



Sickler, Torchia  
Allen & Churchill, CPA's, PC  
*Your Partner When It Counts*

Robert J. Allen, CPA  
Victor V. Churchill, CPA  
Edward J. Gower II, CPA  
Joseph J. Montalto, CPA  
Craig R. Sickler, CPA  
Michael A. Torchia, Jr., CPA, CVA

March 21, 2019

To the Board of Directors  
Hudson Development Corporation  
1 North Front Street  
Hudson, NY 12534

We have audited the financial statements of Hudson Development Corporation for the year ended December 31, 2018, and we will issue our report thereon dated March 21, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hudson Development Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the current depreciation expense and the related accumulated depreciation account are based on the Organization's prior auditors, who's work terminated after the completion of the December 31, 2013 audit. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Lawsuit Settlement in Note 5 to the financial statements. During the year ended September 30, 2006, the Organization was subject to fraudulent disbursements in the amount of \$13,685. The Organization won a lawsuit entitling to repayment of these disbursements during July 2007, which was set to be repaid beginning January 2, 2008 and completed by January 2, 2011. A single payment of \$608 was received in April 2008, lowering the amount of the receivable to \$13,077. There have been no further repayments since December 31, 2016 in the amount of \$200. The Organization resolved to write off the Lawsuit Settlement Receivable due to the question of collectability during the year 2013. This resolution eliminated the receivable and increased Bad Debt Expense by \$13,077 for the period ended December 31, 2013. The Organization intends to maintain its right to collect the amount due and remains legally entitled to the remainder outstanding.

4071 Route 9, Stop 1  
Hudson, NY 12534  
P: 518-828-4616  
F: 518-828-0235

2215 Route 9W, P.O. Box 757  
Lake Katrine, NY 12449  
P: 845-336-7183  
F: 845-336-7186

The disclosure of the Organization's ability to continue as a going concern for a year from the date of the audit report, March 21, 2019 in Note 12 to the financial statements. The Organization has suffered recurring losses from operations and has limited assets which are believed to be marketable for the purpose of liquidation. Although the Organization has successfully obtained grant revenue in prior periods, it has historically spent in excess of grant awards before consideration of payroll and other operating expenditures. Additionally, grant revenue is not guaranteed in the upcoming 12-month period. In the current year, total cash decreased by \$54,732 and the Organization continues to incur an operating loss each year. These factors raise a question as to the Organization's ability to continue as a going concern for a minimum of one year from the date of the audit report, March 21, 2019. Management plans to mitigate these adverse conditions through the sale and/or lease of available for sale property in order to generate cash to sustain operations and to investigate appropriate grants within the Organization's mission that will provide an administrative component to support operations. The most significant of management's plans is actively working on development projects which have received State of New York approval to move forward and will be subject to contracts once formal approval is received. Secondly, the Organization owns real estate of substantial value, which is not encumbered by monetary liens, against which funds could be borrowed to generate cash to sustain its operation on an interim basis.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. The recording of depreciation expenses for the year ended December 31, 2018 for \$29,411.52
2. The reclassification of prior year audit fees accrued for totaling \$8,070.00
3. The recording of current year audit fee liability for \$6,300.00
4. The reclassification of a reimbursement received for DRI grant writing expenditures for \$5,000.00
5. The reclassification of Cost Sharing Reimbursements

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 21, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Hudson Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Victor V. Churchill". The signature is fluid and cursive, with a large initial "V" and "C".

Victor V. Churchill, CPA  
Sickler, Torchia, Allen, & Churchill, CPA's, P.C.  
VVC/akf