

**ALBANY COUNTY BUSINESS  
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

ALBANY COUNTY BUSINESS  
DEVELOPMENT CORPORATION

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DECEMBER 31, 2011

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of financial position of the Albany County Business Development Corporation (a non-profit organization) as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany County Business Development Corporation as of December 31, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2012, on our consideration of the Albany County Business Development Corporation's internal control over financial reporting and our tests of its 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 read in conjunction with this report in considering 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.

March 22, 2012

*T.M. Byxee Company, CPAs, NY, P.C.*

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010**

**ASSETS**

	<b>2011</b>	<b>2010</b>
<b>CURRENT ASSETS</b>		
Operating Cash	\$ 1,550,149	\$ 169,879
Money Market Cash	4,107,161	3,861,653
Sweep Cash Account	2,284,317	1,514,829
Prepaid Insurance	1,306	1,663
Marketable Fixed Income Securities	-	770,792
Accrued Interest Receivable	45,324	47,314
Application Fees Receivable	-	350
Loans Receivable, Current Portion, Net of 2011 and 2010 Allowance of \$328,017 and \$129,352, respectively	2,222,339	2,592,285
<b>TOTAL CURRENT ASSETS</b>	<b>10,210,596</b>	<b>8,958,765</b>
 <b>PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>	 <b>3,294</b>	 <b>3,953</b>
 <b>OTHER ASSETS</b>		
Loans Receivable, Less Current Portion	8,161,969	9,279,284
<b>TOTAL OTHER ASSETS</b>	<b>8,161,969</b>	<b>9,279,284</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 18,375,859</b>	 <b>\$ 18,242,002</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Due to The Chamber	\$ 42,514	\$ 40,781
Accounts Payable and Accrued Expenses	9,227	-
HUD/ACES Project	-	21,044
<b>TOTAL CURRENT LIABILITIES</b>	<b>51,741</b>	<b>61,825</b>
 <b>NET ASSETS</b>		
Unrestricted Restricted	86	86
Temporarily Restricted	18,324,032	18,180,091
<b>TOTAL NET ASSETS</b>	<b>18,324,118</b>	<b>18,180,177</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 18,375,859</b>	 <b>\$ 18,242,002</b>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

			<u>TOTALS</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
Revenue and Support:				
Application Fees	\$ -	\$ 1,400	\$ 1,400	\$ 3,500
Bank Interest	-	54,230	54,230	118,014
Late Fees Paid	-	4,136	4,136	3,560
Loan Interest Earned	-	523,640	523,640	595,732
Loan Recoveries	-	18,777	18,777	-
Realized Gains on Investments	3,634	-	3,634	10,900
Unrealized Gains (Losses) on Investments	(24,426)	-	(24,426)	(85,897)
Net Assets Released From Restrictions	458,242	(458,242)	-	-
<b>Total Revenue and Support</b>	<b>437,450</b>	<b>143,941</b>	<b>581,391</b>	<b>645,809</b>
Expenses:				
Agency Fees	188,000	-	188,000	175,700
Application Fees	1,750	-	1,750	3,850
Bad Debt Expense (Recovery)	208,097	-	208,097	(8,553)
Bank Fees	768	-	768	1,690
Investment Fees	11,492	-	11,492	13,198
Insurance	2,098	-	2,098	2,601
Depreciation	659	-	659	659
Filing Fees	750	-	750	750
Professional Fees	23,836	-	23,836	7,200
<b>Total Expenses</b>	<b>437,450</b>	<b>-</b>	<b>437,450</b>	<b>197,095</b>
<b>INCREASE IN NET ASSETS</b>	<b>-</b>	<b>143,941</b>	<b>143,941</b>	<b>448,714</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>86</b>	<b>18,180,091</b>	<b>18,180,177</b>	<b>17,731,463</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 86</b>	<b>\$ 18,324,032</b>	<b>\$ 18,324,118</b>	<b>\$ 18,180,177</b>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Cash Received From Interest on Loans	\$ 525,630	\$ 597,925
Cash Received From Interest on Temporary Investments	54,230	118,014
Late Fees	4,136	3,560
Other Operating Receipts	350	1,550
Cash Paid General and Administrative Expenses	(227,676)	(277,427)
Net Cash Provided by Operating Activities	356,670	443,622
 <b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>		
Loan Disbursements	(1,543,547)	(2,081,520)
Principal Collected on Loans Receivable	2,832,143	2,394,062
Sale of Securities	750,000	1,500,000
Net Cash Provided by Investing Activities	2,038,596	1,812,542
 <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,395,266</b>	<b>\$ 2,256,164</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>5,546,361</b>	<b>3,290,197</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 7,941,627</b>	<b>\$ 5,546,361</b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 143,941	\$ 448,714
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	659	659
Realized Loss (Gain) on Sale of Investments	(3,634)	(10,900)
Unrealized Loss (Gain) on Sale of Investments	24,426	85,897
Decrease (Increase) in:		
Accrued Interest	1,990	2,193
Application Fees Receivable	350	350
Prepaid Insurance	357	(451)
Provision for Loan Losses	198,665	(8,553)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	9,227	-
HUD/ACES Project	(21,044)	(68,052)
Due to The Chamber	1,733	(6,235)
Total Adjustments	212,729	(5,092)
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 356,670</b>	<b>\$ 443,622</b>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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 Al 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.

**Al 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 Al 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 Al 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 Al 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, 2011**

**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 - MARKETABLE SECURITIES**

Fair Value (Market Value) has been determined based on quoted prices in active markets for identical assets (Level I inputs) at the reporting date and inputs other than quoted prices included with Level I that are observable, either directly or indirectly (Level II). An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an on-going basis. A quoted price in an active market provides the most reliable evidence of fair value.



ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**NOTE 2 – MARKETABLE SECURITIES (Continued)**

A summary of investments follows as of December 31:

	<u>2011</u>		<u>2010</u>	
	<u>COST</u>	<u>MARKET</u>	<u>COST</u>	<u>MARKET</u>
Fixed Income-Mutual Fund (Level II)	<u>\$ -</u>	<u>\$ -</u>	<u>\$746,366</u>	<u>\$770,792</u>

The following tabulation summarizes the relationship between cost and market values of investment assets as of December 31:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION</u>
Balance at End of Year	\$ -	\$ -	\$ -
Balance at Beginning of Year	<u>746,366</u>	<u>770,792</u>	<u>24,426</u>
(Decrease) in Unrealized Appreciation			<u>\$(24,426)</u>

Dividends and interest earned on savings and investment accounts totaled \$54,230 and \$118,014 for the years ended December 31, 2011 and 2010, respectively.

**NOTE 3 – 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, 2011 is as follows:

Beginning Balance	\$129,352
Net Provisions	198,665
Loan Charge-Offs	<u>-</u>
Ending Balance	<u>\$328,017</u>

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Details for the year ended December 31, 2011 are as follows:

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>December 31, 2011</u>
<b>COST</b>				
Equipment	<u>\$6,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,588</u>
<b>ACCUMULATED DEPRECIATION</b>				
Equipment	<u>2,635</u>	<u>659</u>	<u>-</u>	<u>3,294</u>
	<u>\$3,953</u>			<u>\$3,294</u>

**NOTE 5 – HUD/ACES PROJECT**

In 2005, the County of Albany entered into an agreement with the Albany Center for Success, Inc. (ACES) whereby the County would disburse a portion of Department of Housing and Urban Development grant funds determined to be a forgivable loan to ACES. Through an informal agreement with the County, the Corporation was requested and agreed to take custody of the earmarked funds and disburse them upon approval of the request for payment by the County.

**NOTE 6 - 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, 2011 and 2010.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Corporation has approved and committed loans to be funded by the Revolving Loan Fund for \$2,206,420 at December 31, 2011.

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.

The Corporation received notification from the Department of Commerce that its excess loan retention policy would be changed from 25% to 15% commencing in 2007. The Department requires that at all times at least 85% of the revolving loan fund capital is loaned or committed.

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)**

**Events Occurring After Reporting Date**

The Corporation has evaluated events and transactions that occurred between December 31, 2011 and March 22, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

In February, 2012, the Corporation was notified by the State of New York Authorities Budget Office that it is determined the Corporation will be treated as a Public Authority and as such is subject to the public disclosure, reporting and corporate governance provisions of Public Authority Law.

**NOTE 8 - CONCENTRATIONS**

For the year ended December 31, 2011, the Corporation may at times have had operating cash accounts held by banks in excess of federally insured limits. The amount subject to credit risk at December 31, 2011 and 2010 was \$2,352,202 and \$2,351,720, respectively. The Board seeks to minimize any potential credit risk by carefully monitoring the strength of the financial institutions it uses. The credit risk associated with loan activity is discussed in Note 1.

**NOTE 9 - 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 ended December 31, 2008, 2009, 2010 and 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 the financial statements of Albany County Business Development Corporation (a non-profit organization), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 22, 2012. 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.

**Internal Control over Financial Reporting**

Management of Albany County Business Development Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Albany County Business Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements but not for the purpose of expressing an opinion on the effectiveness of Albany County Business Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Albany County Business Development Corporation's financial statements are free of 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 11-01.

Albany County Business Development Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Albany County Business Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, management, the Board of Directors and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 22, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON 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

**Compliance**

We have audited the compliance of Albany County Business Development Corporation, (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 "*Compliance Supplement*" that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Albany County Business Development Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Albany County Business Development Corporation's management. Our responsibility is to express an opinion on Albany County Business Development Corporation's compliance based on our audit.

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 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 non-compliance 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 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. Our audit does not provide a legal determination of Albany County Business Development Corporation's compliance with those requirements.

In our opinion, Albany County Business Development Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, 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 # 11-01.

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

### **Internal Control Over Compliance**

The management of Albany County Business Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Albany County Business Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 entity's internal control over compliance.

A deficiency in internal control over compliance 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specific parties.

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

March 22, 2012

**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>FEDERAL GRANTOR  PASS-THROUGH GRANTOR/  <u>PROGRAM TITLE</u></b>	<b>FEDERAL  CFDA  <u>NUMBER</u></b>	<b>AGENCY  PASS-  <u>THROUGH</u></b>	<b>FEDERAL  <u>EXPENDITURES</u></b>
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>\$18,832,742</u>



**ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2011**

**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, 2011.

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, 2011**

**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:	Name of Federal Program:
11.307	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, 2011  
(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 11-01

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 Committee regularly monitors the utilization rate and is aware that the rate was below 85%. The program continues to be marketed to local banks, credit unions and other financing organizations to offer assistance with any financing requests. In 2011, disbursements were made to seven different businesses, however, with repayments of principal and interest revenue slightly over \$3 million and with the overall economic conditions of the county and state, along with a loss of some of the fund's competitive edge with other government sponsored lending programs expanding in the area, we were unable to meet the utilization rate. In 2012, we will continue to strive towards an 85% utilization rate.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

Finding 10-01: 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 committee regularly monitors the utilization rate and is aware that the rate was below 85%. The program continues to be marketed to local banks, credit unions and other financing organizations to offer assistance with any financial requests. In 2011, disbursements were made to nine different businesses, however, with repayments of principal and interest revenue slightly over \$3 million and with the overall economic conditions of the county and state, along with a loss of some of the fund's competitive edge with other government sponsored lending programs expanding in the area, we were unable to meet the utilization rate. In 2011, we will continue to strive towards an 85% utilization rate.

Finding 10-02: There were 8 loans that had reached maturity and had not been called or rewritten. Normal payments continued to be collected and applied to principal balances.

Recommendation: Management should develop and implement procedures to ensure expired loans either to be called or rewritten.

Grantee Comment:

As soon as this situation was discovered, immediate action was taken to remedy it. Most recent financial statements were reviewed for each loan and presented to the Loan Committee with a request for renewal. All eight renewals were approved and as of the date of this response all have been rewritten.

Additionally, a monitoring procedure has been implemented to routinely and regularly review the maturity date of all loans insuring that the appropriate action of renewing or recalling is taken in a timely manner.