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March 24, 2022

To the Board of Directors of
Hudson Development Corporation:

We have audited the financial statements of Hudson Development Corporation as of and for the year ended December 31, 2021, and have issued our report thereon dated March 24, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 29, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Hudson Development Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a significant deficiency and a material weakness noted during our audit in our report in accordance with *Governmental Auditing Standards*.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risk:

- Management Override
- Segregation of Duties
- Going Concern Uncertainty
- Revenue Recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Hudson Development Corporation is included in Note 2 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no sensitive accounting estimates affecting the financial statements as of and during the year ended December 31, 2021.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Hudson Development Corporation's financial statements relate to:

- Liquidity
- Uncertainties
- Available for Sale Property

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

- Increase lease receivable and lease income by \$1,000 for the months of November and December 2021 warehouse rent unpaid as of December 31, 2021.
- Increase in-kind legal services revenue and expense by \$3,000 for donated legal services.
- Increase payroll expenses and payroll accrual liability by \$875 for payroll incurred in 2021 but paid in 2022.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Increase cash and decrease interest expense by \$833 for a duplicate check written to pay interest expense on CEDC loan payable.
- Increase depreciation expense and accumulated depreciation by \$12,209 and decrease fixed assets and gain on sale of property by \$1 for cost of property sold.
- Increase miscellaneous expense and net assets by \$1,354 for opening net assets to agree to prior year ending net assets.
- Increase contributions and grant expense by \$100,000 for contribution received as a fiscal sponsor for Promenade Park and paid to City of Hudson as a grant.
- Increase cash held in escrow and deposit liability by \$300,000 for deposit on purchase of available for sale property.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Hudson Development Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated March 24, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Hudson Development Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Hudson Development Corporation's auditors.

Going Concern Considerations

We believe that the following events or conditions identified during the course of the audit raise a question as to the Organization's ability to continue as a going concern:

- 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. A \$200,000 loan to the CEDC matures in November 2022. We did not modify our opinion with respect to this matter.

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

Very truly yours,

UHY LLP