

Community and Economic
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**Testimony of Lee Beaulac, Senior Vice President
PathStone Corporation**

Hearing on Rural Development Programs

**United States House of Representatives
Committee on Agriculture
Subcommittee on Rural Development, Biotechnology, Specialty Crops
and Foreign Agriculture**

July 20, 2010

Thank you, Chairman McIntyre and Ranking Member Conaway for the opportunity to testify as a witness regarding the United States Department of Agriculture's (USDA) rural development programs and specifically our experience at Path Stone in working with the USDA programs to support economic development efforts and finance small businesses throughout Upstate New York .

My name is Lee Beaulac. I work for PathStone Corporation where I serve as Vice President for Community and Economic Development. PathStone is a private not-for-profit organization based in Rochester, New York that provides business finance, training and technical assistance to small and micro-businesses as well as a myriad of housing activities including homeownership assistance and multi-family development. We also develop and finance community facilities. Founded in 1969, PathStone is active in the states of New York, Pennsylvania, New Jersey, Ohio, Indiana, Vermont, Virginia and Puerto Rico.

PathStone is a Community Development Finance Institution, certified by the US Department of the Treasury. In this capacity, we provide financing to existing and start-up businesses, primarily in rural communities and small towns. Our loan capital comes from both the private and public sectors. Commercial finance institutions invest funds in our organization which, in turn, makes loans to businesses in hard to reach markets. With respect to public sources of capital, PathStone is an "intermediary" lender for both the Small Business Administration (SBA) and for the Department of Agriculture. We have deployed approximately \$16 million in loan capital into over 450 businesses in New York State and Puerto Rico since 1992, these funds have further leveraged over \$41 million in additional investment.



PathStone builds family and individual self-sufficiency by strengthening farmworker, rural and urban communities. PathStone promotes social justice through programs and advocacy.

The Importance of USDA Business Financing Programs

Small businesses, defined by the Small Business Administration (SBA) as firms with 500 or fewer employees, make-up 90 percent of all rural businesses and more than 75 percent of these rural firms have 20 or fewer employees.

Small firms in rural areas need capital to finance start-up as well as expansion costs and yet research indicates that SBA's per capita spending is significantly less in rural areas than in urban communities.

This leaves a significant financing gap for non-traditional lenders like PathStone to address and this gap has widened over the last two years as conventional banks have cut back on their small business lending. Since 1992 PathStone has averaged \$500,000 per year in new lending. Over the past two years we've averaged over \$2.3 million in new loans, which is further evidence of the dramatic increase in demand for loans and services from a "non-traditional" lender like PathStone. While in good times non-traditional financial institutions like Path Stone have been viewed as the lenders of last resort we are increasingly becoming a critical sources of capital, if not the only source of capital for a wide range of businesses as the regulatory environment tightens and conventional lenders pull back.

According to the latest figures from the Federal Deposit Insurance Corporation, bank lending is down \$30 billion, or 4 percent, from where it was at this time last year and the SBA reports that its lending through conventional banks is at its lowest level in 2 years.

The upheaval in the financial services industry has resulted in credit drying up for businesses in low income communities – loan to value ratios are falling, lines of credits are disappearing, and commitments are evaporating. As a result of the precipitous decline of the availability of credit from private financial institutions, demand is increasing for the entire range of local, regional and national loan funds, micro loan programs, venture capital and intermediary organizations to fill this expanding void created by the reluctance of private financial institutions to provide credit. At the same time these same mission driven organizations are also facing a liquidity shortage as traditional non-governmental sources of capital – from private philanthropic organizations, the bond market, and private financial institutions – are no longer available. The tremendous increase in demand for loans and services experienced by PathStone over the past two years comes at a time when access to operating and grant capital is shrinking while demand for these funds by non-profit institutions has increased dramatically.

In this environment USDA programs like the Intermediary Relending program (IRP) become even more critical as we work to provide the financing the rural businesses need to stay afloat and maintain jobs.

Intermediary Relending Program (IRP)

Through the IRP, USDA makes loans to public and private non-profit intermediary lenders that in turn make loans to private business enterprises in rural areas. In many cases the loans made available through the IRP are one of the few sources of fixed rate, term financing available to small rural businesses for working capital, lines of credit and equipment. With an average loan size of \$100,000 and an upward limit of \$250,000, the IRP is targeting small businesses that are the backbone of the rural economy.

USDA has administered the IRP since 1988 and currently USDA has some 400 intermediary lenders participating in the program and these lenders have made over \$700 million in IRP loans to rural businesses across the country. The USDA has not suffered a single default under the IRP in the 20 plus years that it has administered the program.

Beyond the importance of the patient, flexible capital provided by the IRP, there are three other factors of note:

1. Job Creation – The average IRP loan is \$100,000 and according to USDA, on average, each loan for that amount creates or saves 76.5 jobs. A recent survey of the community development corporations that administer IRP funds reported \$3,000 cost per job.
2. Continuing Source of Capital – A typical intermediary revolves IRP funds three times over the life of the 30 year loan to an IRP lender which means that every dollar in federal funds lent to an IRP intermediary translates to \$3 lending to a rural business; and
3. Leverage – a recent survey of IRP borrowers indicates that projects financed with IPR are able to leverage significant additional capital largely from conventional lenders. IRP borrowers surveyed leveraged as much as \$7.3 per every \$1 in IRP funds loaned to a business.

Path Stone has been an IRP lender since 1995. We have found the IRP to be critically important to our efforts to reach businesses that are not being served by traditional lending institutions. As an example, we recently made a loan to a new small farm winery in New York's Finger Lakes region. Ravine's Vineyards, like many of the region's wineries, lacked access to many forms of traditional credit and capital. Notwithstanding the fact that Ravine's already was garnering a solid reputation as a successful producer of fine wines for 3 years, and the owner had a proven track record as a wine maker with another of the local award winning wineries in the region. Ravine's had a difficult time attracting capital to complete a major expansion to their facility. This project would have had a difficult time moving ahead without resources from the IRP program. Ravine's has since won many awards for their wines and continues to be a shining star in the winery industry.

The IRP had been and will continue to be an important tool in providing financing to businesses within PathStone's "Sector Intervention" strategy. In 2005, we launched an effort to support entrepreneurs within certain sectors of New York's rural economy that were having difficulty gaining access to conventional financing. Small "farm wineries" in New York's Finger Lakes region of the state, while being one of the greatest economic engines in the regional economy, were not getting the attention from commercial banks that they needed in order to thrive. PathStone set in motion a regional initiative that involve training for both bankers and winery operator/owners, technical assistance and the establishment of special pools of financing directed at supporting the growth of this particular sector. Our efforts led directly to the development of the first "benchmarking" study for small wineries in New York State.

PathStone recently launched its latest sector intervention effort targeted at small scale food and energy producers in western and central New York State. Again, small and micro-scale producers in this sector are having difficulty gaining access to credit and capital they need to sustain and expand their businesses.

The only obstacle to greater use of the IRP in rural America is the limited funding available for the program. Over the last several years, appropriations for the program have dropped from over \$40 million to less than \$35 million.

The previous administration took steps to depress the demand for IRP funds. First the maximum for loans to intermediaries was decreased from \$2 million to less than \$400,000. Second, applications were taken on a quarterly basis confusing applicants about time lines.

Despite this, demand remains strong. Every year, USDA receives requests for at least twice the dollar amount available. At the *start* of the fiscal year, USDA already had on hand over \$26 million in requests for \$33 million in loan authority.

An increase in IRP to \$75 million would create 10,000 jobs and leverage some \$500 million in additional lending in rural America. Those funds will be revolved three times over the life of the loan to the intermediary and we would use those funds to leverage bank financing that would not otherwise be available to our rural business owners. Delete period

The Rural Business Enterprise Grant Program (RBEG)

The Rural Business Enterprise Grant (RBEG) program has been extremely helpful to PathStone in its efforts to help businesses that are having difficulty accessing credit and capital, business management training and expanding their markets. The RBEG program is very flexible and lends itself to addressing problems which are specific to different localities. In Puerto Rico, PathStone is currently utilizing the RBEG program to conduct business management training and technical assistance to micro-entrepreneurs in the more remote rural communities on the Island. In New York, the RBEG program has supported efforts to introduce internet marketing strategies to micro-businesses in the Adirondack region of the state. Limited local retail opportunities, caused primarily by low population densities, remote locations as well as by bad weather for a good part of the year, are being replaced by a global marketplace. The RBEG helped launch a partnership between PathStone, EBay and several area educational institutions that has resulted in material economic improvement for many micro-businesses in the region.

PathStone has entered into 4 RBEG contracts since 2004 and has, utilizing RBEG resources, provided assistance to 676 entrepreneurs.

The Rural Micro Entrepreneur Assistance Program (RMAP)

The financing situation facing micro-businesses is particularly difficult because these ventures had difficulty securing financing even before conventional banks started pulling back on small business lending. We generally define a microbusiness as a business with fewer than 5 employees and many of the microentrepreneurs we finance have fewer than 3 employees. These businesses are often start-ups and few have the collateral that a conventional bank would require especially in these difficult economic times.

That said, these microentrepreneurs are a critical source of employment in Upstate New York as in most rural areas and during economic downturns we see many individuals turning to self employment. In fact during our last recession, from year 2000 to 2003, employment grew in microenterprise while falling for larger employers. Nationwide employment grew in microenterprise 9 percent while employment fell by almost 2 percent in larger firms.

And yet USDA rural development programs have not traditionally addressed the needs of microbusinesses.

- B&I Loan guarantees that can provide multi-million dollar guarantees;
- Intermediary Re-lending Program (IRP) that provides capital to non-profit entities that, in turn make loans to private businesses in rural areas. The average size loan is \$100,000, with a maximum of \$250,000; and
- There are no resources at USDA exclusively targeted to provide technical assistance or financial assistance to very small businesses.

Path Stone supported the creation of USDA's Rural Microentrepreneur Assistance Program (RMAP) as part of the 2008 Farm Bill. We believe it is important that USDA have a program dedicated to supporting rural microbusinesses and ensuring that both financial and technical assistance are available to rural entrepreneurs and particularly those unable to access credit from conventional lenders.

Under the Rural Microentrepreneur Assistance Program the Secretary is authorized to make 1 percent loans for a term of not more than 20 years to established Microenterprise Development Organizations (MDO). These MDOs will use the USDA funds to capitalize revolving funds making fixed rate loans of up to \$50,000 to start up and expanding rural microenterprises. The terms and conditions of loans made by an MDO to a microenterprise are established by the MDO.

Every MDO that secures a loan under the program is eligible to receive an annual technical assistance (TA) grant from USDA in an amount that is equal to but not more than 25 percent of the outstanding balance of the loans made by the MDO to micro enterprises. The TA grants can be used by the MDO to provide pre-loan as well as post-loan assistance to businesses as needed and may include assistance in developing or refining a business plan, marketing assistance, and management assistance.

Microenterprise Development Organizations that receive a loan under the program are required to establish and sustain a loan loss reserve equal to at least 5% of the outstanding loan balance. In addition, MDOs are required to provide a 15 percent match for any grant dollars secured. USDA can defer principal and interest due on a loan to a Microenterprise Development Organization for a period of 2 years in order to permit the MDO to make microloans to microentrepreneurs.

While we believe the RMAP as authorized in the 2008 Farm Bill holds great promise we are disappointed that for 25 months after the Farm Bill was signed into law we are still waiting for USDA to implement the program. When USDA issued an Interim Rule on the program in May of 2010, the field has some serious concerns about the rule and how it has strayed from what we believe was intended by the law.

In short, USDA's Interim Rule on the RMAP still gives short shrift to the technical assistance and training component of the program, does not provide the maximum interest subsidy or grant amount authorized in the statute and provides new requirements that are not authorized by statute. Congress enacted the RMAP to improve prospects for job creation in rural areas through microenterprise. However through the rule, USDA has made it unnecessarily difficult and expensive for local organizations like PathStone to carry out a program of technical and financial assistance to benefit micro-entrepreneurs. The result of this rule will be a program that is not widely available as relatively few rural organizations have the financial capacity to absorb the costs required to implement the program.

I would like to submit for the record a letter that we are submitting to USDA with comments on the RMAP rule and application.

Community Development Finance Institutions and the Business and Industry Program (B&I)

We are pleased that USDA has retracted the rule that is had established in 2008 making CDFIs ineligible to participate in the Business and Industry Program (B&I). This program provides guarantees of up to 90% for participating lenders that make loans to eligible businesses. For the same reasons that CDFIs have excelled at administering IRP contracts, CDFIs will safely and effectively deploy their own loan capital into underserved rural communities and benefit greatly from this type of guarantee instrument. Rural communities desperately need the additional credit and capital that "non-traditional lenders" like PathStone will deploy into traditionally underserved areas of the economy.

In closing, I would like to encourage the Committee to support programs, like the IRP, RBEG, and the B&I programs, that have proven track records of success but could use more resources, And secondly, I would encourage the Committee to work with USDA to see that RMAP program funds are made available soon, as intended by this Committee, so PathStone and others can work to sustain and grow healthy small and micro- businesses in rural communities across the country.

Willard L. Beaulac, Jr.

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EMPLOYMENT EXPERIENCE

Senior Vice-President (1982-Present)

PathStone Corporation, Rochester, New York

PathStone (formerly know as Rural Opportunities, Inc.) is a regional community development finance institution and service organization serving low-wealth communities in the states of New York, Pennsylvania, New Jersey, Ohio, Indiana, Vermont and Virginia and in the Commonwealth of Puerto Rico.

I have had direct responsibility for the administration of PathStone's Division of Community and Economic Development since 1982. During that time, our team has developed one of the most successful non-profit housing and economic development programs in the country. PathStone has invested over three quarters of a billion dollars into both rural and urban neighborhoods and communities in the form of small business lending, housing development, residential mortgage financing and training and technical assistance.

As of June, 2008, PathStone has financed over 400 business enterprises. The PathStone Enterprise Center, PathStone's economic development affiliate, has been certified by the US Department of the Treasury as a CDFI (community development finance institution) and a CDE (community development entity). The Enterprise Center is an intermediary lender for the US Department of Agriculture and for the US Small Business Administration. The Enterprise Center is also a CDFI for purposes of participating in certain New York State economic development programs. PathStone is active in the federal New Markets Tax Credit (NMTC) program, having completed the first transaction in New York State to utilize the NMTC program.

PathStone's housing and real estate development programs include the development of multi-family rental housing, preservation of existing rental properties through acquisition, rehabilitation and financial re-structuring, cooperative conversion of mobile home communities, homeownership promotion and financing, administration of rental assistance programs, community and commercial facility development, financial literacy education and foreclosure mitigation and counseling. As of June of 2008, PathStone has been responsible for the development or preservation of more than 7,000 units of housing. PathStone is the largest non-metro Section 8 Administrator in New York State with over 4,000 vouchers and certificates in five counties. PathStone has helped over 3,700 families become first time homebuyers through counseling, education, down payment and closing costs assistance and mortgage lending.

I also have responsibility for Advocacy and Public Policy activities for PathStone, including maintaining relationships and ongoing communication with elected officials and their staffs, particularly at the federal level.

As a member of PathStone's Executive Staff, I am fully engaged with the management of all facets of an organization with 500 employees and an annual operating budget of over \$43 million, making recommendations to, and carrying out policy decisions made by the PathStone Board of Directors.

Executive Director (1977-1981)

Project REACH, Inc. Wayland, New York

Responsible for the administration of a highly diversified private non-profit community development corporation. My responsibilities included personnel and fiscal management, strategic planning (with the Board), fund raising, management information system and external relations. REACH provided a myriad of services to small rural communities in the Southern Tier region of New York State. These included primary health care (medical and dental), day care, real estate development (multi-family and community facilities), homeownership promotion, training and employment, small business support (training and technical assistance) and nutrition programs (W.I.C.).

Regional Coordinator (1975-1977)

Program Funding, Inc. Rochester, New York

Responsible for the coordination of services, primarily to migrant and seasonal farmworkers across western New York State. I monitored, evaluated and provided technical assistance to Program Funding, Inc. offices and delegate agencies with respect to training and employment, emergency and support services. (Program Funding, Inc. is now known as PathStone)

Instructor (1973-1974)

Miami University of Ohio, Oxford, Ohio

Developed academic curricula and served as an instructor in English as a Second Language, High School Equivalency, and Adult Basic Education. The students were adult migrant farmworkers who were in the process of "settling out" of the migrant stream. My places of work were the Adult Migrant Education Center in Greenville, Ohio and Union City, Indiana.

CONSULTANT ENGAGEMENTS

Instructor (1997-2008)

Center for Community Research and Service
University of Delaware

Instructor (1999)
Ohio CDC Association, Columbus, Ohio

Researcher 1981
Rural New York Farmworker Opportunities, Inc.

Analyst 1981
Evaluation of rural health care programs in New Jersey that serve farmworkers. U.S. Department of Health, Education and Welfare, Washington, D.C.

SPECIAL APPOINTMENTS

Co-chair, Housing Policy Advisory Committee. Governor Elliott Spitzer Transition Team, 2006.

MEMBERSHIPS ON BOARDS AND COMMITTEES

Bank of America, Washington, DC.
New Markets Advisory Board, (2008-Present)

McCormack, Baron, Salazar, St. Louis, Missouri,
New Markets Tax Credit Board (2007-Present)

Morgan Stanley, New York, New York,
New Markets Tax Credit Advisory Board. (2007 to Present)

Affordable Housing Finance, San Francisco, California, Editorial Board Member (2007-2009).

Senator Hillary Clinton Agricultural Advisory Board,
Member and Co-chair of Subcommittee on Credit, Capital and Risk Management, (2005-2008)

Bank of America, Charlotte, North Carolina,
National Community Advisory Council (2005 – Present)

National Community Reinvestment Coalition (NCRC), Washington, D.C.,
Chairman of the Board of Directors (2006-2009), Board of Directors (1996 to Present),
Member of the Executive Committee (2002-present), Chair of the Program Committee of the Board (2003-2006).

Deleted:

National Rural Housing Coalition (NRHC), Washington, D.C. Member of the Board of Directors (1994-Present), Member of the Executive Committee of the Board (2000-Present), Treasurer (2006-2008), Secretary (2008-present).

Bankers-Community Collaborative Council (BCCC), Washington, D.C. (Sponsored by NCRC),
Chair of the Council (2006-Present), Member of the Council (1996 to Present), Chair of the Small Business Committee (1998-2005).

Rural LISC, Washington, D.C.
Member of the National Advisory Board (1996 to Present).

Stand Up for Rural America, Washington, D.C.
Member of the National Advisory Committee, (1997 to Present).

Fleet-Bank Boston, Boston, Massachusetts
Member, National Community Oversight Committee (1999-2003).

Fleet Bank, Rochester, New York
Member, Community Advisory Board, (1998-2003).

Mortgage Finance-Community Council (MFCC). Washington, DC. (Sponsored by NCRC),
Council Chairperson (2006 to 2009), Council Member (2002 to 2009).

National Congress for Community Economic Development (NCCED), Washington, D.C.
Member of the Board of Directors (1982-2002), Chair of the Board of Directors (1985-87).

National Farmworker Housing Directors Association, Washington, D.C.
Member of the Board (1985-93).

New York Rural Advocates. Albany, New York.
Member of the Board (1985-1992).

Bishop Sheen Ecumenical Housing Foundation, Inc. Rochester, New York. Member of the Board (1989-1993).

HONORS AND AWARDS

Pioneer in Excellence, presented by The Local Initiatives Support Corporation (LISC) and Rural LISC Washington, D.C. (2005).

James A. Johnson Fellowship, Fannie Mae Foundation, Washington, D.C. (August 2004-September 2005).

James Rouse Excellence in Achievement Award, presented by The National Community Reinvestment Coalition, Washington, DC (2005).

Farmworker Advocate Hall of Fame, Presented by Rural Opportunities, Inc. Rochester, NY (2001).

Founders Award, Presented by Rural LISC, Washington, DC (2000).

EDUCATION

Certificate, Community Economic Development, (1985). Granted jointly by Pratt Institute, Brooklyn, New York and the Development Training Institute, Baltimore, Maryland.

B.A. Latin American Studies, Ball State University, Muncie, Indiana (1972)

Secondary School Teaching Certificate, Ball State University, Muncie, Indiana (1973)

University of The Americas, Cholula, Puebla, Mexico
Concentrated Studies in Latin American History and Political Systems, (1971-1972)

Georgetown University, Washington, D.C. (1970)
Concentrated Studies in European History and International Relations

PUBLICATIONS, PAPERS and TESTIMONY

“The U.S. Housing Meltdown: Causes and Solutions.” 8th International Conference on Financial Services: Responsible Credit, London, England, 2008.

“Innovative Investment Products for Housing and Economic Development Finance” presented at the Community Affairs Forum: Community Development Investment Opportunities for Puerto Rican Finance Institutions. Sponsored by the Puerto Rican Bankers’ Association and the Federal Reserve Bank of New York, San Juan, Puerto Rico, 2008.

“Rural Opportunities, Inc. and Its Sector Intervention Strategies”, oral and written testimony before the New York State Economic Security Cabinet, Rochester, New York, 2008.

”The Impact of Community Development Corporations on New York State’s Economy”, presented at the New York CDFI Fund: Building Support to Build Communities Conference, sponsored by the New York Coalition of Community Development Finance Institutions, Albany, New York, 2008.

Oral and Written Testimony at the public hearing: Bank of America’s Proposal to Merge with Countrywide Mortgage, Federal Reserve Bank of Chicago, Chicago, Illinois, 2008.

Oral and Written Testimony, “ Support for USDA Rural Housing Services Section 515 Rural Rental Housing”, briefing on Rural Housing Issues, sponsored by the Congressional Rural Caucus (US House of Representatives), Washington, D.C. 2008.

“Community-based Economic Development in the United States: The Rural Opportunities, Inc. Experience.”, The Annual Conference of the European Coalition for Responsible Credit, Brussels, Belgium, 2007.

“Jonathan Court: A Portrait of Patience and Perseverance.”, *Rural Voices*. Volume 10/Number 2, the Housing Assistance Council, Washington, D.C., Summer, 2005.

“CRA Investment Finds Its Way From Bank to Artisan”, *Connectivity/People and Places*. Issue No. 5, National Neighborhood Coalition, Washington, D.C., Summer, 2005.

“Rural Home Loan Partnership: From Section 8 to Homeownership.” A special publication of the National Rural Housing Coalition. Washington, D.C., October, 2005.

“Rebuilding The Delta: Another Chapter for America’s Community Development Corporations”. National Congress for Community Economic Development, Washington, D.C., September, 2005.

“New York Community Developers Oppose Proposal By the Office of Thrift Supervision (OTS)”. Testimony before the Banking Committee of the New York State Assembly, Albany, New York, February, 2005.

“Building Assets and Homeownership Alliances in Rural America”
Community Developments, Office of the Comptroller of the Currency, Washington, DC. Spring, 2003.

“Public-Private Partnerships in the United States and Their Role in Affordable Housing Production.” First Congress for Community Based Development, Warsaw, Poland, 1999.

“The Role of Community Development Corporations in Rural America”, Office of Thrift Supervision, Atlanta, Georgia, 1998.

“Building Economic Self-Reliance: Issues and Trends for Our Communities”, Michigan State University, East Lansing, Michigan, 1996.

“H.R. 818: A Case for Capacity Building for Rural Community Development Corporations”, Testimony before The House Committee on Education and Labor, Subcommittee on Human Resources, U.S. House of Representatives, Washington, D.C., 1993.

“Non-Profit Community Development Corporations: Vital Partners in Community Improvement Strategies in the 1990s.” American Society for Public Administration, Rochester, New York, 1992.

“Farmworker Initiated Enterprises: The Rural Opportunities, Inc. Experience in the United States” Entrepreneurs Entre Deux Monde Conference, Paris, France, 1991.

“Legal Origins of Community Development Corporations in the United States”, International Conference on Local Development, Montreal, Canada, 1988

“The Challenge of Housing New York State’s Farmworkers”, New York African-American Institute, State University of New York, Albany, New York, 1986.

“Farmworkers Declare for Economic Development”
Resources. National Congress for Community Economic Development, Washington, D.C., 1983.

MILITARY SERVICE

U.S. Army 1966-1970
Viet Nam Veteran

LANGUAGE PROFICIENCY

Fluent in Spanish
Basic French

REFERENCES AVAILABLE UPON REQUEST

RURAL OPPORTUNITIES, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Homeownership: Pass-through: Genesee County, NY	14.228	Not Available	\$ 188,092
Supportive Housing Program Passed Through NYS Department of Housing and Community Renewal	14.235	NY01B602003-NY01B702003	79,859
Supportive Housing Program	14.235	Not Applicable	31,134
Community Development Block Grants/Entitlement Grants Passed Through the City of Rochester	14.218	031459	43,748
Community Development Block Grants/Entitlement Grants Passed Through Local Initiative Support Corporation	14.218	42374-0015/42374-0016	19,989
HOME Investment Partnerships Program Pass-through: Pennsylvania Housing Finance Agency	14.239	Not Available	300,514
Pass-through: NYS Housing Trust Fund Corporation	14.239	Not Available	3,034,000
Pass-through: County of Orange	14.239	Not Available	300,000
Pass-through: City of Rochester	14.239	24497	760,241
Pass-through: City of Rochester	14.239	2003-26	358,000
Pass-through: City of Rochester	14.239	None	486,000
Pass-through: County of Monroe	14.239	None	770,000
Pass-through: City of Rochester	14.239	26292	447,486
Pass-through: Greater Rochester Housing Partnership	14.239	None	-
Pass-through: Housing Trust Fund Corporation	14.239	None	4,197,884
Pass-through: City of Rochester	14.239	Not Available	500,000
Pass-through: City of Rochester	14.239	31459	38,878
Pass-through: NYS Housing Trust Fund	14.239	20050247	425,000
Pass-through: NYS Housing Trust Fund	14.239	20000135	1,074,834
Pass-through: County of Monroe	14.239	Not Available	520,000
Pass-through: County of Monroe	14.239	14.239	499,000
Pass-through: Ithaca Urban Renewal Agency	14.239	M-07-MC-36-0515	90,000
Pass-through: State of New Jersey Department of Community Affairs	14.239	2007-02298-1556-00	42,600
Rural Housing and Economic Development	14.250	Not Applicable	53
Economic Development Initiative - Special Project	14.251	Not Applicable	13,221
Capacity Building for Affordable Housing Pass-through Enterprise Foundation	14.252	B-06-NC-MD-0014/B-05-NC-MD-0012/ B-04-NC-MD-0009	187,031
Capacity Building for Affordable Housing Passed through the Enterprise Foundation, Inc.	14.252	08SG177	25,000
Housing Opportunities for Persons With AIDS Pass-through: NYS Office of Temporary Disability Assistance	14.241	C009566	431,439
Supportive Housing for Persons with Disabilities	14.181	Not Applicable	1,390,715
Supportive Housing for Persons with Disabilities Pass-through: NYS Office of Temporary Disability Assistance	14.181	C020025	27,855
Supportive Housing for the Elderly	14.157	Not Applicable	2,136,425
Supportive Housing for the Elderly Passed through the Commonwealth of Puerto Rico Development of Housing	14.157	Not Available	822,750
Multifamily Housing Service Coordinators	14.191	Not Applicable	201,890
Section 8 Housing Assistance Payments	14.195	Not Applicable	1,783,027
Section 8 Housing Choice Vouchers Pass-through: NYS Dept of Housing and Community Renewal	14.871	Not Available	3,386,912
			24,613,576

RURAL OPPORTUNITIES, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2008
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>US Department of Justice</u>			
Violence Against Women Formula Grants Pass-through Legal Aid of NW Ohio	16.588	2007-WR-AX-0031	22,544
Violence Against Women Formula Grants Pass-through Ohio Office of Criminal Justice Services	16.588	2007-WF-VA5-8810/2008-WF-VA5-8810	24,322
OVW Technical Assistance Initiative Pass-through NYS 8th Judicial District	16.526	C500769	32,285
Community Capacity Development Office (Weed and Seed)	16.595	Not Applicable	197,958
Transitional Housing Assistance For Victims of Domestic Violence, Stalking or Sexual Assault	16.736	Not Applicable	59,895
			<u>337,004</u>
<u>US Department of Labor</u>			
Senior Community Service Employment Program, Passed Through National Council on Aging	17.235	None Available	5,442,474
WIA Adult Program, Passed Through NYS Department of Labor	17.258	C012651	21,639
WIA Adult Program, Passed Through Chester County	17.258	None Available	8,545
WIA Youth Activities Passed Through Cumberland County	17.259	08-064-B	34,504
National Farmworker Jobs Program			
Housing 167 Farmworker Jobs Program	17.264	Not Applicable	718,164
Ohio 167 Farmworker Jobs Program	17.264	Not Applicable	1,136,090
New Jersey 167 Farmworker Jobs Program	17.264	Not Applicable	615,364
Pennsylvania 167 Farmworker Jobs Program	17.264	Not Applicable	1,457,520
New York 167 Farmworker Jobs Program	17.264	Not Applicable	1,574,984
Vermont 167 Farmworker Jobs Program	17.264	Not Applicable	172,595
Puerto Rico 167 Farmworker Jobs Program	17.264	Not Applicable	2,443,984
WIA Youth Activities Pass-through: Cumberland County	17.259	Not Available	3,071
			<u>13,628,935</u>
<u>Department of Agriculture</u>			
Child and Adult Food Care Program: Pass-through: State of New Jersey	10.558	09-11-577	43,840
State of Pennsylvania	10.558	None Available	94,204
Supplemental Nutrition Assistance Program Pass-through: New York State Nutrition Consortium	10.551	Not Available	62,648
Rural Rental Housing Loans	10.415	Not Applicable	1,599,850
Rural Business Enterprise Grants	10.769	Not Applicable	6,495
Intermediary Relending Program	10.767	Not Applicable	1,001,561
			<u>2,808,598</u>
<u>Department of Health and Human Services</u>			
Injury Protection and Control Research Pass-through: Ohio Department of Health	93.136	None Available	67,882
Research and Training in Complementary and Alternative Medicine Passed Through: Abbott Laboratories	93.213	N1517	23,253
Occupational Safety and Health Program Passed Through: NYS Department of Labor	93.262	C012795	114,595
Temporary Assistance for Needy Families	93.558	Not Applicable	-
Temporary Assistance for Needy Families Pass-through PA Dept. of Comm. and Development	93.558	C000029250 C000029287	213,179
Temporary Assistance for Needy Families Pass-through Bucks County	93.558	None Available	112,594
Temporary Assistance for Needy Families Passed Through the NYS Office of Temporary and Disability Assistance	93.558	C009711	68,683
Low Income Home Energy Assistance Pass-through: NYS DHCR	93.568	C090044-07	259,928
Pass-through: NYS DHCR	93.568	C090044-08	261,409
Cancer Control	93.399	Not Applicable	52,135
Centers for Disease Control and Prevention Passed Through Ohio Tobacco Use Prevention Foundation	93.283	None Available	78,378

RURAL OPPORTUNITIES, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2008
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of Health and Human Services (Continued)</u>			
Community Services Block Grant:			
Pass-through: Ohio Dept. of State	93.569	None Available	36,555
NY State Department of State	93.569	C005537	313,595
Pennsylvania Department of Economic Opportunity	93.569	None Available	277,586
Family Violence Prevention and Services/Grants For Battered Women's Shelters Passed Through Ohio Office of Criminal Justice Services	93.671	None Available	55,523
Family Violence Prevention and Services/ Grants For Battered Women's Shelters, Passed Through NYS Office of Children and Families	93.671	C023377	37,737
Head Start Program			
Direct	93.600	Not Applicable	1,034,078
Pass-through: East Coast Migrant	93.600	None Available	5,069,847
Pass-through: Berks County Intermediate	93.600	None Available	218,417
Pass-through: Carbon County Intermediate	93.600	None Available	60,450
Block Grants for Prevention and Treatment of Substance Abuse, Passed Through Ohio Department of Alcohol/ Drug Addiction Services	93.959	None Available None Available	25,245 40,812
HIV Care Formula Grants, Passed Through:			
NYS Department of State	93.917	C005537	142,395
HIV Care Formula Grants, Passed Through: Health Research, Inc.	93.917	2891-03	198,736
			<u>8,763,011</u>
<u>Small Business Administration</u>			
Microloan Demonstration Program	59.046	Not Applicable	<u>95,789</u>
<u>US Dept. of Energy</u>			
Weatherization Assistance for Low Income Persons			
Pass-through: NYS DHCR	81.042	C090044-07	72,694
Pass-through: NYS DHCR	81.042	C090044-08	<u>129,488</u>
			<u>202,182</u>
<u>Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program:			
Pennsylvania	97.024	None Available	43,439
Pass-through: United Way			
Wood County, Ohio	97.024	None Available	1,000
Fulton County, Ohio	97.024	None Available	1,000
Lucas County, Ohio	97.024	None Available	800
Williams County, Ohio	97.024	None Available	1,000
Henry County, Ohio	97.024	None Available	1,000
Chautauqua County, New York	97.024	LRO 614000-007	1,964
Wayne County, New York	97.024	LRO 629400-005	1,950
Ulster County, New York	97.024	LRO 628800-010	5,000
Orange County, New York	97.024	LRO 622800-016	5,967
Suffolk County, New York	97.024	Not Available	495
Niagara County, New York	97.024	None Available	331
Dutchess County, New York	97.024	None Available	<u>1,279</u>
			<u>65,225</u>

RURAL OPPORTUNITIES, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2008
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of the Treasury</u>			
NeighborWorks America	21.000	Not Applicable	760,462
Low Income Taxpayer Clinics	21.008	Not Applicable	107,428
			<u>867,890</u>
<u>Department of Education</u>			
Rehabilitation Services	84.128	Not Applicable	171,089
			<u>171,089</u>
Total Federal Expenditures			<u>\$ 51,553,299</u>

Note 1: The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the general-purpose financial statements.

Note 2: The dollar threshold for distinguishing type A and type B federal programs is \$1,546,599

Note 3: Of the federal expenditures presented in the schedule, Rural Opportunities, Inc. and Affiliates provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
National Farmworker Jobs Program - Housing JTPA 402	17.264	\$ 15,000
Microloan Program	59.046	95,789
Intermediary Relending Program	10.767	1,001,561

PATHSTONE CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CRDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant			
Pass-through: Genesee County, NY	14.228	Not Available	\$ 11,452
Community Development Block Grant			
Pass-through: City of Albion	14.228	Not Available	241,789
Supportive Housing Program Passed Through NYS			
Department of Housing and Community Renewal	14.235	NY01B602003-NY01B702003	53,101
Supportive Housing Program	14.235	Not Applicable	32,229
Supportive Housing Program	14.235	Not Applicable	64,658
Community Development Block Grants/Entitlement			
Grants Passed Through Local Initiative Support Corporation	14.218	42374-0015/42374-0016	14,678
HOME Investment Partnerships Program			
Pass-through: Pennsylvania Housing Finance Agency	14.239	Not Available	300,514
Pass-through: NYS Housing Trust Fund Corporation	14.239	Not Available	3,034,000
Pass-through: City of Rochester	14.239	24497	760,241
Pass-through: City of Rochester	14.239	2003-26	358,000
Pass-through: City of Rochester	14.239	None	486,000
Pass-through: County of Monroe	14.239	None	770,000
Pass-through: City of Rochester	14.239	26292	447,486
Pass-through: Housing Trust Fund Corporation	14.239	None	4,197,884
Pass-through: City of Rochester	14.239	Not Available	500,000
Pass-through: City of Rochester	14.239	31459	38,878
Pass-through: NYS Housing Trust Fund	14.239	20050247	425,000
Pass-through: NYS Housing Trust Fund	14.239	20000135	1,074,834
Pass-through: County of Monroe	14.239	Not Available	520,000
Pass-through: County of Monroe	14.239	Not Available	499,000
Pass-through: Ithaca Urban Renewal Agency	14.239	M-07-MC-36-0515	90,000
Economic Development Initiative - Special Project	14.251	Not Applicable	15,373
Capacity Building for Affordable Housing			
Pass-through Enterprise Foundation	14.252	B-06-NC-MD-0014/B-05-NC-MD-0012/ B-04-NC-MD-0009	36,861
Capacity Building for Affordable Housing			
Passed through the Enterprise Foundation, Inc.	14.252	08SG177	25,000
Housing Opportunities for Persons With AIDS			
Pass-through: NYS Office of Temporary Disability Assistance	14.241	C009566	468,721
Supportive Housing for Persons with Disabilities	14.181	Not Applicable	1,384,238
Supportive Housing for Persons with Disabilities			
Pass-through: NYS Office of Temporary Disability Assistance	14.181	C020025	31,973
Supportive Housing for the Elderly	14.157	Not Applicable	2,108,453
Supportive Housing for the Elderly			
Passed through the Commonwealth of Puerto Rico Department of Housing	14.157	Not Available	822,750
Section 8 Housing Assistance Payments	14.195	Not Applicable	1,783,027
Section 8 Housing Choice Vouchers			
Pass-through: NYS Dept of Housing and Community Renewal	14.871	Not Available	3,219,737
			<u>23,815,877</u>

PATHSTONE CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2009
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>US Department of Justice</u>			
Violence Against Women Formula Grants			
Pass-through Legal Aid of NW Ohio	16.588	2007-WR-AX-K024	18,859
Violence Against Women Formula Grants			
Pass-through Ohio Office of Criminal Justice Services	16.588	2008-WF-VA5-8810/2009-WF-VA5-8810	36,167
OVW Technical Assistance Initiative			
Pass-through NYS 8th Judicial District	16.526	C500769	3,425
Community Capacity Development Office (Weed and Seed)	16.595	Not Applicable	78,998
Transitional Housing Assistance For Victims of Domestic Violence, Stalking or Sexual Assault	16.736	Not Applicable	20
			137,469
<u>US Department of Labor</u>			
Senior Community Service Employment Program, Passed Through National Council on Aging	17.235	AD-1675-08-60-71, 75, 76 and 77	5,916,624
Senior Community Service Employment Program, Passed Through National Council on Aging - ARRA	17.235	AD-1675-08-60-71, 75, 76 and 77	498,248
WIA Adult Program, Passed Through Chester County	17.258	None Available	123
WIA Youth Activities Passed Through Cumberland County	17.259	08-064-B	95,090
National Farmworker Jobs Program			
Housing 167 Farmworker Jobs Program	17.264	Not Applicable	743,177
Ohio 167 Farmworker Jobs Program	17.264	Not Applicable	1,131,579
New Jersey 167 Farmworker Jobs Program	17.264	Not Applicable	556,043
Pennsylvania 167 Farmworker Jobs Program	17.264	Not Applicable	1,431,269
New York 167 Farmworker Jobs Program	17.264	Not Applicable	1,536,755
Vermont 167 Farmworker Jobs Program	17.264	Not Applicable	188,843
Puerto Rico 167 Farmworker Jobs Program	17.264	Not Applicable	3,655,633
			15,753,384
<u>Department of Agriculture</u>			
Child and Adult Food Care Program:			
Pass-through: State of New Jersey	10.558	09-11-577	46,949
State of Pennsylvania	10.558	None Available	112,451
Supplemental Nutrition Assistance Program			
Pass-through: New York State Nutrition Consortium	10.551	Not Available	53,574
Rural Rental Housing Loans	10.415	Not Applicable	1,615,393
Rural Business Enterprise Grants	10.769	Not Applicable	30,180
Intermediary Relending Program	10.767	Not Applicable	943,370
Community Food Projects	10.225	Not Applicable	65,698
			2,867,615
<u>Department of Health and Human Services</u>			
Injury Protection and Control Research			
Pass-through: Ohio Department of Health	93.136	087-3-001-4-VW-0209	30,410
Research and Training in Complementary and Alternative Medicine Passed Through: Abbott Laboratories	93.213	N1517	1,180
Occupational Safety and Health Program			
Passed Through: NYS Department of Labor	93.262	C012795	107,575
Temporary Assistance for Needy Families			
Pass-through PA Dept. of Public Welfare	93.558		35,780
Temporary Assistance for Needy Families			
Pass-through PA Dept. of Comm. and Development	93.558	C000029250 C000029287	131,804
Temporary Assistance for Needy Families			
Pass-through Bucks County	93.558	None Available	62,906
Temporary Assistance for Needy Families Passed Through the NYS Office of Temporary and Disability Assistance	93.558	C009711	24,264
Low Income Home Energy Assistance			
Pass-through: NYS DHCR	93.568	C090044-08	314,744
Pass-through: NYS DHCR	93.568	C090044-09	302,401
Pass-through: NYS DHCR	93.568	C090044-09	1,482
Cancer Control, Pass-through Susan G. Komen Foundation	93.399	7800004	54,605

PATHSTONE CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2009
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of Health and Human Services (Continued)</u>			
Community Services Block Grant:			
Pass-through: Ohio Dept. of State	93.569	E3517	38,344
NY State Department of State	93.569	C005537	396,816
NY State Department of State	93.569	None Available	28,281
Pennsylvania Department of Economic Opportunity	93.569	None Available	304,939
Child Care and Development Block Grant			
Pass-through: PA Department of Education	93.575	PAC#130-09-0164	243,825
Community Services Block Grant:			
Pass-through: NYS Dept. of State - ARRA	93.710	C001051	81,175
Family Violence Prevention and Services/Grants For Battered Women's Shelters Passed Through Ohio Office of Criminal Justice Services			
	93.671	2008-VP-003-4020	36,168
Family Violence Prevention and Services/ Grants For Battered Women's Shelters, Passed Through NYS Office of Children and Families			
	93.671	C023377	53,668
Head Start Program			
Direct	93.600	Not Applicable	893,987
Pass-through: East Coast Migrant	93.600	None Available	4,278,422
Pass-through: East Coast Migrant - ARRA	93.600	None Available	4,274
Pass-through: Berks County Intermediate	93.600	BCIU-HSSCO-39	195,307
Pass-through: Carbon County Intermediate	93.600	CLIU-ESM-CONTR	53,532
Block Grants for Prevention and Treatment of Substance Abuse, Passed Through Ohio Department of Alcohol/ Drug Addiction Services			
	93.959	99-8255-YMENT-P-09-0222 99-8255-CPREV-P-09-0051	27,294 37,950
HIV Care Formula Grants, Passed Through:			
NYS Department of State	93.917	C005537	128,065
HIV Care Formula Grants, Passed Through: Health Research, Inc.	93.917	2891-03	206,097
			8,075,295
<u>Small Business Administration</u>			
Microloan Demonstration Program	59.046	Not Applicable	95,787
<u>US Dept. of Energy</u>			
Weatherization Assistance for Low Income Persons			
Pass-through: NYS DHCR	81.042	C090044-08	97,769
Pass-through: NYS DHCR	81.042	C090044-09	367,797
			465,566
<u>Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program:			
Pennsylvania	97.024	Not Applicable	72,457
Pass-through: United Way			
Wood County, Ohio - ARRA	97.114	674600-008	2,026
Fulton County, Ohio - ARRA	97.114	674600-008	2,000
Lucas County, Ohio - ARRA	97.114	674600-008	1,510
Henry County, Ohio - ARRA	97.114	674600-008	1,000
Chautauqua County, New York	97.024	LRO 614000-007	2,175
Wayne County, New York	97.024	LRO 629400-005	5,657
Ulster County, New York	97.024	LRO 628800-010	2,716
Orange County, New York	97.024	LRO 622800-016	7,010
Suffolk County, New York	97.024	None Available	495
Niagara County, New York	97.024	None Available	255
Dutchess County, New York	97.024	None Available	3,993
			101,294

PATHSTONE CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2009
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>Department of the Treasury</u>			
NeighborWorks America	21.000	Not Applicable	1,450,519
Low Income Taxpayer Clinics	21.008	Not Applicable	149,532
			<u>1,600,051</u>
<u>Department of Education</u>			
Rehabilitation Services	84.128	Not Applicable	316,872
Safe and Drug-Free Schools and Communities_State Grants Pass-through: Ohio Department of Alcohol and Drugs	84.186	99-8255-DFSCA-P-09-0971	41,760
			<u>358,632</u>
Total Federal Expenditures			<u>\$ 53,270,970</u>

Note 1: The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the general-purpose financial statements.

Note 2: The dollar threshold for distinguishing type A and type B federal programs is \$1,598,129

Note 3: Of the federal expenditures presented in the schedule, PathStone Corporation and Affiliates provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
National Farmworker Jobs Program - Housing JTPA 402	17.264	\$ 15,000
Microloan Program	59.046	95,787
Intermediary Relending Program	10.767	943,370

PathStone Corp
Statement of Revenues and Expenditures
From 10/1/2009 Through 7/15/2010

FY 2010 PATHSTONE CORP. FEDERAL EXPENDITURES
10/1/2009 -- 6/30/2010

	<u>EXPENSES</u>
Expense	
Total USDOL Direct	6,758,682.35
Total USDOL Passed Through	1,260,284.00
Total US DHHS Direct	967,314.10
Total US Dept of HUD Direct	182,565.16
Total US Dept of HUD Pass Through	2,650,477.92
Total US Dept of Justice passed thru	70,324.00
Total USDA Direct	98,607.53
Total Federal Direct IRS	101,793.78
	1,212,007.48
Total US DHHS Pass Through ECMHS	2,999,533.58
Total USDA Pass Through	133,915.92
Total FEMA Pass Through	38,555.71
Total US DHHS Pass Through	1,813,704.90
Total Neighborhood Reinvestment Corp	914,536.00
Total US DOE Weatherization	924,536.00
Total US Dept of Education-Direct	229,272.02
<u>Total USDA Dept of Agriculture</u>	<u>33,812.00</u>
YTD Total	48,606,530.19