



**CAPITALIZE ALBANY**  
**CORPORATION**

**Wednesday, October 5, 2016**

21 Lodge Street

8:30 a.m.

Capitalize Albany Corporation  
Audit Committee

## Agenda

1. Review and Approval of Minutes from the Audit Committee Meeting of March 21, 2016
2. 2016 UHY Audit Presentation
3. Annual Review of Corporate Policies
  - a. Review Ethics Policy
  - b. Review Conflict of Interest Policy
  - c. Review Whistleblower Policy
4. Other Business

**Capitalize Albany Corporation  
Audit Committee Meeting  
MINUTES  
March 21, 2016**

The meeting of the Capitalize Albany Corporation Audit Committee Meeting was held at 1:00 p.m., Monday, March 21, 2016 at 21 Lodge Street, Albany, NY.

The following were in attendance:

**Committee Members:**

Michael Fancher, Susan Pedo and James Linnan

**Other:**

Thomas M. Owens, Esq.  
Alex Zhang and Alicia Buchan from UHY Advisors

**Staff:**

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

The regular meeting of the Capitalize Albany Corporation Audit Committee Meeting was called to order at 1:00 p.m.

**Approval of Minutes for September 10, 2015 Audit Committee Meeting**

The Audit Committee reviewed the minutes of the September 10, 2015 meeting. James Linnan made a motion for approval. Susan Pedo seconded. The Committee agreed unanimously to approve the minutes.

**UHY 2015 Audit and Draft 2015 Audited Financial Statements**

UHY presented the review of the audit results and report dated December 31, 2015. Mr. Zhang and Ms. Buchan reviewed the Independent Auditor's report and noted the Corporation received a clean or "unqualified" opinion, which the highest/best form of audit opinion possible. The Independent Auditor's report did not identify any deficiencies in internal control. Mr. Zhang stated there were no disagreements with the Corporation's management during the 2015 audit and no material misstatements were detected as a result of their audit procedures. Mr. Zhang indicated that because the Corporation is no longer a component unit status of the City of Albany, that change was reflected in the report. He informed the Committee that his team had no difficulties conducting the audit, giving credit to management and staff's adherence to the reporting process. The UHY Advisors team left the meeting.

Staff and Committee discussed performance of UHY Advisor's audit team, commending them for their excellent, in-depth and timely works. This is Alex Zhang's fourth year as Lead Audit Partner for the Corporation.

A motion to move the 2015 audited financial statements to the next Board meeting after any necessary revisions are made to the draft was made by James Linnan. Susan Pedo seconded. A vote being taken, the motion passed unanimously.

**Review of Draft 2015 Annual Report**

Staff reviewed the draft 2015 Annual Report with the Committee. A motion to move the 2015 Annual Report to the full Board with positive recommendation, subject to any additional updates to the draft, was made by James Linnan and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

**Review of Draft 2015 Procurement Report**

Staff reviewed the draft 2015 Procurement Report with the Committee. A motion to move the 2015 Procurement Report to the full Board, subject to any necessary changes made to the draft, was made by James Linnan and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

**Review of Draft 2015 Investment Report**

Staff reviewed the draft 2015 Investment Report with the Committee. A motion to move the 2015 Investment Report to the full Board, subject to any necessary changes made to the draft, was made by James Linnan and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

**Review of Draft 2015 Public Authorities performance measurements report**

Staff reviewed the draft 2015 Public Authorities performance measurements report with the Committee. A motion to move the 2015 Public Authorities performance measurements report to the full Board, subject to any necessary changes made to the draft, was made by James Linnan and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

**Review of Draft 2015 Management Assessment of Internal Controls Report**

Staff reviewed the draft 2015 Management Assessment of Internal Controls report with the Committee. A motion to move the 2015 Management Assessment of Internal Controls report to the full Board, subject to any necessary changes made to the draft, was made by James Linnan and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

**Review Audit Committee Charter**

Staff reviewed the Audit Committee Charter, which has not changed from the previous year. This annual review is a recommended best practice of the ABO.

**Review of Draft 2015 Audit Committee Annual Report**

Staff reviewed the draft 2015 Audit Committee Annual Report with the Committee.

**Other Business**

None.

There being no further business the Capitalize Albany Corporation Audit Committee meeting was adjourned at 1:45 p.m.

# AUDIT PLAN PRESENTATION

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CAPITALIZE ALBANY CORPORATION

OCTOBER 5, 2016



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## LETTER TO THE AUDIT COMMITTEE

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To the Audit Committee of Capitalize Albany Corporation

As you know, UHY LLP is committed to the highest quality in all that we do. This begins with our team members who are selected to serve you based on experience, technical skill and industry understanding. Our teams use methodologies, supported by the latest industry and professional tools to help ensure efficient and effective client engagements.

Thank you for allowing us to serve you this year. If you have any questions or want to speak with us about any matter, please don't hesitate to contact me at (518) 694-5838.

Sincerely yours,

Alex Zhang, CPA  
Client Service Partner

# AGENDA

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- **Client Service Team**
- **Audit Objectives and Strategy**
- **Areas of Focus**
- **New Accounting and Auditing Pronouncements**
- **Required Communications**
- **Anticipated Timeline**
- **Engagement Deliverables**

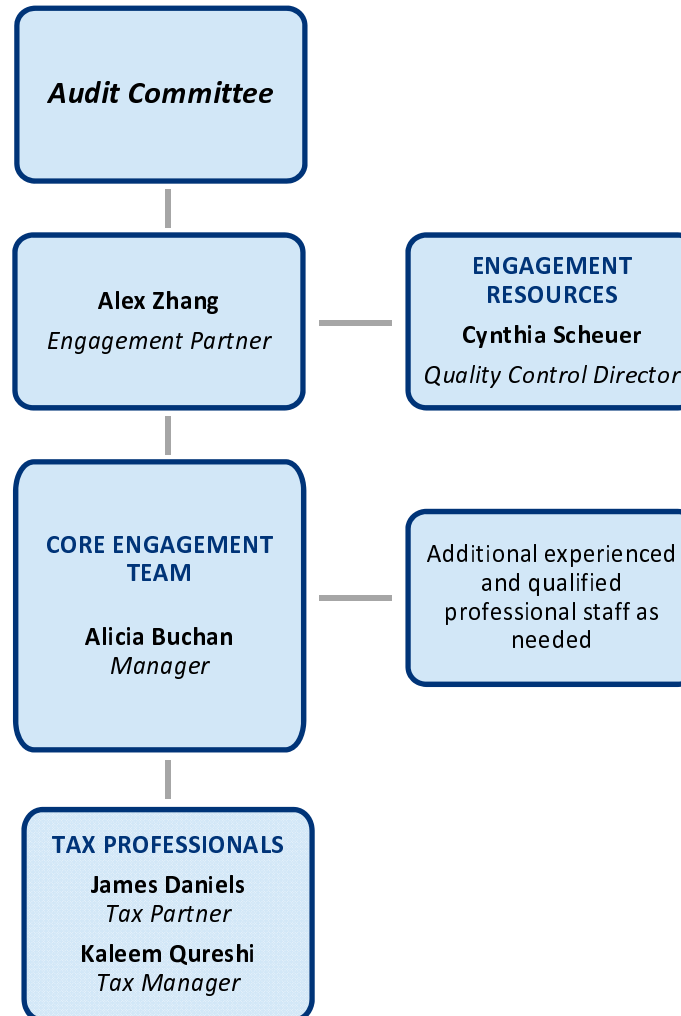
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## CLIENT SERVICE TEAM

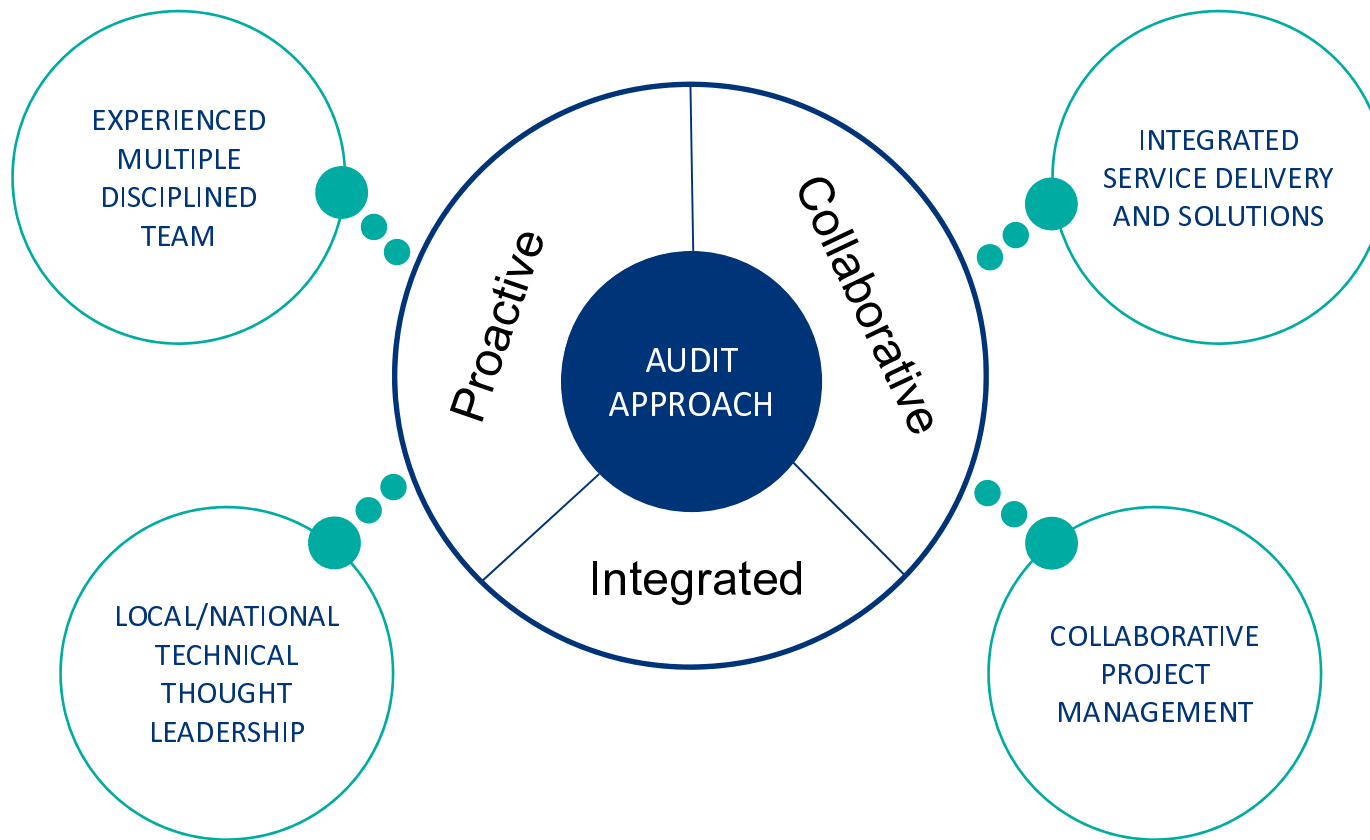


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# HOW WE AUDIT



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# AUDIT OBJECTIVES AND STRATEGY

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## ***Audit Objectives:***

We will conduct an independent audit of Capitalize Albany Corporation's December 31, 2016 financial statements in accordance with generally accepted auditing standards and Government Auditing Standards.

- We provide independent assurance that the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP)
- An audit of financial statements is designed to provide reasonable, not absolute, assurance that the financial statements taken as a whole are free from material misstatement
- Reasonable assurance relates to the accumulation of sufficient appropriate audit evidence necessary for the auditor to conclude that there are no material misstatement in the financial statements taken as a whole
- We continue to provide feedback to management, the Audit Committee, and the Board of Directors on emerging accounting and auditing issues, regulatory matters, internal control considerations, and other issues

# AUDIT OBJECTIVES AND STRATEGY

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## ***Audit Strategy:***

We will use an audit approach that includes the following primary elements:

- We will assess risks posed by the Corporation's significant activities and the potential effects of those activities on the financial statements
- We will allocate effort and design procedures consistent with the results of the risk assessment
- We will consider the Corporation's internal control over financial reporting and other cycles in place to mitigate risks
- Based on our risk assessment we will determine the nature, timing, and extent of our audit procedures related to routine transactions as well as key management judgments and estimates, emerging issues, and non-routine transactions

# AREAS OF AUDIT FOCUS

Critical Audit Areas	Significant Matters for Consideration
<input type="checkbox"/> Cash, cash equivalents and investments	<input type="checkbox"/> Restriction, valuation and disclosures
<input type="checkbox"/> Investments in direct financing leases	<input type="checkbox"/> Revenue recognition
<input type="checkbox"/> Property held for investment and lease	<input type="checkbox"/> Valuation and disclosures
<input type="checkbox"/> Mortgage notes receivable and allowance	<input type="checkbox"/> Valuation (allowance) and disclosure
<input type="checkbox"/> Grant income and deferred	<input type="checkbox"/> Revenue recognition
<input type="checkbox"/> Bonds and loan payable	<input type="checkbox"/> Disclosure
<input type="checkbox"/> Revolving loan fund liability	<input type="checkbox"/> Disclosure
<input type="checkbox"/> Program and other expenses	<input type="checkbox"/> Eligibility and allocation
<input type="checkbox"/> Net position (restricted and unrestricted)	<input type="checkbox"/> Classification
<input type="checkbox"/> Internal control and compliance	<input type="checkbox"/> Government Auditing Standards
<input type="checkbox"/> New/significant transactions	<input type="checkbox"/> Accounting and financial reporting

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# NEW ACCOUNTING AND AUDITING PRONOUNCEMENTS

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- ❑ **No significant GASB pronouncements impacting the Corporation's 2016 financial statements**
- ❑ **Other**

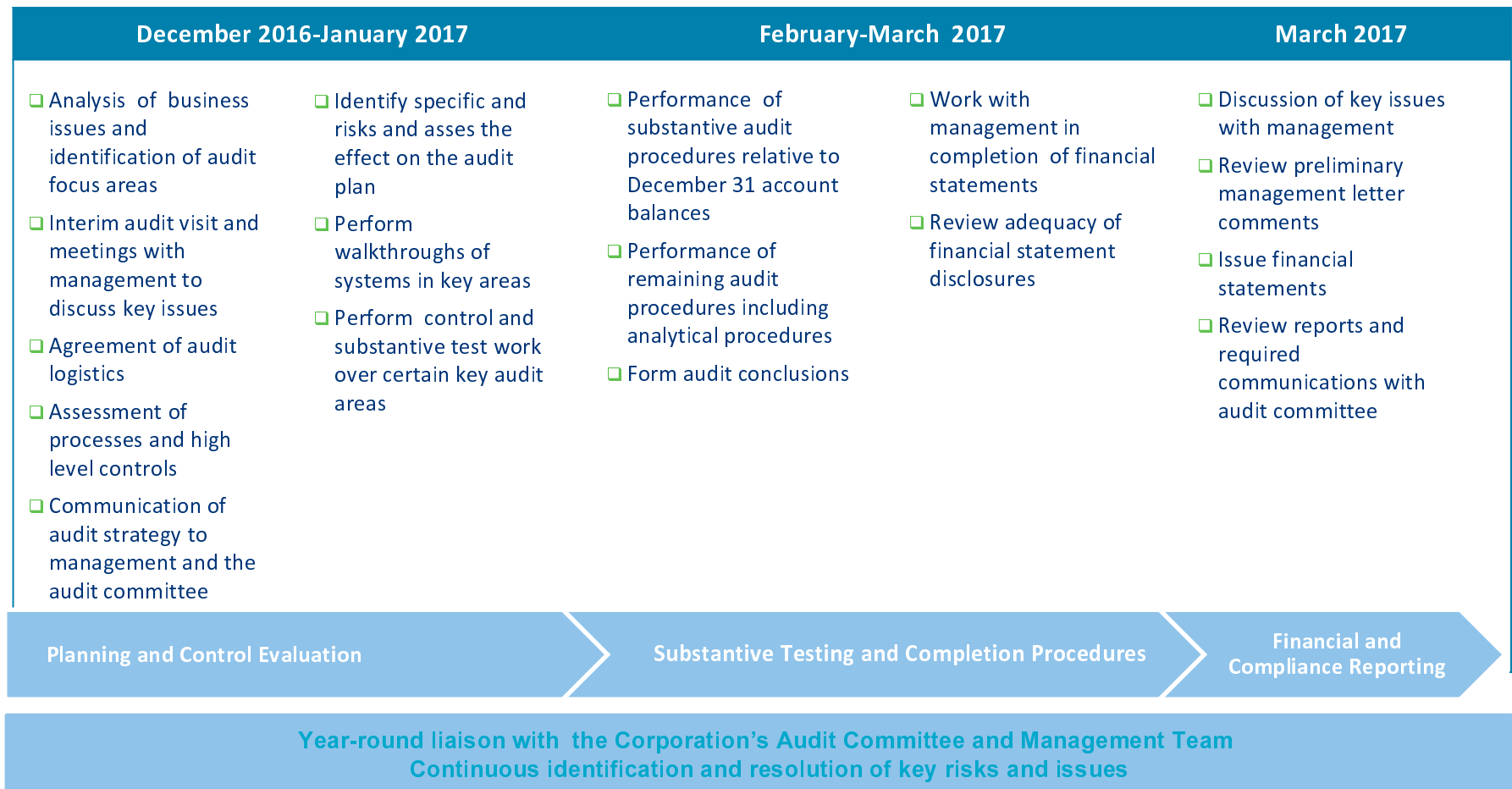
# REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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## Matters to be communicated:

- ❑ UHY LLP's responsibilities under generally accepted auditing standards
- ❑ Management responsibilities
- ❑ An overview of the planned scope and timing of the audit
- ❑ Materiality
- ❑ Significant findings resulting from the audit
- ❑ Any illegal acts that come to our attention
- ❑ Inquiries about the risks of fraud and whether those charged with governance have knowledge of or suspect fraud
- ❑ Any significant deficiencies or material weaknesses in internal control identified during our audit work

# AUDIT TIMELINE



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## ENGAGEMENT DELIVERABLES

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- ❑ Report on the audit of financial statements of Capitalize Albany Corporation for the year ended December 31, 2016
  - Report on basic financial statements accompanied by MD&A
  - Report on internal control over financial reporting and on compliance and other matters
- ❑ Issue Management Letter (if applicable) to the Audit Committee and management on our recommendations regarding internal controls and other operational matters
- ❑ Communicate audit results with the Audit Committee
- ❑ Prepare tax returns

# DISCUSSION

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LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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# **CAPITALIZE ALBANY CORPORATION**

## **CODE OF ETHICS**

This Code of Ethics shall apply to all Directors and employees of the Capitalize Albany Corporation (CAC). These policies shall serve as a guide for official conduct and are intended to enhance the ethical and professional performance of CAC's Directors and employees and to preserve confidence in the CAC's mission.

### **Responsibility of Directors and Employees**

- a. No Director or employee of CAC should accept other employment which will impair his/her independence of judgment in the exercise of his/her official duties. If such a condition exists, then such Director or employee should disclose such other employment to the Corporation and recuse himself/herself from participation in decision-making/voting related to the relevant matter.
- b. No Director or employee of CAC should accept employment or engage in any business or professional activity which will require him/her to disclose confidential CAC information which he/she has gained by reason of his/her CAC position or authority.
- c. Directors and employees shall manage all matters within the scope of the CAC's mission independent of any other affiliations or employment. Directors and employees employed by more than one entity shall strive to fulfill their professional responsibility to the CAC without bias and shall support the CAC's mission to the fullest.
- c. No Director or employee of CAC should disclose confidential CAC information acquired by him/her in the course of his/her CAC duties nor use such information to further his/her personal interests.
- d. No Director or employee of CAC should use or attempt to use his/her or her official position to secure unwarranted privileges or exemptions for himself/herself or others, including but not limited to, the misappropriation to himself/herself or to others of CAC property, services or other resources for non-CAC purposes.
- e. No Director or employee of CAC should engage in any transaction as representative or agent of CAC with any business entity in which he/she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his/her CAC duties. If such a condition exists, then such Director or employee should disclose that he/she possesses an interest that may present a conflict with his/her CAC duties and recuse himself/herself from participation in decision-making/voting related to the relevant matter.
- f. An Director or employee of CAC should not by his/her conduct give reasonable basis for the impression that any person can improperly influence him/her or unduly enjoy his/her favor in the performance of his/her official duties, or that he/she is affected by the kinship, rank, position or influence of any party or person. Directors and employees shall not accept or receive any gift or

gratuities where the circumstances would permit the inference that: (a) the gift is intended to influence the individual in the performance of CAC business or (b) the gift constitutes a tip, reward, or sign of appreciation for any official CAC act by the individual.

g. An Director or employee of CAC should abstain from making personal investments in enterprises which he/she has reason to believe may be directly involved in decisions to be made by him/her or which will otherwise create substantial conflict between his/her CAC duty and his/her private interest. Similar to (a) above, if such a condition exists, then such Director or employee should disclose that he/she possesses an interest that may present a conflict with his/her CAC duties and recuse himself/herself from participation in decision-making/voting related to the relevant matter.

h. An Director or employee of CAC should endeavor to pursue a course of conduct which will not raise suspicion among the public that he/she is likely to be engaged in acts that are in violation of his/her CAC duties and responsibilities.

### **Implementation of Code of Ethics**

This Code of Ethics shall be provided to all Directors and employees upon commencement of employment or appointment and shall be reviewed annually by the Governance Committee. The Board may designate an Ethics Director, who shall report to the Board and shall have the following duties:

- Provide counsel (in confidence or otherwise as requested) to CAC Directors and employees who seek advice about ethical behavior;
- Receive and investigate complaints about possible ethics violations;
- Dismiss complaints found to be without substance;
- Prepare an investigative report of findings for the President or designee or the Board;
- Record the receipt of gifts or gratuities of any kind received by a Director or employee (recipients of such gifts shall notify the Ethics Director within 48 hours of receipt of such gifts/gratuities)

### **Penalties**

In addition to any penalty contained in any other provision of law, a CAC Director or employee who knowingly and intentionally violates the provisions of this code may be removed in the manner provided for in law, rules or regulations.

### **Reporting Unethical Behavior**

Directors and employees are required to report possible unethical behavior by a Director or employee of the CAC to the Ethics Director. Directors and employees may file ethics complaints anonymously and are protected from retaliation by the policies adopted by the CAC.

## **Conflict of Interest Policy**

A major strength of the Capitalize Albany Corporation (CAC) is the insight and knowledge provided by its Board of Directors. Due to their respective business/government positions, member of the CAC Board are active in the community and in business transactions within the City of Albany. Inevitably, perceived or real conflicts of interests and governance issues may arise. Conflict of interests (real and perceived) should not prevent an individual from serving as a director or staff member unless the extent of the interest is so significant that the potential for divided loyalty is present in a significant number of situations. CAC's **Conflict of Interest policy** requires that members of the Board of Directors and staff reveal any personal, family or business interests that they have, that, by creating a divided loyalty, could influence their judgment as it relates to CAC. **A conflict of interest exists** whenever an individual could benefit, directly or indirectly, from access to information or from a decision over which they might have influence, or, where someone might reasonably perceive there to be such a benefit and influence. Examples of possible conflict of interest situation with respect to CAC include, but are not limited to:

- A board or staff member has a personal or business relationship with the CAC as a supplier of goods or services or as a landlord or tenant
- A board or staff member has a direct or indirect interest financially in any contract entered into by CAC or accepts any gratuity, financial or otherwise, from any vendor of CAC
- A board or staff member has a personal or financial relationship with a client/borrower of CAC
- CAC is employing someone who is directly related to, or has a personal or financial relationship with, a board member or other staff member
- Conduct that is disloyal, disruptive, competitive, or damaging to CAC; for example, staff should not accept outside employment if that employment is to be conducted during the hours that the staff member is working for CAC, or if such employment conflicts with the effectiveness of the staff member's work for CAC
- A board or staff member is utilizing CAC information or services for their personal use
- A staff member is performing activities that are unrelated to CAC work during working hours
- A staff member of CAC shall not directly or indirectly, solicit any gift, or accept or receive any gift having a value of seventy-five dollars or more, whether in the form of money, services, loan, travel, entertainment, hospitality, thing or promise, or any other form.

## Procedure for Handling an Actual, Perceived or Possible Conflict of Interest

1. The Board shall annually complete a “Conflict of Interest Declaration” which shall be reviewed by the CAC Governance/Audit Committees to determine if the potential for a conflict of interest exists. Additionally, prior to election of any new member of the Board, such member will complete/submit the declaration to the CAC Governance/Audit Committees.
2. In addition to the declaration submitted in accordance with #1 above, members of the Board and staff have a duty to disclose (as soon as practicable) any personal, family, or business interests that may, in the eyes of another person, influence their judgment.
3. The Board as a whole has a duty to disclose specific conflicts or interests to the CAC Governance Committee when that interest may affect the reputation or credibility of the organization, and to disclose the Board’s procedure for operating in the presence of such conflicts.
4. Board members and staff have a duty to recuse themselves from participating in any discussion and voting on matters on which they have a conflict of interest. Such exemptions should be recorded in minutes of meetings if normally kept.
5. Any business relationship between an individual (or a company where the individual is an owner or in a position of authority) and CAC, outside of their relationship as a Board or staff member, must be formalized in writing and approved by the Audit/Governance Committee and the full Board of Directors.

**Annual Completion of Conflict of Interest Declaration**

To: Capitalize Albany Corporation Nominating/Governance Committee  
21 Lodge Street  
Albany, NY 12207

This Annual Statement is made pursuant to the Conflict of Interest Policy of the Capitalize Albany Corporation. The undersigned has received a copy of the CAC Conflict of Interest Policy, has read and understands such policy, and has complied and agrees to comply with such policy. In addition to specific disclosures by the undersigned of actual or possible conflicts of interest as matters have arisen at meetings attended by the undersigned, please be advised of the following (indicate any other affiliations, boards, etc. that may lead to discloseable conflicts of interest; if none, please so state):

- 1. Please list primary employer and address:

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- 2. Please list any office, trusteeships, directorship, position, or relationship of ANY nature (e.g. lawyer, lobbyist, consultant, etc.), whether compensated or not, held by you with any person, firm, corporation or other organization who or which is known by you have any matter pending or financial relationship with Capitalize Albany Corporation.

<u>Agency</u>	<u>Nature of Affiliation/Relationship</u>
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Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **CAC Whistleblower Policy and Procedures**

**Purpose.** It is the policy of Capitalize Albany Corporation (“CAC”) to afford certain protections to individuals who in good faith report violations of CAC’s Code of Ethics or other instances of potential wrongdoing. The Whistleblower Policy and Procedures set forth below are intended to encourage and enable employees to raise concerns in good faith within CAC and without fear of retaliation or adverse employment action.

### **Definitions.**

“Good Faith”: Information concerning potential wrongdoing is disclosed in “good faith” when the individual making the disclosure reasonably believes such information to be true and reasonably believes that it constitutes potential wrongdoing.

“CAC Employee”: All CAC board members, and officers and staff employed whether full-time, part-time, employed pursuant to contract, employees on probation and temporary employees.

“Whistleblower”: Any CAC Employee who in good faith discloses information concerning wrongdoing by another CAC employee, or concerning the business of CAC.

“Wrongdoing”: Any alleged corruption, fraud, criminal or unethical activity, misconduct, waste, conflict of interest, intentional reporting of false or misleading information, or abuse of authority engaged in by a CAC Employee (as defined herein) that relates to CAC.

“Personnel action”: Any action affecting compensation, appointment, promotion, transfer, assignment, reassignment, reinstatement or evaluation of performance.

### **Section 1: Reporting Wrongdoing.**

All CAC Employees who discover or have knowledge of potential wrongdoing concerning board members, officers, or employees of CAC; or a person having business dealings with CAC; or concerning the CAC itself, shall report such activity in accordance with the following procedures:

- a) The CAC Employee shall disclose any information concerning wrongdoing either orally or in a written report to his or her supervisor, or to the CAC’s Board Chairman, or general counsel.
- b) All CAC Employees who discover or have knowledge of wrongdoing shall report such wrongdoing in a prompt and timely manner.
- c) The identity of the whistleblower and the substance of his or her allegations will be kept confidential to the best extent possible.
- d) The individual to whom the potential wrongdoing is reported shall investigate and handle the claim in a timely and reasonable manner, which may include referring such



information to the Authorities Budget Office or an appropriate law enforcement agency where applicable.

e) Should a CAC Employee believe in good faith that disclosing information pursuant to Section 1(a) above would likely subject him or her to adverse personnel action or be wholly ineffective, the CAC Employee may instead disclose the information to the Authorities Budget Office or an appropriate law enforcement agency, if applicable. The Authorities Budget Office's toll free number (1-800-560-1770) should be used in such circumstances.

### **Section 2: No Retaliation or Interference.**

No CAC Employee shall retaliate against any Whistleblower for the disclosure of potential wrongdoing, whether through threat, coercion, or abuse of authority; and, no CAC Employee shall interfere with the right of any other CAC Employee by any improper means aimed at deterring disclosure of potential wrongdoing. Any attempts at retaliation or interference are strictly prohibited and:

a) No CAC Employee who in good faith discloses potential violations of CAC's Code of Ethics or other instances of potential wrongdoing, shall suffer harassment, retaliation or adverse personnel action.

b) All allegations of retaliation against a Whistleblower or interference with an individual seeking to disclose potential wrongdoing will be thoroughly investigated by CAC.

c) Any CAC Employee who retaliates against or had attempted to interfere with any individual for having in good faith disclosed potential violations of CAC's Code of Ethics or other instances of potential wrongdoing is subject to discipline, which may include termination of employment.

d) Any allegation of retaliation or interference will be taken and treated seriously and irrespective of the outcome of the initial complaint, will be treated as a separate matter.

### **Section 3: Other Legal Rights Not Impaired.**

The Whistleblower Policy and Procedures set forth herein are not intended to limit, diminish or impair any other rights or remedies that an individual may have under the law with respect to disclosing potential wrongdoing free from retaliation or adverse personnel action.

a) Specifically, these Whistleblower Policy and Procedures are not intended to limit any rights or remedies that an individual may have under the laws of the State of New York, including but not limited to the following provisions: Civil Service Law § 75-b, Labor Law § 740, and State Finance Law § 191 (commonly known as the "False Claims Act).

b) With respect to any rights or remedies that an individual may have pursuant to Civil Service Law § 75-b or Labor Law § 740, any employee who wishes to preserve such rights shall prior to disclosing information to a government body, have made a good faith effort to provide the appointing authority or his or her designee the information to be disclosed and shall provide

the appointing authority or designee a reasonable time to take appropriate action unless there is imminent and serious danger to public health or safety.

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