



Tuesday, July 15, 2014
21 Lodge Street 1:00 p.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 May 20, 2014
2. Quarterly Financial Report
3. Columbia 677, LLC
4. Historic Pastures Mansions LLC
5. 412 Broadway Realty LLC
6. CAC Premium Only Plan
7. Other

Draft have not been approved

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
May 20, 2014**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 9:00 a.m., Tuesday, May 20th 2014 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Anders Tomson
Jeff Sperry
Bob Curley
John Harris

Other:

Staff:

Sarah Reginelli, Brad Chevalier, Mark Opalka Andy Corcione, and Amy Gardner.

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

Approval of Minutes for April 18, 2014 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the April 18, 2014 meeting. John Harris advised the Committee that he did not attend the April 18th meeting and the minutes would need to be amended to reflect his absence. Jeff Sperry made a motion for approval of the minutes as amended. John Harris seconded. The Committee agreed unanimously to approve the minutes.

Historic Pastures Mansions, LLC

Staff reviewed the project with the Committee. The proposed project would entail the acquisition, renovation and preservation of three existing scattered site complexes - two of which are already affordable housing projects. All three complexes are of similar age and construction having been originally built in the mid 1800's. Both Pastures Redevelopment and Mansions Rehab have outstanding loans with Capitalize Albany Corporation. The outstanding loans had been previously written down by the Corporation. The Applicant is requesting the Corporation allow for the assumption of both loans and subordinate. The Applicant, upon negotiating with staff, has offered to a one time principal payment of \$100,000 to be paid upon closing of construction financing. The Committee discussed the proposed project and the request of the applicant at length. The Committee advised staff to work with the Applicant to determine if they could include any market rate apartments in the project and make a larger principal payment to the Capitalize Albany Corporation (the "Corporation").

Draft have not been approved

Columbia 677 LLC Refinance

Corporation Counsel reviewed the memo which provided background on the project and outlined the details of the request by Columbia 677, LLC. Pursuant to the terms of the Ground Lease, the Applicant is requesting that the Corporation execute the mortgage and security agreement with the New Lender. Counsel advised the Committee that he was in the process of reviewing the New Lender's mortgage documents to ensure the terms of the new mortgage do not impair the Corporation's rights. The Corporation may not "unreasonably" withhold its consent for this refinance. The Committee requested that Counsel/staff provide more details on the ground lease. The Committee advised staff to present the mortgage and security agreement to the Board for a motion for approval.

Other Business

None

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 10:30a.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 2nd Quarter Financial Reports
DATE: July 15, 2014

BUDGET PERFORMANCE

On a pre-audit basis, through June 30, 2014, the Capitalize Albany Corporation (CAC) had a net loss of approximately \$33,000. This position compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$243,000. CAC had net income of \$156,000 during the second quarter of 2013.

The significant variances between total budgeted revenue and expense activity through June 30, 2014 and total actual revenue and expense activity is being driven primary by activity related to the Impact Downtown Albany Plan. Year to date contributions received under this plan are under budget by approximately \$33,000. This is result of more contributions being received in the prior year than were initially anticipated. Expenses under this plan are currently under budget by approximately 208,000. This is a direct result of lower than anticipated costs for services rendered by the consultant through June 30th of this year. We expect to be over budget on the project expense by approximately \$60,000 at the end of the year.

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

- ***YTD 2014 revenue is \$655,259 and \$15,075 above the 2014 budget.***
 - ***Interest and Investment Income.*** ***YTD 2014 income derived from interest and investments is approximately \$52,000 which is \$2,500 over budget. The positive variance to the budget is primary due to the performance of CAC's investments under HJA management. During the second quarter approximately \$6,500 in fair market value (FMV) impairment adjustments were recorded resulting in YTD FMV adjustments of \$14,578 increase to CAC's investments. Changes in unrealized gains and losses contribute to or detract from investment income and these amounts are not budgeted. The remaining amount of the variance is comprised of a gain of \$3,972 on the sales and redemptions of stock and bonds.***
 - ***Fee Income.*** Rental income is \$24,000 which is 5% over budget. 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.

- **Membership and Event Support.** Membership and Event support is \$21,690 which is 8% over budget. Membership fees collected thru June are \$16,150. Year to date this is approximately \$6,000 over budget. Based on anticipated activity this category is expected to be under budget by approximately 6,500. This budget shortfall is expected to be a direct result of lower sponsorship revenue being received in 2014.

- **YTD 2014 expenses are \$661,187 and \$20,144 under the 2014 budget.**
 - **Salaries & Fringe Benefits Expense.** This category is under budget by approximately \$27,000 or 8% shortfall in this category is attributable to position vacancies. Based upon anticipated activity, this category is projected to end the year approximately \$13,700 under budget.
 - **Professional Fee Expense.** This category is over budget by \$10,300 or 6%. The variance is primary attributable to higher legal and IT related expenses offset by lower accounting fees.
 - **Occupancy Expenses.** This category is over budget by approximately \$4,300. This is attributable to higher utility costs.
 - **Membership & event expense.** This category is under budget \$3,700 or 29%. This is reflective of under spending in marketing and promotional expenses.

LOANS

- In May of 2014, CAC received a recovery of \$5,000 in bad debt expense related to the Historic Albany loan.
- In June, CAC received a recovery of \$500 related to the ACE Holding, LLC loan.

BALANCE SHEET

The balance sheet is expected to contract from \$15.5 million as of December 31, 2013 to \$13.8 million as of December 31, 2014. This is primarily attributable to the following:

- Impact Downtown Albany cash outlay of approximately \$325,000.
- 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 \$1,070,000 in principal payments. The majority of this reduction, approximately \$928,000, is attributable to Port Warehouse bonds maturing in November. CAC was the conduit issuer of these bonds.

CASH FLOW STATEMENT

- Currently, CAC's December 31, 2014 cash and cash equivalents are anticipated to decrease by \$1.2 million to \$2.3 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.

CAPITALIZE ALBANY CORPORATION

Comparative Balance Sheets

Pre-Audited Draft

	June 30, 2014	Projected December 31, 2014	December 31, 2013
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,992,173	\$ 2,490,469	\$ 3,651,644
Investments	3,398,882	3,398,882	2,857,394
Restricted cash	484,539	494,265	448,983
Mortgage notes receivable, net	2,273,827	2,571,736	2,117,776
Net investment in direct financing leases	1,542,166	668,277	1,738,881
Accrued interest receivable	59,798	59,798	63,326
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	70,000	-	100,000
Other receivables, net	89,562	88,462	93,584
Property held for investment and lease, net	3,358,703	3,024,426	3,358,703
Property and equipment, net	428,063	400,841	428,063
Other assets	649,888	649,888	655,751
Total assets	\$ 15,347,601	\$ 13,847,044	\$ 15,514,105
Deferred Outflows of Resources	\$ -	\$ -	\$ -
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 222,631	\$ 150,520	\$ 192,740
Due to the City of Albany	99,507	40,000	99,507
Unearned grant and other income	921,270	868,770	921,170
Bonds payable, current portion	3,705,101	2,520,000	3,868,591
Revolving loan fund liability	702,454	702,454	702,248
Unearned program support	81,447	81,447	81,447
Total liabilities	\$ 5,732,410	\$ 4,363,190	\$ 5,865,703
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	7,717,914	7,586,576	7,751,126
Total net position	\$ 9,615,191	\$ 9,483,853	\$ 9,648,403

	January 1, 2014 - December 31, 2014								
	2nd Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	July - Dec 2014 Forecast	2014 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 184,200	\$ 246,700	\$ 237,900	\$ 8,800	4%	\$ 254,900	\$ 501,600	\$ 527,800	\$ (26,200)
Real Estate Income	77,236	112,286	112,166	120	0%	296,014	408,300	381,120	27,179
Professional Service Agreement Income	75,000	150,000	150,000	-	0%	150,000	300,000	300,000	-
Loan Interest Income	18,647	37,957	36,975	981	3%	60,593	98,549	85,239	13,310
Fee Income	10,457	23,956	22,922	1,034	5%	21,795	45,751	38,767	6,984
Direct Finance Lease Income	10,216	20,570	20,669	(99)	0%	91,978	112,548	115,488	(2,940)
Investment & Interest Income	17,736	33,550	49,553	(16,003)	-32%	38,250	71,800	99,104	(27,304)
FMV Adj on Fidelity Inv	6,543	14,578	-	14,578	100%	-	14,578	-	14,578
G/L on Sale/Redemption	3,763	3,972	-	3,972	100%	-	3,972	-	3,972
Membership & Event Support	21,690	21,690	20,000	1,690	8%	9,350	31,040	37,500	(6,460)
TOTAL REVENUE	\$ 425,488	\$ 665,259	\$ 650,184	\$ 15,075	2%	\$ 922,879	\$ 1,588,138	\$ 1,585,019	\$ 3,119
EXPENSE									
Salaries Expense	\$ 110,914	\$ 243,447	\$ 261,240	\$ (17,793)	-7%	\$ 301,903	\$ 545,350	\$ 571,320	\$ (25,970)
Approved At Risk Compensation Pool	-	-	-	-	0%	34,935	34,935	-	34,935
Fringe Expense	29,212	67,467	76,567	(9,100)	-12%	65,364	132,831	155,535	(22,704)
Professional Fees	95,360	198,209	187,823	10,386	6%	163,925	362,134	333,748	28,386
Administrative Expenses	44,333	67,457	67,144	313	0%	33,795	101,252	109,144	(7,892)
Interest Expense	9,426	39,521	39,521	-	0%	32,886	72,406	76,255	(3,850)
Real Estate Expenses	11,620	22,877	21,933	945	4%	25,541	48,418	51,065	(2,647)
Occupancy Expense	8,975	18,546	14,228	4,318	30%	26,117	44,662	40,760	3,902
Bad Debt Expense (recovery)	(5,500)	(5,500)	-	(5,500)	0%	-	(5,500)	-	(5,500)
Membership & Event Expense	8,914	9,164	12,875	(3,711)	-29%	9,381	18,545	18,875	(330)
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 313,253	\$ 661,187	\$ 681,331	\$ (20,144)	-3%	\$ 693,847	\$ 1,355,033	\$ 1,356,703	\$ (1,670)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 112,235	\$ 4,071	\$ (31,147)	\$ 35,219	-113%	\$ 229,033	\$ 233,105	\$ 228,316	\$ 4,789
DEPRECIATION	\$ -	\$ -	\$ -	\$ -	0%	\$ 210,748	\$ 210,748	\$ 212,714	\$ (1,966)
NET INCOME (LOSS) AFTER DEPRECIATION	\$ 112,235	\$ 4,071	\$ (31,147)	\$ 35,218	-113%	\$ 18,285	\$ 22,357	\$ 15,602	\$ 6,755
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ 200,000	200,000	\$ 200,000	\$ -
Downtown Tactical Plan	38,500	81,500	114,500	(33,000)	-29%	107,500	189,000	255,428	(66,428)
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Income	\$ 38,500	\$ 81,500	\$ 114,500	\$ (33,000)	-29%	\$ 307,500	\$ 389,000	\$ 455,428	\$ (66,428)
PROJECT & PROGRAM EXPENSE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ 185,000	185,000	\$ 200,000	\$ (15,000)
Downtown Tactical Plan	42,356	118,784	326,747	(207,963)	-64%	272,124	390,907	326,747	64,160
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Expense	\$ 42,356	\$ 118,784	\$ 326,747	\$ (207,963)	0%	\$ 457,124	\$ 575,907	\$ 526,747	\$ 49,160
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (3,856)	\$ (37,284)	\$ (212,247)	\$ 174,963	-82%	\$ (149,624)	\$ (186,907)	\$ (71,319)	\$ (115,588)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ 108,379	\$ (33,213)	\$ (243,394)	\$ 210,181	-86%	\$ (131,339)	\$ (164,550)	\$ (55,717)	\$ (108,833)

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

Pre Audited Draft

	YTD June 30, 2014	Projected December 31, 2014	Year Ended December 31, 2013
Revenues			
Grant income and Contribution Income	\$ 328,200	\$ 890,600	\$ 812,372
Rental income	114,035	372,008	378,408
Other interest and investment income	70,921	199,490	254,484
Interest income on mortgage notes	37,957	98,549	82,775
Gain on sale of properties	-	39,699	-
Fees and other income	195,646	376,791	340,478
Total revenues	<u>746,759</u>	<u>1,977,137</u>	<u>1,868,517</u>
Expenses			
Salaries and fringe benefits	310,915	713,116	644,284
Program and project costs	144,248	808,114	544,248
Interest expense	39,521	72,406	86,666
Bad debt expenses (recovery)	(5,500)	(5,500)	(25,490)
Administrative Expenses	290,788	553,553	537,504
Total expenses	<u>779,972</u>	<u>2,141,689</u>	<u>1,787,212</u>
Excess of (expenses over revenues) revenues over expenses	(33,213)	(164,550)	81,305
Net Position, Beginning of Year	<u>9,648,403</u>	<u>9,648,403</u>	<u>9,567,098</u>
Net Position, End of Month	<u>\$ 9,615,191</u>	<u>\$ 9,483,853</u>	<u>\$ 9,648,403</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	June 30, 2014	Projected December 31, 2014	December 31, 2013
Cash Flows From Operating Activities			
Cash received from customers	\$ 214,226	\$ 701,609	\$ 582,948
Cash received from grantors	247,006	699,406	628,470
Other operating cash receipts	195,646	376,791	340,478
Cash payments to suppliers and grantees	(329,466)	(789,427)	(703,248)
Cash payments to employees	(310,915)	(713,115)	(644,284)
Net cash provided by operating activities before Impact Downtown Albany activity	<u>16,497</u>	<u>275,264</u>	<u>204,364</u>
Cash received from Impact Downtown Albany grantors and contributors	81,500	139,000	211,572
Cash payments to Impact Downtown Albany suppliers	(75,680)	(463,220)	(74,590)
Net cash provided by Impact Downtown Albany activities	5,820	(324,220)	136,982
Net cash provided by operating activities	<u>22,317</u>	<u>(48,956)</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	(163,489)	(1,348,591)	(339,846)
Interest paid on bonds payable	(39,521)	(79,804)	(88,966)
Net cash used in capital and related financing activities	<u>(203,010)</u>	<u>(1,237,945)</u>	<u>(434,273)</u>
Cash Flows From Investing Activities			
Interest on cash and cash equivalents and investments	33,550	71,802	84,434
Net decrease (increase) in restricted cash	(35,556)	(45,282)	(61,264)
Proceeds from sales and maturities of investments	1,527,849	1,527,849	1,716,988
Purchase of investments	(2,050,786)	(2,050,786)	(1,785,829)
Issuance of mortgage notes receivable	(500,000)	(850,000)	-
Repayments received on mortgage notes receivable	349,450	401,540	759,142
Principal payments received under direct financing leases	196,715	1,070,604	188,751
Net cash used in investing activities	<u>(478,778)</u>	<u>125,727</u>	<u>902,222</u>
Change in cash and cash equivalents	(659,471)	(1,161,175)	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>\$ 2,992,173</u>	<u>\$ 2,490,469</u>	<u>\$ 3,651,644</u>

	June 30, 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	\$ (33,213)	\$ (164,551)	\$ 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	(5,500)	(5,500)	(25,490)
Gain on sale of property	-	(39,699)	-
Net realized and unrealized losses (gains) on investments	(18,551)	(18,551)	(43,389)
Interest income on cash and cash equivalents and investments	(33,550)	(71,800)	(80,285)
Interest expense on bonds payable	39,521	79,804	86,666
Changes in:			
Grants receivable	-	-	(37,500)
Other receivables, accrued interest receivable and other assets	43,414	114,513	(9,045)
Accounts payable and accrued expenses	29,890	(42,220)	92,099
Due to the City of Albany	0	(59,507)	59
Unearned grant and other income	100	(52,400)	64,797
Revolving loan fund liability	206	206	373
Net cash provided by operating activities	<u>\$ 22,317</u>	<u>\$ (48,956)</u>	<u>\$ 341,346</u>