ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

Financial Statements as of
December 31, 2023
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 21, 2024

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

Opinion
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, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Albany County Business Development Corporation as of December 31, 2023, 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. 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 Albany County Business 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.

Change in Accounting Principle
As discussed in Note 2 to the financial statements, Albany County Business Development Corporation adopted Accounting Standards Codification 326, *Financial Instruments – Credit Losses*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

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 Albany County Business Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

6 Wembley Court
Albany, NY 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Albany County Business 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 Albany County Business 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.

Report on Summarized Comparative Information
We have previously audited Albany County Business Development Corporation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bonadio & Co., LLP

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Operating cash	$ 23,679	$ 22,855
Restricted cash	4,477,105	8,008,790
Investments	4,999,236	-
Accrued income receivable	132,150	32,262
Current portion of loans receivable, net	1,967,135	1,708,127
Total current assets	11,599,305	9,772,034
LONG-TERM PORTION OF LOANS RECEIVABLE, net of current portion and allowance for credit losses of $102,594 in 2023 and $84,193 in 2022)	8,273,140	9,850,329
	$ 19,872,445	$ 19,622,363
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Due to The Alliance	87,188	49,404
Total current liabilities	87,188	49,404
NET ASSETS:		
Without donor restrictions	174,228	35,600
With donor restrictions	19,611,029	19,537,359
Total net assets	19,785,257	19,572,959
	$ 19,872,445	$ 19,622,363

The accompanying notes are an integral part of these statements.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Loan interest earned	$ -	$ 334,367	$ 334,367	$ 353,716
Bank interest	105,149	173,613	278,762	17,937
Recovery of credit losses	32,479	-	32,479	4,401
Application fees	1,000	-	1,000	2,000
Other revenues	-	-	-	5,280
Net assets released from restrictions	434,310	(434,310)	-	-
Total support and revenue	572,938	73,670	646,608	383,334
EXPENSES:				
Program	343,879	-	343,879	200,693
Management and general	39,551	-	39,551	-
Total expenses	383,430	-	383,430	200,693
CHANGE IN NET ASSETS	189,508	73,670	263,178	182,641
NET ASSETS - beginning of year	35,600	19,537,359	19,572,959	19,390,318
Initial effect of adoption of Accounting Standards Codification Section 326	(50,880)	-	(50,880)	-
NET ASSETS - end of year	$ 174,228	$ 19,611,029	$ 19,785,257	$ 19,572,959

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	Program Services	General and Administrative	Total	Total
Agency fees	$ 316,189	$ -	$ 316,189	$ 200,657
Professional fees	-	39,551	39,551	-
Credit loss expense	27,690	-	27,690	-
Other expenses	-	-	-	36
	$ 343,879	$ 39,551	$ 383,430	$ 200,693

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, 2023
(With Comparative Totals for 2022)

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 212,298	$ 182,641
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Credit loss expense	78,570	-
Recovery of credit losses	(32,479)	(4,401)
Changes in:		
Accrued income receivable	(99,888)	-
Due to The Chamber	-	(8,390)
Due to The Alliance	37,784	(72,572)
Accounts payable and accrued expenses	-	(5,277)
Net cash flow from operating activities	196,285	92,001
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(4,999,236)	-
Principal collected on loans receivable	1,520,590	2,010,398
Disbursements of loans receivable	(248,500)	(1,130,000)
Net cash flow from investing activities	(3,727,146)	880,398
CHANGE IN OPERATING AND RESTRICTED CASH	(3,530,861)	972,399
OPERATING AND RESTRICTED CASH - beginning of year	8,031,645	7,059,246
OPERATING AND RESTRICTED CASH - end of year	$ 4,500,784	$ 8,031,645

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. 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 of Albany (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).

Recently Adopted Accounting Guidance
Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses,* requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The estimated credit loss is required to be based on historical information, current conditions, and forecasts that could impact the collectability of the amounts. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Effective January 1, 2023, ACBDC adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost. The transition adjustment resulting from the adoption of CECL was a increase in the allowance for credit losses on accounts receivable of $50,880 with a corresponding decrease to net assets without donor restrictions on January 1, 2023. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards.

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 or functional expense category. 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, 2022, from which the summarized information was derived.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Cash and Restricted Cash

Cash includes bank demand deposit accounts. ACBDC's cash balances may at times exceed federally insured limits. ACBDC has not experienced any losses in these accounts and believes that it is not exposed to any significant risk with respect to cash.

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

Cash and restricted cash, as stated on the accompanying financial statements, were as follows at December 31:

	2023	2022
Operating cash	$ 23,679	$ 22,855
Restricted cash	4,477,105	8,008,790
	$ 4,500,784	$ 8,031,645

Investments

Investments, which include debt securities, are stated at fair value. Fair value is determined using quoted market prices. Interest income is recognized on the accrual basis.

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

Loans Receivable

Loans are stated at unpaid principal balances, less an allowance for credit losses. 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.

Loans Receivable and Current Expected Allowance for Credit Losses

ACBDC receivables are primarily derived from loan originations to businesses that demonstrate strong possibilities for growth, real property improvement, increased employment and retention of employment in the county. ACBDC recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of ACBDC's historical losses related to gross receivables when contractual obligations are greater than 30 days past due.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Loans Receivable and Current Expected Allowance for Credit Losses (Continued)
However, the current and expected future economic conditions have deteriorated as compared with the economic conditions included in the historical information. As a result, the allowance for credit losses percentage was increased to adjust for the impact of current and expected future conditions on historical losses. Changes in the allowance for credit losses for the year ended December 31, 2023 were as follows:

Balance at January 1, 2023	$	84,193
Cumulative effect of adoption of new credit loss standard		50,880
Recovery of credit losses		(32,479)
Balance at December 31, 2023	$	102,594

Fair Value Measurement – Definition and Hierarchy
Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of ACBDC. Unobservable inputs are inputs that reflect ACBDC's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. 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 ACBDC 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's investments in U.S. Treasury bills are primarily valued utilizing Level 1 inputs.

- Level 2 – Valuations based on quoted prices in markets that are not active 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 or liability.

  There are no assets or liabilities valued utilizing Level 2 inputs as of December 31, 2023 or 2022.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  There are no assets or liabilities valued utilizing Level 3 inputs as of December 31, 2023 or 2022.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

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 to be held in perpetuity include those loan funds that have been granted for the purpose of providing financing to small and medium sized businesses.

Net assets with donor restrictions that are subject to time or purpose restrictions primarily include interest earned on the loans to those businesses. Net assets with donor restrictions are released and reclassified to net assets without restrictions, as ACBDC's administration and overhead costs are expensed.

Revenue Recognition
Grant income from loan funds is recognized as an addition to net assets with donor restrictions when individual loans are approved in accordance with the grant funding requirements. ACBDC has determined that all grant funds meet the criteria to be accounted for as contributions with donor restrictions.

ACBDC receives substantially all of its other revenue from interest income generated per the outstanding loans receivable, as well as investments held. Interest income on loans is recorded when monthly payments are due. Accrued interest is recorded at period end to record interest that has been earned but not paid per the terms of the loan agreements. Interest income generated from investments is recorded when received.

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 agency fees to program due to the nature of 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.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	2023	2022
Financial assets, at period end:		
Operating cash	$ 23,679	$ 22,855
Restricted cash	4,477,105	8,008,790
Investments	4,999,236	-
Accrued income receivable	132,150	32,262
Current portion of loans receivable	1,967,135	1,708,127
	11,599,305	9,772,034
Less: Current assets subject to satisfaction of restrictions within one year	(6,576,390)	(9,749,179)
Financial assets available to meet cash needs for general expenditure within one year	$ 5,022,915	$ 22,855

As part of its liquidity management, ACBDC regularly monitors cash balances to meet its annual operating needs. ACBDC relies on the timely collection of loan receivables to meet its future lending demands.

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 53 and 61 loans at December 31, 2023 and 2022, respectively, and consists of the following:

	2023	2022
Loans receivable	$ 10,342,869	$ 11,642,649
Less: Allowance for credit losses	(102,594)	(84,193)
	$ 10,240,275	$ 11,558,456

Loans receivable are expected to mature in the years ended December 31:

2024	$ 1,967,135
2025	2,905,393
2026	840,113
2027	1,088,078
2028	1,097,321
Thereafter	2,444,829
	$ 10,342,869

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, 2023:

30-59 days past due	60-89 days past due	Greater than 90 days past due	Total Past Due	Current	Total Gross Loans Receivable
$ -	$ -	$ -	$ -	$ 10,342,869	$ 10,342,869

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments measured at fair value utilizing Level 1 inputs consisted of the following at December 31:

	2023	2022
U.S. Treasury bills	$ 4,999,236	$ -

6. CONTRACTED SERVICES

ACBDC contracts with Advance Albany County Alliance Local Development Corporation (the Alliance) to serve as its agent. The Alliance provides staff to the ACBDC to fulfill its mission. ACBDC reimbursed the Alliance for administrative costs of $316,189 and $200,657 during the years ended December 31, 2023 and 2022, respectively. ACBDC owed the Alliance $87,188 and $49,404 for certain administrative costs for the years ended December 31, 2023 and 2022, respectively. Collectively, these costs are recorded as agency fees on the accompanying Statement of Functional Expenses.

7. COMMITMENTS AND CONTINGENCIES

Grantor Audits

Expenditures are subject to audit by the funding agency or 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.

In March 2022, the Corporation entered into an agreement with the U.S. Department of Commerce, Economic Development Administration to release its federal interest in the Al Tech Revolving Loan Fund.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 21, 2024, which is the date the financial statements were available to be issued.