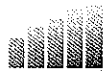


**HUDSON DEVELOPMENT CORPORATION  
AUDIT REPORT  
AND FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

HUDSON DEVELOPMENT CORPORATION  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-13



**Shallo, Galluscio, Bianchi & Fucito**  
*Certified Public Accountants, P.C.*

Dom Shallo, CPA  
Robert Galluscio, CPA  
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Thomas Fucito, CPA

To the Board of Directors of  
Hudson Development Corporation

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Hudson Development Corporation (a nonprofit organization) as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

These financial statements include certain prior-year summarized comparative information in the Statements of Functional Expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

*Shallo, Galluscio, Bianchi & Fucito, CPAs, P.C.*

SHALLO, GALLUSCIO, BIANCHI & FUCITO  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.  
Hudson, New York  
November 18, 2011

HUDSON DEVELOPMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2011 AND 2010

<b>ASSETS</b>		September 30,	
	Notes	2011	2010
<b>Current Assets</b>			
Cash on hand and in Bank	B	\$ 330,834	\$ 662,385
Accounts Receivable	E & K	28,213	40,102
Loans Receivable		29,006	36,855
Due from HCD & PA	C	-	53,340
Lawsuit Settlement Receivable	F	13,077	13,077
Assets Held for Sale	H	776,991	762,441
<b>Total Current Assets</b>		<b>1,178,121</b>	<b>1,568,200</b>
<b>Property &amp; Equipment - Net</b>	B, I & J	<b>294,657</b>	<b>58,015</b>
<b>Total Assets</b>		<b>\$ 1,472,778</b>	<b>\$ 1,626,215</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable		\$ 43,893	\$ 14,745
Advance Rent Received	P	1,500	-
Deferred Revenue - HRBT Foundation Grant	L	24,783	43,020
Deferred Revenue - HRG III	G	4,311	4,075
Deferred Revenue - Other		-	5,000
<b>Total Current Liabilities</b>		<b>74,487</b>	<b>66,840</b>
<b>Long Term Liabilities</b>			
Deferred Revenue - HRG III	G	9,974	14,285
<b>Total Long Term Liabilities</b>		<b>9,974</b>	<b>14,285</b>
<b>Total Liabilities</b>		<b>84,461</b>	<b>81,125</b>
<b>Net Assets</b>			
Unrestricted	D		
Undesignated		1,378,613	1,453,105
Board Designated	J	9,704	91,985
Temporarily Restricted		-	-
Permanently Restricted		-	-
<b>Total Net Assets</b>		<b>1,388,317</b>	<b>1,545,090</b>
<b>Total Liabilities and Net Assets</b>		<b>\$ 1,472,778</b>	<b>\$ 1,626,215</b>

See auditor's report and accompanying notes to financial statements.

HUDSON DEVELOPMENT CORPORATION  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Unrestricted Net Assets	Notes	2011	2010
<b>Revenues, Gains, and Other Support</b>			
Waterfront Project Revenue	K	\$ 297,835	\$ 48,977
HRBT Foundation Grant Revenue	L	40,925	39,071
Empire Zone Distribution Income	N	-	150,000
NYSERDA Grant Revenue	M	22,500	-
Other Program and Grant Revenues		14,000	-
Contributions Income - Other		675	743
Non-Cash Contributions Income	O	-	702,175
Interest Income from Loans Receivable		2,414	3,113
Interest Income from Bank		2,912	5,068
Recovery of Bad Debt	G	4,075	3,838
Rent Income	P	3,000	-
Miscellaneous Income		-	3,547
<b>Total Unrestricted Revenues, Gains, and Other Support</b>		<b>388,336</b>	<b>956,532</b>
 <b>Expenses</b>			
Program Services		442,817	162,739
Supporting Services			
Management and General		102,292	31,733
Fundraising		-	-
Total Supporting Services		102,292	31,733
<b>Total Expenses</b>		<b>545,109</b>	<b>194,472</b>
 <b>Increase (Decrease) in Unrestricted Net Assets</b>		 <b>(156,773)</b>	 762,060
 <b>Increase (Decrease) in Temporarily Restricted Net Assets</b>		 -	 -
 <b>Increase (Decrease) in Permanently Restricted Net Assets</b>		 -	 -
 <b>Increase (Decrease) in Total Net Assets</b>		 <b>(156,773)</b>	 762,060
 <b>Total Net Assets at Beginning of Year</b>		 <b>1,545,090</b>	 783,030
 <b>Total Net Assets at End of Year</b>		 <b>\$ 1,388,317</b>	 <b>\$ 1,545,090</b>

See auditor's report and accompanying notes to financial statements.

HUDSON DEVELOPMENT CORPORATION  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

**STATEMENTS OF FUNCTIONAL EXPENSES**

	<b>Program Services</b>	<b>Management and General</b>	<b>2011</b>	<b>2010</b>
<b>Functional Expenses</b>				
Bookkeeping and Audit Fees	\$ -	\$ 26,888	\$ 26,888	\$ 22,000
Community Development Expenses	13,194	-	13,194	16,104
Community Program Expenses	11,780	-	11,780	4,799
Consultants and Exec. Director Expenses	45,955	-	45,955	39,710
Depreciation Expense	-	2,440	2,440	-
Dues and Membership Expense	-	137	137	267
Utilities Expense	-	1,905	1,905	1,902
HRBT Foundation Grant Expenses	47,472	-	47,472	39,071
Insurance Expense	-	14,520	14,520	2,845
Loss on Sale of Property	-	-	-	500
Miscellaneous Expense	-	347	347	574
NYSERDA Grant Expense	22,500	-	22,500	-
Office Expenses	2,798	2,798	5,596	4,114
Property Operating Expenses	-	51,096	51,096	517
Rent Expense	1,288	2,161	3,449	4,500
Waterfront Expenses	297,830	-	297,830	57,569
<b>Total Functional Expenses</b>	<b>\$ 442,817</b>	<b>\$ 102,292</b>	<b>\$ 545,109</b>	<b>\$ 194,472</b>

See auditor's report and accompanying notes to financial statements.

HUDSON DEVELOPMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
<b>Cash Flows Provided By (Used By) Operating Activities</b>		
Increase (Decrease) in net assets	\$ (156,773)	\$ 762,060
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	2,440	-
Non-Cash Contributions	-	(702,175)
(Gain)/Loss on Disposal of Property	-	500
 (Increase) Decrease in operating assets:		
Accounts Receivable	11,889	20,079
Amount due from HUD (See Note L)	-	250,000
Loans Receivable	7,849	7,583
Due from HCD & PA	53,340	138,396
Increase (Decrease) in operating liabilities:		
Accounts Payable	29,148	7,245
Advance Rent Received	1,500	-
Due to the City of Hudson	-	(33,750)
Deferred Revenue - HRBT Foundation Grant	(18,237)	(9,920)
Deferred Revenue - HRG III	(4,075)	(3,839)
Deferred Revenue - Other	(5,000)	4,257
<b>Cash Flows Provided By (Used By) Operating Activities</b>	<b>(77,919)</b>	<b>440,436</b>
 <b>Cash Flows Provided By (Used By) Investing Activities</b>		
Disposition of Asset Held for Resale	-	2,500
Assets Held for Resale Expenditures	(14,550)	(34,109)
Acquisition of Property & Equipment - Leasehold Improvements	(219,280)	(58,015)
Acquisition of Property & Equipment - Furniture & Fixtures	(19,802)	-
<b>Cash Flows Provided By (Used By) Investing Activities</b>	<b>(253,632)</b>	<b>(89,624)</b>
 <b>Cash Flows Provided By (Used By) Financing Activities</b>		
<b>Cash Flows Provided By (Used By) Financing Activities</b>	<b>-</b>	<b>-</b>
 <b>Change in Cash</b>	<b>(331,551)</b>	<b>350,812</b>

See auditor's report and accompanying notes to financial statements.

HUDSON DEVELOPMENT CORPORATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Change in Cash - from prior page	\$ (331,551)	\$ 350,812
Cash Balance - October 1, 2010 and 2009	662,385	311,573
Cash Balance - September 30, 2011 and 2010	\$ 330,834	\$ 662,385
 <b>Supplemental Data</b>		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

**Noncash Transactions**

During the year ended September 30, 2010 the Organization received a non-cash contribution in the form of real property with an appraised fair market value of \$702,175. This amount is included as revenue in the Statements of Activities and Changes in Net Assets and also included as an asset within "Assets Held for Resale" on the Statements of Financial Position.

See auditor's report and accompanying notes to financial statements.



HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE A: Organization**

Hudson Development Corporation (the Organization) is a not-for-profit economic development organization located in Hudson, New York. The Organization provides funds and loans to local businesses that are to be used for economic expansion, business expansion, and building rehabilitation.

**NOTE B: Summary of Significant Accounting Policies**

Basis of Accounting Hudson Development Corporation (HDC) prepares its financial statements using the accrual method of accounting whereby income and expenses are recorded when earned or incurred.

Property & Equipment Property and Equipment are stated at cost. Costs for additions, improvements, and major renewals that extend the life of an asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation Depreciation is provided for both financial reporting and income tax purposes using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the year ended September 30, 2011 is \$2,440. There was no depreciation expense for the year ended September 30, 2010.

Income Taxes Hudson Development Corporation is exempt from income taxes under Internal Revenue Service Code Section 501(c)(3). Therefore, income tax expense has not been provided for in these financial statements.

Cash and Cash Equivalents For purposes of the statements of cash flows the Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. For the years ended September 30, 2011 and 2010, the Organization did not own any highly liquid investments other than cash. Cash balances at September 30, 2011 and 2010 were \$330,834 and \$662,385, respectively.

Concentration of Credit Risk The Organization maintains cash balances at three financial institutions located in New York State. Accounts at each institution are collectively secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2011 and 2010, the Organization had no accounts exceeding the FDIC limits.

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE B: Summary of Significant Accounting Policies - Continued**

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent 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.

**NOTE C: Related Parties**

During the year ended September 30, 2009 the Organization loaned amounts to and received payments from Hudson Community Development and Planning Agency (HCD&PA). In addition, the Organization incurred program related expenses on behalf of HCD&PA, also during the year ended September 30, 2009. The amount due from HCD&PA as of September 30, 2009 was \$191,736. During the year ended September 30, 2010 the Organization received payments from HCD&PA totaling \$138,396, which reduced the amount due from this related party to \$53,340 as of September 30, 2010. During the year ended September 30, 2011 the remaining amount of \$53,340 was repaid by the related party to the Organization.

**NOTE D: Financial Statement Presentation**

In accordance with Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-For-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Resources are reported as unrestricted when the limitations placed on their use are no more specific than the broad limits of the Organization's purpose.

Temporarily restricted net assets represent resources whose use is limited only by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

Permanently restricted net assets represent resources that must be maintained permanently. Permanently restricted net assets are generally restricted indefinitely.

The Organization only had unrestricted net assets during the years ended September 30, 2011 and 2010.

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE E: Accounts Receivable**

Accounts receivable as of September 30, 2011 in the amount of \$28,213 represent various amounts due to the Organization for grants related to Waterfront projects and a NYSEDA energy audit. Accounts receivable as of September 30, 2010 in the amount of \$40,102 represent various amounts due to the Organization for grants related to Waterfront projects.

**NOTE F: Lawsuit Settlement Receivable**

During the year ended September 30, 2006 there were fraudulent disbursements in the amount of \$13,685 on behalf of a board member who has since been dismissed from the board. The Organization won a lawsuit settlement for repayment of these disbursements during July 2007, which was set to be repaid beginning January 2, 2008 and completed by January 2, 2011.

The Organization received \$608 as repayment of this receivable during the year ended September 30, 2008, lowering the amount of receivable to \$13,077. There has been no repayment of this receivable during either of the years ended September 30, 2011 and 2010. Therefore, the balance of this receivable as of both September 30, 2011 and 2010 was \$13,077.

**NOTE G: Hudson Restoration Group and Housing Resources Real Estate Holding Corp.**

During the month of October 2000, the Organization received \$223,000 to be applied against delinquent interest and principal amounts due from Hudson Restoration Group III (HRG). The Organization also received two new loans from Housing Resources Real Estate Holding Corp. (HRRE) (\$100,000) and HRG (\$50,000) to be applied against the same debt receivables. The \$223,000 and two new loans received by the Organization totaled approximately seventy-one percent of the total receivables due from HRG. The balance of the total amounts due from HRG (\$150,781.29) was removed from the receivables, as well as all related bad debt reserves. The transactions during the month of October 2000 also resulted in recovery of bad debt income. The total recovery of bad debt income on the date of transaction was \$128,934.

The transactions resulted in recognition of deferred income for \$150,000, of which \$100,000 was due from HRRE and \$50,000 was due from HRG. The Organization will recognize this income as recovery of bad debt based on one hundred percent (100%) of the principal payments received from each loan.

Payments from HRG are received based on an amortization schedule calculated using an annual interest rate of six percent (6.00%) for two hundred ninety-eight (298) months. There will be no prepayment penalty associated with this receivable. During the years ended September 30, 2011 and 2010 the Organization received \$4,075 and \$3,838, respectively, in principal payments from HRG, all of which was recognized as recovery of bad debt.

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE G: Hudson Restoration Group and Housing Resources Real Estate Holding Corp. - continued**

During the year ended September 30, 2004 HRRE's obligation to HDC was considered paid in full.

**NOTE H: Assets Held for Resale**

During the year ended September 30, 2010 the Organization received, as a charitable contribution, real property and buildings located at 57-59 North Front Street in Hudson, New York with an appraised fair market value of \$702,175. The Organization incurred closing costs and other expenditures related to this property during the year ended September 30, 2010 totaling \$34,109. During the year ended September 30, 2011 the Organization incurred an additional \$14,550 of costs related to this property held for resale. As of September 30, 2011 the basis of this property held for resale is \$750,834, which is included in the total amount of Assets Held for Resale.

During the year ended September 30, 2010 the Organization sold an unrelated parcel of property with a cost of \$3,000 for \$2,500, thus resulting in a loss of \$500.

As of September 30, 2011 and 2010 the Organization's costs for Assets Held for Resale are \$776,991 and \$762,441, respectively.

**NOTE I: Property & Equipment**

During the years ended September 30, 2011 and 2010 the Organization incurred expenditures for the improvement of property known as "Washington Hose Property". The Organization relocated its operations to this facility during the year ended September 30, 2011 after nearly all renovations were complete. As of September 30, 2011 there are still minor expenditures that remain, which are expected to be incurred and paid during the subsequent year ending September 30, 2012. In addition to the leasehold improvements, the Organization also purchased furniture and fixtures relating to its new facility. Below is a schedule of Property and Equipment as of September 30, 2011 and 2010:

<u>Property &amp; Equipment Asset</u>	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$ 277,295	\$ 58,015
Furniture & Fixtures	19,802	-
Less: Accumulated Depreciation	(2,440)	-
Totals	<u>\$ 294,657</u>	<u>\$ 58,015</u>

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE J: Board Designated Unrestricted Net Assets**

During the year ended September 30, 2010 the Organization entered into an agreement with the City of Hudson to assist with the renovation of the property known as "Washington Hose Property". The Organization's obligation towards the improvements is \$287,000. The Organization, will receive in return for the improvements, a twelve (12) year lease of the facility once the interior is completed and "move-in" ready. During the year ended September 30, 2010, the Organization's Board of Directors designated \$150,000 to these expenditures. During the year ended September 30, 2010, \$58,015 was expended towards the improvements of the property, thus reducing the board designated unrestricted net assets to \$91,985. During the year ended September 30, 2011 the Organization's Board of Directors designated the remaining \$137,000 for this obligation and also expended \$219,281 for the property improvements. The remaining balance of Board Designated Unrestricted Net Assets at September 30, 2011 is \$9,704.

**NOTE K: Waterfront Projects**

The Organization has entered into an agreement with the City of Hudson to expend funds related to the improvement of the local waterfront area known as the Local Waterfront Revitalization Program (LWRP). The City of Hudson has secured a grant from the Department of State for a total of \$150,000 of allowable reimbursable expenditures. During the year ended September 30, 2011 the Organization did not recognize any revenue or incur any expenditures related to this grant. During the year ended September 30, 2010 the Organization recognized \$23,108 as revenue. The amount included in accounts receivable related to this grant for both September 30, 2011 and 2010 was \$13,224.

The Organization has entered into a second agreement with the City of Hudson to expend funds related to the improvement of the local waterfront area. The City has secured a grant from the Environmental Protection Fund and reimburses the Organization for expenditures related to improvement of the waterfront. During the years ended September 30, 2011 and 2010 the Organization recognized \$4,989 and \$8,592, respectively, as revenue. As of September 30, 2011 and 2010 the amounts not received and included in Accounts Receivable were \$7,489 and \$5,603, respectively.

During the year ended September 30, 2009 the Organization entered into a third agreement with the City of Hudson to expend funds related to the improvement of the local waterfront docks. The City had secured a grant from New York State and reimbursed the Organization for 100% of qualified expenditures up to the amount of \$250,000 related to the improvement of these waterfront docks. During the years ended September 30, 2011 and 2010 the Organization recognized \$228,725 and \$17,275, respectively, as revenue. As of September 30, 2011 all amounts due to the Organization, totaling \$250,000, have been received. Therefore, there is no amount of receivable as of September 30, 2011. As of September 30, 2010 no amounts related to this grant had been received. The amount included in Accounts Receivable as of September 30, 2010 was \$21,275.

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE K: Waterfront Projects - continued**

The Organization received additional amounts from the City of Hudson during the year ended September 30, 2011 related to the improvement of the local waterfront docks. These additional amounts totaling \$64,121 were reimbursements of Organizational expenditures above the project expenditures related to the \$250,000 waterfront dock project mentioned above, and are reflected in the total Waterfront Project Revenue.

**NOTE L: HRBT Foundation Grant**

The Organization secured a \$500,000 grant from Hudson River Bank and Trust Foundation (HRBTF) to originally be paid to the Organization in the amount of \$8,333 per month for sixty (60) months beginning February 2008. HRBTF reserved the right to change the terms of contributions to the Organization. The grant must be used for programming and improvements of the Youth Center located within the City of Hudson. HRBTF will oversee the use of such funds and determine if the funds are utilized according to the criteria set forth by HRBTF.

During the year ended September 30, 2010 the Organization received a total of \$29,152 in grant funds. The total qualified expenditures recognized during the year ended September 30, 2010 was \$39,071. Revenue recognized from this grant also totaled \$39,071.

During the year ended September 30, 2011 the Organization received a total of \$22,688 in grant funds. The total qualified expenditures recognized during the year ended September 30, 2011 was \$40,925. Revenue recognized from this grant also totaled \$40,925.

Additional amounts received totaling \$24,783 and \$43,020, respectively, are stated on the balance sheet as a current liability, Deferred Revenue – HRBT Foundation Grant, and as of September 30, 2011 and 2010, had not been expended.

**NOTE M: NYSERDA Grant**

During the year ended September 30, 2011 the Organization entered into an agreement with the City of Hudson to expend funds related to an energy audit of City properties. The City secured a grant from New York State Energy Research Development Authority (NYSERDA) for a total of \$30,000 of allowable reimbursable expenditures. During the year ended September 30, 2011 the Organization recognized \$22,500, as revenue and expenditures. \$7,500 of this total revenue is recorded as a receivable as of September 30, 2011.

HUDSON DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

**NOTE N: Empire Zone Distribution Income**

During the year ended September 30, 2010 HDC along with Columbia Economic Development Corporation, an unrelated party, sold Empire Zone credits to the neighboring county of Greene, New York in return for a total of \$359,436. Of this total \$150,000 was attributable to revenue for HDC for economic development activities.

**NOTE O: Non-Cash Contributions Income**

During the year ended September 30, 2010 the Organization received, as a charitable contribution, real property and buildings located at 57-59 North Front Street in Hudson, New York with an appraised fair market value of \$702,175. The \$702,175 is included in the Statements of Activities and Changes in Net Assets as income. The property is considered an asset held for resale. See Note H - Assets Held for Resale.

**NOTE P: Rent Income**

During the year ended September 30, 2011 the Organization entered into an agreement to lease storage space of the property known as "KAZ". The terms of the lease are month to month at a rate of \$500. For the year ended September 30, 2011 the Organization recognized \$3,000 as rent income. As of September 30, 2011 the Organization has received and is holding an additional \$1,500 as Advance Rent. This amount is being recognized as a current liability.

**NOTE Q: Rent Expense**

During the years ended September 30, 2011 and 2010 the Organization rented office space within the City of Hudson located within the building that also housed the Columbia County Chamber of Commerce (Chamber). The Chamber leased an office and a shared conference room to the Organization for a monthly rate of \$375. However, during the year ended September 30, 2011 the Organization moved from this office space into its new facility known as "Washington Hose Property". There is no rent expense incurred by the Organization for this new facility for a period of twelve (12) years in return for completion of the improvements. See Notes I & J. The total rent expense recognized for the years ended September 30, 2011 and 2010 was \$3,449 and \$4,500.