available to be used within twelve months	31,988,758
Financial assets available to meet general expenditures over the next twelve months	$ 18,382,523

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:

Certificates of deposit: Valued at amortized cost, which approximates fair value.

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, which approximates fair value. 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, 2024				
Certificates of deposit	$ -	$ 5,000,000	$ -	$ 5,000,000
Total investments	$ -	$ 5,000,000	$ -	$ 5,000,000
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 in 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, 2024 and 2023 that sum to the total of the same such amounts in the statements of cash flows:

	2024	2023
Restricted cash	$ 6,808,925	$ 5,173,726
Cash	995,820	50,571
Total cash and restricted cash	$ 7,804,745	$ 5,224,297

NOTE 5 — LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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

	2024	2023
Pursuit Community Finance loans receivable	$ 94,938,872	$ 80,541,323
Interim loans receivable	2,354,212	5,302,690
Community Development Block Grant loans receivable (Note 6)	118,987	120,703
	97,412,071	85,964,716
Less: participations sold	(57,789,292)	(47,994,933)
	39,622,779	37,969,783
Less: allowance for credit losses	(6,130,718)	(4,984,448)
Loans receivable, net	$ 33,492,061	$ 32,985,335

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

September 30, 2024

Current	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Non-Accrual	Total Loans
$ 28,455,241	$ 3,415,805	$ 230,152	$ 3,953,804	$ 3,567,777	$ 39,622,779

September 30, 2023

Current	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Non-Accrual	Total Loans
$ 35,094,119	$ 354,631	$ 135,675	$ 1,049,739	$ 1,335,619	$ 37,969,783

NOTE 5 — LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

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

	2024	2023
Balance, beginning of year	$ 4,984,448	$ 5,021,292
Adoption of ASC 326	1,962,616	-
(Recovery) Provision for loan losses	(234,443)	834,748
Recoveries	70,640	6,909
Losses charged to the allowance	(1,090,562)	(876,429)
Other adjustments	438,019	(2,072)
Balance, end of year	$ 6,130,718	$ 4,984,448

Other adjustments consist of credit 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). For the year ended September 30, 2024 this figure includes adjustments to the reserve of approximately $278,000 related to the purchase of the Community Advantage Lending Program, as described in Note 11.

	2024	2023
Ending allowance balance attributable to loans:		
Individually evaluated for impairment	$ 2,289,000	$ 1,240,000
Collectively evaluated for impairment	3,841,718	3,744,448
Total ending allowance balance	$ 6,130,718	$ 4,984,448
Loans:		
Individually evaluated for impairment	$ 3,462,730	$ 1,335,938
Collectively evaluated for impairment	36,160,049	36,633,845
Total ending loan balance	$ 39,622,779	$ 37,969,783

Loans on which the accrual of interest has been discontinued, or impaired loans, totaled $3,462,730 and $1,335,938 at September 30, 2024 and 2023, respectively.

Impaired loans as of September 30 are presented as follows:

September 30, 2024

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 2,599,661	$ 2,599,661	$ 2,289,000	$ 1,967,800	$ -

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	$ -

NOTE 5 — LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Company did not acquire any loans with deteriorated credit quality in 2024 and 2023.

During 2024, the Company entered into a series of transactions which provided for the sale (to unrelated parties) of the SBA guaranteed portion of certain loans. The Company retained the non-guaranteed portion of these loans and the related servicing rights for the entire loan portfolio. These transactions included 1 loan in 2024, with an interest rate approximating 12.5% at September 30, 2024. The transactions were recorded utilizing discounted present value factors to determine the fair value of the guaranteed portion of the loans and resulted in financial statement gains in the approximate amount of $34,000 for the year ended September 30, 2024. The gains are included as a component of other income on the Company's Statements of Activities. These transactions also resulted in the computed value of the continuing service rights (on the loan sold) to be recorded as an other asset of approximately $195,000 in 2024, which will be amortized over the term of the underlying loan.

NOTE 6 — COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM GRANT AND LOAN FUND

The Company has an agreement with the City of New York (the City) 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 administers the distribution of loan proceeds, collection of loan payments and remittance of repayments from the program borrowers.

During the fiscal years ended September 30, 2024 and 2023, no loan awards have been disbursed to qualified applicants for both years. As of September 30, 2024 and 2023, $118,987 and $120,703 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, 2024 and 2023, the PPP loan participations receivable, which are net of repayments and forgiveness granted by the SBA, totaled $18,225 and $37,323, respectively, and are offset by the corresponding payable to the related party.

NOTE 8 — SHORT-TERM BORROWINGS

NYBDC Local Development Corporation has available lines of credit with various banks totaling approximately $16.0 million at September 30, 2024. The amounts outstanding under these lines of credit at September 30, 2023 was approximately $935,000 and was zero at September 30, 2024. The line of credit agreements, all of which are unsecured, are renewed annually and generally provide for interest at Prime based index rates. At September 30, 2024, the interest rates under available lines of credit were 8.50%.

NOTE 9 — EMPIRE STATE DEVELOPMENT LOAN FUNDS

The Company has entered into eight loan fund agreements with New York State Urban Development Agency d/b/a Empire State Development (ESD), each with specific uses including providing loans to small businesses, minority-owned and women-owned business enterprises within certain geographic areas, as well as providing loans to exporting businesses in New York State.

At September 30, 2024 and 2023, the outstanding balances on these loans were approximately $3,544,000 and $2,743,000, respectively. Interest rates of the revolving loan fund payables range from zero or no stated interest rate to 1%. Maturity dates of these loan funds range from April 2028 through June 2030 with certain funds being expected to revolve until ESD determines that the loan capital is no longer needed.

Maturities of Empire State Development loan funds are as follows:

2025	$ 1,057,720
2026	115,828
2027	116,988
2028	1,168,160
2029	1,085,635
	$ 3,544,331

NOTE 10 — LONG-TERM DEBT

Long-term debt consists of various long-term borrowings with various banks, economic development agencies, the U.S. Small Business Administration (SBA), and other lenders.

Loans payable to the SBA consist of loans for the Microloan Program, totaling $6,153,486 and $7,307,282 as of September 30, 2024 and 2023, respectively. Interest rates range from zero interest to 1.375% and proceeds are to be used solely to make loans to businesses under the Microloan Program. The SBA holds a security interest in the related loans receivable as well as the required loan loss reserve fund.

The Company has a loan with the New Jersey Economic Development Agency with loan proceeds totaling $1,500,000, which must be fully disbursed within 24 months of the date of closing. Principal and interest payments are due quarterly with a 2% interest rate and matures in July 2041. Funds may be used solely to capitalize a revolving loan fund in New Jersey. The outstanding balance was $1,499,917 and $1,500,000 as of September 30, 2024 and 2023, respectively.

NOTE 10 — LONG-TERM DEBT (Continued)

The Company entered into a note payable with a foundation, due October 2025 without interest. The Company had a corresponding loan receivable from NYBDC (see Note 11), as the note supports NYBDC's participation in a COVID-related recovery program. The Company had a balance of $656,429 outstanding as of September 30, 2023 which was paid off during 2024.

Revolving credit note payable to a bank, with a limit of $5,000,000, and interest payable at the Prime rate plus 2.00%, 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 2025). The revolving credit note is secured by the customer lines of credit, all proceeds thereof, and all deposit accounts of the Company at the bank. Amounts outstanding were $220,351 and $442,450 as of September 30, 2024 and 2023, respectively.

Loan payable to the Pennsylvania Minority Business Development Authority, due November 2024, with interest-only payable semiannually at 1.50%. Funds that have not been disbursed under the program total $50,000 and due on demand, 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. The balance outstanding as of September 30, 2024 and 2023 was $300,000 and $300,000, respectively.

NYBDC Local Development Corporation additionally has a revolving note payable with a bank, due May 2025 with a limit of $10,000,000 and secured by all business assets and an interest rate of one-month SOFR rate plus 1.00%. The balance was $2,000,000 as of September 30, 2023 and had no balance as of September 30, 2024.

The Company has another note payable with a financing company, due March 2025 with interest rates at 3.5% and 4.5% and determined at the time of each advance. The note has no stated limit and is unsecured. The balance as of September 30, 2024 and 2023 was $946,959 and $1,116,868, respectively.

The Company has an unsecured loan payable, due April 2027 with an interest rate of 2.75% had a balance of $724,015 and $1,000,000, for the years ended September 30, 2024 and 2023, respectively.

The Company has loans with various other lenders with restrictions on the use of loan proceeds for various purposes including providing small business loans and business advisory services in New York State for low-income and moderate-income individuals, to finance eligible loans offered through community investment initiatives, to fund loans or provide other financial support to minority-owned or minority managed businesses, and make eligible veteran loans with interest rates ranging from 1.50% to 3.00%. Total amounts of these loans outstanding as of September 30, 2024 and 2023 were $8,474,245 and $6,633,365, respectively.

The Company was not in compliance with certain financial covenant requirements during the year ended September 30, 2024, and has obtained waivers to cure any instances of non-compliance.

NOTE 10 — LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2025	$ 6,323,267
2026	1,625,037
2027	3,931,171
2028	1,154,133
2029	2,850,494
Thereafter	2,434,871
	$ 18,318,973

NOTE 11 — RELATED PARTY TRANSACTIONS

At September 30, 2024 and 2023, the Company was a participant in various transactions with New York Business Development Corporation (NYBDC) and Empire State Certified Development Corporation (ESCDC), affiliates related through common management.

The Company is affiliated, through common management, with New York Business Development Corporation (NYBDC). Through this affiliation, the Company's operating expenses include an allocation of program staffing costs for certain management and administrative personnel, as provided by NYBDC, and an allocation of other expenses, principally rents, depreciation and other corporate administrative costs, which are also allocated to the Company by NYBDC. The amount of such expenses in these financial statements have been allocated by management based on a comprehensive expense allocation methodology and a related agreement between the Company and NYBDC. The allocation methodology is reviewed and, as deemed necessary, periodically adjusted. Management believes these allocations have been made on a reasonable basis. However, the financial position and results of operations, as presented herein, may not be the same as would have occurred had the Company been operated without such related party transactions.

Allocated program management and staffing costs advanced by NYBDC are reimbursed by the Company on a periodic basis.

During the years ended September 30, 2024 and 2023, NYBDC charged the Company approximately $2,730,000 and $2,184,000 for reimbursement of staff time and certain operating expenses.

In October 2018, the Company and NYBDC entered into a Loan Agreement with a stated interest rate of the NYBDC's internal cost of funds. The line of credit matures September 30, 2024, with automatic renewal options. For the years ended September 30, 2024 and 2023, the Company recognized interest income from NYBDC of approximately $130,000 and $110,000, respectively. At September 30, 2024 and 2023, the NYBDC owed the Company approximately $2,636,000 and $3,724,000, respectively.

Effective August 31, 2021, NYBDC sold a 100% participation in approximately 500 Paycheck Protection Program ("PPP") loans to the Company totaling approximately $28.0 million through a non-cash transaction. The amount owed by the Company will be reduced as the underlying PPP loans are paid off or forgiven ($18 thousand and $37 thousand at September 30, 2024 and 2023, respectively). NYBDC charges the Company an annual interest rate of 0.675%, billed monthly.

NOTE 11 — RELATED PARTY TRANSACTIONS (Continued)

During the year ended September 30, 2024, the Company purchased from ESCDC a portfolio of loans associated with the Community Advantage Lending Program. The portfolio consisted of 107 loans totaling approximately $3.8 million, sold at par, which approximates fair value, and funded with a loan payable to ESCDC with an interest rate equal to the internal cost of funds of NYBDC and the term of the agreement between the entities is effective for a five year period and automatically extended for an additional year absent any termination by either party.

NOTE 12 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions is comprised of 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 2025. Net assets with donor restrictions are as follows for the years ended September 30:

	2024	2023
Subject to expenditure for specified purpose:		
Loan programs	$ 3,081,730	$ 7,596,249

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

	2024	2023
Satisfaction of purpose restrictions:		
Loan programs	$ 4,767,186	$ 2,628,243

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, 2024 and 2023 were $239,314 and $267,913, respectively.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

At September 30, 2024 and 2023, the Company has committed to loans totaling $1,354,000 and $2,628,000 respectively, 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, 2024, 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 January 28, 2025, 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, 2024, 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 28, 2025.

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 or significant deficiencies 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 audit and, accordingly, we do not express such an opinion. . The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

UHY LLP

Albany, New York
January 28, 2025

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, 2024. 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, 2024.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-01. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on NYBDC Local Development Corporation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. NYBDC Local Development Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

UHY LLP

Albany, New York
January 28, 2025

NYBDC LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures
U.S. Small Business Administration		
Direct Program:		
Microloan Program Grant	59.046	$ 1,574,700
Microloan Program Grant	59.046	1,972,964
Total Microloan Program		3,547,664
Prime Technical Assistance Grant	59.050	250,000
Community Navigator Pilot Program	59.077	16,451
Total U.S. Small Business Administration		3,814,115
U.S. Department of Treasury		
Direct Program:		
Community Development Financial Institutions Program	21.020	496,551
Community Development Financial Institutions Equitable Recovery Program	21.033	797,000
Total U.S. Department of Treasury		1,293,551
Total expenditures of Federal Awards		$ 5,107,666

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, 2024. 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.

The Company elected to utilize the 10% de minimus indirect cost rate as permitted by 2 CFR Section 200.414.

<u>Section I – Summary of Auditor's Results</u>

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported under Section 200.516(a) of the Uniform Guidance? ☒ yes ☐ no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
59.046	Microloan Program
21.033	Community Development Financial Institutions Equitable Recovery Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

<u>Section II—Financial Statement Findings</u>

None Reported

<u>Section III—Federal Award Findings and Questioned Costs</u>

Federal Agency: U.S. Small Business Administration

Federal Program: Microloan Program (59.046)

Federal Award Numbers:

Federal Award Years:

Reference: 2024-01

Criteria

Microloan Program Standard Operating Procedures Manual (SOP 52 00 B), effective July 1, 2018, section 3.D.4 *Microloan Revolving Fund (MRF)* states all SBA Microloan payments must be transferred from the operating account to the MRF within two weeks (10 working days) of receipt or by the end of the quarter, whichever occurs first.

Condition

During the fiscal year ended September 30, 2024, we selected a sample of 40 SBA Microloan payments. We traced the flow of funds from receipt of the payments from the borrower to the date of transfer into the MRF account. All 40 loans in the sample had transfers beyond the 10 working day threshold ranging from 17 to 29 working days after receipt of the SBA Microloan Payment.

Cause

Monitoring procedures implemented by the Company to ensure compliance with the Microloan Program did not include a review of the MRF account to ensure funds are transferred in accordance with the 10 working day requirement.

Possible Asserted Effect

Without established monitoring procedures over the 10 working day requirement for transfers, non-compliance may continue.

Questioned Costs

Cannot be determined.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

No

Recommendation

We recommend that the Company review its monitoring procedures to ensure that funds are transferred to the MRF account within 10 working days from payment receipt from the borrower to the transfer into the MRF account.

<u>Section III—Federal Award Findings and Questioned Costs (Continued)</u>

Views of Responsible Individuals

We acknowledge the auditor's comments and can confirm that the following corrective action has been implemented as of December 2024:

Management has revised the process for identifying, segregating, and transferring Microloan repayments from a monthly process to a weekly process. This change will ensure Microloan repayments received by our operating account are transferred to the appropriate MRF accounts within 10 working days.

By changing the frequency of this task, we will enhance our compliance with Microloan requirements and more effectively manage Microloan program funds.

<u>Section IV—Status of Prior Year Findings</u>

None Reported

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REPORT ON SBA COMMUNITY ADVANTAGE PROGRAM LOAN AND LOAN LOSS RESERVE COMPLIANCE

The Board of Directors
NYBDC Local Development Corporation

We have audited the financial statements of NYBDC Local Development Corporation as of and for the year ended September 30, 2024, and have issued our report thereon dated January 28, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As part of obtaining reasonable assurance about whether NYBDC Local Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the SBA's Community Advantage Program Participant Guide (dated May 31, 2022), specifically relating to loan and loan loss reserve amount requirements, noncompliance with which could have a direct and material effect on the determination of amounts recorded in NYBDC Local Development Corporation's financial statements. The results of our tests disclosed no instances of noncompliance. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the SBA and NYBDC Local Development Corporation, and is not intended to be and should not be used for any other purpose.

UHY LLP

Albany, New York
January 28, 2025