



**ALBANY
CONVENTION
CENTER
AUTHORITY**

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

ALBANY CONVENTION CENTER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Albany Convention Center Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated 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, 2021 and 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, 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, 2021 and 2020, and the respective 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Albany Convention Center Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Albany Convention Center Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Albany Convention Center Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Albany Convention Center Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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 24, 2022, 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 the effectiveness of the Albany Convention Center Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Convention Center Authority's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 24, 2022

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 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, 2021.

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 are appointed by the Governor of New York State, one is appointed by the Temporary President of the Senate, one is appointed by the Speaker of the Assembly, two are appointed by the Albany County Executive, with the advice and consent of the County Legislature and two are appointed by the Mayor of the City of Albany, with the advice and consent of the Common Council. All members of the board shall serve at the pleasure of their appointing authority. At this time, three positions remain open, all are pending appointments by the Governor.

Significant activities during 2021 were as follows:

The Albany Capital Center (ACC):

At the beginning of 2021, the event schedule was being filled at a pace less than in past years, due to the ongoing impacts of the worldwide pandemic. Event activities at the Albany Capital Center while essentially ending in March of 2020 have steadily increased over the past year such that in 2021 the Albany Capital Center hosted 170 events. While not yet at the levels observed prior to Q-1 of 2020, the combination of virtual, in-person & hybrid meetings, sports competitions & clinics along with the return of social events, has helped to restore event revenue and reduce subsidy.

In response, and acting proactively, ASM Global developed cleaning and operational protocols in accordance with CDC and NYS guidelines and the ACCA invested in enhanced air cleansing and filtration to assure facility readiness and instill end user confidence

2021 ACC Event Summary:

- 170 events
- 296 event days
- 15,175 room-nights
- 45,464 attendees

As of December 31, 2021, for 2022 ASM Global has booked:

- 69 events
- 120 event days
- 7,646 room-nights generated
- 41,560 attendees
- 24 event contracts are pending

As of December 31, 2021, for 2023, ASM Global has booked:

- 6 events
- 14 event days
- 3,625 room-nights
- 9,300 attendees
- 3 event contracts are pending

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 2020**

Although current bookings are tracking with first quarters in years past including in 2020 when stabilization appeared achievable by year end, as of March 2022, the facility remains greatly restricted in what events it can host and cancellations and changing dates within the event schedule continue. Therefore, it is unclear if a full schedule of events can be achieved in 2022 and when in the future that facility stabilization may be achieved.

The success of the Albany Capital Center in both marketing and operations is directly attributable to ASM Global onsite staff, whose focus is on bookings out 12-24 months, while working closely with Discover Albany to identify the long lead events, those 24 months and beyond. Discover Albany, utilizing strategic underwriting provided by the ACCA, also supports the marketing of Albany as a destination and that of Albany County as the hub of the Capital Region.

The survey process implemented in 2018 to obtain feedback on the experience related to each event was continued in 2021. Following each event, ASM Global issued a survey to all attendees and meeting planners sharing the results with the ACCA Board on a quarterly basis in review of those metrics having to do with the guest experience. In so doing the performance of the ASM Global staff, the exclusive caterer, and preferred vendors including those for audio/visual, and decorating is measured by these metrics as a means of determining the Qualitative fee portion, if any for review by the Economic Impact Committee and consideration by the ACCA Board.

As a result of the impact of the pandemic and the associated reduction in revenue, and in accordance with the Contract, ASM did not receive a Quantitative/Qualitative incentive fee for Fiscal Year 2020 or Fiscal Year 2021. In accordance with the Contract, the base fee was paid in full each year.

Recognizing the need to remain competitive and improve upon product delivery, the ACCA undertook capital improvements at The Albany Capital Center. In 2021 the ACCA invested in Needlepoint Bi-Polar Ionization active air cleansing throughout the facility, upgrades the building standard filtration to MERV-13, expanded the existing security camera system both inside and outside of the center, upgraded interior lighting controls, purchased volleyball equipment in support of scheduled tournament play and expanded the on site inventory of pipe & drape necessary for partitioning events and provide added social distancing.

The Albany Convention Center Authority (ACCA):

To accurately assess the economic impact that the Albany Capital Center has upon the Capital Region, in 2017 the ACCA established the Economic Impact Committee, comprised of ACCA Board Members and Staff, and entered a Memorandum of Understanding (MOU) with the Albany County Convention and Visitors Bureau (ACCVB) a/k/a Discover Albany to provide an independent third party review of the actual economic impacts resulting from events held at the ACC. Discover Albany staff meets with the Economic Impact Committee and reports to the ACCA Board on a quarterly basis and the resulting information is posted to the ACCA Website, distributed to stakeholders, and presented at the public meetings of the ACCA Board.

From the ACC booking reports and data from hotels, ASM Global 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 Full Time Equivalent (FTE) jobs generated.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 2020**

The Albany Convention Center Authority (ACCA) (continued):

The ACCA tracks performance and measures the impact upon the local and regional economy, as a critical component of its mission is to provide significant economic and social benefits to the City of Albany, Albany County, and the Capital Region. Utilizing the economic indicators provide by Discover Albany, the Albany Capital Center has, since opening March 1, 2017, generated the following as per their report dated January 25, 2022:

• Total Visitor Spending	\$55,189,344
• State Sales Taxes	\$3,151,438
• County Sales Taxes	\$3,273,969
• Visitors	362,730
• Hotel Room Nights	86,426
• Total Events	697
• Full Time Equivalent Jobs supported by The ACC Events	27,854

For 2021 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 tax was renewed in 2020 by the State of New York as part of its budget process and extended for 3 years to December 31, 2023. In a typical year, prior to 2020 the total annual budgeted amount would be approximately \$4 million. Due to the impacts from the pandemic which resulted in reduced hotel room stays, the budget for 2020 and 2021 were revised. In accordance with those assumptions made by Discover Albany, the ACCA reduced the budget to \$2M. Approximately 47.54% or \$1,966,432, was received in 2020. In 2021, the industry experienced modest improvement; the receipts for 2021 were: \$2,847,187.60, approximately 76% of that in a typical year.

The distributions from Albany County each quarter served to cover the operating losses incurred by the Albany Capital Center which permitted the ACCA to maintain its reserve fund in accordance with the requirements contained in the contract with ASM Global. Funding of capital improvement accounts necessary to maintain the facility in good working order over time was restored in 2021 although at reduced levels, to again preserve operating capital.

Other Significant Activities:

The ACCA Board, having determined it to be in the best interests of the facility to continue with the current management team (ASM Global), authorized ACCA Staff to enter negotiations for the renewal of the existing agreement ending December 31, 2020. As such, on July 30, 2020, the ACCA Board at its regularly scheduled quarterly meeting approved a new contract to take effect January 1, 2021, through December 31, 2025. Features of the new contract include a metric based fee determination method, matching of the CPI adjustment to the Albany market, and a greater emphasis on performance criteria in anticipation of the Albany Capital Center achieving stabilization once the hospitality sector recovers.

In Q-4 of 2020, The ACCA Board directed a review of the Employee Time & Attendance Manual to reflect a competitive market and be consistent with the policies in place at Discover Albany and those used by ASM for examples. The Amended and Restated Employee Time & Attendance Manual was approved by the ACCA Board on 1-28-21, retroactive to 1-1-21 by resolution 05-21. The ACCA undertook a review of its future obligations related to employee healthcare during both active service and for retirees. As a result, the contract with New York State Health Insurance Plan (NYSHIP) was ended as of 11-1-21. In its place the ACCA approved an employee held healthcare plan during active service as provided by Capital District Physicians Health Plan (CDPHP) with reimbursement upon payment by the employee of premiums due.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 2020**

Other Significant Activities (continued):

Working in conjunction with ASM, ACCA staff applied for funding under the US SBA Shuttered Venue Act seeking reimbursement for COVID-19 related scopes and facility investments, along with certain lost revenue associated with ticketed events.

Overview of the Financial Statements:

The financial statements provide summary information about the ACCA's 2021 and 2020 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). 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, 2021	December 31, 2020	\$ Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,652,907	\$ 2,908,196	\$ 744,711
Accounts receivable	291,904	205,781	86,123
Due from County of Albany, New York	1,009,057	582,467	426,590
Prepaid expenses and other	71,689	83,177	(11,488)
Total current assets	<u>5,025,557</u>	<u>3,779,621</u>	<u>1,245,936</u>
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	71,433,022	73,518,477	(2,085,455)
Total assets	<u>76,458,579</u>	<u>77,298,098</u>	<u>(839,519)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	<u>\$76,563,655</u>	<u>\$77,425,458</u>	<u>\$ (861,803)</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 241,844	\$ 142,561	\$ 99,283
Deferred revenue	230,118	225,604	4,514
Accrued wages and employee benefits	5,782	12,351	(6,569)
Total current liabilities	<u>477,744</u>	<u>380,516</u>	<u>97,228</u>
NONCURRENT LIABILITIES			
Net pension liability	131	41,066	(40,935)
OPEB obligation	128,543	654,448	(525,905)
Total liabilities	<u>606,418</u>	<u>1,076,030</u>	<u>(469,612)</u>
DEFERRED INFLOWS OF RESOURCES			
Total liabilities, deferred inflows of resources and net position	<u>608,570</u>	<u>41,750</u>	<u>566,820</u>
NET POSITION			
Total liabilities, deferred inflows of resources and net position	<u>75,348,667</u>	<u>76,307,678</u>	<u>(959,011)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$76,563,655</u>	<u>\$77,425,458</u>	<u>\$ (861,803)</u>

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 2020**

Significant Changes to Net Position:

- While timing can relate to material changes in accounts receivable, the \$86,000 increase in receivables from 2020 to 2021 is primarily the result of the impact of the pandemic in 2020 and the increase in the number of events in 2021. The balance shown as of December 31, 2021, is the result of an extended period of time for payments to be received from event holders.
- Due from County of Albany, New York significantly increased by approximately 73% due to the increased number of events and hotel stays in 2021 as more pandemic related restrictions were lifted.
- The material change in capital assets results primarily from depreciation of approximately \$2.08 million.
- The increase in current liabilities is related to the increased number of events as more pandemic restrictions were lifted.
- The material changes in the OPEB obligation of approximately \$469,000 was the result of the liability now based on CDPHP Medicare premiums whereas in 2020 they were based on NYSHIP Empire Plan premiums

Revenue and Expenses:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>
Revenues	\$ 848,720	\$ 615,348	\$ 233,372
Expenses			
Salary and wages	118,071	124,542	(6,471)
Fringe benefits	77,916	108,847	(30,931)
Insurance	99,003	103,022	(4,019)
Office expense	42,743	22,733	20,010
Occupancy costs	-	-	-
Professional fees	205,774	247,213	(41,439)
Other property held costs	-	-	-
Contractual services	2,516,585	2,323,097	193,488
Depreciation expense	2,240,151	2,233,800	6,351
Total expenses	<u>5,300,243</u>	<u>5,163,254</u>	<u>136,989</u>
Operating loss	<u>(4,451,523)</u>	<u>(4,547,906)</u>	<u>96,383</u>
Appropriations and other revenues (losses)			
Hotel-Motel Occupancy Tax	2,862,188	1,942,442	919,746
Other revenue	-	20,098	(20,098)
Grant revenue	627,703	-	627,703
Loss on disposal of capital assets	-	(711)	711
Interest income	2,621	3,892	(1,271)
Total appropriations and other revenues (losses)	<u>3,492,512</u>	<u>1,965,721</u>	<u>1,526,791</u>
Change in net position	(959,011)	(2,582,185)	1,623,174
Total net position beginning of year	<u>76,307,678</u>	<u>78,889,863</u>	<u>(2,582,185)</u>
Total net position end of year	<u><u>\$75,348,667</u></u>	<u><u>\$76,307,678</u></u>	<u><u>\$ (959,011)</u></u>

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2021 and 2020**

Significant Changes to Revenues and Expenses and Appropriations and Other Revenues (Losses):

- Revenues increased by approximately \$233,000, or 7%, as related to the number of events held in 2021.
- Fringe benefit costs related to post-retirement health care costs materially decreased in 2021 as the result of an annual adjustment to post-retirement benefit obligations (OPEB).
- Professional fees decreased by approximately \$41,000 due to decreased legal consultant fees in 2021.
- Operating expenses are primarily reflected as contractual services as related to the operator agreement with ASM Global. As more fully described elsewhere and related to the pandemic, cost savings measures were enacted while still providing for necessary expenses for maintaining the building in good form and allowing for necessary functions such as marketing and promotion, accounting, security, and maintenance to remain in place. This resulted in an 8% increase in costs between 2020 and 2021.
- The impact of the reduced revenue in conjunction with the cost savings measures results in the operating loss for 2021 being within 2% of the loss of 2020.
- There was an overall increase in receipts of the Hotel-Motel Occupancy Tax between 2020 and 2021 as the direct result of the impact of COVID-19 on the hospitality industry in 2020.
- Cash flow was positively impacted resulting from an application made under US SBA Shuttered Venue Program resulting in a one-time grant in the amount of: \$627,703

Currently Known Facts and Circumstances:

- The Albany County Hotel Motel Occupancy Tax, was due to expire on December 31, 2020, now resides within the NYS Budget and is renewed for three years, through December 31, 2023.
- The Albany Capital Center is the only Convention Center in New York State to have remained open for meetings and events and not otherwise in use for purposes related to the pandemic response.
- At this time, the full impact of the pandemic remains to be determined.
- There will be a material impacts to the ACC for the first quarter of 2022 and with a high probability for this trend to persist in the second quarter.
- It is expected that post-June 30, 2022, there will be a steady improvement in event numbers and revenue, as the industry recovers with full restoration to pre-2020 Q-1 levels not anticipated until FY 2024 and beyond.
- The ACCA has taken as many actions as possible to ensure the ACC is maintained in quality form, contain costs, maximize use of the space in accordance with the pandemic guidelines, while preserving capital against market volatility.
- The Hotel Motel tax receipts for 2022 will continue to be impacted by the pandemic and the slowed recovery of the hospitality sector as a result.
- In planning the ACCA anticipates the total tax receipts for FY 2022 will be similar to those received in FY 2021, approximately \$2.8 M or approximately 76% of the value in a typical year. However, as with the operating revenue, the receipts for 2022 and beyond remain subject to the variables related to the ongoing pandemic.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,652,907	\$ 2,908,196
Accounts receivable	291,904	205,781
Due from County of Albany, New York	1,009,057	582,467
Prepaid expenses and other	71,689	83,177
Total current assets	<u>5,025,557</u>	<u>3,779,621</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	<u>71,433,022</u>	<u>73,518,477</u>
Total assets	<u>76,458,579</u>	<u>77,298,098</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>105,076</u>	<u>127,360</u>
Total assets and deferred outflows of resources	<u><u>\$ 76,563,655</u></u>	<u><u>\$ 77,425,458</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 241,844	\$ 142,561
Deferred revenue	230,118	225,604
Accrued wages and employee benefits	5,782	12,351
Total current liabilities	<u>477,744</u>	<u>380,516</u>
NONCURRENT LIABILITIES		
Net pension liability	131	41,066
OPEB obligation	<u>128,543</u>	<u>654,448</u>
Total noncurrent liabilities	<u>128,674</u>	<u>695,514</u>
Total liabilities	<u>606,418</u>	<u>1,076,030</u>
DEFERRED INFLOWS OF RESOURCES	<u>608,570</u>	<u>41,750</u>
NET POSITION		
Net investment in capital assets	71,433,022	73,518,477
Unrestricted	<u>3,915,645</u>	<u>2,789,201</u>
Total net position	<u>75,348,667</u>	<u>76,307,678</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 76,563,655</u></u>	<u><u>\$ 77,425,458</u></u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues	\$ 848,720	\$ 615,348
Expenses		
Salaries and wages	118,071	124,542
Fringe benefits	77,916	108,847
Insurance	99,003	103,022
Office and other expense	42,743	22,733
Professional fees	205,774	247,213
Contractual services	2,516,585	2,323,097
Depreciation	2,240,151	2,233,800
Total expenses	<u>5,300,243</u>	<u>5,163,254</u>
Operating loss before appropriations and other revenues	(4,451,523)	(4,547,906)
Appropriations and other revenues (losses)		
Hotel-Motel Occupancy Tax	2,862,188	1,942,442
Grant revenue	627,703	-
Other revenue	-	20,098
Loss on disposal of capital assets	-	(711)
Interest income	2,621	3,892
Total appropriations and other revenues (losses)	<u>3,492,512</u>	<u>1,965,721</u>
Change in net position	(959,011)	(2,582,185)
Total net position, beginning of year	<u>76,307,678</u>	<u>78,889,863</u>
Total net position, end of year	<u><u>\$ 75,348,667</u></u>	<u><u>\$ 76,307,678</u></u>

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services	\$ 767,111	\$ 806,975
Personal service payments	(180,292)	(206,606)
Cash payments to vendors, contractors and other professionals	<u>(2,720,863)</u>	<u>(2,786,216)</u>
Net cash used in operating activities	<u>(2,134,044)</u>	<u>(2,185,847)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received for interest	2,621	3,892
Cash received from County of Albany	<u>2,435,598</u>	<u>2,617,285</u>
Net cash provided by non-capital and related financing activities	<u>2,438,219</u>	<u>2,621,177</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from grant revenue	627,703	-
Cash received from other revenue	-	20,098
Acquisition of capital assets	<u>(187,167)</u>	<u>(157,748)</u>
Net cash provided by (used in) capital and related financing activities	<u>440,536</u>	<u>(137,650)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	744,711	297,680
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,908,196</u>	<u>2,610,516</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,652,907</u>	<u>\$ 2,908,196</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss before appropriations and other revenues (losses)	\$ (4,451,523)	\$ (4,547,906)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,272,622	2,262,871
Net changes in assets and liabilities:		
Accounts receivable	(86,123)	258,434
Prepaid expenses and other	11,488	29,512
Change in deferred outflows, inflows, net pension and OPEB liabilities	22,264	31,561
Accounts payable and accrued expenses	99,283	(148,734)
Deferred revenue	4,514	(66,807)
Accrued wages and employee benefits	<u>(6,569)</u>	<u>(4,778)</u>
Net cash used in operating activities	<u>\$ (2,134,044)</u>	<u>\$ (2,185,847)</u>

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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.

	2021		2020	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	\$3,652,907	\$3,734,907	\$2,908,196	\$2,942,399
	<u>\$3,652,907</u>	<u>\$3,734,907</u>	<u>\$2,908,196</u>	<u>\$2,942,399</u>

The cash and cash equivalents are fully collateralized at December 31, 2021.

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, 2023. 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, 2021 and 2020 were \$2,862,188 and \$1,942,442, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes for the years ended December 31, 2021 and 2020:

	January 1, 2021	Additions	Deletions	Transfers	December 31, 2021
Land	\$ 4,070,381	\$ -	\$ -	\$ -	\$ 4,070,381
Building and building improvements	75,855,449	93,475	-	-	75,948,924
Furniture, equipment and other	2,181,852	93,692	-	-	2,275,544
Total	82,107,682	187,167	-	-	82,294,849
Less: accumulated depreciation	(8,589,205)	(2,272,622)	-	-	(10,861,827)
Capital assets, net	\$ 73,518,477	\$ (2,085,455)	\$ -	\$ -	\$ 71,433,022

	January 1, 2020	Additions	Deletions	Transfers	December 31, 2020
Land	\$ 4,070,381	\$ -	\$ -	\$ -	\$ 4,070,381
Building and building improvements	75,716,491	138,958	-	-	75,855,449
Furniture, equipment and other	2,163,772	22,990	(4,910)	-	2,181,852
Total	81,950,644	161,948	(4,910)	-	82,107,682
Less: accumulated depreciation	(6,326,333)	(2,262,872)	-	-	(8,589,205)
Capital assets, net	\$ 75,624,311	\$ (2,100,924)	\$ (4,910)	\$ -	\$ 73,518,477

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 \$2,272,600 and \$2,262,900 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 — 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6 — RETIREMENT BENEFITS (Continued)

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 Authority to the pension accumulation fund. The rate was 16.0% and 15.7% for the Authority's active employees for 2021 and 2020, respectively. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

The Authority recognized net pension expense of approximately \$15,500 and \$27,900 for the years ended December 31, 2021 and 2020, respectively which is included in fringe benefits in the statements of revenue, expenses and changes in net position.

At December 31, 2021 and 2020 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, 2021 for 2021 and March 31, 2020 for 2020, and the total pension liabilities were determined by an actuarial valuation as of April 1, 2020 and 2019, with updated procedures used to roll forward the total pension liability to March 31, 2021 and 2020, 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, 2021 and 2020 measurement date, the Authority's proportion was 0.0001311% and 0.0001551%, respectively.

The Authority has reported additional deferred outflows of resource as of December 31, 2021 and 2020 for employer contributions made subsequent to the measurement dates.

NOTE 7 — 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS

Employees Covered by Benefit Terms

At both January 1, 2021 and January 1, 2020, the actuarial valuation dates, 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	<u>1</u>
	<u><u>1</u></u>

Total OPEB Liability

At December 31, 2021 and 2020, the Authority reported a liability of \$128,543 and \$654,448, respectively. The total OPEB liability as of December 31, 2021 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021. The total OPEB liability as of December 31, 2020 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

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, 2021 measurement – 2.00%

Discount rate used in December 31, 2020 measurement – 2.00%

Healthcare cost trend rates – 7.00% for 2021 (decreasing to an ultimate rate of 4.30% by 2062)

The discount rate was based on the Bond Buyer 20-Bond General Obligation Bond Index.

Mortality rates were based on the Pri.H-2012 No Collar Mortality Table with generational improvements using Scale MP-2021.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at December 31, 2019	<u>\$ 586,645</u>
Changes for the year:	
Service cost	33,637
Interest	12,406
Changes of benefit terms	-
Differences between expected and actual experience	(29,155)
Changes of assumptions or other inputs	50,915
Benefit payments	-
Net changes	<u>67,803</u>
Balance at December 31, 2020	<u>\$ 654,448</u>
Changes for the year:	
Service cost	5,983
Interest	13,209
Changes of benefit terms	-
Differences between expected and actual experience	(545,885)
Changes of assumptions or other inputs	788
Benefit payments	-
Net changes	<u>(525,905)</u>
Balance at December 31, 2021	<u>\$ 128,543</u>

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:

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	<u>\$ 143,751</u>	<u>\$ 128,543</u>	<u>\$ 110,548</u>

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:

	<u>1.0% Decrease</u>	<u>Trend Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	<u>\$ 110,509</u>	<u>\$ 128,543</u>	<u>\$ 143,501</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7 — OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

For the years ended December 31, 2021 and December 31, 2020, the Commission recognized OPEB expense of \$29,680 and \$45,541, respectively. At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 560,797
Changes of assumptions or other inputs	25,988	-
Expected benefit payments subsequent to the measurement date	-	-
Total	<u>\$ 25,988</u>	<u>\$ 560,797</u>

At December 31, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,139
Changes of assumptions or other inputs	50,915	-
Expected benefit payments subsequent to the measurement date	-	-
Total	<u>\$ 50,915</u>	<u>\$ 30,139</u>

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

<u>Year ended December 31</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	<u>\$ 25,988</u>	<u>\$(560,797)</u>
	<u>\$ 25,988</u>	<u>\$(560,797)</u>

NOTE 8 — LINE OF CREDIT

The Authority has available a revolving demand line of credit totaling \$250,000 with a bank. Borrowings under the line bear interest at Prime Rate plus 2.0%, adjusted annually (5.25% at December 31, 2021). Interest on outstanding borrowings is due monthly. There were no borrowings outstanding at December 31, 2021 and 2020.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 — FACILITY OPERATOR AGREEMENTS

The management, operations and marketing of the Albany Capital Center is facilitated through a Management Agreement with ASM Global. The term of the initial agreement commenced on September 1, 2014 and ended on December 31, 2020. In July 2020, the Authority extended the term of the agreement under an amended and restated management agreement through December 2025, with an option to extend for an additional five-year period.

As part of this agreement ASM Global is responsible for the financial activity of the Albany Capital Center. ASM Global 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, ASM Global 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.

During the years ended December 31, 2021 and 2020, revenues from the Albany Capital Center are as follows:

	<u>2021</u>	<u>2020</u>
Direct event income		
Rental income	\$ 189,167	\$ 151,144
Service revenue	303,742	126,234
Ancillary income		
Food and beverage catering	175,914	188,741
Booth rental	41	901
Parking	51,605	19,693
Electrical	6,845	17,693
Audio visual	49,451	66,831
Other	7,422	-
Other operating income		
Advertising	46,358	37,797
Other	18,175	6,314
Total revenues	<u>\$ 848,720</u>	<u>\$ 615,348</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 — FACILITY OPERATOR AGREEMENTS (Continued)

During the years ended December 31, 2021 and 2020, contractual services from the Albany Capital Center are as follows:

	<u>2021</u>	<u>2020</u>
Service expenses	\$ 372,948	\$ 247,510
Salaries and wages	976,127	965,992
Payroll taxes and benefits	328,344	357,710
General and administrative	149,786	175,110
Operating	51,450	24,344
Repairs and maintenance	258,110	238,680
Supplies	2,091	492
Insurance	20,732	23,042
Utilities	234,527	154,505
Depreciation	32,470	29,071
Management fee	90,000	106,641
Total expenses	<u>\$2,516,585</u>	<u>\$2,323,097</u>

As base compensation to ASM Global for providing services, the Authority pays ASM Global during each fiscal year, 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. Beginning in 2021, under the amended and restated management agreement, the annual fixed fee will be \$90,000 adjusted annually by change in the CPI-U through December 31, 2025.

ASM Global is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each fiscal year. The incentive fee under the initial term of the agreement 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 ASM Global 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.

Beginning in 2021, The incentive fee under the amended and restated management agreement shall not exceed 250% of the fixed fee, and total compensation (aggregate of the fixed fee and incentive fee) shall not exceed 5% of operating revenues and shall be calculated as follows:

- (A) Performance/Productivity incentive fee: not to exceed 200% of the annual fixed fee, equal to 20% of fixed fee if operating revenues exceed the operating revenues from the immediately preceding fiscal year; provided, however, such eligibility is contingent upon ASM Global operating within the approved budget; and 20% of the fixed fee if annual attendance was between 100,000 and 150,000, or 45% of the fixed fee if annual attendance was over 150,000; and 20% of the fixed fee if annual event days were between 300 and 320, or 45% of the fixed fee if annual event days were in excess of 320; and 20% of the fixed fee if annual events were between 200 and 220, or 45% of the fixed fee if annual events were in excess of 220; and 20% of the fixed fee if annual hotel room nights generated were between 30,000 and 35,000, or 45% of the fixed fee if annual hotel nights generated were in excess of 35,000.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 — FACILITY OPERATOR AGREEMENTS (Continued)

(B) Qualitative incentive fee: an amount not to exceed 50% of annual fixed fee, eligible upon meeting the criteria defined in the Management Agreement.

There were no incentive fees earned for the years ended December 31, 2021 and 2020.

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 2021 and 2020, the Authority provided ASM Global with \$1,506,517 and \$1,713,031, respectively, to meet operating expenses.

NOTE 10 — GRANT REVENUE

In July 2021, the Authority received a Shuttered Venue Operators Grant (“SVOG”) from the Small Business Administration (“SBA”) in the amount of \$627,703. The grant covered certain eligible operating expenses during the period of March 2020 through July 2022. The Authority applied the grant to costs incurred as of December 31, 2021 and the entire \$627,703 was included in grant revenue on the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021.

According to the rules of the SBA, the Authority is required to retain the SVOG documentation related to employment records for four years and all other records documenting compliance and eligibility for three years following the receipt of funds, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Authority’s judgments pertaining to satisfying SVOG compliance or eligibility, the Authority may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 11 — RISKS AND UNCERTAINTIES

Global and domestic responses to the coronavirus disease (COVID-19) outbreak continue to rapidly evolve. The effect has spread to all businesses and has been particularly impactful to the hospitality sector, conventions, meetings, consumer tradeshows and social events among them many charitable functions. Management’s determination is that currently, there continues to be a significant impact on the operations of the Albany Capital Center. As the situation remains dynamic, management will need to find additional ways to address the disruption of business operations that has resulted and will continue to result from the virus’ spread. As in 2021, COVID-19 and its variants may again result in our employees or contractors being forced to work from home or to miss work if they or a member of their family contracted COVID-19 in any form and regardless of vaccination status. At this point in time, the extent to which COVID-19 will impact our business is uncertain as cancellations, postponements, and the reassignment of event dates within the calendar continue which are directly associated with the uncertainty of planners and attendees about gathering for any purpose and due to changing protocols.

REQUIRED SUPPLEMENTARY INFORMATION

ALBANY CONVENTION CENTER AUTHORITY

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SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability			
Service cost	\$ 5,983	\$ 33,637	\$ 25,745
Interest	13,209	12,406	14,461
Changes of benefit terms	-	-	(1,486)
Differences between expected and actual experience	(545,885)	(29,155)	-
Change of assumptions or other inputs	788	50,915	-
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(525,905)	67,803	38,720
Total OPEB liability - beginning	<u>654,448</u>	<u>586,645</u>	<u>547,925</u>
Total OPEB liability - ending	<u><u>\$ 128,543</u></u>	<u><u>\$ 654,448</u></u>	<u><u>\$ 586,645</u></u>

**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, 2021, and the related notes to the financial statements and have issued our report thereon dated March 24, 2022.

Report on 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.

Report on 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*.

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 24, 2022