



Friday, April 18, 2014
21 Lodge Street 9:00 a.m.

CAPITALIZE ALBANY
CORPORATION

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of February 11, 2014
2. Hugh Johnson Advisors update
3. Quarterly Financial Report
4. CFO transition discussion

Draft have not been approved

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
February 11, 2014**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 9:00 a.m., Tuesday, February 11, 2014 at 21 Lodge.

The following were in attendance:

Committee Members:

Anders Tomson
John Harris
Bob Curley

Other:

Staff:

Michael Yevoli, Erik Smith, Mark Opalka and Amanda Vitullo.

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 9:05 a.m.

Approval of Minutes for October 18, 2013 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the October 18, 2013 meeting. John Harris made a motion for approval. Bob Curley seconded. The Committee agreed unanimously to approve the minutes.

Sixty State Place LLC and New Venture LLC Loan Request Analysis

Staff reviewed the loan request analysis that had been distributed prior to the meeting with the Committee. The secured position the Corporation would take in the loan agreement was discussed. The Committee advised staff they would like to offer the Applicant a subordinate \$500,000 loan that would be coterminous with the Pioneer Bank loans. The terms of the loan, including interest rate and repayment structure were determined. The Committee asked staff to ensure a quick turnaround of the commitment letter. A motion to offer Sixty State Place LLC and New Venture LLC the loan at the terms discussed was made by Anders Tomson and seconded by Bob Curley. A vote being taken the motion passed unanimously.

412 Broadway Realty, LLC Loan Request

Staff reviewed the loan request that had been distributed prior to the meeting with the Committee. The proposed interest rate and subordinate position of the Corporation in the lending process was considered. The Committee deliberated the current lending policies of the Corporation, potential funding sources, and potential loan programs.

Other Business

Draft have not been approved

None

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 10:10a.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Erik Smith
RE: Capitalize Albany Corporation 1st Quarter Financial Reports
DATE: April 18, 2014

BUDGET PERFORMANCE

On a pre-audit basis, through March 31, 2014, the Capitalize Albany Corporation (CAC) generated a net loss of approximately \$141,000. This position compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$147,000. CAC incurred a net loss of \$82,000 for the first quarter of 2013. For 2014, CAC is currently projecting a net loss of approximately \$299,000.

The 2014 approved budget carries a deficit of approximately \$56,000. The table below reconciles the full year projected deficit to the budgeted deficit.

	BUDGET	PROJECTION	VARIANCE
REVENUE			
IMPACT DOWNTOWN ALBANY	\$ 255,428	\$ 185,000	\$ (70,428)
ECONOMIC & COMMUNITY DEVELOPMENT SUPPORT	205,000	170,000	(35,000)
REAL ESTATE INCOME	381,120	408,222	27,102
OTHER REVENUE	223,110	236,400	13,290
			<u>\$ (65,036)</u>
EXPENSE			
SALARIES & FRINGE	\$ 726,855	\$ 802,726	\$ 75,871
IMPACT DOWNTOWN ALBANY	329,247	448,545	119,298
OTHER EXPENSE	1,021,186	1,004,490	(16,696)
			<u>\$ 178,473</u>
			<u>\$ (243,509)</u>

I will address the largest components in the table above:

- Impact Downtown Albany
 - The projected revenue shortfall is the result of CAC not being awarded a \$100,000 grant from the Capital Region Economic Development Council (CREDC). CAC was awarded a \$20,000 grant which along with additional, unbudgeted contributions partially mitigates the loss of the \$100,000 grant.
 - Projected overage of Impact Downtown Albany expenses is the result of lower-than-anticipated costs incurred for services rendered by the consultant in 2013.

Those services will be rendered in, and the cost incurred, in 2014. At the time the budget was adopted this shift in costs was unknown.

- Salaries and Fringe Benefit Expense. The projected variance from the budget is the result of two events within this category. This first is the anticipated distribution of the approved At-Risk Compensation Pool. Secondly, the anticipated costs associated with the addition of one Economic Developer position is part of the projection. Both items were approved subsequent to the adoption of the 2014 budget and prior to January 1, 2014.
- Real Estate Income is projected to outperform the budget due an anticipated gain on the sale of 245 Lark Street.
- Economic and Community Development Support is expected to be impaired by a lower-than-budgeted grant from Albany Community Development Agency.

My comments below address those remaining categories that deviate in excess of 5% from the YTD budget.

- **YTD 2014 revenue is \$240,000 and \$4,600 over the 2014 YTD budget.**
 - **Fee Income.** YTD, this category exceeds the budget by \$4,700. This is primarily the result of the fees received associated with the Sixty State Place loan. The loan was not included within the 2014 budget.
- **YTD 2014 expenses are \$349,000 and \$13,000 under the 2014 budget.**
 - **Administrative Expenses.** This category is under-budget by \$4,000 or 15%. This is attributable to additional board members who opted out of board compensation for the Impact Downtown Albany plan after the approval of the 2014 budget and the cancellation of the February board meeting.
 - **Occupancy Expense.** This category is over budget by approximately \$2,600. This is attributable to higher utility costs.

LOANS

- During the first quarter, a loan in the amount of \$500,000 was approved for Sixty State Place LLC. This loan carries an interest rate of 4.75% and the term is to be coterminous with the first mortgage. This loan is expected to close during the second quarter of 2014.
- No additional loans have deteriorated to non-performing status.

BALANCE SHEET

The balance sheet is expected to contract from \$15.5 million as of December 31, 2013 to \$14.5 million as of December 31, 2014. This is primarily attributable to the following:

- Impact Downtown Albany cash outlay of approximately \$386,000.
- Reduction of \$165,000 in fixed assets due to the sale of 245 Lark Street.
- Approximately \$60,000 decrease in restricted cash.
- Depreciation of approximately \$210,000.
- Reduction of bond indebtedness by approximately \$220,000 in principal payments.

CASH FLOW STATEMENT

- Currently, CAC's December 31, 2014 cash and cash equivalents are anticipated to decrease by \$1.5 million to \$2.1 million. This is primarily attributable to loan portfolio activity and Impact Downtown Albany activity.
- Excluding the projected net cash outlay of Impact Downtown Albany activity, the projected decrease of cash flow from operations is primarily attributable to anticipated employee payments. These include the distribution of the 2014 At-Risk Compensation Pool and salary and fringe benefit payments for approved positions that are currently not filled.
- Cash used in capital and financing activities reflects scheduled debt service payments and equipment purchases made during 2014.
- Projected 2014 cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2014 - December 31, 2014								
	1st Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	Apr - Dec 2014 Forecast	2014 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 62,500	\$ 62,500	\$ 62,500	\$ -	0%	\$ 430,300	\$ 492,800	\$ 527,800	\$ (35,000)
Real Estate Income	35,050	35,050	34,912	138	0%	373,172	408,222	381,120	27,102
Professional Service Agreement Income	75,000	75,000	75,000	-	0%	225,000	300,000	300,000	-
Loan Interest Income	19,310	19,310	18,846	464	0%	80,133	99,443	85,239	14,204
Fee Income	13,499	13,499	8,806	4,692	53%	30,461	43,959	38,767	5,192
Direct Finance Lease Income	10,354	10,354	10,354	-	0%	105,134	115,488	115,488	-
Investment & Interest Income	15,813	15,813	24,776	(8,963)	-36%	68,941	84,754	99,104	(14,350)
FMV Adj on Fidelity Inv	8,035	8,035	-	8,035	100%	-	8,035	-	8,035
G/L on Sale/Redemption	209	209	-	209	100%	-	209	-	209
Membership & Event Support	-	-	-	-	0%	37,500	37,500	37,500	-
TOTAL REVENUE	\$ 239,771	\$ 239,771	\$ 235,195	\$ 4,575	2%	\$ 1,350,641	\$ 1,590,411	\$ 1,585,019	\$ 5,392
EXPENSE									
Salaries Expense	\$ 132,534	\$ 132,534	\$ 133,871	\$ (1,338)	-1%	\$ 455,991	\$ 588,524	\$ 571,320	\$ 17,204
Approved At Risk Compensation Pool	-	-	-	-	0%	51,000	51,000	-	51,000
Fringe Expense	38,255	38,255	43,121	(4,866)	0%	124,946	163,202	155,535	7,667
Professional Fees	104,500	104,500	109,462	(4,963)	-5%	236,423	340,923	333,748	7,175
Administrative Expenses	23,122	23,122	27,158	(4,036)	-15%	77,790	100,912	106,644	(5,732)
Interest Expense	30,095	30,095	30,095	-	0%	44,501	74,595	76,255	(1,660)
Real Estate Expenses	11,257	11,257	10,966	291	3%	38,128	49,385	51,065	(1,680)
Occupancy Expense	9,571	9,571	7,014	2,557	36%	33,356	42,927	40,760	2,167
Bad Debt Expense (recovery)	-	-	-	-	0%	-	-	-	-
Membership & Event Expense	250	250	875	(625)	-71%	18,625	18,875	18,875	-
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 349,584	\$ 349,584	\$ 362,563	\$ (12,979)	-4%	\$ 1,080,760	\$ 1,430,343	\$ 1,354,202	\$ 76,141
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ (109,813)	\$ (109,813)	\$ (127,368)	\$ 17,554	-14%	\$ 269,880	\$ 160,068	\$ 230,817	\$ (70,749)
DEPRECIATION	\$ -	\$ -	\$ -	\$ -	0%	\$ 210,748	\$ 210,748	\$ 212,714	\$ (1,966)
NET INCOME (LOSS) AFTER DEPRECIATION	\$ (109,813)	\$ (109,813)	\$ (127,368)	\$ 17,555	-14%	\$ 59,132	\$ (50,680)	\$ 18,103	\$ (68,783)
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	\$ 200,000	200,000	\$ 200,000	\$ -
Downtown Tactical Plan	43,000	43,000	54,500	(11,500)	-21%	142,000	185,000	255,428	(70,428)
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Income	\$ 7,500	\$ 43,000	\$ 54,500	\$ (11,500)	-21%	\$ 342,000	\$ 385,000	\$ 455,428	\$ (70,428)
PROJECT & PROGRAM EXPENSE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	\$ 185,000	185,000	\$ 200,000	\$ (15,000)
Downtown Tactical Plan	74,777	74,777	74,710	67	0%	373,768	448,545	329,247	119,298
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Expense	\$ 74,777	\$ 74,777	\$ 74,710	\$ 67	0%	\$ 558,768	\$ 633,545	\$ 529,247	\$ 104,298
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (31,777)	\$ (31,777)	\$ (20,210)	\$ (11,567)	57%	\$ (216,768)	\$ (248,545)	\$ (73,819)	\$ (174,726)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ (141,589)	\$ (141,589)	\$ (147,578)	\$ 5,989	-4%	\$ (157,636)	\$ (299,225)	\$ (55,716)	\$ (243,509)

CAPITALIZE ALBANY CORPORATION
Comparative Balance Sheets
Pre-Audited Draft

	March 31, 2014	Projected December 31, 2014	December 31, 2013	Projected 2013 Change
Assets				
Current Assets:				
Cash and cash equivalents	\$ 3,753,514	\$ 2,138,668	\$ 3,651,644	\$ (1,512,976)
Investments	2,878,087	3,378,087	2,857,394	520,693
Restricted cash	467,136	481,108	448,983	32,125
Mortgage notes receivable, net	1,963,233	2,747,203	2,117,776	629,427
Net investment in direct financing leases	1,563,603	1,530,937	1,738,881	(207,944)
Accrued interest receivable	61,898	61,898	63,326	(1,428)
Grants receivable	-	-	-	-
Receivables from the City of Albany and City agencies	-	-	100,000	(100,000)
Other receivables, net	92,643	88,462	93,584	(5,122)
Property held for investment and lease, net	3,358,703	3,024,426	3,358,703	(334,277)
Property and equipment, net	428,063	400,841	428,063	(27,222)
Other assets	649,888	649,888	655,751	(5,863)
Total assets	\$ 15,216,768	\$ 14,501,518	\$ 15,514,105	\$ (1,012,587)
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 168,823	\$ 66,164	\$ 192,740	\$ (126,576)
Due to the City of Albany	99,507	40,000	99,507	(59,507)
Unearned grant and other income	935,984	880,984	921,170	(40,186)
Bonds payable, current portion	3,721,830	3,381,017	3,868,591	(487,574)
Revolving loan fund liability	702,367	702,727	702,248	479
Unearned program support	81,447	81,447	81,447	-
Total liabilities	\$ 5,709,957	\$ 5,152,339	\$ 5,865,703	\$ (713,364)
Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -
Net Position				
Net invested in capital assets	\$ 1,586,766	\$ 1,586,766	\$ 1,586,766	\$ -
Restricted for:				
Debt service	171,401	171,401	171,401	-
CDBG eligible activities	118,822	118,822	118,822	-
Other program specific activities	9,035	9,035	9,035	-
Impact Downtown Albany	11,253	11,253	11,253	-
Unrestricted	7,609,536	7,451,901	7,751,126	(299,225)
Total net position	\$ 9,506,813	\$ 9,349,178	\$ 9,648,403	\$ (299,225)

Capitalize Albany Corporation**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

Pre Audited Draft

	<u>YTD</u> <u>March 31, 2014</u>	<u>Projected</u> <u>December 31, 2014</u>	<u>Year Ended</u> <u>December 31, 2013</u>	<u>Projected</u> <u>2013 \$ Change</u>
Revenues				
Grant income and Contribution Income	\$ 105,500	\$ 877,800	\$ 812,372	\$ 65,428
Rental income	36,010	371,931	378,408	(6,477)
Other interest and investment income	33,452	205,079	254,484	(49,405)
Interest income on mortgage notes	19,310	99,443	82,775	16,668
Gain on sale of properties	-	39,699	-	39,699
Fees and other income	88,499	381,459	340,478	40,981
Total revenues	<u>282,771</u>	<u>1,975,411</u>	<u>1,868,517</u>	<u>106,894</u>
Expenses				
Salaries and fringe benefits	170,789	802,726	644,284	158,442
Program and project costs	86,284	867,581	544,248	323,333
Interest expense	30,095	74,596	86,666	(12,070)
Bad debt expenses (recovery)	-	-	(25,490)	25,490
Administrative Expenses	137,193	529,735	537,504	(7,769)
Total expenses	<u>424,361</u>	<u>2,274,638</u>	<u>1,787,212</u>	<u>487,426</u>
Excess of (expenses over revenues) revenues over expenses	(141,589)	(299,225)	81,305	(380,530)
Net Position, Beginning of Year	<u>9,648,403</u>	<u>9,648,403</u>	<u>9,567,098</u>	<u>81,305</u>
Net Position, End of Month	<u>\$ 9,506,813</u>	<u>\$ 9,349,178</u>	<u>\$ 9,648,403</u>	<u>\$ (299,225)</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	March 31, 2014	Projected December 31, 2014	December 31, 2013
Cash Flows From Operating Activities			
Cash received from customers	\$ 172,948	\$ 703,265	\$ 582,948
Cash received from grantors	77,433	703,093	628,470
Other operating cash receipts	88,399	381,459	340,478
Cash payments to suppliers and grantees	(171,715)	(851,042)	(703,248)
Cash payments to employees	(170,789)	(802,727)	(644,284)
Net cash provided by operating activities before Impact Downtown Albany activity	<u>(3,724)</u>	<u>134,048</u>	<u>204,364</u>
Cash received from Impact Downtown Albany grantors and contributors	43,000	135,000	211,572
Cash payments to Impact Downtown Albany suppliers	(75,680)	(521,610)	(74,590)
Net cash provided by Impact Downtown Albany activities	<u>(32,680)</u>	<u>(386,610)</u>	<u>136,982</u>
Net cash provided by operating activities	<u>(36,404)</u>	<u>(252,561)</u>	<u>341,346</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of property held for sale	-	200,000	-
Purchase of property held for investment and lease	-	(3,800)	-
Purchase of property and equipment	-	(5,750)	(5,461)
Purchase of other assets including purchase options	-	-	-
Principal payments on bonds payable	(146,760)	(487,574)	(339,846)
Interest paid on bonds payable	(30,095)	(81,994)	(88,966)
Net cash used in capital and related financing activities	<u>(176,855)</u>	<u>(379,118)</u>	<u>(434,273)</u>
Cash Flows From Investing Activities			
Interest on cash and cash equivalents and investments	15,813	84,755	84,434
Net decrease (increase) in restricted cash	(18,153)	(32,125)	(61,264)
Proceeds from sales and maturities of investments	676,821	1,716,000	1,716,988
Purchase of investments	(689,170)	(2,228,449)	(1,785,829)
Issuance of mortgage notes receivable	-	(850,000)	-
Repayments received on mortgage notes receivable	154,543	220,573	759,142
Principal payments received under direct financing leases	175,278	207,944	188,751
Net cash used in investing activities	<u>315,132</u>	<u>(881,302)</u>	<u>902,222</u>
Change in cash and cash equivalents	101,873	(1,512,981)	809,295
Cash and cash equivalents:			
Beginning of year	<u>3,651,644</u>	<u>3,651,644</u>	<u>2,842,349</u>
End of year	<u>\$ 3,753,514</u>	<u>\$ 2,138,668</u>	<u>\$ 3,651,644</u>
	March 31, 2014	Projected December 31, 2014	December 31, 2013
Reconciliation of Excess of (Expenses Over Revenues)			
Revenues Over Expenses to Net Cash Provided by Operating Activities			
Excess of (expenses over revenues) revenues over expenses	\$ (141,589)	\$ (299,225)	\$ 81,305
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	-	210,748	211,756
Adjustment for losses on mortgage notes and other receivables	-	-	(25,490)
Gain on sale of property	-	(39,699)	-
Net realized and unrealized losses (gains) on investments	(8,244)	(8,244)	(43,389)
Interest income on cash and cash equivalents and investments	(15,813)	(84,756)	(80,285)
Interest expense on bonds payable	30,095	81,994	86,666
Changes in:			
Grants receivable	-	-	(37,500)
Other receivables, accrued interest receivable and other assets	108,132	111,411	(9,045)
Accounts payable and accrued expenses	(23,918)	(126,576)	92,099
Due to the City of Albany	0	(59,507)	59
Unearned grant and other income	14,814	(40,186)	64,797
Revolving loan fund liability	119	479	373
Net cash provided by operating activities	<u>\$ (36,404)</u>	<u>\$ (252,561)</u>	<u>\$ 341,346</u>