

**ALBANY COUNTY BUSINESS
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

**ALBANY COUNTY BUSINESS
DEVELOPMENT CORPORATION**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albany County Business Development Corporation
Albany, New York

We have audited the accompanying financial statements of Albany County Business Development Corporation (a non-profit organization), which comprises the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Board of Directors
Albany County Business Development Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albany County Business Development Corporation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2015 on our consideration of the Albany County Business Development Corporation's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

T. M. Byrbee Company, CPAs, NY, P.C.

March 19, 2015
Albany, New York

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

ASSETS

	2014	2013
CURRENT ASSETS		
Operating Cash	\$ 7,211	\$ 643,626
Money Market Cash	7,585,498	8,625,144
Accrued Interest Receivable	89,562	67,311
Loans Receivable, Current Portion, Net of 2014 and 2013 Allowance of \$300,000 and \$250,000, respectively	1,818,924	1,792,450
TOTAL CURRENT ASSETS	9,501,195	11,128,531
 PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	 1,317	 1,976
 OTHER ASSETS		
Loans Receivable, Less Current Portion	9,316,826	7,617,260
TOTAL OTHER ASSETS	9,316,826	7,617,260
 TOTAL ASSETS	 \$ 18,819,338	 \$ 18,747,767

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Due to The Chamber	\$ 62,834	\$ 52,662
Accounts Payable and Accrued Expenses	8,050	8,235
TOTAL CURRENT LIABILITIES	70,884	60,897
 NET ASSETS		
Unrestricted	4,336	2,136
Temporarily Restricted	18,744,118	18,684,734
TOTAL NET ASSETS	18,748,454	18,686,870
 TOTAL LIABILITIES AND NET ASSETS	 \$ 18,819,338	 \$ 18,747,767

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

			TOTALS	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
Revenue and Support:				
Application Fees	\$ 2,200	\$ 8,800	\$ 11,000	\$ 8,800
Modification Fees	-	-	-	3,500
Bank Interest	-	5,707	5,707	18,159
Late Fees Paid	-	4,153	4,153	2,749
Loan Interest Earned	-	350,256	350,256	315,389
Recovered Legal Fees	-	3,900	3,900	3,700
Loan Loss Recoveries	-	-	-	99,600
Net Assets Released From Restrictions	313,432	(313,432)	-	-
	315,632	59,384	375,016	451,897
Total Revenue and Support				
Expenses:				
Agency Fees	206,998	-	206,998	202,403
Loan Interest Earned - Correction	29,568	-	29,568	-
Application Fees	9,600	-	9,600	7,350
Bad Debt Expense	56,223	-	56,223	80,009
Bank Fees	-	-	-	27
Insurance	1,863	-	1,863	3,724
Depreciation	659	-	659	659
Filing Fees	750	-	750	750
Professional Fees	7,771	-	7,771	20,948
	313,432	-	313,432	315,870
Total Expenses				
INCREASE IN NET ASSETS	2,200	59,384	61,584	136,027
NET ASSETS - BEGINNING OF YEAR	2,136	18,684,734	18,686,870	18,550,843
NET ASSETS - END OF YEAR	\$ 4,336	\$ 18,744,118	\$ 18,748,454	\$ 18,686,870

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Cash Received From Interest on Loans	\$ 297,257	\$ 311,306
Cash Received From Interest on Temporary Investments	6,887	18,159
Application and Modification Fees	1,400	4,950
Late Fees	4,153	2,749
Cash Paid General and Administrative Expenses	<u>(203,495)</u>	<u>(227,329)</u>
Net Cash Provided by Operating Activities	<u>106,202</u>	<u>109,835</u>
 CASH FLOWS PROVIDED BY (USED IN)		
INVESTING ACTIVITIES:		
Loan Disbursements	(3,675,500)	(2,058,416)
Principal Collected on Loans Receivable	<u>1,893,237</u>	<u>2,084,045</u>
Net Cash Provided by (Used In) Investing Activities	<u>(1,782,263)</u>	<u>25,629</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ (1,676,061)	 \$ 135,464
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>9,268,770</u>	 <u>9,133,306</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 7,592,709</u>	 <u>\$ 9,268,770</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ 61,584</u>	<u>\$ 136,027</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	659	659
Decrease (Increase) in:		
Accrued Interest	(22,251)	(4,083)
Prepaid Insurance	-	1,861
Provision for Loan Losses	56,223	(19,591)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(185)	(1,613)
Due to The Chamber	<u>10,172</u>	<u>(3,425)</u>
Total Adjustments	<u>44,618</u>	<u>(26,192)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 106,202</u>	 <u>\$ 109,835</u>

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Albany County Business Development Corporation (ACBDC), (the Corporation) was incorporated under the New York State Not-For-Profit Corporation Law on September 16, 1994. The Corporation was organized to promote economic growth and business retention in Albany County by offering financing through the AI Tech Revolving Loan Fund to small and medium sized businesses (and in special circumstances, to larger businesses) which demonstrate strong possibilities for growth, real property improvement, increased employment and retention of employment in the community.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Method of Accounting and Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. Under FASB ASC 958-205, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

AI Tech Loans Revolving Loan Fund

In 1976, the Economic Development Administration of the U.S. Department of Commerce awarded a \$10 million grant under title IV of the Public Works and Economic Development Act to the New York State Department of Commerce. The purpose of the grant was to make a loan to the AI Tech Specialty Steel Corporation to purchase two steel manufacturing plants, one in Albany County and the other in Chautauqua County. The State was authorized to use the loan repayments to establish the AI Tech Trust Fund, \$4 million to Albany County and \$6 million to Chautauqua County, to make loans for economic development in these two counties. The Funds were previously administered by the New York State Job Development Authority. Effective April 1, 2006, the ACBDC commenced full administration of the AI Tech Funds, and in July of 2006 the Funds held at the Job Development Authority were transferred to the Corporation.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, which includes the loan activity, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Significant estimation is required to determine the collectibility of loans receivable. It is at least reasonably possible that the estimates used will change within the next year.

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)**

Provision for Uncollectible Accounts

The Corporation uses the allowance method to account for uncollectible accounts based on their estimate of amounts deemed uncollectible. This estimate is based on a review of each loan in the portfolio and an assessment of net realizable value as of each December 31. The Corporation continually monitors its loan portfolio and makes additions and deductions to the allowance account as changes in the status of each loan may require.

Taxes

The Corporation is a not-for-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and comparable New York State laws, and has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Equipment and Depreciation

Assets, when purchased, are recorded at cost. Depreciation is calculated over the estimated useful life by the straight-line method. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the property accounts and any resultant gain or loss is reflected in the current year's revenue and expenses.

Investments

The Corporation has adopted the provisions of FASB ASC 820, Fair Value Measurements.

The Corporation records investments in marketable securities with readily determinable market values and all investments in debt securities at their fair value utilizing the market approach per FASB ASC 820. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

NOTE 2 - ALLOWANCES FOR POSSIBLE CREDIT LOSSES

The estimated allowances for possible credit losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions (reductions) to the allowances are made by charges (credits) to expense.

A summary of loan loss allowance activity for the year ended December 31, 2014 is as follows:

Beginning Balance	\$250,000
Net Provisions	50,000
Loan Charge-Offs	-
Ending Balance	<u>\$300,000</u>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 - PROPERTY AND EQUIPMENT

Details for the year ended December 31, 2014 are as follows:

	<u>December 31, 2013</u>	<u>Additions</u>	<u>December 31, 2014</u>
COST			
Equipment	<u>\$6,588</u>	<u>\$ -</u>	<u>\$6,588</u>
ACCUMULATED DEPRECIATION			
Equipment	<u>4,612</u>	<u>659</u>	<u>5,271</u>
	<u>\$1,976</u>		<u>\$1,317</u>

NOTE 4 - CONTRACTED SERVICES - ALBANY-COLONIE REGIONAL CHAMBER OF COMMERCE

In order to accomplish the purposes of the Corporation to further economic development in the County of Albany and its environs, the Corporation works closely with the County and the Albany-Colonie Regional Chamber of Commerce, (the Chamber). The Chamber in return provides staff to the Corporation to fulfill its mission. The Corporation reimbursed the Chamber for administrative costs for the years ended December 31, 2014 and 2013.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Corporation has approved and committed loans to be funded by the Revolving Loan Fund for \$3,847,000 at December 31, 2014.

Expenditures are subject to audit by the funding agency by their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, will be immaterial.

Commencing in 2007, the Corporation's excess loan policy was changed from 25% to 15% by the Department of Commerce. The Department requires that at all times at least 85% of the revolving loan fund capital is loaned or committed. During 2014, the Department granted a temporary reduction of the required utilization percentage to 80% for a period of one year ending in September of 2015. At that time, the Department will re-examine the regional economic outlook to determine if the rate should change or remain the same.

Events Occurring After Reporting Date

The Corporation has evaluated events and transactions that occurred between December 31, 2014 and March 19, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - INCOME TAXES

The Corporation files information returns (United States Return of Organization Exempt From Income Tax Form 990, and New York State Annual Filing for Charitable Organizations Form CHAR500). The Corporation has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes* and as a result has identified its exemption from income tax under Section 501(c)(4) as a tax position which falls within the scope of this standard. The Corporation does not believe this tax position will result in any change to its financial position. These information returns are subject to examination by tax jurisdictions (generally for three years from the filing date), and as a result, returns for the years subsequent to the year ended December 31, 2011 remain subject to examination. No interest or penalties have been recognized in the Statement of Financial Position or Statement of Activities.

INDEPENDENT AUDITOR'S 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

Board of Directors
Albany County Business Development Corporation
Albany, New York

We have audited, in accordance with the 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 Albany County Business Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon date March 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Albany County Business Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Albany County Business Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Albany County Business 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 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.

Board of Directors
Albany County Business Development Corporation
Albany, New York

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Albany County Business 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 determination of financial statement amounts. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 14-01.

The Corporation's Response to Findings

The Albany County Business Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Albany County Business 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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 Albany County Business Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

T. M. Byrbee Company, CPAs, NY, P.C.

March 19, 2015
Albany, New York

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Albany County Business Development Corporation
Albany, New York

Report on Compliance for Each Major Federal Program

We have audited the Albany County Business Development Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Albany County Business Development Corporation's major federal programs for the year ended December 31, 2014. The Albany County Business Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Albany County Business Development Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Albany County Business Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Albany County Business Development Corporation's compliance.

Board of Directors
Albany County Business Development Corporation
Albany, New York

Opinion on Each Major Federal Program

In our opinion, the Albany County Business Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding #14-01. Our opinion on each major federal program is not modified with respect to this matter.

The Albany County Business Development Corporation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Albany County Business Development Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Albany County Business Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Albany County Business Development Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Albany County Business Development Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Albany County Business Development Corporation
Albany, New York

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

T. M. Byrbee Company, CPAs, NY, P.C.

March 19, 2015
Albany, New York

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	FEDERAL CFDA <u>NUMBER</u>	AGENCY PASS- <u>THROUGH</u>	FEDERAL <u>EXPENDITURES</u>
U.S. Department of Commerce, Economic Development Administration	11.307		
Al Tech Loan Fund, Albany County EDA Project # 01-19-01474 Pass-Through New York State Department of Commerce			<u>\$19,235,070</u>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards presents the activity of the Al Tech Loan Fund Program of Albany County Business Development Corporation for year ended December 31, 2014.

The accompanying schedule of federal awards, including the activity of the Al Tech Loan Fund is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amount of expenditures for the Al Tech Loan Fund is computed as defined in the Department of Commerce Economic Development Revolving Loan Fund (RLF) Guidelines. The guidelines define current year expenditures, identified as RLF contribution, as the grantee's fiscal year ending balance of outstanding loans plus cash and investment balances plus the amount of RLF income earned and expended on eligible administrative costs during the grantee's fiscal year.

NOTE 2 - CATALOG OF CFDA

Numbers were obtained from the federal or pass-through grantor or the *Catalog of Federal Domestic Assistance*.

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

• Material weakness(es) identified? _____ Yes _____ X No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes _____ X No

Non-compliance material to financial statements noted? _____ Yes _____ X No

Federal Awards:

• Material weakness(es) identified? _____ Yes _____ X No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes _____ X None reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ X Yes _____ No

Identification of Major Programs:

CFDA Number:

11.307

Name of Federal Program:

U.S. Department of Commerce

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

II. FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None noted.

PRIOR YEAR FINDINGS

None Noted.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

Finding 14-01

Criteria: The United States Department of Commerce Economic Development Administration requires an 85% capital utilization percentage for the RLF through September 10, 2014 and 80% for the remainder of the year.

Condition: We noted that the capital utilization percentage was below the 85% level through September 10, 2014.

Effect: The capital utilization percentage was not in compliance with 13 C.F.R. §307.16(c)(2)(ii) through September 10, 2014.

Recommendation: Management should regularly review the RLF capital utilization and ensure they meet the required percentage to be in compliance.

Grantee Comment:

The ACBDC Board regularly monitors the utilization rate and constantly strives to increase utilization. They are aware of the rate through quarterly reporting. The utilization has been moving up over the last two years and with the adjustment in the rate to 80%, by September 30, 2014, the rate was in compliance and remained so as of year-end 2014. Vigilance and efforts will continue in 2015.

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

Finding 13-01

Criteria: The United States Department of Commerce Economic Development Administration requires an 85% capital utilization percentage for the RLF.

Condition: We noted that the capital utilization percentage was below the 85% level.

Effect: The capital utilization percentage is not in compliance with 13 C.F.R. §307.16(c)(2)(ii).

Recommendation: Management should regularly review the RLF capital utilization and ensure they meet the required percentage to be in compliance.

Grantee Comment:

The ACBDC Board regularly monitors the utilization rate and is aware that the rate is below 85%.

In 2012 the Fund's interest rate was reduced; in 2013 the lending limit was increased. These changes have led to an increase in applications in 2013. In 2011 and 2012, the AI Tech Trust Fund averaged 13.5 loan presentations with 11 approvals. In 2013, the Board reviewed 17 loan presentations and approved 16 of the requests for \$4,743,500, including the approval of the first \$1 million request.

The Board feels this momentum will continue into 2014 with a goal of meeting the utilization rate of 85%.