

HUDSON DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2021
(with memorandum totals for the year ended December 31, 2020)

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, 2021, 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, 2021, 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.

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 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 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, 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.

Emphasis of Matter

Uncertainties

As discussed in Note 8 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 8. 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 24, 2022 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, 2020 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated March 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Hudson, New York

March 24, 2022

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(with memorandum totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u> (memorandum only)
ASSETS		
Cash and cash equivalents	\$ 104,047	\$ 51,754
Cash held in escrow	300,000	-
Property available for sale, net	894,775	1
Debt reserve	10,000	10,000
Property, leasehold improvements and equipment, net	165,336	1,072,320
Total assets	<u>\$ 1,474,158</u>	<u>\$ 1,134,075</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued payroll liabilities	\$ 585	\$ -
Prepaid lease income	4,000	4,000
Deposit	300,000	-
Long-term debt	200,000	200,000
Total liabilities	<u>504,585</u>	<u>204,000</u>
NET ASSETS		
Without donor restrictions	955,977	928,680
With donor restrictions	13,596	1,395
Total net assets	<u>969,573</u>	<u>930,075</u>
Total liabilities and net assets	<u>\$ 1,474,158</u>	<u>\$ 1,134,075</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

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

	2021			2020 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES				
REVENUE AND SUPPORT				
Contribution and grant revenue	\$ -	\$ 115,271	\$ 115,271	\$ 29,830
Lease and rent income	31,500	-	31,500	21,000
Management fee	-	-	-	8,029
Miscellaneous	-	-	-	3,151
Released from restriction	103,070	(103,070)	-	-
Total revenue and support	<u>134,570</u>	<u>12,201</u>	<u>146,771</u>	<u>62,010</u>
EXPENSES				
Program services	102,202	-	102,202	25,992
Management and general	89,274	-	89,274	74,187
Total expenses	<u>191,476</u>	<u>-</u>	<u>191,476</u>	<u>100,179</u>
Change in net assets from operating activities	<u>(56,906)</u>	<u>12,201</u>	<u>(44,705)</u>	<u>(38,169)</u>
NON-OPERATING ACTIVITIES				
Interest income	90	-	90	17
Interest expense	(10,000)	-	(10,000)	(8,334)
Forgiveness of paycheck protection program (PPP) loan	3,607	-	3,607	-
Gain on sale of property	90,506	-	90,506	44,510
Change in net assets from non-operating activities	<u>84,203</u>	<u>-</u>	<u>84,203</u>	<u>36,193</u>
CHANGE IN NET ASSETS	<u>27,297</u>	<u>12,201</u>	<u>39,498</u>	<u>(1,976)</u>
NET ASSETS, Beginning of year	<u>928,680</u>	<u>1,395</u>	<u>930,075</u>	<u>932,051</u>
NET ASSETS, End of year	<u>\$ 955,977</u>	<u>\$ 13,596</u>	<u>\$ 969,573</u>	<u>\$ 930,075</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021
(with memorandum totals for the year ended December 31, 2020)

	2021			2020
	Program	Management and General	Total	(memorandum only)
Salaries and wages	\$ 350	\$ 41,055	\$ 41,405	\$ 18,253
Payroll taxes	27	3,388	3,415	1,396
Professional fees	-	18,400	18,400	12,242
Membership dues	-	304	304	-
Office	-	2,510	2,510	2,567
Property	-	1,139	1,139	451
Advertising	-	202	202	136
Insurance	-	5,900	5,900	4,916
Grants	101,825	-	101,825	24,485
Information technology	-	1,453	1,453	1,497
Depreciation	-	12,209	12,209	32,909
Miscellaneous	-	2,782	2,782	1,327
Subtotal	<u>102,202</u>	<u>89,274</u>	<u>191,476</u>	<u>100,179</u>
Interest	-	10,000	10,000	8,334
Total	<u>\$ 102,202</u>	<u>\$ 99,274</u>	<u>\$ 201,476</u>	<u>\$ 108,513</u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021
(with memorandum totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u> (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 39,498</u>	<u>\$ (1,976)</u>
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Depreciation	12,209	32,909
Gain on sale of available-for-sale property	(90,506)	(44,510)
Forgiveness of PPP loan	(3,607)	(2,500)
(Increase) decrease in:		
Lease receivable	-	2,000
Increase (decrease) in:		
Accrued payroll liabilities	585	(481)
Prepaid lease income	-	4,000
Total adjustments	<u>(81,319)</u>	<u>(8,582)</u>
Net cash used for operating activities	<u>(41,821)</u>	<u>(10,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of deposit for property available for sale	300,000	-
Purchase of equipment	-	(1,399)
Proceeds from sale of property available for sale	<u>90,507</u>	<u>48,510</u>
Net cash provided by investing activities	<u>390,507</u>	<u>47,111</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	3,607	17,500
Repayment of loan	-	(15,000)
Net cash provided by financing activities	<u>3,607</u>	<u>2,500</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	352,293	39,053
CASH AND CASH EQUIVALENTS, Beginning of year	<u>51,754</u>	<u>12,701</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 404,047</u></u>	<u><u>\$ 51,754</u></u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 104,047	\$ 51,754
Cash held in escrow	300,000	-
	<u><u>\$ 404,047</u></u>	<u><u>\$ 51,754</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u><u>\$ 10,000</u></u>	<u><u>\$ 8,334</u></u>

See notes to financial statements.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 December 31, 2020, in the accompanying financial statements are included to provide a basis for comparison with December 31, 2021 and present summarized totals only. Accordingly, the December 31, 2020 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, 2021

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Leasehold Improvements and Equipment (Continued)

The Organization has 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, 2021

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. Cash and cash equivalents exceeded Federal Deposit Insurance Company (FDIC) limit by \$50,000 as of December 31, 2021. 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.

During the year ended December 31, 2021, one contribution for \$100,000 accounted for 87% of total contribution and grant revenue. The contribution was related to a fiscal sponsorship and a subsequent grant of \$100,000 was paid by the Organization. The contribution received was from a company owned by one of the Organization's board members.

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. Advertising expense was \$202 for the year ended December 31, 2021.

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.

Risks and Uncertainties

On March 2020, the World Health Organization declared COVID-19 a pandemic.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

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. The balance has been included on the statement of activities as forgiveness of paycheck protection program (PPP) loan for the year ended December 31, 2021.

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.

As 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.

Subsequent Events

Subsequent events have been evaluated through March 24, 2022 which is the date the financial statements were available to be issued.

In March 2022, the Organization closed on the sale of its available for sale property for \$3,000,000. Simultaneous with the sale, the Organization paid its loan for \$200,000 due to CEDC (see note 4) in full.

NOTE 3 – PROPERTY, LEASEHOLD IMPROVEMENTS AND EQUIPMENT

A summary of property, leasehold improvements and equipment is as follows as of December 31, 2021:

Leasehold improvements	\$	291,883
Equipment, furniture, and fixtures		21,201
Accumulated depreciation		(147,748)
		<u>\$ 165,336</u>

Depreciation expense for the year ended December 31, 2021 was \$12,209. Included in accumulated depreciation is \$127,244 of accumulated depreciation related to leasehold improvements. Depreciation expense on leasehold improvements was \$12,162 during the year ended December 31, 2021. Leasehold improvements have an estimated remaining useful life of 13.25 years with depreciation expense of \$12,162 expected for the next 5 years.

Land and buildings, net accumulated depreciation of \$894,775 were previously classified as held and used property. During the year ended December 31, 2021, the property was reclassified as “Available for Sale Property” (see Note 10).

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021. 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:

2022 \$ 200,000

NOTE 5 – 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.

NOTE 6 – 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 7 – LIQUIDITY

The Organization’s financial assets available within one year of December 31, 2021 for general expenditure are as follows:

Current financial assets at year-end:	
Cash and cash equivalents	<u>\$ 104,047</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,047</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. See Note 8, for additional information on the property available for sale.

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8 – UNCERTAINTIES

The Organization has suffered recurring decreases in net assets from operations and negative operating cash flows historically. 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 2022 fiscal year.

The Organization also has a long-term debt obligation of \$200,000. The loan matures in November 2022 if not paid earlier. In March 2022, the loan was paid in full, see Note 2, subsequent events.

The Organization was awarded a Downtown Revitalization Initiative (DRI) grant to redevelop the KAZ site owned by the Organization. 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, 2021 given contingencies.

Management plans to alleviate these adverse conditions through the sale 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. Upon signing the contract \$300,000 was deposited into escrow as a deposit on the purchase price (see note 11). Subsequent to the year ended December 31, 2021, in March 2022, the Organization sold its available for sale property for \$3,000,000. See Note 2, subsequent events for additional information regarding this transaction.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of December 31, 2021 are held as follow:

Subject to expenditure for specified purpose:

Conservation Advisory Council - Arbor Day	\$ 973
Hudson Police Department Memorial Park Fund	12,623
	<u>\$ 13,596</u>

During the year ended December 31, 2021, releases from restriction were comprised of the following:

Subject to expenditure for specified purpose:

Hudson Emergency Arts Program	\$ 1,395
Promenade Park	100,000
Conservation Advisory Council - Arbor Day	1,675
	<u>\$ 103,070</u>

HUDSON DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 – AVAILABLE FOR SALE PROPERTY

A summary of available for sale property is as follows as of December 31, 2021:

Land	\$	275,500
Buildings		828,000
Accumulated depreciation		<u>(208,725)</u>
	\$	<u>894,775</u>

NOTE 11 – CASH HELD IN ESCROW

In October 2021, the Organization entered into a contract for sale to sell its available for sale property. Upon execution of the contract \$300,000 was deposited into an escrow account as a deposit on the purchase price of \$3,000,000. As of December 31, 2021, \$300,000 is recorded on the statement of financial position as a “cash held in escrow” asset and a “deposit” liability. The deposit was recognized as revenue upon closing of the sale of the property subsequent to the year ended December 2021.

NOTE 12 – LEASE INCOME

During the year ended December 31, 2021, the Organization had two parking lot leases and a warehouse lease. The properties leased are included in the Organization’s available for sale property as of December 31, 2021 (see note 10). Total rental income related to these agreements were \$31,500 for the year ended December 31, 2021. There are no future minimum lease commitments related to these agreements given the agreements are currently on a month-to-month basis in anticipation of the sale of the available for sale property in 2022.

**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, 2021, 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 24, 2022.

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.

Our consideration of internal control over financial reporting 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

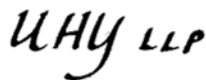
As part of obtaining reasonable assurance about whether Hudson Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 24, 2022

**HUDSON DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2021**

Finding 2021-001

Material Weakness in Internal Control over Financial Reporting – Material Adjustments

Criteria:

Management should ensure transactions are recorded accurately and in the correct periods. Certain adjustments were required to accurately reflect transactions during the 2021 year including grossing up the receipt of a contribution and grant paid in relation to a fiscal sponsorship and recording cash held in escrow and deposit liability related to the purchase of an available for sale property.

Condition:

Management netted the contribution revenue and grant expense; however, it should have been recorded gross. Management failed to record cash held in escrow and a deposit liability received in 2021 for the purchase of an available for sale property.

Cause:

Management's review procedures are not sufficient to ensure all transactions have been properly recorded.

Effect or Potential Effect:

Non-routine audit adjustments were necessary to ensure the Organization's financial statements were accurate and complete.

Recommendation:

Management should ensure its closing checklist addresses these types of adjustments and should consult with someone if they are unsure how to properly record any unusual transactions that occur during the year.

Responsible Official's Response:

Management will update its closing checklist and consult with someone in the future if they're unsure how to record any unusual transactions.

**HUDSON DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2021**

Finding 2021-002

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.