ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2014
ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)

TABLE OF CONTENTS

Independent Auditor’s Report ............................................... 1
Management’s Discussion and Analysis .................................... 3

Financial Statements
Statement of Net Position .................................................. 8
Statement of Activities ...................................................... 9
Balance Sheets – Governmental Funds .................................... 10
Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .................................................. 11
Notes to Financial Statements .................................................. 12

Additional Reports Required by Office of Management and Budget (OMB) Circular A-133
Schedule of Expenditures of Federal Awards ................................ 20
Notes to Schedule of Expenditures of Federal Awards ....................... 21
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 .................................................. 22
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .................................................. 24
Schedule of Findings and Questioned Costs .................................. 26
INDEPENDENT AUDITOR’S REPORT

Board of Directors
Albany Community Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Albany Community Development Agency (Agency), a blended component unit of the City of Albany as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency’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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Report on Summarized Comparative Information

We have previously audited the Agency’s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 through 7 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2015, on our consideration of the Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency’s internal control over financial reporting and compliance.
This management discussion and analysis is offered to assist readers in understanding the financial operations of Albany Community Development Agency ("ACDA") in conjunction with the financial statements for the year ended December 31, 2014. This Discussion and Analysis will provide comparative analysis of data between 2014 and 2013.

Introduction:

ACDA is a public benefit corporation, and is governed by a board of directors as established under General Municipal Law. ACDA is a blended component unit of the City of Albany and utilizes City of Albany employees to execute its mission to provide suitable living environments and economic opportunities for low to moderate income residents within the City of Albany.

ACDA revenues are primarily entitlement funds from the U.S. Department of Housing and Urban Development ("HUD") which represent approximately 98% and 88% of grant revenue for 2014 and 2013, respectively. Other smaller sources of revenue are funded through Federal and some non-Federal sources.

ACDA operates based on HUD's National Program Objectives. Funding decisions are determined through a process which involves public participation. Included in this process is the submittal of a publicly reviewed Consolidated Plan every 5 years that states broad goals and objectives. ACDA's current Consolidated Plan is through 2015. Each year an Annual Plan, also subject to public review and comment, is developed and adopted as based on the Consolidated Plan. Any significant changes are required to go through a public review and amendment process.

Effective with Program Year 39 (June 1, 2013 to May 31, 2014), HUD funding has been awarded directly to the City of Albany in order to comply with HUD requirements. ACDA was contracted by the City to administer the funds.

Financial Highlights:

- ACDA's financial statements are prepared on a calendar year basis, whereas the Federal Aid awards (known as entitlements) that are the primary sources of revenue are provided on a program year of June 1 to May 31.
- Entitlement allocations are broken out as follows:

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>2014</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Block (CDBG)</td>
<td>$2,774,000</td>
<td>$2,375,000</td>
<td>17% increase</td>
</tr>
<tr>
<td>Home Investment Partnership (HOME)</td>
<td>668,000</td>
<td>549,000</td>
<td>22% increase</td>
</tr>
<tr>
<td>Emergency Solutions (ESG)</td>
<td>229,000</td>
<td>309,000</td>
<td>26% decrease</td>
</tr>
<tr>
<td>Housing Opportunities for Persons with Aids (HOPWA)</td>
<td>472,000</td>
<td>496,000</td>
<td>5% decrease</td>
</tr>
</tbody>
</table>

- Program income declined by approximately 54% between 2013 and 2014 primarily because in 2013 ACDA continued to receive reimbursement for demolition costs which are no longer being funded through ACDA.
- Expenditures trend with the revenues to which they relate. Highlights for 2014 include:
  - Economic development expenditures increased by 44% between 2013 and 2014 as remediation work was incurred for 526 Central Avenue during 2014 that was not occurring in 2013. The 526 Central Avenue project represents a collaboration between ACDA and the City of Albany with coordination by Capitalize Albany Corporation to develop the building. The building was in severe disrepair and is located in a disadvantaged area of the City.
• The bonds related to the Albany Down Payment Assistance program matured in October of 2013. This resulted in final payment on the bonds and the related borrowing originally incurred to attain the collateral monies for the bond during 2013. No such payments were required in 2014.

• During 2013 the ACDA Board committed $350,000 to the Blight to Betterment program. This program is being spearheaded by Capitalize Albany Corporation as a collaboration of several funding sources, including the $350,000 from ACDA. The Blight to Betterment program allows for the strategic acquisition, stabilization, land banking, and rehabilitation of key abandoned properties in the City of Albany’s core urban districts. While no expenditures were incurred by December 31, 2014, the commitment has been reflected in the 2014 financial statements.

• During 2014 the ACDA Board committed $300,000 to fund improvements at Lincoln Park. Approximately $4,500 of costs related to this project were incurred during 2014.

• During 2014 $287,500 was Board committed for low income housing tax credit projects on Sheridan Avenue. Approximately $101,000 of this amount was incurred during 2014

Overview of the Financial Statements:

This Discussion and Analysis is provided as an introduction to the basic Financial Statements. The basic Financial Statements consist of statement of net position, statement of activities, balance sheets – governmental funds, statements of revenues, expenditures and changes in fund balance – governmental funds, and notes to financial statements.

Net position increases when revenues exceed expenditures and decreases when expenditures exceed revenues. ACDA has no objective to accumulate profits, however, due to timing differences related primarily to the receipt of program income or non-Federal revenue receipts and expenditures, net position can fluctuate. For Federal funds, ACDA adheres to Federal guidelines with respect to only having access to funds when valid incurrence of expenditures has taken place and whereby funds drawn from funding sources must be disbursed timely.

As noted previously, the primary sources of funds that come to ACDA must be spent to meet the National Objectives for the related programs. There are different spending rules for each funding source (i.e. CDBG versus HOME), and each potential expenditure is evaluated based on its meeting the objectives and as to its fit with the ACDA Consolidated and Annual plans. Other sources of funding also have their own rules which ACDA follows and all sources of funding assist with the overall mission of the Agency.

Administration includes functions such as accounting, clerical functions, overall operational management, and budgeting. HUD institutes maximum percentage caps for administrative expenses by type of funding that range from 3% on HOPWA monies to 20% for CDBG monies. For both years presented ACDA administrative costs were within the HUD requirements.

It is important for a reader of ACDA’s financial statements to read the Statements themselves, the notes to the Statements, and this Discussion and Analysis in order to have a full understanding of ACDA’s financial condition.
Condensed Financial Information:

The following condensed financial information summarizes ACDA's net position at December 31, 2014 and 2013 and revenues and expenses for the years then ended:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and Other Assets</td>
<td>$2,416,000</td>
<td>$2,701,000</td>
</tr>
<tr>
<td>Mortgage Loans Receivable, Net</td>
<td>$8,933,000</td>
<td>$9,929,000</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$2,144,000</td>
<td>$2,225,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$13,493,000</strong></td>
<td><strong>$14,855,000</strong></td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$910,000</td>
<td>$1,114,000</td>
</tr>
<tr>
<td>Deferred Revenues</td>
<td>$8,546,000</td>
<td>$9,488,000</td>
</tr>
<tr>
<td>Due to NYS Housing Trust Fund</td>
<td>$210,000</td>
<td>$309,000</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>$1,188,000</td>
<td>$1,396,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$10,854,000</strong></td>
<td><strong>$12,307,000</strong></td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net Position</td>
<td>$2,639,000</td>
<td>$2,548,000</td>
</tr>
<tr>
<td>Grant Revenue</td>
<td>$4,510,000</td>
<td>$4,811,000</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Related</td>
<td>$3,904,000</td>
<td>$4,213,000</td>
</tr>
<tr>
<td>Administrative</td>
<td>$515,000</td>
<td>$574,000</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>$91,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Other Revenue (Expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Other Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$91,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Net Position, Beginning of Year</td>
<td>$2,548,000</td>
<td>$2,524,000</td>
</tr>
<tr>
<td>Net Position, End of Year</td>
<td>$2,639,000</td>
<td>$2,548,000</td>
</tr>
</tbody>
</table>

Financial Analysis

ACDA's most significant asset is mortgage loans receivable which at December 31, 2014 represents approximately 66% of total assets. Mortgage loans receivable primarily represent the amounts outstanding in mortgages that encourage homeownership and rehabilitation of housing for low to moderate income individuals. Approximately $3.7 million of the loans are in the form of grants and deferred pro-rated loans where upon meeting certain conditions, such as length of ownership or occupancy and income levels, the loans are forgiven ratably over time. When an ability to repay the loan exists, traditional type loans are established.

Allowances for doubtful loans are determined based on a review of delinquent loans and estimates of loans anticipated to go out of compliance. With respect to the deferred (forgiven) loans, in the event of non-compliance a pro-rated portion of the loan is to be repaid to ACDA. In the event of default on a repayable loan, the remaining balance on the loan becomes immediately due.
ACDA’s most significant liability is unearned revenues. Unearned revenues consist almost entirely of outstanding loans as outlined above.

An overview of the mortgage programs are arrayed in the table below:

<table>
<thead>
<tr>
<th>Type of Assistance</th>
<th>Information about the Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Owner Assistance Program (HOAP)</td>
<td>Assists low-income owner occupants in rehabilitating their homes to meet local housing standards and codes. Maximum assistance is $25,000 per building in the form of a 5 to 20 year mortgage with a 2% interest rate or, if the ability to repay does not exist, it may be deferred and forgiven ratably over a 10 year time period.</td>
</tr>
<tr>
<td>Home Acquisition Program (HAP)</td>
<td>Decreases the barriers to homeownership for low-income households for those who currently do not own a home and desire to purchase and rehabilitate a 1 to 4 unit building, condominium or cooperative unit. Minimum assistance is $1,000 and maximum assistance is $14,900 for the acquisition and $25,000 for the rehabilitation.</td>
</tr>
<tr>
<td>Neighborhood Strategy Area Home Improvement Program (NSAHIP)</td>
<td>As awarded through the NYS Affordable Housing Corporation, funding assists with the acquisition, construction, rehabilitation, or improvement of 1 to 4 unit family dwellings with one unit being owner occupied.</td>
</tr>
<tr>
<td>Senior Housing Rehabilitation Program (SRP)</td>
<td>Provides low-to-moderate income persons over the age of 62 owning homes in the City of Albany up to $5,000 for substantial repairs to housing. Assistance is in the form of a deferred grant to be forgiven over a 5 year period unless the occupant must vacate the property to reside in a nursing home or becomes deceased, in which case the grant is immediately forgiven.</td>
</tr>
<tr>
<td>Choose Albany</td>
<td>Encourages diverse home ownership within the City of Albany. Maximum assistance is 8% of the purchase price up to $15,000. Loans are repayable at 0% interest over 10 years and are subject to certain conditions.</td>
</tr>
</tbody>
</table>

Fixed assets consist primarily of land and buildings. Included in land and buildings are condominium units used to provide temporary housing for income eligible households. Properties are retained in order to reclaim substandard neighborhoods and discourage the use of vacant sites for negative activities.

Due from Federal government represent the amount the Federal government would owe ACDA for expenditures incurred but not yet reimbursed by entitlement.

Program income is income generated outside the entitlement monies which can then be utilized to further the mission of ACDA. The primary sources of program income consist of repayments of mortgage loans and rental income.

ACDA’s entitlement program budgets are approved by the City of Albany Common Council. ACDA practices zero-based budgeting whereby expected income is fully budgeted for expenditure. Typically approximately 80% of expenditures are for program and project related purposes.

**Budget Basis of Accounting**

Budgetary controls for the Agency are established in accordance with the Housing and Urban Development program years which cover periods other than the Agency fiscal year. Consequently, no Statement of Budgeted and Actual Revenues, Expenditures, and Changes in Fund Equity is presented in these financial statements.
Capital Asset Activity and Long-term Debt Activity

ACDA did not have significant changes to capital assets or incur long-term debt during 2013 or 2014.

Currently Known Facts, Decisions, and Conditions

The HUD entitlements for Program Year 41 (June 1, 2015 – May 31, 2016) will be:

- $3,074,971 for CDBG (2% decrease from Program Year 40)
- $612,730 for HOME (17% decrease from Program Year 40)
- $280,962 for ESG (8% increase from Program Year 40)
- $489,586 for HOPWA (1% decrease from Program Year 40)
ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
STATEMENT OF NET POSITION
December 31, 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$921,249</td>
<td>$1,193,891</td>
</tr>
<tr>
<td>Mortgage loans receivable, net of allowance for loan losses of $2,269,079 in 2014 and $2,225,427 in 2013</td>
<td>8,933,082</td>
<td>9,929,063</td>
</tr>
<tr>
<td>Due from federal government</td>
<td>827,054</td>
<td>650,717</td>
</tr>
<tr>
<td>Due from the City of Albany</td>
<td>900</td>
<td>252,666</td>
</tr>
<tr>
<td>Capital assets, net of depreciation</td>
<td>2,143,912</td>
<td>2,224,849</td>
</tr>
<tr>
<td>Other assets</td>
<td>666,433</td>
<td>604,014</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$13,492,630</strong></td>
<td><strong>$14,855,200</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$697,804</td>
<td>$626,203</td>
</tr>
<tr>
<td>Long-term obligations</td>
<td>1,178,421</td>
<td>1,381,719</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>8,545,932</td>
<td>9,487,633</td>
</tr>
<tr>
<td>Due to New York State Housing Trust Fund</td>
<td>209,581</td>
<td>309,135</td>
</tr>
<tr>
<td>Due to the City of Albany</td>
<td>212,325</td>
<td>488,304</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9,513</td>
<td>14,052</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$10,853,576</strong></td>
<td><strong>$12,307,046</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net invested in capital assets</td>
<td>$1,347,948</td>
<td>$1,268,121</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,291,106</td>
<td>1,280,033</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>$2,639,054</strong></td>
<td><strong>$2,548,154</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

<table>
<thead>
<tr>
<th>Program Revenues</th>
<th>2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Charges for Services</td>
</tr>
<tr>
<td>Expenses</td>
<td>$ 1,569,205</td>
</tr>
<tr>
<td>Public service</td>
<td>$ 383,972</td>
</tr>
<tr>
<td>Housing</td>
<td>$ 6,715</td>
</tr>
<tr>
<td>Housing direct delivery</td>
<td>$ 1,010,135</td>
</tr>
<tr>
<td>Economic development</td>
<td>$ 328,791</td>
</tr>
<tr>
<td>Homeless</td>
<td>$ 273,476</td>
</tr>
<tr>
<td>Public improvements</td>
<td>$ 156,257</td>
</tr>
<tr>
<td>Administration</td>
<td>$ 514,708</td>
</tr>
<tr>
<td>Environmental restoration</td>
<td>$ 27,842</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$ 66,108</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$ 82,336</td>
</tr>
<tr>
<td></td>
<td>$ 4,419,545</td>
</tr>
</tbody>
</table>

General revenues:
- Grants and entitlements not restricted to specific programs $ 4,510,445 $ 4,811,254
- Interest income - 108

Total general revenues 4,510,445 4,811,362

Excess of revenues over expenses 90,900 23,706

Net position - beginning 2,548,154 2,524,448

Net position - ending $ 2,639,054 $ 2,548,154

See notes to financial statements.
### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total Governmental Funds 2014</th>
<th>Total Governmental Funds 2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$921,249</td>
<td>-</td>
<td>$921,249</td>
<td>$1,193,891</td>
</tr>
<tr>
<td>Mortgage loans receivable, net of allowance for loan losses of $2,269,079 in 2014 and $2,225,427 in 2013</td>
<td>8,723,501</td>
<td>209,581</td>
<td>8,933,082</td>
<td>9,929,063</td>
</tr>
<tr>
<td>Due from federal government</td>
<td>827,054</td>
<td>-</td>
<td>827,054</td>
<td>650,717</td>
</tr>
<tr>
<td>Due from the City of Albany</td>
<td>900</td>
<td>-</td>
<td>900</td>
<td>252,666</td>
</tr>
<tr>
<td>Other assets</td>
<td>142,770</td>
<td>-</td>
<td>142,770</td>
<td>80,351</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>10,615,474</strong></td>
<td><strong>209,581</strong></td>
<td><strong>10,825,055</strong></td>
<td><strong>12,106,688</strong></td>
</tr>
</tbody>
</table>

#### DEFERRED OUTFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total Governmental Funds 2014</th>
<th>Total Governmental Funds 2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets plus deferred outflows of resources</strong></td>
<td><strong>10,615,474</strong></td>
<td><strong>209,581</strong></td>
<td><strong>10,825,055</strong></td>
<td><strong>12,106,688</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total Governmental Funds 2014</th>
<th>Total Governmental Funds 2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$653,502</td>
<td>-</td>
<td>$653,502</td>
<td>$579,803</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>8,545,932</td>
<td>-</td>
<td>8,545,932</td>
<td>9,487,633</td>
</tr>
<tr>
<td>Due to the City of Albany</td>
<td>212,325</td>
<td>-</td>
<td>212,325</td>
<td>488,304</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9,513</td>
<td>-</td>
<td>9,513</td>
<td>14,052</td>
</tr>
<tr>
<td>Due to New York State Housing Trust Fund</td>
<td>-</td>
<td>209,581</td>
<td>209,581</td>
<td>309,135</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>9,421,272</strong></td>
<td><strong>209,581</strong></td>
<td><strong>9,630,853</strong></td>
<td><strong>10,878,927</strong></td>
</tr>
</tbody>
</table>

#### DEFERRED INFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total Governmental Funds 2014</th>
<th>Total Governmental Funds 2013 (For Comparative Purposes Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities, deferred inflows of resources and fund balances</strong></td>
<td><strong>10,615,474</strong></td>
<td><strong>209,581</strong></td>
<td><strong>10,825,055</strong></td>
<td><strong>12,106,688</strong></td>
</tr>
</tbody>
</table>

Amounts reported for governmental activities in the statement of net position are different because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
  - 2,143,912
  - 2,224,849
- Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.
  - 523,663
  - 523,663
- Non-current liabilities are not due and payable currently and, therefore, are not reported in the funds.
  - (44,302)
  - (46,400)
- Long-term obligations are not due and payable currently and, therefore, are not reported in the funds.
  - (1,178,421)
  - (1,381,719)
- Net position of governmental activities
  - $2,639,054
  - $2,548,154

See notes to financial statements.
### Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total Governmental Funds</th>
<th>Comparative Purposes Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in fund balances - total governmental funds</td>
<td>$ (33,559)</td>
<td>$ (33,559)</td>
<td>$ (268,925)</td>
<td>$ (268,925)</td>
</tr>
</tbody>
</table>

### Amounts reported for governmental activities in the statement of activities are different because:

- **Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.**
  - Capital outlays: $1,400
  - Depreciation expense: $(82,336) $(80,936) $(55,730)

- **Governmental funds report proceeds received from sale of assets as revenue.**
  - Governmental funds do not report gains (losses) on disposal of other assets: $(1) $(4,971)

- **Governmental funds report certain capitalized other assets as expenditures.**
  - Governmental funds do not report non-current liabilities: $2,098 $(513)

- The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.
  - Principal payments on long-term debt: $203,298 $349,345
  - Change in net position of governmental activities: $90,900 $23,706

See notes to financial statements.
NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Albany Community Development Agency (Agency) is a Public Benefit corporation established by the City of Albany (City, Albany) and governed by a board of directors as established under General Municipal Law. The City also participates in the fiscal management of the Agency. Because the City has the ability to significantly influence Agency operations, the Agency is deemed to be a blended component unit of the City. Accordingly, the Agency is included as part of the City's financial reporting entity. The objectives of the Agency are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income. In 1974, the Agency (previously known as the Urban Renewal Agency) was designated by the City to undertake a community development program on behalf of the City and to administer the federal community development block grant program.

When created, the Agency was established as a New York State Public Authority and as such is subject to the applicable provisions of the New York State Public Authority Accountability Act.

Basis of Presentation

For financial reporting purposes, the Agency follows the provisions of Governmental Accounting Standards Board (GASB) Statements. It requires classification of net position into three components — net invested in capital assets; restricted; and unrestricted. These classifications are defined as follows:

   Net invested in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition of these assets reduce this category.

   Unrestricted – This category represents the net position of the Agency, which is not restricted for any project or other purpose.

   Restricted – This category represents funds restricted by the funding source or law. The Agency has no restricted net position at December 31, 2014.

Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Government-Wide Statements

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds).

In the government-wide Statement of Net Position, governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net position is reported in two parts — net invested in capital assets and unrestricted net position.
NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency’s functions, which are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and general operating grants.

This government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency’s net position resulting from the current year’s activities.

Fund Financial Statements

The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The Agency uses Governmental Funds to report its activities in the financial statements. The focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds used by the Agency:

General Fund: The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. Activities include funds received from the U.S. Department of Housing and Urban Development (HUD) under the Community Block Grant Program (CDBG), the Rental Housing Rehabilitation Program, the HOME Investment Program, the Housing for Persons with AIDS Program, Lead Paint Abatement Program and Emergency Shelter Grant Programs.

Special Revenue Fund: The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The activities in this fund are related to grant proceeds from the New York State Housing Trust Fund Corporation (NYSHTFC).

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: The government-wide financials are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Due to the nature of the Agency’s operations, there are no significant differences between the accrual basis and the modified accrual basis of accounting, except for the expensing of capital assets and debt principal payments.
NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Agency’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

Fund Balance Classifications

Governmental fund balances are classified as follows:

**Nonspendable** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Agency Board.

**Assigned** - This classification includes amounts that are constrained by the Agency’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Agency Board or through the Agency Board delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned** - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Agency would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Budget Basis of Accounting

Budgetary controls for the Agency are established in accordance with the Housing and Urban Development program years which cover periods other than the Agency fiscal year. Consequently, no Statement of Budgeted and Actual Revenues, Expenditures, and Changes in Fund Equity is presented in these financial statements.

Cash and Cash Equivalents

Cash includes cash and cash equivalents with original maturities of 90 days or less.
Mortgage Loans Receivable and Allowance for Loan Losses

The Agency uses the allowance method for uncollectible mortgage loans and other receivables. When the allowance account is increased, the offset is a reduction of unearned revenue which has the effect of reducing the amount of funds expected to be collected and available for new loans. The Agency recorded a total allowance for uncollectible mortgage loans of approximately $2,269,000 and $2,225,000 at December 31, 2014 and 2013, respectively.

The Agency’s allowance is estimated based on delinquency rates, current economic conditions, borrowers’ outstanding balances, and an analysis of borrower’s financial condition. A number of the Agency’s borrowers have experienced financial difficulties. In some cases, projected growth and overall economic conditions have substantially changed since loan origination. The Agency is also involved in repayment negotiations with borrowers who are experiencing severe financial difficulties. Once a loan has been identified as delinquent, the Agency forwards the loan to its legal counsel for collection. The Agency has a set policy for pursuing delinquent borrowers.

If legal counsel determines that the loan proceeds will not be collected, the loan is submitted to the Agency’s Director so that it can be approved for write-off.

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays greater than $500 that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

- Buildings: 27.5 years
- Furniture and equipment: 5-7 years

Unearned Revenue

Unearned revenue consists principally of mortgage loan principal amounts to be collected in future periods and loan amounts that are being forgiven annually as described in Note 3. Loan payments are also unearned until new loans or eligible expenditures occur. At that time, revenues and corresponding expenses are recognized. When the allowance for loan losses is increased, a corresponding decrease in the amount of unearned revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other Postemployment Benefits (OPEB) - GASB Statement No. 45

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions establishes standards for the recognition, measurement, and display of OPEB (retiree health insurance) expenses and related liabilities and note disclosures.

The City does not pass-through OPEB costs to the Agency, as all Agency employees are employees of the City. The City does, however, pass-through salary, employee health insurance and pension costs for these employees to the Agency. As part of the City’s implementation of the GASB Statement it includes the OPEB liability and related expenses for all City employees working at the Agency in the City’s financial statements. Therefore, no accrual for the Agency’s OPEB liability and expense has been included in these financial statements.

NOTE 2 — CASH AND CASH EQUIVALENTS

The Agency’s investment policies are governed by State statutes. Cash and cash equivalents of the Agency must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At December 31, 2014, the carrying amounts of the Agency’s deposits were approximately $921,000 ($1,194,000 at December 31, 2013) for the General Fund. All deposits in excess of FDIC limits are adequately collateralized at December 31, 2014.

NOTE 3 — MORTGAGE LOANS RECEIVABLE, NET

The Agency lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related unearned revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or unearned and forgiven as long as the beneficiary is in compliance with the loan agreement.

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.
NOTE 3 — MORTGAGE LOANS RECEIVABLE, NET (Continued)

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to $15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of the related allowance, is comprised of the following at December 31, 2014 and 2013:

<table>
<thead>
<tr>
<th>Program</th>
<th>December 31, 2014</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD, net of allowance</td>
<td>$ 6,578,783</td>
<td>$ 6,663,490</td>
</tr>
<tr>
<td>HUD, forgivable grant loans, net of allowance</td>
<td>1,944,731</td>
<td>2,752,548</td>
</tr>
<tr>
<td>NYSHFTFC, net of allowance</td>
<td>209,581</td>
<td>309,135</td>
</tr>
<tr>
<td>Choose Albany, net of allowance</td>
<td>199,987</td>
<td>203,890</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,933,082</strong></td>
<td><strong>9,929,063</strong></td>
</tr>
</tbody>
</table>

NOTE 4 — DUE FROM FEDERAL GOVERNMENT

Due from federal government represents grant-eligible expenses incurred by the Agency through December 31, 2014 and 2013 that have yet to be reimbursed by applicable federal grant funding programs.

NOTE 5 — CAPITAL ASSETS

Property and equipment is comprised of the following:

<table>
<thead>
<tr>
<th>Land</th>
<th>$ 435,274</th>
<th>$ -</th>
<th>$ (1)</th>
<th>$ 435,273</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>258,908</td>
<td>1,400</td>
<td>-</td>
<td>260,308</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,634,948</td>
<td>-</td>
<td>-</td>
<td>2,634,948</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,329,130</td>
<td>1,400</td>
<td>(1)</td>
<td>3,330,529</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation - furniture and equipment

<table>
<thead>
<tr>
<th>Less: accumulated depreciation - buildings</th>
<th>225,913</th>
<th>8,887</th>
<th>-</th>
<th>234,800</th>
</tr>
</thead>
</table>

Net property and equipment

<table>
<thead>
<tr>
<th>Net property and equipment</th>
<th>$ 2,224,849</th>
<th>$ (80,936)</th>
<th>$ (1)</th>
<th>$ 2,143,912</th>
</tr>
</thead>
</table>
NOTE 6 — LONG-TERM OBLIGATIONS

Long-term obligations of the Agency include notes payable, bonds payable, and capital lease obligations.

The following is a summary of long-term obligation transactions of the Agency for the year ended December 31, 2014:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>Increases</th>
<th>Decreases</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized lease obligation (A)</td>
<td>$720,000</td>
<td>-</td>
<td>(130,000)</td>
<td>$590,000</td>
</tr>
<tr>
<td>Note payable (B)</td>
<td>114,000</td>
<td>-</td>
<td>(21,000)</td>
<td>93,000</td>
</tr>
<tr>
<td>Note payable (C)</td>
<td>122,728</td>
<td>-</td>
<td>(9,764)</td>
<td>112,964</td>
</tr>
<tr>
<td>Note payable (D)</td>
<td>424,991</td>
<td>-</td>
<td>(42,534)</td>
<td>382,457</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,381,719</strong></td>
<td><strong>-</strong></td>
<td><strong>(203,298)</strong></td>
<td><strong>$1,178,421</strong></td>
</tr>
</tbody>
</table>

(A) Capital lease for the Agency’s facility located at 200 Henry Johnson Boulevard. The lease has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to the Capitalize Albany Corporation through 2018. The interest portion of future minimum lease payments is $70,150 and the net present value of the lease payments at December 31, 2014 is $590,000.

(B) As part of the capitalized lease obligation, described in (A) above, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.

(C) Note payable from CAC to fund improvements made to one of the Agency’s properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to change every five years thereafter to prime plus 1%.

(D) During 2011, the Agency borrowed the sum of $500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net position.

A summary of future minimum debt payments is as follows at December 31, 2014:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Capitalized Lease Obligations</th>
<th>Total Principal</th>
<th>Total Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$77,232</td>
<td>$135,000</td>
<td>$212,232</td>
<td>$273,044</td>
</tr>
<tr>
<td>2016</td>
<td>80,332</td>
<td>145,000</td>
<td>225,332</td>
<td>273,728</td>
</tr>
<tr>
<td>2017</td>
<td>84,616</td>
<td>150,000</td>
<td>234,616</td>
<td>269,989</td>
</tr>
<tr>
<td>2018</td>
<td>91,074</td>
<td>160,000</td>
<td>251,074</td>
<td>272,001</td>
</tr>
<tr>
<td>2019</td>
<td>68,734</td>
<td>-</td>
<td>68,734</td>
<td>80,653</td>
</tr>
<tr>
<td>2020-2024</td>
<td>186,433</td>
<td>-</td>
<td>186,433</td>
<td>200,067</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$588,421</strong></td>
<td><strong>$590,000</strong></td>
<td><strong>$1,178,421</strong></td>
<td><strong>$1,369,482</strong></td>
</tr>
</tbody>
</table>
NOTE 7 — COMMITMENTS AND CONTINGENCIES

Federal and State Grant Funding

The Agency receives a major portion of its annual revenues through Federal and New York State grants. Any significant reduction in grant funding levels could have a negative impact on the Agency and the services it offers. The Agency’s grant funding is typically awarded for specific programs or purposes and is subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the applicable grant. Management believes that all grant funds were expended in accordance with applicable terms and does not expect any significant disallowance claims will be made by grantor agencies.

Purchase Commitments

In September 2012, the Agency entered into a contract with a third party to purchase property in the amount of $415,000 with a deposit of $20,750. The contract is expected to be closed in 2015.
ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2014

<table>
<thead>
<tr>
<th>Federal Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Programs:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brownfield Pilots Cooperative Agreements</td>
<td>66.811</td>
<td>$3,335</td>
</tr>
<tr>
<td><strong>Pass-Through City of Albany:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Block Grants/Entitlement Grants</td>
<td>14.218</td>
<td>2,949,990</td>
</tr>
<tr>
<td>Emergency Shelter Grant Program</td>
<td>14.231</td>
<td>229,094</td>
</tr>
<tr>
<td>HOME Investment Partnerships Program</td>
<td>14.239</td>
<td>720,751</td>
</tr>
<tr>
<td>Housing Opportunities for Persons with AIDS</td>
<td>14.241</td>
<td>472,127</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td><strong>$4,375,297</strong></td>
</tr>
</tbody>
</table>

See notes to schedule of federal financial awards.
NOTE 1 — BASIS OF PRESENTATION

Reporting Entity

The accompanying Schedule of Federal Financial Expenditures presents the activity of federal financial assistance programs administered by the Agency, an entity as defined in the financial statements.

Pass-Through Programs

Where the Agency receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the Agency's financial management system.

NOTE 2 — BASIS OF ACCOUNTING

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in the federal financial reports are prepared from records maintained for each program.

NOTE 3 — INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

NOTE 4 — MATCHING COSTS

Matching costs, such as the Agency’s share of certain program costs, are not included in the Schedule of Expenditures of Federal Awards.

NOTE 5 — SUB-RECIPIENTS

The Agency provided federal awards in the amount of $1,825,588 to sub-recipients during the year ended December 31, 2014.
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

The Board of Directors
Albany Community Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Albany Community Development Agency (Agency), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Albany Community Development Agency's basic financial statements, and have issued our report thereon dated August 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany Community Development Agency'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.

Albany, New York
August 18, 2015
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Albany Community Development Agency

Report on Compliance for Each Major Federal Program

We have audited Albany Community Development Agency’s (Agency) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency’s major federal programs for the year ended December 31, 2014. The Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.
Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.
## Section I – Summary of Auditor's Results

### FINANCIAL STATEMENTS

A. Type of auditor's report issued: Unmodified

B. Internal Control Over Financial Reporting

   Material weakness identified? No

   Significant deficiency(ies) identified that are not considered to be material weakness? None Reported

C. Noncompliance Material to Financial Statements noted? No

### FEDERAL AWARDS

A. Internal Control Over Major Programs

   Material weakness identified? No

   Significant deficiency(ies) identified that are not considered to be material weakness? No

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

C. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: No

D. Major programs

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants</td>
</tr>
<tr>
<td>14.231</td>
<td>U.S. Department of Housing and Urban Development Emergency Shelter Grant Program</td>
</tr>
<tr>
<td>14.241</td>
<td>U.S. Department of Housing and Urban Development Housing Opportunities for Persons with AIDS</td>
</tr>
</tbody>
</table>

E. Dollar threshold to determine between Type A and Type B programs: $300,000

F. Auditee qualified as low-risk auditee? Yes
Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Status of Prior Year Findings


Condition: Of the subrecipients selected for testing, we noted that ACDA did not obtain verification of the subrecipients’ single audit report status for six of them in a timely manner as part of its subrecipient monitoring procedures.

Action Taken or Status: ACDA obtained proper verification for these subrecipients in 2014. In addition, ACDA enhanced subrecipient monitoring procedures and controls. No noncompliance was noted during 2014.