

# **HUDSON DEVELOPMENT CORPORATION**

## **AUDITED FINANCIAL STATEMENTS**

For the year ended December 31, 2022  
(with memorandum totals for the year ended December 31, 2021)

# HUDSON DEVELOPMENT CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Hudson Development Corporation:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Hudson Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hudson Development Corporation as of December 31, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hudson Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, the Organization adopted ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hudson Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hudson Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hudson Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023 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, 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated March 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*UHY LLP*

Hudson, New York  
June 9, 2023

**HUDSON DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**  
(with memorandum totals as of December 31, 2021)

	<b>2022</b>	<b>2021</b> <b>(memorandum only)</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 126,709	\$ 104,047
Cash held in escrow	-	300,000
Investments	2,663,747	-
Property available for sale, net	-	894,775
Debt reserve	-	10,000
Operating right-of-use asset	183,593	-
Property, leasehold improvements and equipment, net	<u>152,894</u>	<u>165,336</u>
Total assets	<u><u>\$ 3,126,943</u></u>	<u><u>\$ 1,474,158</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 200	\$ -
Accrued payroll liabilities	11,661	585
Prepaid lease income	4,000	4,000
Operating lease liability	183,593	-
Deposit	-	300,000
Long-term debt	<u>-</u>	<u>200,000</u>
Total liabilities	<u>199,454</u>	<u>504,585</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,902,904	955,977
With donor restrictions	<u>24,585</u>	<u>13,596</u>
Total net assets	<u>2,927,489</u>	<u>969,573</u>
Total liabilities and net assets	<u><u>\$ 3,126,943</u></u>	<u><u>\$ 1,474,158</u></u>

See notes to financial statements.

# HUDSON DEVELOPMENT CORPORATION

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

(with memorandum totals for the year ended December 31, 2021)

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>(memorandum only)</u>
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND SUPPORT</b>				
Contribution and grant revenue	\$ 336	\$ 10,989	\$ 11,325	\$ 115,271
Lease and rent income	7,387	-	7,387	31,500
Total revenue and support	<u>7,723</u>	<u>10,989</u>	<u>18,712</u>	<u>146,771</u>
<b>EXPENSES</b>				
Program services	-	-	-	102,202
Management and general	101,363	-	101,363	89,274
Total expenses	<u>101,363</u>	<u>-</u>	<u>101,363</u>	<u>191,476</u>
Change in net assets from operating activities	<u>(93,640)</u>	<u>10,989</u>	<u>(82,651)</u>	<u>(44,705)</u>
<b>NON-OPERATING ACTIVITIES</b>				
Investment (loss) return, net	(34,924)	-	(34,924)	90
Interest expense	(1,667)	-	(1,667)	(10,000)
Forgiveness of paycheck protection program (PPP) loan	-	-	-	3,607
Gain on sale of property, net expenses of \$28,067	2,077,158	-	2,077,158	90,506
Change in net assets from non-operating activities	<u>2,040,567</u>	<u>-</u>	<u>2,040,567</u>	<u>84,203</u>
<b>CHANGE IN NET ASSETS</b>	1,946,927	10,989	1,957,916	39,498
<b>NET ASSETS, Beginning of year</b>	955,977	13,596	969,573	930,075
<b>NET ASSETS, End of year</b>	<u>\$ 2,902,904</u>	<u>\$ 24,585</u>	<u>\$ 2,927,489</u>	<u>\$ 969,573</u>

See notes to financial statements.

**HUDSON DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2022  
(with memorandum totals for the year ended December 31, 2021)

	<b>2022</b>			<b>2021</b>
	<b>Program</b>	<b>Management and General</b>	<b>Total</b>	<b>(memorandum only)</b>
Salaries and wages	\$ -	\$ 61,412	\$ 61,412	\$ 41,405
Payroll taxes	-	5,037	5,037	3,415
Professional fees	-	14,343	14,343	18,400
Membership dues	-	937	937	304
Office	-	1,508	1,508	2,510
Property	-	69	69	1,139
Advertising	-	600	600	202
Insurance	-	1,784	1,784	5,900
Grants	-	-	-	101,825
Information technology	-	1,353	1,353	1,453
Depreciation	-	12,442	12,442	12,209
Miscellaneous	-	1,878	1,878	2,782
Subtotal	-	101,363	101,363	191,476
Interest	-	1,667	1,667	10,000
Total	\$ -	\$ 103,030	\$ 103,030	\$ 201,476

See notes to financial statements.

**HUDSON DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2022  
(with memorandum totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u> (memorandum only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	<u>\$ 1,957,916</u>	<u>\$ 39,498</u>
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Depreciation	12,442	12,209
Gain on sale of available-for-sale property	(2,077,158)	(90,506)
Unrealized loss on investments	44,797	-
Forgiveness of PPP loan	-	(3,607)
Increase (decrease) in:		
Accounts payable	200	-
Accrued payroll liabilities	11,076	585
Total adjustments	<u>(2,008,643)</u>	<u>(81,319)</u>
Net cash used for operating activities	<u>(50,727)</u>	<u>(41,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposit for property available for sale	(300,000)	300,000
Purchase of investments	(2,708,544)	-
Proceeds from sale of property available for sale	2,971,933	90,507
Net cash (used for) provided by investing activities	<u>(36,611)</u>	<u>390,507</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal paid on long-term debt	(190,000)	-
Proceeds from loans	-	3,607
Net cash provided by financing activities	<u>(190,000)</u>	<u>3,607</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(277,338)</u>	<u>352,293</u>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>404,047</u>	<u>51,754</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 126,709</u>	<u>\$ 404,047</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 126,709	\$ 104,047
Cash held in escrow	-	300,000
	<u>\$ 126,709</u>	<u>\$ 404,047</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 1,667</u>	<u>\$ 10,000</u>
<b>NON-CASH INVESTING AND FINANCING</b>		
Debt reserve applied to long-term debt	<u>\$ 10,000</u>	<u>\$ -</u>

See notes to financial statements.

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**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, Not-for-Profit Entities.

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 the prior year, in the accompanying financial statements are included to provide a basis for comparison with the current year and present summarized totals only. Accordingly, the prior year 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, 2022**

**NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Leasehold Improvements and Equipment (Continued)**

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, 2022**

**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.

During the year ended December 31, 2022, the sale of the KAZ property accounted for 99% of total revenues.

**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, investments and receivables. Cash and cash equivalents are maintained at high quality financial institutions. Cash and cash equivalents did not exceed Federal Deposit Insurance Company (FDIC) limits as of December 31, 2022. 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.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.

As of December 31, 2022, the Organization's investments include a money market fund comprising 37% of the total investment value. The money market fund is not covered by FDIC.

**Investments**

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations", investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

**Fair Value Measurement**

FASB ASC 820-10 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurement (Continued)**

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses various valuation techniques in determining fair value. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

**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.

**Advertising Costs**

Advertising costs are expensed as incurred.

**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.

During the year ended December 31, 2022, there were no program activities. The Organization's only activity was the sale of its available for sale property during the year ended December 31, 2022.

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Risks and Uncertainties**

In January 2021, the Organization applied for and received a loan in the amount of \$3,607 from its bank through the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”). In June 2021, the loan, including principal and interest, was forgiven and considered repaid in full.

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.

**Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in either operating or financing right-of-use assets (ROU) and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and the ROU assets also include prepaid or accrued rent. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense over the lease term.

**Recently Adopted Accounting Standards**

As of January 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the summarized comparative prior period (2021). As a result of implementing ASU No. 2016-02, the Organization recognized a right-of-use asset of \$183,593 and a lease liability of \$183,593 in its statement of financial position as of January 1, 2022. No lease expense was recognized during the year ended December 31, 2022 due to the lease being rent free during 2022 and the Organization determining the impact of recording the lease straight-line to be immaterial to its financial statements.

**Subsequent Events**

Subsequent events have been evaluated through June 9, 2023, which is the date the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS**

Investments are comprised of the following as of December 31, 2022:

	Cost	Unrealized loss	Fair Value	Fair Value Level
Cash and cash equivalents	\$ 621,047	\$ -	\$ 621,047	N/A
Money market fund	1,009,605	-	1,009,605	Level 1
Corporate bonds	1,077,892	(44,797)	1,033,095	Level 2
	<u>\$ 2,708,544</u>	<u>\$ (44,797)</u>	<u>\$ 2,663,747</u>	

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 4 – PROPERTY, LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

A summary of property, leasehold improvements and equipment is as follows as of December 31, 2022:

Leasehold improvements	\$	291,883
Equipment, furniture, and fixtures		21,201
Accumulated depreciation		(160,190)
	\$	<u>152,894</u>

Depreciation expense for the year ended December 31, 2022 was \$12,442. Included in accumulated depreciation is \$139,406 of accumulated depreciation related to leasehold improvements. Depreciation expense on leasehold improvements was \$12,162 during the year ended December 31, 2022. Leasehold improvements have an estimated remaining useful life of 12.25 years with depreciation expense of \$12,162 expected for the next 5 years.

**NOTE 5 – 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 for \$200,000. During the year ended December 31, 2022, the Organization sold its property available for sale and simultaneous with the sale, satisfied the remaining balance of the loan.

**NOTE 6 – LEASE COMMITMENTS**

The Organization evaluated current contracts to determine which met the criteria for a lease. The right-of-use (ROU) asset represents the Organization's right to use the underlying asset for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The ROU asset and liability from the Organization's one operating lease, were calculated based on the present value of future lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

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 determined it was reasonably certain to exercise an option to renew the lease for a twelve-year period as of January 1, 2022. Therefore, the lease term includes the extension period commencing April 1, 2023 through March 31, 2035. The monthly lease payment beginning April 1, 2023 will be \$1,354/month. The discount rate applied to calculate the lease liability was 0.97%.

The Organization has determined the impact to recording its lease under the straight-line method to be immaterial. Therefore, no lease expense was recognized for the year ended December 31, 2022. There were no noncash investing or financing transactions related to leasing other than the transition entry described in note 2.

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 6 – LEASE COMMITMENTS (Continued)**

Future maturities of lease liabilities are presented in the following table for years ending December 31:

2023	\$	12,189
2024		16,253
2025		16,253
2026		16,253
2027		16,253
Thereafter		<u>117,830</u>
Total lease payments		195,031
Less: present value discount		<u>(11,438)</u>
Total lease obligations	\$	<u><u>183,593</u></u>

**NOTE 7 – 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 8 – LIQUIDITY**

The Organization's financial assets available within one year of December 31, 2022 for general expenditure are as follows:

Current financial assets at year-end:	
Cash and cash equivalents	\$ 126,709
Investments	<u>2,663,747</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,790,456</u></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.

**HUDSON DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets as of December 31, 2022 are held as follow:

**Subject to expenditure for specified purpose:**

Conservation Advisory Council - Arbor Day	\$ 973
Hudson Police Department Memorial Park Fund	23,612
	<u>\$ 24,585</u>

During the year ended December 31, 2022, there were no releases from restriction.

**NOTE 10 – LEASE INCOME**

During the year ended December 31, 2022, the Organization had two parking lot leases and a warehouse lease operating on a month-to-month basis in anticipation of the sale of the related properties. The properties leased were sold during the year ended December 31, 2022, at which time the leases terminated. Total rental income related to these agreements were \$7,387 for the year ended December 31, 2022.

**NOTE 11 – SALE OF AVAILABLE FOR SALE PROPERTY**

In March 2022, the Organization closed on the sale of its available for sale property for \$3,000,000, less related closing fees of \$28,067 resulting in proceeds from the sale of \$2,971,933. Simultaneous with the sale, the Organization paid its loan for \$200,000 due to CEDC in full. The sale of the property resulted in a gain on sale of \$2,077,158.

**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, 2022, 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 June 9, 2023.

**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 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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

## **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.

*UHY LLP*

Hudson, New York  
June 9, 2023