

HUDSON DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2020
(with memorandum totals for the year ended December 31, 2019)

HUDSON DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hudson Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Hudson Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Development Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainties

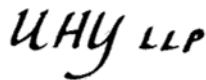
As discussed in Note 11 to the financial statements, the Organization has suffered recurring reductions in net assets from operations and negative operating cash flows. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of Hudson Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hudson Development Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Hudson Development Corporation's December 31, 2019 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Hudson, New York
March 25, 2021

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(with memorandum totals as of December 31, 2019)

	2020	2019 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 51,754	\$ 12,701
Lease receivable	-	2,000
Property available for sale	1	4,000
Total current assets	<u>51,755</u>	<u>18,701</u>
Debt reserve	10,000	10,000
Property, leasehold improvements and equipment, net	<u>1,072,320</u>	<u>1,103,831</u>
Total assets	<u>\$ 1,134,075</u>	<u>\$ 1,132,532</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued liabilities	\$ -	\$ 481
Prepaid lease income	<u>4,000</u>	<u>-</u>
Total current liabilities	<u>4,000</u>	<u>481</u>
LONG-TERM LIABILITIES		
Long-term debt	<u>200,000</u>	<u>200,000</u>
Total long-term liabilities	<u>200,000</u>	<u>200,000</u>
Total liabilities	<u>204,000</u>	<u>200,481</u>
NET ASSETS		
Without donor restrictions	928,680	932,051
With donor restrictions	<u>1,395</u>	<u>-</u>
Total net assets	<u>930,075</u>	<u>932,051</u>
Total liabilities and net assets	<u>\$ 1,134,075</u>	<u>\$ 1,132,532</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

(with memorandum totals for the year ended December 31, 2019)

	2020			2019 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES				
REVENUE AND SUPPORT				
Contribution and grant revenue	\$ 3,950	\$ 25,880	\$ 29,830	\$ 5,550
Lease and rent income	21,000	-	21,000	2,650
Management fee	8,029	-	8,029	7,884
Miscellaneous	3,151	-	3,151	-
Released from restriction	24,485	(24,485)	-	-
Total revenue and support	<u>60,615</u>	<u>1,395</u>	<u>62,010</u>	<u>16,084</u>
EXPENSES				
Program services	25,992	-	25,992	52,000
Management and general	74,187	-	74,187	58,576
Total expenses	<u>100,179</u>	<u>-</u>	<u>100,179</u>	<u>110,576</u>
Change in net assets from operating activities	<u>(39,564)</u>	<u>1,395</u>	<u>(38,169)</u>	<u>(94,492)</u>
NON-OPERATING ACTIVITIES				
Interest income	17	-	17	48
Interest expense	(8,334)	-	(8,334)	(1,666)
Gain on sale of property	44,510	-	44,510	-
Change in net assets from non-operating activities	<u>36,193</u>	<u>-</u>	<u>36,193</u>	<u>(1,618)</u>
CHANGE IN NET ASSETS	<u>(3,371)</u>	<u>1,395</u>	<u>(1,976)</u>	<u>(96,110)</u>
NET ASSETS, Beginning of year	<u>932,051</u>	<u>-</u>	<u>932,051</u>	<u>1,028,161</u>
NET ASSETS, End of year	<u>\$ 928,680</u>	<u>\$ 1,395</u>	<u>\$ 930,075</u>	<u>\$ 932,051</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020
(with memorandum totals for the year ended December 31, 2019)

	2020			2019
	Program	Management and General	Total	(memorandum only)
Salaries and wages	\$ 1,400	\$ 16,853	\$ 18,253	\$ 9,905
Payroll taxes	107	1,289	1,396	837
Professional fees	-	12,242	12,242	1,158
Membership dues	-	-	-	152
Office expenses	-	2,567	2,567	2,340
Property expenses	-	451	451	2,901
Advertising	-	136	136	13
Insurance	-	4,916	4,916	6,482
Grants	24,485	-	24,485	52,000
Information technology	-	1,497	1,497	374
Depreciation expense	-	32,909	32,909	32,862
Miscellaneous	-	1,327	1,327	1,552
Subtotal	25,992	74,187	100,179	110,576
Interest expense	-	8,334	8,334	1,666
Total	\$ 25,992	\$ 82,521	\$ 108,513	\$ 112,242

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020
(with memorandum totals for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u> (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ (1,976)</u>	<u>\$ (96,110)</u>
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Depreciation	32,909	32,862
Gain on sale of available-for-sale property	(44,510)	-
Forgiveness of PPP loan	(2,500)	-
(Increase) decrease in:		
Accounts receivable	-	37,000
Lease receivable	2,000	(2,000)
Increase (decrease) in:		
Accounts payable	-	(6,300)
Accrued liabilities	(481)	281
Prepaid lease income	4,000	-
Total adjustments	<u>(8,582)</u>	<u>61,843</u>
Net cash used for operating activities	<u>(10,558)</u>	<u>(34,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,399)	(8,500)
Proceeds from sale of available-for-sale property	48,510	-
Net cash provided by (used for) investing activities	<u>47,111</u>	<u>(8,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	17,500	15,000
Repayment of loan	(15,000)	-
Net cash provided by financing activities	<u>2,500</u>	<u>15,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,053	(27,767)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>12,701</u>	<u>40,468</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 51,754</u>	<u>\$ 12,701</u>
Interest paid	<u>\$ 8,334</u>	<u>\$ 1,666</u>
NON-CASH INVESTING AND FINANCING		
Purchase of property with debt	<u>\$ -</u>	<u>\$ 175,000</u>
Funding of prepaid interest with debt	<u>\$ -</u>	<u>\$ 10,000</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION

Hudson Development Corporation (the “Organization”) is a not-for-profit organization. The Organization was formed in March of 1976 to relieve and reduce adult unemployment, to better and maintain job opportunities, and to promote instruction or training of individuals in order to improve or develop their capabilities for employment opportunities, including scientific research for such purposes. Additionally, the Organization resolves to attract new business and industry to the area in which it operates by encouraging the development of, or retention of, business and industry. The Organization primarily operates in the City of Hudson, New York.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-For-Profit Organizations” (the “Guide”).

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified 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 Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

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 Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Amounts

Amounts shown for December 31, 2019, in the accompanying financial statements are included to provide a basis for comparison with December 31, 2020 and present summarized totals only. Accordingly, the December 31, 2019 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment are stated at cost. Expenditures for additions, improvements, and major renewals which extend the life of the asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of property, leasehold improvements and equipment are included in nonoperating activities on the statement of activities.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Leasehold Improvements and Equipment (Continued)

The Organization has one property consisting of land and buildings in Hudson, New York considered “held and used” and one property in Hudson, NY considered “available for sale” under ASC 360. Held and used long-lived assets are tested for impairment when events occur that indicate they may not be recoverable. In these circumstances, the assets would be reduced to the lesser of fair value or net book value. Available for sale long-lived assets are not depreciated and the carrying amount reflects the lower of net book value or fair value less the cost to sell the asset.

Depreciation

Depreciation is provided for using principally straight-line methods over the various estimated useful lives of the assets. Depreciation lives related to leasehold improvements are limited to the lease term and certain available extensions.

Income Taxes

Hudson Development Corporation qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization’s returns are currently under examination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of property and equipment are reported as assets without donor restriction upon acquisition of the assets and the assets are placed in service.

No amounts have been reflected in the financial statements for donated services because the criteria for recognition under FASB ASC 958-605 have not been satisfied. The Organization pays for services requiring specific expertise.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Certain revenue is earned on cost reimbursable type contracts as services are provided and expenses are incurred to carry out the objectives of the related contractual arrangements. Cost reimbursable contract revenue is recognized only to the extent the contract allows for the related costs incurred by the Organization and cannot exceed the maximum amount allowed for under the contract. Funds advanced to the Organization prior to the earnings process are deferred. Revenue earned in excess of the payments received is accrued, when necessary.

Concentrations of Credit and Market Risks

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution. The Organization did not exceed the Federal Deposit Insurance Company (FDIC) limit as of December 31, 2020. The Organization has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured amounts is minimal.

The organization has determined no allowance for doubtful accounts is needed based on a review of outstanding receivables, historical collection information and economic conditions. Generally collateral is not required.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Hudson Development Corporation's ongoing activities. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expense that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Payroll taxes and benefits	Time and Effort

Risks and Uncertainties

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

The full extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's finances. However, if the pandemic continues to endure, the disease could have an adverse material effect on the Organization's activities, results of operations, financial condition, and cash flow.

As discussed in Note 6, the Organization obtained a loan from the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Subsequent Events

Subsequent events have been evaluated through March 25, 2021 which is the date the financial statements were available to be issued.

In January 2021, the Organization received a second paycheck protection program (PPP) loan in the amount of \$3,608. The Organization expects the loan to be fully forgiven.

The Organization began a month-to-month lease to rent out the warehouse located at 14 Montgomery Street in Hudson, NY. The lease is for \$500 per month and began on February 2, 2021.

NOTE 3 – PROPERTY, LEASEHOLD IMPROVEMENTS AND EQUIPMENT

A summary of property, leasehold improvements and equipment is as follows as of December 31, 2020:

		<u>Useful Lives</u>
Land	\$ 275,501	n/a
Leasehold improvements	291,883	24 years
Buildings	828,000	40 years
Equipment, furniture, and fixtures	21,200	5 - 7 years
Accumulated depreciation	<u>(344,264)</u>	
	<u>\$ 1,072,320</u>	

Depreciation expense for the year ended December 31, 2020 was \$32,909. Included in accumulated depreciation is \$115,082 of accumulated depreciation related to leasehold improvements. Depreciation expense on leasehold improvements was \$12,162 during the year ended December 31, 2020. Leasehold improvements have an estimated remaining useful life of 14.25 years with depreciation expense of \$12,162 expected for the next 5 years.

The Organization's buildings are considered "held and used" and are depreciated based on their useful lives. The Organization plans to make these assets "available for sale" in the future.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – LONG TERM DEBT

During the year ended December 31, 2019, the Organization entered into a loan agreement with Columbia Economic Development Corporation (CEDC) to finance the purchase of a piece of property in Hudson, New York. The loan is for \$200,000 at a fixed interest rate of 5%. Interest only payments of \$833.33/month are required for the first 36 months of the loan. A balloon payment of \$200,000 is required at the maturity date of November 30, 2022. The loan agreement also required a debt reserve account be maintained with CEDC for \$10,000 and is recorded as “debt reserve” on the statement of financial position at December 31, 2020. The lender reserves the right of offset in the event the Organization does not make timely interest payments. The loan is collateralized by the property purchased with the loan proceeds and another parcel of real property owned by the Organization in Hudson, New York.

Long-term debt is expected to mature as follows:

2021	\$	-
2022		200,000
		<u>\$ 200,000</u>

NOTE 5 – SHORT-TERM BRIDGE LOAN

The Organization entered into a short-term bridge loan in August 2020 to aid the Organization with cash flow. The loan was for \$15,000 and repayment was required within 90 days of receipt. No interest was charged and the loan was fully paid off in December 2020.

NOTE 6 – PPP LOAN

In May 2020, the Organization applied for and received a loan in the amount of \$2,500 from the Bank of Greene County through the Small Business Association’s (“SBA”) Paycheck Protection Program (“PPP”). This loan has allowed the Organization to retain a full workforce to date. The SBA loan was subject to forgiveness should the Organization demonstrate to the lender the funds were spent on specific payroll, debt interest, rent, and/or utility type expenses during the 8 or 24 weeks subsequent to receipt of the loan proceeds. If not forgiven, the loan would accrue interest at 1.00% per annum and mature on May 1, 2022, with the Organization making monthly payments including principal and interest beginning December 1, 2020 through maturity. The loan was fully forgiven by the SBA on October 13, 2020.

NOTE 7 – LEASE COMMITMENTS

The Organization entered into a lease for office space in November 2010. In return for certain improvements to the property made by the Organization, a lease term of twelve years with zero monthly rental expense was negotiated. The Organization has the option to renew the lease for a twelve-year period. The monthly lease payment will be \$1,041 adjusted by the Consumer Price Index from 2011 through the date of renewal.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – RELATED PARTIES

During the year ended December 31, 2020, the Corporation shared administrative staff and expenses with Hudson Community Development & Planning Agency (HCDPA). The shared expenditures include wages for the executive director and the executive assistant, related fringe benefits, payroll processing fees, telephone, office supplies, and grant writing fees. Amounts received as reimbursement from HCDPA for such payments are shown as “management fee” income in the statement of activities. The total amount of HCDPA’s portion of the shared expenses for the year ended December 31, 2020 was \$8,029.

This arrangement was memorialized January 29, 2019. It allowed for termination upon 30 days prior written notice by either party. The agreement was terminated in September 2020.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization has received grants in varying amounts, which are subject to audit by agencies of state and federal governments. Such audits may result in disallowances and requests for return of funds to these governments. Based on past audits, the Organization believes disallowances, if any, will be immaterial.

The Organization is subject to litigation in its normal course of operations and carries insurance related to such possibilities. Presently, the Organization is not subject to any matters that require the recognition of a liability in the financial statements.

NOTE 10 – LIQUIDITY

The Organization’s financial assets available within one year of December 31, 2020 for general expenditure are as follows:

Current financial assets at year-end:	
Cash and cash equivalents	<u>\$ 51,754</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 51,754</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 11 – UNCERTAINTIES

The Organization has suffered recurring decreases in net assets from operations and negative operating cash flows in past years. Although the Organization has successfully sold property and obtained contribution and grant revenue in the current year, it has historically spent in excess of grant awards before consideration of payroll and other operating expenditures. Additionally, grant revenue is not guaranteed for the 2021 fiscal year.

Management plans to alleviate these adverse conditions through the sale and/or lease of available 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 aspect of management’s plans is actively working on development projects which have received the State of New York’s approval to move forward and will be subject to contracts once formal approval has been received. Secondly, the Organization owns real estate of substantial value against which funds could be borrowed to generate cash to sustain its operation on an interim basis.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 11 – UNCERTAINTIES (Continued)

The Organization was awarded a Downtown Revitalization Initiative (DRI) grant to redevelop the KAZ site owned by the Organization as a mixed-use transit-oriented development. The project plans to demolish an existing warehouse to make way for mixed-use transit-oriented development. Infrastructure improvements will support an innovative mixed-use development on the site, such as housing appropriate for students and young professionals, a job readiness pipeline program and community college programming. The amount awarded was \$487,160 but is dependent upon the Organization finding a developer for the property. No revenue related to this grant has been recognized as of December 31, 2020 given contingencies.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of December 31, 2020 are held as follow:

Subject to expenditure for specified purpose:

Hudson Emergency Arts Program	\$ 1,395
	<u>\$ 1,395</u>

During the year ended December 31, 2020, releases from restriction were comprised of the following:

Hudson Emergency Arts Program	\$ 16,000
Police Department Body Camera Grant	8,485
	<u>\$ 24,485</u>

NOTE 13 – LEASE INCOME

The Organization leased a parking lot from December 1, 2019 through November 30, 2020 for \$2,000 per month. At the end of the lease term, there was an option to renew the lease on a year-to-year basis. At the end of the 2020 lease term, the lease was extended for another year. The expected lease revenue for 2021 is \$22,000.

During the year ended December 31, 2020, the Organization discounted the rent for three months from \$2,000 a month to \$1,000 a month as a form of COVID-19 relief. The lessee prepaid rent by \$4,000, resulting in prepaid lease income as of December 31, 2020.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson Development Corporation:

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 Hudson Development Corporation, which comprise the statement of financial position as of December 31, 2020, 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 March 25, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be a material weakness and a significant deficiency.

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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

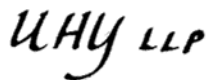
As part of obtaining reasonable assurance about whether Hudson Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

Hudson Development Corporation's Response to Findings

Hudson Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Hudson Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Hudson, New York
March 25, 2021

**HUDSON DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2020**

Finding 2020-001

Significant Deficiency in Internal Control Over Financial Reporting – Segregation of Duties

Criteria:

The Organization only has one employee and as a result there is insufficient segregation of duties over cash receipts.

Condition:

The Organization has only one employee which makes designing internal controls to create proper segregation of duties challenging.

Cause:

The Organization only has one employee.

Effect or Potential Effect:

One employee is responsible for maintaining the Organization's general ledger, collecting the mail, preparing and bringing the deposit to the bank and reconciling the Organization's bank accounts monthly.

Recommendation:

Management should consider options to improve segregation of duties.

Responsible Official's Response:

Management will consider opportunities to improve segregation of duties but does not currently have plans to increase staffing.