ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

Financial Statements and Required Reports
Under the Uniform Guidance as of
December 31, 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 25, 2019

To the Board of Directors of
Albany County Business Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Albany County Business Development Corporation (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 from 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.

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, 2018, 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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Change in Accounting Principle
As described in Note 2 to the financial statements, Albany County Business Development Corporation implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report of Summarized Comparative Information
We have previously audited Albany County Business Development Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated March 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements for which it has been derived.

Other Matters
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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2019 on our consideration of Albany County Business Development Corporation's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and 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 Albany County Business Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Albany County Business Development Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Operating cash	$ 10,148	$ 7,145
Restricted cash	5,929,947	6,296,555
Accrued interest receivable	26,141	33,936
Investments	1,001,268	-
Current portion of loans receivable, net	1,971,983	2,670,355
Total current assets	8,939,487	9,007,991
LONG-TERM PORTION OF LOANS RECEIVABLE, net	9,857,952	9,609,666
	$ 18,797,439	$ 18,617,657
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Due to The Chamber	$ 54,072	$ 52,368
Accounts payable and accrued expenses	11,898	7,850
Total current liabilities	65,970	60,218
NET ASSETS:		
Without donor restrictions	9,016	8,414
With donor restrictions	18,722,453	18,549,025
Total net assets	18,731,469	18,557,439
	$ 18,797,439	$ 18,617,657

The accompanying notes are an integral part of these statements.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Loan interest earned	$ -	$ 334,065	$ 334,065	$ 345,445
Loan loss recoveries	-	47,152	47,152	206,657
Bank interest	2	11,290	11,292	2,964
Application fees	3,000	-	3,000	4,500
Investment income	-	1,445	1,445	-
Recovered legal and late fees	-	159	159	4,430
Net assets released from restrictions	220,683	(220,683)	-	-
Total support and revenue	223,685	173,428	397,113	563,996
EXPENSES:				
Program	183,637	-	183,637	184,738
Management and general	39,446	-	39,446	46,294
Total expenses	223,083	-	223,083	231,032
CHANGE IN NET ASSETS	602	173,428	174,030	332,964
NET ASSETS - beginning of year	8,414	18,549,025	18,557,439	18,224,475
NET ASSETS - end of year	$ 9,016	$ 18,722,453	$ 18,731,469	$ 18,557,439

The accompanying notes are an integral part of these statements.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 174,030	$ 332,964
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Loan loss recoveries	(47,152)	(206,657)
Bad debt expense	-	30,528
Changes in:		
Accrued interest receivable	7,795	12,788
Due to The Chamber	1,704	(8,058)
Accounts payable and accrued expenses	4,048	350
Net cash flow from operating activities	140,425	161,915
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,001,268)	-
Principal collected on loans receivable	2,482,051	2,796,134
Disbursements of loans receivable	(1,984,813)	(2,261,800)
Net cash flow from investing activities	(504,030)	534,334
CHANGE IN CASH	(363,605)	696,249
CASH - beginning of year	6,303,700	5,607,451
CASH - end of year	$ 5,940,095	$ 6,303,700

The accompanying notes are an integral part of these statements.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Program Services	General and Administrative	Total	Total
Agency fees	$ 165,428	$ 37,652	$ 203,080	$ 186,333
Professional fees	15,809	-	15,809	8,777
Application fees	2,400	-	2,400	3,600
Insurance	-	1,794	1,794	1,794
Bad debts/write off	-	-	-	30,528
	$ 183,637	$ 39,446	$ 223,083	$ 231,032

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

The Albany County Business Development Corporation (ACBDC) was incorporated under the New York State Not-For-Profit Corporation Law on September 16, 1994. ACBDC was organized to promote economic growth and business retention in Albany County by offering financing through the Al Tech Revolving Loan Fund. The Al Tech Loan Fund offers economic development financing at competitive interest rates to supplement traditional bank lending to businesses which demonstrate strong possibilities for growth, real property improvement, increased employment and retention of employment in the county.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates
The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Financial Information
The financial statements include prior-year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the ACBDC's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash
Cash includes bank demand deposit accounts. ACBDC's cash balances are all collateralized and fully insured. ACBDC has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

Restricted Cash
Restricted cash consists of amounts restricted to provide financing through the Al Tech Revolving Loan Fund.

Investments
All investments in U.S. Treasury bills are stated at fair value. Fair value is determined using quoted market prices for which all significant inputs are observable, directly or indirectly. All realized and unrealized gains and losses are reported directly in the accompany statement of activities.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the value of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Loans Receivable

Loans are stated at unpaid principal balances, less an allowance for uncollectable loans. Loans receivable consist of interest bearing loans payable in monthly installments over the life of the loan. Loans receivable are periodically reviewed for collectability based on past history and current economic conditions.

A loan is considered impaired when contractual obligations are greater than 30 days past due and it is probable that the ACBDC will be unable to collect the scheduled principal payments. After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. The allowance for uncollectible loans was $119,494 and $218,950 as of December 31, 2018 and 2017, respectively. There were recoveries of $47,152 and $206,657 for the years ended December 31, 2018 and 2017, respectively.

Net Assets

Net assets without donor restrictions include operating resources, which are available for the support of ACBDC's operating activities.

Net assets with donor restrictions are those net assets that have been granted for the purpose of providing financing to small and medium sized business. Net assets with donor restrictions are released and reclassified to net assets without restrictions, as ACBDC's administration and overhead costs are expensed.

Fair Value Measurement – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the ACBDC's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. ACBDC does not have any assets valued using Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset. ACBDC's investments in U.S. Treasury bills are valued utilizing Level 2 inputs.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Fair Value Measurement - Definition and Hierarchy (Continued)

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. ACBDC currently has no assets or liabilities valued using Level 3 inputs.

Allocation of Certain Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions. ACBDC allocates a portion of the agency fee to program and management and general based on where time and efforts are made and benefit received. Other expenses are charged to program expense as they relate directly to the program services.

Taxes

ACBDC is a not-for-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expense in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for ACBDC's fiscal year ending December 31, 2018 and was applied retrospectively, with the exception of the disclosures regarding liquidity and availability of resources. The effects of this ASU applicable to ACBDC have been included in these financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2018, ACBDC has the following liquid resources available to meet cash needs for general expenditure within one year of the statement of financial position date:

Financial assets, at year end:	
Operating cash	$10,148
Restricted cash	5,929,947
Accrued interest receivable	26,141
Investments	1,001,268
Current portion of loans receivable, net	1,971,983
	8,939,487
Less: assets subject to satisfaction of restrictions	(8,903,198)
Financial assets available to meet cash needs for general expenditure within one year	$36,289

ACBDC regularly monitors liquidity required to meet its annual operating needs. As part of its liquidity management, ACBDC invests cash in excess of daily requirements in fixed income securities, including U.S. Treasury bills.

4. LOANS RECEIVABLE

Loans receivable consist of interest bearing notes and are payable in monthly installments over the life of the loan. The loans receivable balance is comprised of 84 and 77 loans at December 31, 2018 and 2017, respectively, and consists of the following:

	2018	2017
Loans receivable	$ 11,949,429	$ 12,498,971
Less: Allowance for uncollectible loans	119,494	218,950
	$ 11,829,935	$ 12,280,021

Maturities of loans receivable as of December 31 are due as follows:

2019	$ 1,971,983
2020	1,634,231
2021	1,231,871
2022	1,109,804
2023	996,406
Thereafter	5,005,134
	$ 11,949,429

The unpaid principal balance of impaired loans totaled $91 at December 31, 2018 and was 100% allowed for.

4. LOANS RECEIVABLE (Continued)

The performance and credit quality of the loans receivable portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time recorded payment is past due. The following table presents the loans receivable portfolio summarized by the past due status at December 31, 2018:

30-59 days past due	60-89 days past due	Greater than 90 days past due	Total Past Due	Current	Total Gross Loans Receivable
$ 91	$ -	$ -	$ 91	$ 11,949,338	$ 11,949,429

5. CONTRACTED SERVICES - CAPITAL REGION CHAMBER OF COMMERCE, INC.

In order to accomplish ACBDC's purpose of furthering economic development in the County of Albany (the County), ACBDC works closely with the County and the Capital Region Chamber of Commerce, Inc. (the Chamber). The Chamber in return provides staff to the ACBDC to fulfill its mission. ACBDC reimbursed the Chamber for administrative costs of $203,079 and $186,333 for the years ended December 31, 2018 and 2017, respectively. Additionally, at December 31, 2018 and 2017, ACBDC owed the Chamber $59,738 and $53,636, respectively.

6. INVESTMENTS

Investments are reported at fair market value as of December 31. Investments consisted of the following as of December 31:

	2018	2017
U.S. Treasury bills	$ 1,001,268	$ -

7. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2018:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
U.S. Treasury bills	$ -	$ 1,001,268	$ -	$ 1,001,268

There were no investments as of December 31, 2017.

8. COMMITMENTS AND CONTINGENCIES

ACBDC has approved and committed loans to be funded by the Revolving Loan Fund for $3,694,000 at December 31, 2018.

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.

During 2018, the Economic Development Administration changed their monitoring method from a capital utilization rate to an allowable cost percentage (ACP). The ACP for the calendar year 2018 cannot exceed 32.72%. The ACP is the percentage of RLF capital base that is not accounted for in the total of the outstanding portfolio balance and loans committed, but not yet disbursed. ACBDC's ACP for the year ended December 31, 2018 was 16.68%.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 25, 2019, which is the date the financial statements were available to be issued.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
Department of Commerce/		
Economic Development Administration/		
Economic Adjustment Assistance	11.307	$ 19,101,326
Total Department of Commerce		19,101,326
Total Expenditures of Federal Awards		$ 19,101,326

The accompanying notes are an integral part of this schedule.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

1. GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Albany County Business Development ACBDC (ACBDC) for the year ended December 31, 2018. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the schedule.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting used by ACBDC to report to the federal government.

The amount of federal expenditures is computed as defined in the Department of Commerce Economic Development Revolving Loan Fund (RLF) Guidelines. The guidelines define current year expenditures, as the grantee's fiscal year ending balance of outstanding loans, plus cash and investment balances, the amount of RLF income earned, and the amount expended on eligible administrative costs during the fiscal year. Total expenditures at December 31, 2018 was calculated as follows:

Balance of RLF principal outstanding at the end of the fiscal year	$11,949,429
Restricted cash balance in the RLF at the end of the fiscal year	5,929,947
Investment balance in the RLF at the end of the fiscal year	1,001,268
Unpaid principal of loans written off during the fiscal year	-
Administrative expenses paid out of RLF during the fiscal year	220,682
Federal share of the RLF	$19,101,326

3. FEDERAL LOANS AND LOAN GUARANTEES

The ACBDC had no federal loans or loan guarantees outstanding as of December 31, 2018.

4. INSURANCE

The ACBDC did not participate in any federal insurance programs for the year ended December 31, 2018.

5. DE MINIMIS COST RATE

The ACBDC did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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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*

March 25, 2019

To the Board of Directors of
Albany County Business Development Corporation:

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 (ACBDC), which comprise the statement of financial position as of December 31, 2018, 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 25, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered ACBDC'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 ACBDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ACBDC's internal control.

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

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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*
(Continued)

Internal Control over Financial Reporting (Continued)
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether ACBDC'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Bonadio & Co., LLP

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 25, 2019

To the Board of Directors of
Albany County Business Development Corporation:

Report on Compliance for Each Major Federal Program
We have audited Albany County Business Development Corporation's (ACBDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on ACBDC's major federal programs for the year ended December 31, 2018. ACBDC'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of ACBDC'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 contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).Those standards and the Uniform Guidance 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 ACBDC'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 programs. However, our audit does not provide a legal determination of ACBDC's compliance.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on Major Federal Program
In our opinion, ACBDC 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, 2018.

Report on Internal Control Over Compliance
Management of the Organization 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 Organization'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 the Uniform Guidance, 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 Organization'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 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial statements:

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __x__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes __x__ None reported
- Noncompliance material to financial statements noted? _____ Yes __x__ No

Federal Awards:

Internal control over the major programs:

- Material weakness(es) identified? _____ Yes __x__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes __x__ None reported

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings that are required to be reported in accordance with the Uniform Guidance _______ Yes __x__ No

Identification of the major programs:

CFDA Number	*Name of Federal Program or Cluster*
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee: __x__ Yes ____ No

Section 2 – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2018.

Section 3 – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended December 31, 2018.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018

There were no findings identified during the audit performed for the year ended December 31, 2017.