



Tuesday, April 21, 2015
8:30 a.m.
21 Lodge Street

CAPITALIZE ALBANY
CORPORATION

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of January 20, 2015
2. Hugh Johnson Advisors update
3. Quarterly Financial Report
4. 40 – 48 South Pearl Street, LLC loan request
5. Other Business

Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
January 20, 2015

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 8:30 a.m., Tuesday, January 20, 2015 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Jeff Sperry
Bob Curley
John Vero
John Harris

Other:

Tom Owens

Staff:

Sarah Reginelli, Brad Chevalier, Mark Opalka and Chantel Burnash.

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 8:30 a.m.

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

The Committee reviewed the minutes of the November 18, 2014 meeting. Jeff Sperry made a motion for approval. Bob Curley seconded. The Committee agreed unanimously to approve the minutes.

4th Quarter Investment Update

Staff reviewed the 4th quarter investment report. In the fourth quarter the value of the investment portfolio of CAC increased by \$21,369.79 to \$3,411,362.16. Currently, cash and cash equivalents are approximately \$1.89 million or 59% of the portfolio; fixed income investments are approximately \$902,000 or 28% of the portfolio; and equities are approximately \$443,000 or 13% of the portfolio.

2014 Loan Debt Allowances

Staff reviewed the bad debt allowance rationale. Angela Boney's allowance percentage was kept at 75%. The borrower made payments of \$3,420 during 2014, but remains 10 months in arrears. Ace Holding's allowance remains at 100% for both CAC direct and Enterprise loans. No payments were made in 2014. Ten Broeck Manor's allowance remains at 50% of outstanding loan balance, with the principal being due in 2018. Albany Center for Economic Success' allowance remains at 100% and no payments were made in 2014. Historic Mansions Pastures LLC reduced its allowance by \$200,000. Steuben Place Partners' allowance remains at 100% and no payments were made in 2014. The Historic Albany Foundation paid its loan balance in

full but still owes accrued interest. The Center for Medical Science's allowance remains at 100% and no payments were made in 2014. There is no allowance on the remaining 22 loans.

Quarterly Financial Reports

Staff reviewed the 4th quarter financial reports with the Committee. On a pre-audit basis, through December 31, 2014, CAC had a net income of approximately \$1,461,000. This position compares favorably to the year-to-date budgeted net loss of approximately \$55,700. CAC had a net loss of approximately \$102,000 during the fourth quarter of 2013.

The significant variances between total budgeted revenue and expense activity through December 31, 2014 and total actual revenue and expense activity is being driven primarily by activity related to the sale of the ground lease at 677 Broadway and the sale of 245 Lark Street. These two transactions resulted in a gain of approximately \$1,450,000.

The year-to-date expenses are \$1,095,932 which is \$260,771 under the 2014 budget. The balance sheet contracted from \$15.5 million as of December 31, 2013 to \$15.4 million as of December 31, 2014. This change is primarily attributable to Impact Downtown Albany cash outlay of approximately \$149,640; depreciation of approximately \$210,000; reduction of bond indebtedness by approximately \$1,070,000 in principal payments; and the gain on sale of 677 Broadway ground lease and the sale of 245 Lark Street.

Other Business

Staff provided an update on the Downtown Albany BID's move into 21 Lodge Street. The move is completed and first month's rent has been received.

Staff also discussed the IDA's professional service and economic development agreements with CAC remains unchanged.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 9:25 a.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 1st Quarter Financial Reports
DATE: April 21, 2015

BUDGET PERFORMANCE

On a pre-audit basis, through March 31, 2015, the Capitalize Albany Corporation (CAC) had a net loss of approximately \$36,600. This position compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$154,000. CAC had a net loss of approximately \$141,000 during the first quarter of 2014.

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

- ***YTD 2015 revenue is \$397,365 which is \$174,184 above the 2015 budget. Excluding program revenue activity, which was not budgeted for, YTD 2015 revenue, is \$244,965 and \$21,784 (10%) above the 2015 budget.***
 - ***Real Estate Income.*** Real Estate income is approximately \$34,600 which is 18% over budget. This positive variance is a direct result of the DBID leasing office space at 21 Lodge Street. This transaction was not budgeted for in the 2015 budget.
 - ***Loan Interest Income.*** Loan interest income is approximately \$26,000 or 7% under budget. This negative variance is a direct result of an early loan repayment.
 - ***Interest and Investment Income.*** YTD 2015 income derived from interest and investments is approximately \$37,860 or 80% over budget. This positive variance is due to overall gains realized on the sale of investments as well as a positive fair market value adjustment of the investments held in the Corporation's investment portfolio.
 - ***Fee Income.*** Fee Income is approximately \$7,900 which is 17% over budget. This positive variance is a result of a borrower utilizing the Enterprise Community Loan program making payments on their delinquent balance.

- **YTD 2015 expenses are \$433,981 which is \$56,819 above the 2015 budget. Excluding the program expense activity, which was not budgeted for, YTD 2015 expenses are \$291,721 and \$85,440 (23%) below the 2015 budget.**
 - **Salaries & Fringe Benefits Expense.** This category is under budget by approximately \$81,600 or 36%. The variance in this category is attributable to position vacancies that occurred during the first quarter as well as the financial consultant position being budgeted to salaries and benefits in the 2015 budget. This expense, which is approximately \$19,370, is currently being expensed in the professional fees category.
 - **Professional Fees.** This category is over budget by approximately \$10,000 or 13%. As noted above the variance in the category is attributable to the financial consultant expenses being budgeted to salary & fringe benefits in 2015. This variance has been offset by lower legal fees incurred during the first quarter.
 - **Administrative Expense.** This category is under budget by approximately \$14,270 or 38%. This is mainly attributable to the Board opt-outs for the Impact Downtown Albany Plan as well as a credits received on the Corporations property insurance policy as a result of the sale of 245 Lark Street which occurred last year.
 - **Occupancy Expense.** This category is over budget by approximately \$650 or 8%. This is attributable to an unanticipated maintenance expenses that occurred during the first quarter on the Corporation's heating system.

LOANS

- There are not any additional loans that have deteriorated to non-performing status during the first quarter of 2015.

BALANCE SHEET

- As of March 31, 2015, compared to December 31, 2014, unrestricted cash has increased by approximately \$225,000. This is primarily attributable to the early payoff of one loan offset by payments of budgeted operating costs.
- Restricted cash has increased due to loan repayments.
- Mortgage notes receivable has decreased by approximately \$394,500. This is a result of one borrower paying off their loan early in the amount of \$244,066 plus scheduled loan payment activity.
- Net investment in direct financing leases has been reduced by approximately \$161,000. This is due to scheduled lease payments, the largest of which are the payments from ACDA. Additionally, ACDA payments are applied to the principal amount of bonds outstanding for 200 Henry Johnson Boulevard.
- Liabilities have been reduced primarily by reduced accounts payable as of March 31, principal payments applied against CAC's bond indebtedness, and reduced Q1 2015 professional service agreement payment due to the City of Albany.

CASH FLOW STATEMENT

- Projected 2015 cash flow provided by operational activities reflect scheduled project grants activity, receipt of payment under the CAIDA Professional Service Agreement, scheduled lease and rental receipts, and payment of various administrative expenses
- Cash used in capital and financing activities reflects scheduled debt service payments and renovations made at 21 Lodge Street during 2015.
- 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

	March 31, 2015	Projected December 31, 2015	December 31, 2014
Assets			
Current Assets:			
Cash and cash equivalents	\$ 4,313,709	\$ 3,826,418	\$ 4,088,737
Investments	3,447,005	3,493,348	3,411,362
Restricted cash	532,074	584,143	515,529
Mortgage notes receivable, net	2,427,629	2,720,795	2,822,105
Net investment in direct financing leases	510,430	498,271	671,521
Accrued interest receivable	53,579	53,579	58,671
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	-	-	101,013
Other receivables, net	107,299	79,391	97,086
Property held for investment and lease, net	2,571,690	2,396,143	2,571,690
Property and equipment, net	405,512	376,540	403,263
Other assets	653,140	653,140	648,532
Total assets	\$ 15,022,067	\$ 14,681,768	\$ 15,389,509
Deferred Outflows of Resources	\$ -	\$ -	\$ -
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 93,173	\$ 59,178	\$ 264,848
Due to the City of Albany	72,892	72,892	99,521
Unearned grant and other income	480,860	480,860	480,860
Bonds payable	2,515,000	2,350,000	2,650,000
Revolving loan fund liability	702,995	702,995	702,825
Unearned program support	83,305	83,305	80,997
Total liabilities	\$ 3,948,224	\$ 3,749,229	\$ 4,279,051
Deferred Inflows of Resources	\$ -	\$ -	\$ -
Net Position			
Net invested in capital assets	\$ 914,953	\$ 914,953	\$ 914,953
Restricted for:			
Debt service	171,446	171,446	171,446
CDBG eligible activities	124,519	124,519	120,278
Other program specific activities	13,269	13,269	13,269
Impact Downtown Albany	-	-	-
Unrestricted	9,849,657	9,708,352	9,890,512
Total net position	\$ 11,073,844	\$ 10,932,539	\$ 11,110,458

	January 1, 2014 - December 31, 2014								
	1ST Qtr	YTD Actual	YTD Budget	Variance - \$	Variance - %	Apr -Dec 2015 Forecast	2015 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 62,500	\$ 62,500	\$ 62,500	\$ -	0%	\$ 439,100	\$ 501,600	\$ 501,600	\$ -
Real Estate Income	34,591	34,591	29,413	5,178	18%	260,819	295,410	277,397	18,013
Professional Service Agreement Income	75,000	75,000	75,000	-	0%	225,000	300,000	300,000	-
Loan Interest Income	25,951	25,951	27,864	(1,914)	-7%	83,593	109,543	111,457	(1,914)
Fee Income	7,891	7,891	6,730	1,161	17%	27,440	35,331	34,170	1,161
Direct Finance Lease Income	673	673	669	4	1%	62,964	63,636	63,632	5
Investment & Interest Income	15,032	15,032	21,005	(5,973)	-28%	49,952	64,983	84,823	(19,840)
FMV Adj on Fidelity Inv	3,340	3,340	-	3,340	100%	-	3,340	-	3,340
G/L on Sale/Redemption	19,487	19,487	-	19,487	100%	-	19,487	-	19,487
Membership & Event Support	500	500	-	500	0%	33,500	34,000	33,500	500
TOTAL REVENUE	\$ 244,965	\$ 244,965	\$ 223,181	\$ 21,784	10%	\$ 1,182,367	\$ 1,427,332	\$ 1,406,578	\$ 20,753
EXPENSE									
Salaries Expense	\$ 145,583	\$ 145,583	\$ 227,219	\$ (81,636)	-36%	\$ 624,930	\$ 770,513	\$ 895,676	\$ (125,163)
Professional Fees	86,772	86,772	76,774	9,999	13%	192,925	279,697	215,275	64,422
Administrative Expenses	23,485	23,485	37,752	(14,267)	-38%	89,357	112,842	128,450	(15,608)
Interest Expense	16,963	16,963	16,963	-	0%	15,702	32,665	32,665	(0)
Real Estate Expenses	8,452	8,452	8,708	(257)	-3%	30,653	39,105	39,300	(195)
Occupancy Expense	8,967	8,967	8,321	646	8%	38,740	47,706	47,157	550
Bad Debt Expense (recovery)	-	-	-	-	-	-	-	-	-
Membership & Event Expense	1,500	1,500	1,425	75	5%	10,450	11,950	11,875	75
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 291,721	\$ 291,721	\$ 377,162	\$ (85,440)	-23%	\$ 1,002,756	\$ 1,294,477	\$ 1,370,398	\$ (75,920)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ (46,757)	\$ (46,757)	\$ (153,980)	\$ 107,224	-70%	\$ 179,611	\$ 132,854	\$ 36,181	\$ 96,673
DEPRECIATION	\$ -	\$ -	\$ -	\$ -	0%	\$ 208,519	\$ 208,519	\$ 208,519	\$ -
NET INCOME (LOSS) AFTER DEPRECIATION	\$ (46,757)	\$ (46,757)	\$ (153,980)	\$ 107,223	-70%	\$ (28,908)	\$ (75,665)	\$ (172,338)	\$ 96,673
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ 152,400	\$ 152,400	\$ -	\$ 152,400	0%	\$ -	152,400	\$ -	\$ 152,400
Downtown Tactical Plan	-	-	-	-	0%	20,000	20,000	-	20,000
New York Main Street	-	-	-	-	0%	236,250	236,250	-	236,250
Total Program Income	\$ 152,400	\$ 152,400	\$ -	\$ 152,400	0%	\$ 256,250	\$ 408,650	\$ -	\$ 408,650
PROJECT & PROGRAM EXPENSE									
Blight to Betterment	\$ 142,110	\$ 142,110	\$ -	\$ 142,110	0%	\$ -	142,110	\$ -	\$ 142,110
Downtown Tactical Plan	150	150	-	150	0%	143,645	143,795	100,000	43,795
New York Main Street	-	-	-	-	0%	225,000	225,000	-	225,000
Total Program Expense	\$ 142,260	\$ 142,260	\$ -	\$ 142,260	0%	\$ 368,645	\$ 510,905	\$ 100,000	\$ 410,905
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ 10,140	\$ 10,140	\$ -	\$ 10,140	0%	\$ (112,395)	\$ (102,255)	\$ (100,000)	\$ (2,255)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ (36,616)	\$ (36,616)	\$ (153,980)	\$ 117,364	-76%	\$ (141,303)	\$ (177,920)	\$ (272,338)	\$ 94,418

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

Pre Audited Draft

	YTD March, 2015	Projected December 31, 2015	Year Ended December 31, 2014
Revenues			
Grant income and Contribution Income	\$ 214,900	\$ 910,250	\$ 698,397
Rental income	35,260	297,626	344,500
Other interest and investment income	37,860	149,227	170,426
Interest income on mortgage notes	25,951	109,543	88,737
Gain on sale of properties	-	-	1,457,824
Fees and other income	83,391	369,331	375,036
Total revenues	<u>397,362</u>	<u>1,835,977</u>	<u>3,134,920</u>
Expenses			
Salaries and fringe benefits	145,583	770,513	668,159
Program and project costs	152,212	729,007	592,458
Interest expense	16,963	32,665	68,262
Bad debt expenses (recovery)	-	-	(202,751)
Administrative Expenses	119,220	481,712	546,737
Total expenses	<u>433,978</u>	<u>2,013,897</u>	<u>1,672,865</u>
Excess of (expenses over revenues) revenues over expenses	(36,616)	(177,920)	1,462,055
Net Position, Beginning of Year	<u>11,110,458</u>	<u>11,110,458</u>	<u>9,648,403</u>
Net Position, End of Month	<u>\$ 11,073,844</u>	<u>\$ 10,932,539</u>	<u>\$ 11,110,458</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	March 31, 2015	Projected December 31, 2015	December 31, 2014
Cash Flows From Operating Activities			
Cash received from customers	\$ 154,798	\$ 590,040	\$ 545,091
Cash received from grantors	215,070	910,420	668,165
Other operating cash receipts	83,391	369,331	374,136
Cash payments to suppliers and grantees	(469,741)	(1,234,506)	(859,974)
Cash payments to employees	(145,583)	(770,511)	(668,159)
	<u>(162,065)</u>	<u>(135,226)</u>	<u>59,259</u>
Net cash provided by operating activities			
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of property held for sale	-	-	1,661,383
Purchase of property held for investment and lease	-	-	-
Purchase of property and equipment	(2,249)	(6,249)	(8,928)
Purchase of other assets including purchase options	-	-	-
Principal payments on bonds payable	(135,000)	(300,000)	(1,218,590)
Interest paid on bonds payable	(16,963)	(32,665)	(74,452)
	<u>(154,212)</u>	<u>(338,913)</u>	<u>359,413</u>
Net cash used in capital and related financing activities			
Cash Flows From Investing Activities			
Interest on cash and cash equivalents and investments	15,036	65,028	69,295
Net decrease (increase) in restricted cash	(16,545)	(68,614)	(66,545)
Proceeds from sales and maturities of investments	952,891	952,891	2,668,552
Purchase of investments	(965,707)	(1,012,050)	(3,221,860)
Issuance of mortgage notes receivable	-	(400,000)	(900,000)
Repayments received on mortgage notes receivable	394,476	501,310	401,621
Principal payments received under direct financing leases	161,094	173,254	1,067,359
	<u>541,246</u>	<u>211,820</u>	<u>18,422</u>
Net cash used in investing activities			
Change in cash and cash equivalents	224,969	(262,320)	437,094
Cash and cash equivalents:			
Beginning of year	<u>4,088,738</u>	<u>4,088,738</u>	<u>3,651,644</u>
End of year	<u>\$ 4,313,709</u>	<u>\$ 3,826,418</u>	<u>\$ 4,088,738</u>

	March 31, 2015	Projected December 31, 2015	December 31, 2014
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	\$ (36,616)	\$ (177,920)	\$ 1,462,055
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	-	208,519	212,181
Adjustment for losses on mortgage notes and other receivables	-	-	(203,201)
Gain on sale of property	-	-	(1,457,824)
Net realized and unrealized losses (gains) on investments	(22,828)	(22,828)	(660)
Interest income on cash and cash equivalents and investments	(15,036)	(65,029)	(69,831)
Interest expense on bonds payable	16,963	32,665	68,262
Changes in:			
Grants receivable	-	-	-
Other receivables, accrued interest receivable and other assets	93,592	121,500	10,456
Accounts payable and accrued expenses	(171,681)	(205,674)	67,026
Due to the City of Albany	(26,629)	(26,629)	14
Unearned grant and other income	-	-	(29,796)
Revolving loan fund liability	170	170	577
	<u>170</u>	<u>170</u>	<u>577</u>
Net cash provided by operating activities	<u>\$ (162,065)</u>	<u>\$ (135,226)</u>	<u>\$ 59,259</u>