Albany CONVENTION CENTER Authority

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

ALBANY CONVENTION CENTER AUTHORITY

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Albany Convention Center Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Albany Convention Center Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

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 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 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 qualified audit opinion.

Basis for Qualified Opinion

Accounting principles generally accepted in the United States of America requires capital assets be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpected declined. As of December 31, 2018, the Authority evaluated capital assets for impairment and determined that the service utility and value of certain capital assets may have materially changed. As more fully described in Note 6 of the financial statements, the Authority entered into a $1 purchase and sale agreement for certain capital assets. Based on the nature of this agreement, the Authority elected to depart from accounting principles generally accepted in the United States of America and continue to carry these capital assets at the historical costs until the sale was finalized in December 2019.

UHY LLP Certified Public Accountants

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Convention Center Authority, as of December 31, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 and other required supplementary information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of the Albany Convention Center Authority's internal control over financial reporting and on 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 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 the Albany Convention Center Authority's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 26, 2020

The following is a discussion and analysis of the Albany Convention Center Authority, and its financial statements that reflect the financial activity that took place during the year ended December 31, 2019.

Authority Background

The Albany Convention Center Authority (ACCA) was created on September 21, 2004 by the enactment of Title 28-BB of the Public Authorities Law (Chapter 468 of the Laws of 2004). The general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany (the Project).

The Authority Board consists of nine members, three appointed by the Governor of New York State, one appointed by the Temporary President of the Senate, one appointed by the Speaker of the Assembly, two appointed by the Mayor of the City of Albany, with the advice and consent of the Common Council and two appointed by the Albany County Executive, with the advice and consent of the County Legislature. All members of the board shall serve at the pleasure of their appointing authority.

Significant activities during 2019 were as follows:

The Albany Capital Center (ACC):

SMG Worldwide Entertainment and Convention Venue Management ("SMG") merged with AIG to become ASM Global. SMG is now identified as SMG a division of ASM Global. For the purposes of this report and simplicity, the ACCA will continue refer to the Operator as SMG.

During 2019 the ACC as managed by SMG, outperformed projections resulting in the following:

- 218 events
- 344 event days
- 21,178 Room-nights generated
- 107,867 visitors

For 2020 SMG has booked 107 events with anticipated gross revenue in excess of $1.1 million and there are 24 event contracts are pending.

For 2021, SMG has booked 18 events with anticipated gross revenue of approximately $0.4 million and there are 7 event contracts pending.

In both instances, bookings are tracking with the corresponding periods in FY 2018 and FY 2019

The success of the Albany Capital Center in both marketing and operations is directly attributable to SMG onsite staff. Both the Director of Sales and Sales Coordinator attend select national and regional meeting planner events to showcase the Albany Capital Center, focusing on bookings out 12-24 months, and work closely with Discover Albany to identify the long lead events, those 24 months and beyond. Discover Albany utilizes among other tools, the Knowland lead generation service that is underwritten by the ACCA on an annual basis in support of the entire Albany market. Knowland provides current and future booking information specific to the Albany market based upon the unique capacity and current availability of the facilities within Albany County.

During 2018, a survey process was implemented to obtain feedback on the experience related to each event which was continued in 2019. Following each event, SMG issued a survey to all attendees and meeting planners sharing the results with the ACCA Board on a quarterly basis in review of those important metrics having to do with the guest experience. In doing so the performance of the SMG staff, the exclusive caterer, and preferred vendors including those for audio/visual, and decorating is measured and as a means of determining the Qualitative portion of the annual fee due SMG upon review by the Economic Impact Committee and by action of the ACCA Board.

Recognizing the need to remain competitive and improve upon product delivery, the ACCA has undertaken capital improvement at The Albany Capital Center. In 2019 the ACCA invested nearly $600,000, in storage mezzanines to accommodate the owned sports floors, miscellaneous event based equipment and to provide additional office space for SMG personnel and that of the ACCA Staff. The latter reduced the ACCA overhead with the elimination of an office lease and other costs related to maintaining off site offices.

The Albany Convention Center Authority (ACCA):

In order to accurately assess the economic impact that the Albany Capital Center has upon the Capital Region, the ACCA established an Economic Impact Committee comprised of ACCA Board Members and Staff, and entered an MOU with the Albany County Convention and Visitors Bureau (ACCVB) aka Discover Albany (DA) to provide an independent third party review of the actual economic impacts resulting from events held at the ACC. The ACCVB/DA meets with the Economic Impact Committee and reports to the ACCA Board on a quarterly basis throughout the year and the resulting information is posted to the ACCA Website and distributed to stakeholders. From the ACC booking reports and data from hotels, SMG and event organizers, Discover Albany inputs the data into the Destinations International's Economic Impact Calculator (EIC), a recognized and respected standard analysis tool for the hospitality industry. The EIC Report generated is the sum of visitor, meeting planner, and exhibitor spending and forms the basis for the summary provided to the ACCA including visitor count, hotel room nights, sales tax receipts and jobs generated.

For the period March 1, 2017 through December 31, 2019, the life of the facility, the following economic impacts were determined:

• Total Visitor Spending	$43,786,291.00
• State Taxes	$2,668,453.00
• County Taxes	$2,665,179.00
• Visitors	290,567
• Hotel Room Nights	66,976
• Full Time Equivalent Jobs supported by The ACC Events	24,539

In terms of economic impact, the Albany Convention Center Authority is tracking performance and measuring the impact on the local and regional economy. One of the critical components of the authority's mission is to provide significant economic and social benefits to the City and County of Albany and the entire capital district region. The ACCA is very pleased to report on the success of achieving this, as measured by the economic indicators listed above. In summary, in less than three years of operations, the Albany Capital Center generated almost $44 million in new spending into the local economy, with benefits to the hospitality industry from nearly 67,000 new hotel room nights in Albany County alone and to NY State and Albany County in the form of combined Sales Tax receipts of more than $5.3 million.

For 2019, the ACCA share of the Albany County Hotel/Motel Occupancy Tax (HOT) continued at 3/6ths (3 points) of the total county receipts from the 6% tax charged to hotel guests that took effect with Substantial Completion of the Albany Capital Center on March 1, 2017. The total annual budgeted amount of approximately $4 million, is distributed by Albany County quarterly and covers the operating losses incurred by the Albany Capital Center as well as funds reserves in accordance with the requirements contained in the Contract with SMG and to fund capital improvement accounts necessary to maintain the facility in good working order over time.

Other Significant Activities:

As a result of actions taken by the ACCA Board at a regularly scheduled meeting on February 6, 2019, health care benefit in retirement will be provided going forward to ACCA employees with 10 or more years of services. As of the date of this report, the ACCA has one qualifying employee.

Land Transfer Background:

The ACCA is restricted by its enabling legislation from developing real property for purposes other than for convention facilities. Given that the Albany Capital Center has been constructed and is now operating, the ACCA is unable to re-develop the Former Site. However, the ACCA does have the ability to dispose of the Former Site, since it is no longer required for convention facilities (i.e. surplus). Given that the continued ownership and control of the Former Site places a significant economic burden on the limited resources available to the ACCA, which diverts such resources from the principal purposes of the ACCA's mission to operate the Albany Capital Center, it was recommended by staff and counsel that the ACCA expeditiously dispose of the former site in accordance with the Public Authorities Accountability Act (PAAA).

During 2017 an Empire State Development (ESD) study was performed and released that provided a suggested plan for re-development of the originally obtained properties at a location off Broadway in Albany and still held by ACCA. That study, in addition to unsuccessful attempts to generate developer interest in those properties, lead ACCA management and the ACCA Board of Directors to conclude that it would be in the best interest of ACCA and the municipalities involved to transfer the properties to an entity with the ability to re-develop those lands. At that time, it was determined that the historical cost of those properties as recorded by the ACCA may be impaired. There has been significant change in purpose, configuration and structures of and on those properties. The review of the potential impairment is not readily determinable without extensive and costly appraisal work which would include the need to provide an appraiser with information about the highest and best use of the lands. Since ACCA has made an agreement to transfer the properties and the leases that go with a portion of those properties to an economic development agency, it is not considered a practical expense for the Authority to incur. The range of potential values is significant and as such, not reasonable to determine as of December 31, 2018. Therefore, the historical cost remained on the financial statements presented as of that date.

Given that the ACCA expressed a general desire to see the Former Site put into productive use through a comprehensive re-development initiative, the method of disposition that would best achieve this goal would be to utilize a negotiated transaction after providing a 60 day notice to the Governor, Senate and Assembly. This method would enable the ACCA to transfer the Former Site to an entity capable of undertaking the implementation of a comprehensive redevelopment plan such as the types described in the Study. Furthermore, a transfer to a quasi-governmental entity (i.e. public authority, public benefit corporation, local development corporation) would give the ACCA better assurance that the Former Site will be developed in the public interest. Lastly, given that the Former Site is located in downtown Albany and any re-development should not be undertaken in isolation of other areas and needs within downtown Albany, the re-development should be locally driven through a local entity.

Therefore, in order to achieve the ACCA's desire to further the public interest by seeing the Former Site re-developed in a comprehensive manner, and in its highest and best use, it was recommended by staff and counsel that the ACCA pursue a negotiated disposition utilizing the 60 day notice process to a local quasi-governmental entity with development powers, such as a public authority, public benefit corporation or local development corporation that is capable of undertaking the implementation of a comprehensive re-development plan such as the types described in the Study.

A Purchase and Sale Agreement was approved by both the Capitalize Albany Corporation (CAC) and ACCA Boards for the transfer of property interests in the roughly five acre ACCA surplus property surrounding Liberty Park in downtown Albany. This decision followed a collaborative and intensive due diligence period during which CAC weighed the possibility of driving reinvestment in the site given the results of the 2017 Empire State Development-led Feasibility Study and an analysis of site conditions and anticipated expenses. The agreement was executed in December 2017 and marks an important Regional economic development milestone.

CAC while engaging in due diligence has on a parallel basis commenced discussions with fee title holders of those parcels currently leased to the ACCA. This is for the purpose of acquiring the fee title to all parcels described in the three leases currently in effect when acquiring the fee title to those held by the ACCA.

In November of 2019, CAC acquired the fee title to the properties under two of the original parking leases thereby reducing the area controlled by the ACCA by 0.54 acres and ending those two Lease obligations it held. Presently, CAC is attempting to acquire the fee title under the remaining parking lease. The ACCA has requested information from the Lessor in support of the transfer process and continues to support CAC in its efforts to acquire the fee title.

On December 17, 2019, The ACCA and CAC closed in escrow on the transfer. Upon completion of the open items, the closing was released from escrow on February 21, 2020. A final true-up will occur in March, once the financial information for all of the month of February 2020 can be certified too.

As part of the financing CAC received, NY State provided the ACCA with a reimbursement for the demolition, remediation and removal of the former E-Comm. #6 structure in the amount of $693,270, less the fee payable to Empire State Development of $6,933. These funds were then deposited in the Reserve account to meet the requirements under the Operator Contract and into the Capital Improvement account, in preparation for future renovations at The Albany Capital Center.

The ACCA Board now stands at full membership, Governor Cuomo having appointed Joseph Rabito and Senate Majority Leader Stewart-Cousins having appointed Michael Hoffman.

Overview of the Financial Statements

The financial statements provide summary information about the ACCA's 2019 and 2018 operations including net position. The notes provide explanation and additional details about the financial statements.

The ACCA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) with the exception of the potential impairment of properties as further described elsewhere in these financial statements. Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Net Position

	December 31, 2019	December 31, 2018	$ Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,610,516	$ 1,256,678	$ 1,353,838
Accounts receivable	464,215	358,362	105,853
Due from County of Albany, New York	1,257,310	1,308,724	(51,414)
Prepaid expenses and other	112,689	121,207	(8,518)
Total current assets	4,444,730	3,044,971	1,399,759
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	75,624,311	85,497,264	(9,872,953)
Total assets	80,069,041	88,542,235	(8,473,194)
DEFERRED OUTFLOWS OF RESOURCES	43,753	90,652	(46,899)
Total assets and deferred outflows of resources	$80,112,794	$88,632,887	$ (8,520,093)
LIABILITIES			
Accounts payable and accrued expenses	$ 291,295	$ 393,155	$ (101,860)
Deferred revenue	292,411	305,502	(13,091)
Construction in progress and retainage payable	-	25,000	(25,000)
Accrued wages and employee benefits	17,129	16,179	950
Total current liabilities	600,835	739,836	(139,001)
NONCURRENT LIABILITIES			
Net pension liability	22,587	11,918	10,669
OPEB obligation	586,645	-	586,645
Rent escalation liability	-	339,055	(339,055)
Total liabilities	1,210,067	1,090,809	119,258
DEFERRED INFLOWS OF RESOURCES	12,864	40,285	(27,421)
NET POSITION	78,889,863	87,501,793	(8,611,930)
Total liabilities, deferred inflows of resources and net position	$80,112,794	$88,632,887	$ (8,520,093)

Significant Changes to Net Position

- As obligated, the ACCA is required to maintain cash contingency and capital improvement balances. In order to achieve this obligation, during 2019 ACCA was able to set aside cash for such purposes. As such, cash and cash equivalents were materially increased as of December 31, 2019 over December 31, 2018. Almost $700,000 of the cash set aside relates to the amount received in December 2019 in reimbursement for demolition costs as described previously.

- The material change in capital assets results primarily from depreciation of approximately $2.26 million being recognized in 2019 and the transfer of the lands effectively closed in December 2019 as more fully described elsewhere in these statements.
- The final retainage payable as recorded at December 31, 2018, was paid during 2019.
- In February 2019, the ACCA enacted post-retirement health benefits, known as OPEB, for employees meeting certain criteria. As a result, and as more fully described in the notes to the financial statements, an OPEB obligation was recorded as of December 31, 2019.
- As a result of the transfer of the lands described previously, the associated lease obligations were also transferred. The leases contained escalations that as of December 31, 2018, were required to be recorded as a liability. There is no such liability required at December 31, 2019, with the transfer of the leases having occurred in December 2019.

Revenue and Expenses

	2019	2018	$ Change
Revenues	$ 2,715,754	$ 2,159,782	$ 555,972
Expenses			
Salary and wages	124,377	164,955	(40,578)
Fringe benefits	650,740	68,059	582,681
Insurance	118,834	124,407	(5,573)
Office expense	33,582	34,623	(1,041)
Occupancy costs	29,530	24,299	5,231
Professional fees	488,838	572,714	(83,876)
Other property held costs	68,478	828,917	(760,439)
Contractual services	3,688,870	3,210,228	478,642
Depreciation expense	2,255,326	2,188,240	67,086
Total expenses	7,458,575	7,216,442	242,133
Operating loss	(4,742,821)	(5,056,660)	313,839
Appropriations and other revenues (losses)			
Hotel-Motel Occupancy Tax	4,002,673	4,041,490	(38,817)
Other revenue	686,337	-	686,337
Rental loss, net	(178,409)	(200,491)	22,082
Loss on transfer of other property held	(8,386,877)	-	(8,386,877)
Interest expense	-	(27,831)	27,831
Interest income	7,167	1,424	5,743
Total appropriations and other revenues (losses)	(3,869,109)	3,814,592	(7,683,701)
Change in net position	(8,611,930)	(1,242,068)	(7,369,862)
Total net position beginning of year	87,501,793	88,743,861	(1,242,068)
Total net position end of year	$78,889,863	$87,501,793	$ (8,611,930)

Significant Changes to Revenues and Expenses

- Salaries and wage costs decreased in 2019 due to a reduction in staff that occurred in 2018.

- Fringe benefit costs materially increased in 2019 as the result of resolving to provide post-retirement benefit obligations in February 2019. The impact of this change is described more fully in the footnotes to these financial statements.

- Professional fees decreased approximately $84,000 due to decreased legal consultant fees in 2019.

- Other property held costs in 2019 decreased as a result of one-time demolition costs in 2018 as well as a decrease in costs required to maintain the safety and security of the other property held. This ties to the increase in other revenue in 2019 of almost $700,000 which is the receipt of reimbursement of the demolition costs incurred in 2018.

- Both the operating revenue and operating expenses which are reflected as contractual services increased during 2019. This represents continued growth of the Albany Capital Center.

- The loss on transfer of other property held was due to the transfer of land that occurred in December 2019.

Currently Known Facts and Circumstances

- In August of 2018, the ACCA was required to demolish and remove the structure located at the intersection of Broadway and Division St. known as E-Comm. Sq. 6. The work was performed under an emergency demolition order issued by the City of Albany, utilizing funds otherwise earmarked for future capital expenses. As noted above the ACCA has been largely reimbursed for the demolition expenses. Those funds were subsequently assigned to the dedicated reserve account required under the Operator Contract and separately to an account for future investments in capital improvements.

- On December 17, 2019, The ACCA and CAC closed in escrow on the transfer. Upon completion of the open items, the closing was released from escrow on February 21, 2020. A final true-up will occur in March, once the financial information for all of the month of February 2020 can be certified to.

- To facilitate the transfer of the surplus property, the ACCA and CAC have entered a monthly agreement for ACCA Staff to oversee the property on behalf of CAC while it transitions the area for redevelopment.

- The current Operator Contract ends December 31, 2020. The ACCA has begun the process of contract review for the purpose of determining first, if it will be renewed, or, if it will be in the best interests of the Albany Capital Center to issue an RFP for Operator. In either case, the intention would be to compete the process by September 1, 2020.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,610,516**	$ 1,256,678
Accounts receivable	**464,215**	358,362
Due from County of Albany, New York	**1,257,310**	1,308,724
Prepaid expenses and other	**112,689**	121,207
Total current assets	**4,444,730**	3,044,971
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	**75,624,311**	85,497,264
Total assets	**80,069,041**	88,542,235
DEFERRED OUTFLOWS OF RESOURCES	**43,753**	90,652
Total assets and deferred outflows of resources	**$ 80,112,794**	$ 88,632,887
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 291,295**	$ 393,155
Deferred revenue	**292,411**	305,502
Construction in progress and retainage payable	**-**	25,000
Accrued wages and employee benefits	**17,129**	16,179
Total current liabilities	**600,835**	739,836
NONCURRENT LIABILITIES		
Net pension liability	**22,587**	11,918
OPEB obligation	**586,645**	-
Rent escalation liability	**-**	339,055
Total noncurrent liabilities	**609,232**	350,973
Total liabilities	**1,210,067**	1,090,809
DEFERRED INFLOWS OF RESOURCES	**12,864**	40,285
NET POSITION		
Net investment in capital assets	**75,624,311**	85,472,264
Unrestricted	**3,265,552**	2,029,529
Total net position	**78,889,863**	87,501,793
Total liabilities, deferred inflows of resources and net position	**$ 80,112,794**	$ 88,632,887

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues	**$ 2,715,754**	$ 2,159,782
Expenses		
Salaries and wages	**124,377**	164,955
Fringe benefits	**650,740**	68,059
Insurance	**118,834**	124,407
Office expense	**33,582**	34,623
Occupancy costs	**29,530**	24,299
Professional fees	**488,838**	572,714
Other property held costs	**68,478**	828,917
Contractual services	**3,688,870**	3,210,228
Depreciation	**2,255,326**	2,188,240
Total expenses	**7,458,575**	7,216,442
Operating loss before appropriations and other revenues	**(4,742,821)**	(5,056,660)
Appropriations and other revenues (losses)		
Hotel-Motel Occupancy Tax	**4,002,673**	4,041,490
Other revenue	**686,337**	-
Rental loss, net	**(178,409)**	(200,491)
Loss on transfer of other property held	**(8,386,877)**	-
Interest expense	**-**	(27,831)
Interest income	**7,167**	1,424
Total appropriations and other revenues (losses)	**(3,869,109)**	3,814,592
Change in net position	**(8,611,930)**	(1,242,068)
Total net position, beginning of year	**87,501,793**	88,743,861
Total net position, end of year	**$ 78,889,863**	$ 87,501,793

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services	**$ 2,596,810**	$ 2,129,240
Personal service payments	**(157,375)**	(246,075)
Cash payments to vendors, contractors and other professionals	**(5,039,945)**	(4,826,231)
Net cash used in operating activities	**(2,600,510)**	(2,943,066)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received for interest	**7,167**	1,424
Cash received from County of Albany	**4,054,087**	4,030,587
Net cash provided by non-capital and related financing activities	**4,061,254**	4,032,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from other revenue	**686,337**	-
Cash received from grant revenue	**-**	123,793
Cash payments for interest	**-**	(27,831)
Cash payments on capital lease obligation	**-**	(975,892)
Acquisition of capital assets	**(793,243)**	(504,877)
Net cash used in capital and related financing activities	**(106,906)**	(1,384,807)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,353,838**	(295,862)
CASH AND CASH EQUIVALENTS, Beginning of year	**1,256,678**	1,552,540
CASH AND CASH EQUIVALENTS, End of year	**$ 2,610,516**	$ 1,256,678
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss before appropriations and other revenues (losses)	**$ (4,742,821)**	$ (5,056,660)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**2,279,319**	2,205,435
Rental loss	**(178,409)**	(200,491)
Net changes in assets and liabilities:		
Accounts receivable	**(105,853)**	(59,120)
Prepaid expenses and other	**8,518**	(8,990)
Change in deferred outflows, inflows, net pension and OPEB liabilities	**616,792**	(5,402)
Accounts payable and accrued expenses	**(465,915)**	161,243
Deferred revenue	**(13,091)**	28,578
Accrued wages and employee benefits	**950**	(7,659)
Net cash used in operating activities	**$ (2,600,510)**	$ (2,943,066)

NOTE 1 — FINANCIAL REPORTING ENTITY

The Albany Convention Center Authority (Authority) is a Public Benefit Corporation created by the State of New York (State) Legislature in 2004 to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage and maintain a convention center facility (Project) to be located in the City of Albany, New York (City). Operations began with the creation of the Authority's Board in February 2006. The Authority's Board consists of nine members: three members appointed by the Governor of the State, one member each appointed by the Temporary President of the State Senate and the Speaker of the State Assembly, respectively, two members appointed by the Mayor of the City of Albany with the advice and consent of the City's Common Council, and two members appointed by the County of Albany, New York (County) Executive with the consent and advice of the County Legislature.

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the State of New York's basic financial statements based on the State's responsibility for the appointment of a majority of the Authority members, and their approval of certain debt issuances. As a component unit, the Authority's financial statements may be discretely presented in the State of New York's basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

The Authority constructed a convention center (Capital Center) at a cost of approximately $78.8 million primarily funded through the New York State Office of General Services (OGS). The Capital Center opened for operations in March 2017.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20, as amended, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The more significant accounting policies are described below:

Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector, using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. These deposits are fully collateralized by federal deposit insurance or secured under a collateral pledge and control agreement.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments *(Continued)*

The Authority manages its investments pursuant to Section 98(a) of the State Finance Law. Permitted investments are defined as obligations in which the State Comptroller may invest which include obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements.

Due from the County of Albany, New York

During 2006, enabling legislation authorized a portion of Hotel-Motel Occupancy Tax (HOT) revenue collected and remitted to the treasury of the County of Albany be set aside for use by the Authority (Note 5). The HOT revenue is recognized when earned based on management's estimates using budgeted and historical collection data adjusted each quarter based on actual amounts collected and deposited into an account designated by the Authority. Due from County of Albany, New York consists of the Authority's estimated share of hotel taxes collected on behalf of the Authority. No allowance has been established at either December 31, 2019 and 2018 for estimated uncollectible amounts due from Albany County as these amounts are considered fully collectible.

Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

Pension

The Authority accounts for pensions in accordance with GASB 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement addresses accounting and financial reporting for pensions provided to Authority employees that are administered by the New York State and Local Employees' Retirement System. This statement also requires various note disclosures and required supplementary information. However due to the overall immaterial impact of this pension accounting on the statements of revenues, expenses, and changes in net position such note disclosures and required supplementary information have not been included.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

The Authority provides health insurance for certain qualifying retirees. The Authority uses GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75) to recognize the total OPEB liability, deferred outflows and deferred inflows of resources, OPEB expense, and information about and changes in the total OPEB liability.

NOTE 3 — CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are categorized in accordance with criteria established by the GASB to give an indication of the level of risk assumed. Cash and cash equivalents as of December 31, are reflected below.

	2019		2018	
	Carrying Value	**Bank Balance**	**Carrying Value**	**Bank Balance**
Cash and cash equivalents	$2,610,516	$2,717,656	$1,256,678	$1,288,281
	$2,610,516	$2,717,656	$1,256,678	$1,288,281

The cash and cash equivalents are fully collateralized at December 31, 2019.

NOTE 4 — DUE FROM THE COUNTY OF ALBANY, NEW YORK

During 2006, legislation was amended which authorizes the County of Albany to impose and collect taxes from occupants of hotel-motel rooms in the County. Among other amendments, this legislation authorized a portion of hotel and motel occupancy taxes collected and remitted to the treasury of the County be deposited into a fund held separate and for the benefit of the Authority. Funds in excess of expenses and outstanding applications for withdrawals submitted by the Authority may be invested in accordance with certain provisions of law. Investment income earned is retained by the fund and made available to the Authority along with all other moneys of the fund. The County transfers money to the Authority's operating account on a quarterly basis which is to be used by the Authority for the convention center. This tax was originally subject to a sunset provision and ended in December 2008. This tax was re-enacted during 2009 with the tax imposed for the period from November 1, 2009 through December 31, 2010. The provisions of the legislation have been further extended through December 31, 2020. As of March 1, 2017, upon substantial completion of the Albany Capital Center, the Authority's share of the Hotel-Motel Occupancy Tax increased from 1% to 3%. The Hotel-Motel Occupancy Tax revenues for the years ended December 31, 2019 and 2018 were $4,002,673 and $4,041,490, respectively.

NOTE 5 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes for the years ended December 31, 2019 and 2018:

	January 1, 2019	Additions	Deletions	Transfers	December 31, 2019
Land	$ 4,070,381	$ -	$ -	$ -	$ 4,070,381
Building and building improvements	74,583,344	1,109,547	-	23,600	75,716,491
Construction in Progress	23,600	-	-	(23,600)	-
Other property held (A)	8,749,368	-	(8,749,368)	-	-
Furniture, equipment and other	2,117,586	46,186	-	-	2,163,772
Total	89,544,279	1,155,733	(8,749,368)	-	81,950,644
Less: accumulated depreciation	(4,047,015)	(2,279,318)	-	-	(6,326,333)
Capital assets, net	$ 85,497,264	$ (1,123,585)	$ (8,749,368)	$ -	$ 75,624,311

	January 1, 2018	Additions	Deletions	Transfers	December 31, 2018
Land	$ 4,070,381	$ -	$ -	$ -	$ 4,070,381
Building and building improvements	74,528,557	54,787	-	-	74,583,344
Construction in Progress	-	23,600	-	-	23,600
Other property held (A)	8,749,368	-	-	-	8,749,368
Furniture, equipment and other	1,691,094	426,492	-	-	2,117,586
Total	89,039,400	504,879	-	-	89,544,279
Less: accumulated depreciation	(1,841,578)	(2,205,437)	-	-	(4,047,015)
Capital assets, net	$ 87,197,822	$ (1,700,558)	$ -	$ -	$ 85,497,264

(A) Other property held consisted principally of land costs and other acquisition costs incurred which are directly related to the Authority's original project location. These assets were not being depreciated. In December 2017, the Authority entered into a Purchase and Sale Agreement to sell this property to a not for profit organization for $1 for other development purposes. As part of the agreement, the not for profit organization will also assume additional ground leases. The transaction effectively closed in December 2019 and a loss on this transfer of approximately $8,387,000, including the write-off of the book value of these capital assets in the amount of approximately $8,749,000 and related rent escalation liability of approximately $362,000, was recognized in the statements of revenues, expenses, and changes in net position for the year ended December 31, 2019. Accounting principles generally accepted in the United States of America requires capital assets be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpected declined. As of December 31, 2018 and 2017, the Authority evaluated capital assets for impairment and determined that the service utility and value of certain capital assets may have materially changed. Based on the nature of this agreement, the Authority elected to depart from accounting principles generally accepted in the United States of America and continue to carry these capital assets at the historical costs until the sale was finalized in December 2019. As a result, no impairment loss on other property held is reported in the statement of revenues, expenses, and changes in net position for the years ended December 31, 2018 and 2017.

NOTE 5 — CAPITAL ASSETS (Continued)

In connection with health and safety provisions for the other property held, costs of approximately $68,500 and $828,900 are included in the financial statement line other property held costs in the statements of revenues, expenses, and changes in net position for the years ended December 31, 2019 and 2018, respectively.

Building and building improvements, furniture, equipment and other assets are capitalized and depreciated over a period consistent with the underlying estimated useful life when placed in service. Depreciation expense related to building and building improvements, furniture, equipment and other assets was approximately $2,279,300 and $2,205,400 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 — RENTAL LOSS

As a result of the 2010 acquisitions of land, buildings and surface parking lots, the Authority commenced rental activities, utilizing management agents, relating to these properties which was sold in December 2019 (Note 5). For the years ended December 31, 2019 and 2018, net rental losses on these properties approximated $178,000 and $200,000, respectively. Rental loss consisted primarily of property management fees, lease expenses, utilities and maintenance costs, net of parking revenues.

NOTE 7 — RETIREMENT BENEFITS

One employee of the Authority participates in the New York State and Local Employees' Retirement System ("System" or “ERS”).

The System is a cost-sharing multiple-employer defined benefit plan administered by the State Comptroller. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. In general, retirement benefits are determined based on an employee’s individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee’s years of service, among other factors. The System issues a financial report that includes financial statements and other information for the System which is available to the public. The financial report may be obtained from the New York State and Local Employees’ Retirement System at www.osc.state.ny.us/retire.

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Commission to the pension accumulation fund. The rate was 15.7% and 15.7% for the Commission’s active employees for 2019 and 2018, respectively. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

NOTE 7 — RETIREMENT BENEFITS (Continued)

The Authority recognized net pension expense of approximately $28,700 and $26,000 for the years ended December 31, 2019 and 2018, respectively which is included in fringe benefits in the statements of revenue, expenses and changes in net position.

At December 31, 2019 and 2018 the Authority reported deferred outflows of resources, deferred inflows of resources, and liabilities for its proportionate share of the ERS deferred outflows of resources, deferred inflows of resources, and net pension liability, respectively. The ERS net pension liability was measured as of March 31, 2019 for 2019 and March 31, 2018 for 2018, and the total pension liabilities were determined by an actuarial valuation as of April 1, 2018 and 2017, with updated procedures used to roll forward the total pension liability to March 31, 2019 and 2018, respectively. The Authority's proportion was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for each fiscal year ended on the measurement date. At the March 31, 2019 and 2018 measurement date, the Authority's proportion was .0003188% and .0003693%, respectively.

The Authority has reported additional deferred outflows of resource as of December 31, 2019 and 2018 for employer contributions made subsequent to the measurement dates.

NOTE 8 — OTHER POSTEMPLOYMENT BENEFITS

The Authority provides certain health care benefits for retired employees and their covered dependents.

Plan Description and Funding Policy

The Authority administers its retiree health insurance plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for qualifying retirees and their covered dependents and can be amended by action of the Authority. The Plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The Authority pays the full cost of eligible retiree health insurance. The Authority currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by the Authority.

Employees Covered by Benefit Terms

At February 6, 2019 (the Plan adoption date), the actuarial valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active employees	1
	1

NOTE 8 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

At December 31, 2019, the Authority reported a liability of $586,645. The total OPEB liability as of December 31, 2019 was measured as of December 31, 2019 and was determined by an actuarial valuation as of February 6, 2019.

Actuarial Assumptions and Other Inputs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate used in December 31, 2019 measurement – 2.75%

Healthcare cost trend rates used in December 31, 2019 measurement – 7.50% for 2020 (decreasing to an ultimate rate of 4.80% by 2042)

The discount rate was based on the Bond Buyer General Obligation 20-year municipal bond index.

Mortality rates were based on the Pri.H-2012 No Collar Mortality Table with generational improvements using Scale MP-2019.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at February 6, 2019 (the Plan adoption date)	$ 547,925
Changes for the year:	
Service cost	25,745
Interest	14,461
Changes of benefit terms	-
Differences between expected and actual experience	(1,486)
Changes of assumptions or other inputs	-
Benefit payments	-
Net changes	38,720
Balance at December 31, 2019	$ 586,645

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1.0% Decrease	Discount Rate	1.0% Increase
Total OPEB Liability	$675,045	$586,645	$513,541

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1.0% Decrease	Trend Rate	1.0% Increase
Total OPEB Liability	$507,749	$586,645	$681,387

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Commission recognized OPEB expense of $588,131 (none in 2018). At December 31, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,486
Changes of assumptions or other inputs	-	-
Expected benefit payments subsequent to the measurement date	-	-
Total	$ -	$ 1,486

NOTE 8 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31	Deferred Inflows of Resources
2020	$ (502)
2021	(502)
2022	(482)
	$ (1,486)

NOTE 9 — LINE OF CREDIT

The Authority has available a revolving demand line of credit totaling $300,000 with a bank. Borrowings under the line are collateralized by a lien and security interest in any and all deposits of the Authority held by the bank and or its affiliates and bear interest at the Wall Street Journal's Prime Rate plus 1.65%, adjusted annually (6.40% at December 31, 2019). Interest on outstanding borrowings is due monthly. There were no borrowings outstanding at December 31, 2019 and 2018.

NOTE 10 — FACILITY OPERATOR AGREEMENTS

The management, operations and marketing of the Albany Capital Center is facilitated through a Management Agreement with SMG. The main term of the current agreement commenced on September 1, 2014 and ends at midnight on December 31, 2020. In accordance with the terms of the agreement, the Authority may, in its sole discretion, extend the term of the agreement on the same terms and conditions for an additional three–year period.

As part of this agreement SMG is responsible for the financial activity of the Albany Capital Center. SMG financially manages all revenues collected by the Albany Capital Center from rental income; income from food and beverage sales; revenue received from the operation of parking lots and other ancillary income. In turn, SMG utilizes these revenues to pay for expenses associated with operating the facility (i.e., salaries of permanent and temporary staff who orchestrate events and handle administrative functions; utility expenses; the promotion and advertising of the Albany Capital Center; and general facility maintenance and repair expenses). Financial activity of the Albany Capital Center is reviewed by management.

Performance of the Albany Capital Center is incorporated annually into the Authority's basic financial statements.

NOTE 10 — FACILITY OPERATOR AGREEMENTS (Continued)

During the years ended December 31, 2019 and 2018, revenues from the Albany Capital Center are as follows:

	2019	2018
Direct event income		
Rental income	$ 685,789	$ 604,931
Service revenue	464,760	242,966
Ancillary income		
Food and beverage catering	954,118	797,925
Merchandise	701	-
Booth rental	2,000	1,471
Parking	106,775	88,503
Electrical	79,077	62,145
Audio visual	288,445	174,264
Other	8,253	1,630
Other operating income		
Advertising	104,553	95,725
Other	21,283	90,222
Total revenues	$ 2,715,754	$ 2,159,782

During the years ended December 31, 2019 and 2018, contractual services from the Albany Capital Center are as follows:

	2019	2018
Service expenses	$ 1,025,302	$ 658,718
Salaries and wages	1,111,313	1,042,356
Payroll taxes and benefits	390,036	402,404
General and administrative	310,363	286,655
Operating	97,525	63,964
Repairs and maintenance	271,404	281,431
Supplies	3,592	4,617
Insurance	27,380	17,633
Utilities	229,198	236,854
Depreciation	23,993	17,196
Management fee	198,764	198,400
Total expenses	$ 3,688,870	$ 3,210,228

As base compensation to SMG for providing services, the Authority shall pay SMG during each fiscal year of the main term and the renewal term, if any, an annual fixed fee as follows: 2017 Base Fee ($100,000) under the 2014 Management Agreement as adjusted by change in CPI-U from January 1, 2018 through December 31, 2020.

NOTE 10 — FACILITY OPERATOR AGREEMENTS (Continued)

SMG is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each fiscal year. The incentive fee shall not exceed 50% of the aggregate compensation of fixed fee and incentive fee in any given fiscal year and shall be calculated as follows:

(A) Quantitative incentive fee: not to exceed 70% of the annual fixed fee, equal to 25% of the amount by which the actual operating revenues exceed the revenue benchmark; provided, however, such eligibility is contingent upon SMG operating within the approved budget.

(B) Qualitative incentive fee: an amount equal to 30% of annual fixed fee, eligible upon meeting the criteria defined in the Management Agreement.

SMG's incentive fees for the years ended December 31, 2019 and 2018 were $94,300 and $102,200, respectively.

In accordance with the terms of the Management Agreement, the Authority is required to provide the operator certain operating funds sufficient to meet operating expenses. During 2019 and 2018, the Authority provided SMG with $929,912 and $1,376,579, respectively, to meet operating expenses.

NOTE 11 — RISKS AND UNCERTAINTIES

Global and domestic responses to the coronavirus disease (COVID-19) outbreak continue to rapidly evolve. The initial effect, which centered around global financial markets, has since spread to all businesses. Management's determination is that currently, there is a significant impact on the operations of the Albany Capital Center. As the situation continues to unfold, management will need to find ways to continue to address the disruption of business operations that has resulted or will result from the virus' spread. The spread of COVID-19 may result in our employees or contractors being forced to work from home or missing work if they or a member of their family contract COVID-19. At this point, the extent to which COVID-19 will impact our business is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY
Year Ended December 31, 2019

	2019
Total OPEB liability	
Service cost	$ 25,745
Interest	14,461
Changes of benefit terms	(1,486)
Differences between expected and actual experience	-
Change of assumptions or other inputs	-
Benefit payments	-
Net change in total OPEB liability	38,720
Total OPEB liability - beginning	547,925
Total OPEB liability - ending	$ 586,645

UHY LLP
Certified Public Accountants

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*

Members of the Board
Albany Convention Center Authority

We have audited, 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 Controller General of the United States, the financial statements of the Albany Convention Center Authority (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

> Accounting principles generally accepted in the United States of America requires capital assets be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpected declined. As of December 31, 2018, the Authority evaluated capital assets for impairment and determined that the service utility and value of certain capital assets may have materially changed. As more fully described in Note 5 of the financial statements, the Authority entered into a $1 purchase and sale agreement for certain capital assets. Based on the nature of this agreement, the Authority elected to depart from accounting principles generally accepted in the United States of America and continue to carry these capital assets at the historical costs until the sale was finalized in December 2019.

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITORS' 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)

Management response:

Management of the Authority concurs with the description of the departure as described. As noted, management made an informed decision that determining the potential impairment of certain capital assets would not be an appropriate use of the Authority's resources since the purchase and sale agreement is for $1 which was finalized in December 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described previously. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

UHY LLP

Albany, New York
March 26, 2020