



CAPITALIZE ALBANY
CORPORATION

Monday, July 17, 2017
21 Lodge Street, 11:00 a.m.

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of May 15, 2017
2. Quarterly Financial Report
3. Quarterly Investment Update
4. 526 Central Avenue Update
5. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
May 15, 2017**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 12:00 p.m., Monday, May 15, 2017 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Anders Tomson, Jeff Sperry, Bob Curley and John Harris

Other:

Thomas M. Owens, Esq. and Bob Hennes, Hugh Johnson Advisors

Staff:

Sarah Reginelli, Mark Opalka, Joe Landy and Chantel Burnash

Excused:

John Vero

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 12:02 p.m.

Approval of Minutes for April 21, 2017 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the April 21, 2017 meeting. Jeff Sperry made a motion for approval. Anders Tomson seconded. The Committee agreed unanimously to approve the minutes.

Banking Services Update

Staff informed the Committee that as recommended by the Committee at the March meeting, Staff reviewed competitive bank rates and fees as a possible third bank option for restricted funds. Staff informed the Committee that upon review of the three financial institutions qualified by the previous RFP, Capital Bank had the highest interest rates for money market accounts in the downtown Albany area and was selected.

Review of Investment Portfolio

Bob Hennes of Hugh Johnson Advisors reviewed the Capitalize Albany Investment Portfolio Report and the Short Term Investment Services Report as of March 31, 2017 with the Committee. Mr. Hennes discussed in detail the Investment Portfolio. Mr. Hennes advised the Committee that Corporation's Investment Portfolio remains appropriate. The Committee members discussed the Policy, and concluded that the Corporation's strategy and policy is both appropriate and prudent.

The Committee recommended that Hugh Johnson Advisors present the portfolio at a full Board meeting.

Mr. Hennes left the room for the remainder of the meeting.

Other Business

Staff reviewed the status of active projects and gave the Committee an update on the grant programs.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 12:55 p.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 2nd Quarter Financial Reports
DATE: July 17, 2017

BUDGET PERFORMANCE

On a pre-audit basis, through June 30, 2017, the Capitalize Albany Corporation had net income of \$79,862. This position compares favorably to the year-to-date (YTD) budgeted net loss of \$27,595. Capitalize Albany Corporation had net income of \$12,015 at June 30, 2016.

My comments below address those categories that deviate in excess of 5% and greater than \$5,000 from the YTD budget.

- ***YTD 2017 revenue is \$637,168 which is \$27,443 (5%) above the 2017 budget.***
 - **General Economic & Community Development Support Income.** General Economic & Community Development Support Income is \$230,006 which is \$12,537 (5%) under budget. This variance is directly attributable to the disbursement timing of the ACDA support income for the program year from June 2016 through May 2017. As this income is based on work on CDBG-eligible projects, the Corporation frontloaded disbursements for 2016 when staffing levels were higher.
 - **Investment & Interest Income.** Interest and Investment Income is \$62,488 which is \$26,605 (74%) over budget. This positive variance is a direct result of market performance, primarily in the equity portion, of the Corporation's investment portfolio that occurred during the first half 2017.
 - **Loan Interest Income.** Loan Interest Income is \$44,972 which is \$7,253 (14%) under budget. This is a direct result of early loan payoffs which occurred in the first quarter of 2017.
 - **Membership & Event Support.** Membership and Event Support is \$33,640 which is \$8,640 (35%) over budget. This is a direct result of an investors taking advantage of the early bird discount to sponsor the Corporation's annual event as well the Corporation receiving more investor payments than was budgeted for.
 - **Project & Program Revenue.** Project and Program revenue is \$8,261. This revenue is from grant monies realized for the Amplify Albany grant program. These revenues have offsetting project and program expenses. This revenue was not budgeted for in the 2017 budget.

- **YTD 2017 expenses are \$557,306 which is \$83,014 (13%) below the 2017 budget.**
 - **Salary & Fringe Expense.** Salary and Fringe expense are \$327,599 which is \$69,690 (18%) under budget under budget. This variance is attributable to lower staffing levels compared to 2016.
 - **Professional Fee Expense.** Professional fee expenses are \$133,317 which is \$14,978 (10%) under budget. The variance is attributable to lower legal and accounting fees incurred by the Corporation.
 - **Administrative Expense.** Administrative expenses are \$44,845 which is \$5,055 (10%) under budget. The variance is attributable to lower office supply, director and meeting expenses.
 - **Project & Program Expense.** Project and Program Expenses are \$8,261. This expense was for the grant disbursements for the Amplify Albany program. These expenses were not budgeted for in the 2017 budget.

LOANS

- **Sixty State Place, LLC** – This borrower, who utilized funds from Capitalize Albany’s real estate loan fund, paid their loan in full in February.
- **Ten Broeck Loans** – Two Ten Broeck loans paid their loans in full during 2017.

BALANCE SHEET

- At June 30, 2017, compared to December 31, 2016, unrestricted cash has increased by \$544,584.
- Restricted cash has increased \$30,717 due to loan repayments.
- Mortgage notes receivable has decreased by \$492,751. This is a result of a loan payoffs as well as loan payment activity.
- Net investment in direct financing leases has been reduced by approximately \$166,734. 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 by \$182,804. This is due to reduced accounts payable and principal payments applied against the Corporation’s bond indebtedness.

CASH FLOW STATEMENT

- Currently, the Corporation’s December 31, 2017 cash and cash equivalents are anticipated to decrease by approximately \$201,750 to \$4,168,514. This decrease is primarily attributable to a budgeted loan disbursement that is projected to occur during 2017 as well as projected Amplify Albany and Retail grant disbursements.

- Projected 2017 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 during 2017.
- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2017 - December 31, 2017								
	Q2	YTD Actual	YTD Budget	Variance - \$	Variance - %	July -Dec 2017 Forecast	2017 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 167,506	\$ 230,006	\$ 242,543	\$ (12,537)	-5%	\$ 254,900	\$ 484,906	\$ 497,443	\$ (12,537)
Real Estate Income	36,552	71,461	71,788	(326)	0%	228,708	300,169	298,709	1,460
Professional Service Agreement Income	87,146	174,291	174,291	-	0%	174,291	348,582	348,582	-
Loan Interest Income	20,561	44,972	52,224	(7,253)	-14%	51,214	96,185	104,449	(8,263)
Fee Income	5,489	11,500	10,568	933	9%	17,318	28,818	27,885	933
Direct Finance Lease Income	300	549	429	121	28%	22,669	23,218	23,098	121
Investment & Interest Income	20,782	39,520	35,883	3,637	10%	35,883	75,403	71,766	3,637
FMV Adj on Fidelity Inv	3,147	24,427	-	24,427	100%	-	24,427	-	24,427
G/L on Sale/Redemption	445	(1,459)	-	(1,459)	100%	-	(1,459)	-	(1,459)
Membership & Event Support	33,000	33,640	25,000	8,640	35%	3,500	37,140	33,500	3,640
TOTAL REVENUE	\$ 374,927	\$ 628,907	\$ 612,725	\$ 16,182	3%	\$ 788,482	\$ 1,417,389	\$ 1,405,432	\$ 11,957
EXPENSE									
Salaries & Fringe Expense	\$ 163,653	\$ 327,599	\$ 397,290	\$ (69,690)	-18%	\$ 403,304	\$ 730,903	\$ 830,352	\$ (99,449)
Professional Fees	45,004	133,317	148,296	(14,978)	-10%	96,824	230,141	240,619	(10,478)
Administrative Expenses	25,975	44,845	49,900	(5,055)	-10%	32,810	77,655	90,507	(12,852)
Interest Expense	-	8,913	8,913	-	0%	10,285	19,198	13,712	5,486
Real Estate Expenses	8,889	17,707	17,879	(172)	-1%	20,206	37,913	38,085	(172)
Occupancy Expense	7,414	13,647	16,018	(2,371)	-15%	33,512	47,159	47,909	(750)
Bad Debt Expense (recovery)	-	1,017	-	1,017	100%	-	1,017	-	1,017
Membership & Event Expense	2,000	2,000	2,025	(25)	-1%	10,700	12,700	12,700	-
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 252,935	\$ 549,045	\$ 640,320	\$ (91,274)	-14%	\$ 607,641	\$ 1,156,686	\$ 1,273,884	\$ (117,198)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 121,992	\$ 79,862	\$ (27,595)	\$ 107,456	-389%	\$ 180,841	\$ 260,703	\$ 131,548	\$ 129,155
DEPRECIATION	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ 196,006	\$ 196,006	\$ 196,006	\$ -
NET INCOME (LOSS) AFTER DEPRECIATION	\$ 121,992	\$ 79,862	\$ (27,595)	\$ 107,457	389%	\$ (15,165)	\$ 64,697	\$ (64,458)	\$ 129,155
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	\$ -	-	\$ -	\$ -
CACRC Grant	2,577	8,261	-	8,261	100%	362,605	370,866	-	370,866
New York Main Street	-	-	-	-	100%	-	-	-	-
Total Program Income	\$ 2,577	\$ 8,261	\$ -	\$ 8,261	100%	\$ 362,605	\$ 370,866	\$ -	\$ 370,866
PROJECT & PROGRAM EXPENSE									
New York Main Street	\$ -	\$ -	\$ -	\$ -	100%	\$ -	-	\$ -	\$ -
Capitalize Albany Amplify and Retail Grants	2,577	8,261	-	8,261	100%	462,605	470,866	100,000	370,866
Impact Downtown Albany	-	-	-	-	-100%	-	-	-	-
Total Program Expense	\$ 2,577	\$ 8,261	\$ -	\$ 8,261	#DIV/0!	\$ 462,605	\$ 470,866	\$ 100,000	\$ 370,866
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ -
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ 121,993	\$ 79,862	\$ (27,595)	\$ 107,457	389%	\$ (115,165)	\$ (35,303)	\$ (164,458)	\$ 129,155

CAPITALIZE ALBANY CORPORATION
Comparative Balance Sheets
Pre-Audited Draft

Assets

Current Assets:

	June 30, 2017	Projected December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 4,914,848	\$ 4,168,514	\$ 4,370,264
Investments	3,570,064	3,570,064	3,525,663
Restricted cash	670,493	708,458	639,776
Mortgage notes receivable, net	2,040,211	2,299,337	2,532,962
Net investment in direct financing leases	194,145	188,147	360,879
Accrued interest receivable	38,950	23,654	38,421
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	53,306	100,000	112,640
Other receivables, net	93,111	86,123	90,737
Property held for investment and lease, net	2,220,725	2,045,243	2,220,725
Property and equipment, net	354,246	330,421	354,246
Other assets	652,038	651,935	658,768

Total assets

\$ 14,802,137	\$ 14,171,896	\$ 14,905,081
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Deferred Outflows of Resources

\$ -	\$ -	\$ -
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Liabilities

Current Liabilities:

Accounts payable and accrued expenses	\$ 63,618	\$ 63,248	\$ 88,781
Due to the City of Albany	72,892	72,892	72,892
Unearned grant and other income	896,619	561,914	904,881
Bonds payable	1,880,000	1,700,000	2,030,000
Revolving loan fund liability	705,231	705,231	704,614
Unearned program support	67,369	67,369	67,365

Total liabilities

\$ 3,685,729	\$ 3,170,654	\$ 3,868,533
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Deferred Inflows of Resources

\$ -	\$ -	\$ -
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Net Position

Net invested in capital assets	\$ 854,971	\$ 854,971	\$ 854,971
Restricted for:			
Debt service	171,483	171,483	171,483
CDBG eligible activities	114,010	114,010	114,010
Other program specific activities	11,774	11,774	11,774
Impact Downtown Albany	-	-	-
Unrestricted	9,964,169	9,849,003	9,884,308
Total net position	\$ 11,116,407	\$ 11,001,242	\$ 11,036,546

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

Pre Audited Draft

	Year to Date June 30, 2017	Projected December 31, 2017	Year Ended December 31, 2016
Revenues			
Grant income and Contribution Income	\$ 238,267	\$ 855,772	\$ 775,344
Rental income	71,890	300,864	301,246
Other interest and investment income	62,608	120,894	159,003
Interest income on mortgage notes	44,972	96,185	93,114
Gain on sale of properties	-	-	-
Fees and other income	219,431	414,540	437,301
Total revenues	<u>637,168</u>	<u>1,788,255</u>	<u>1,766,008</u>
Expenses			
Salaries and fringe benefits	327,599	730,903	801,106
Program and project costs	27,968	688,462	466,535
Interest expense	8,913	19,198	29,529
Bad debt expenses (recovery)	1,017	1,017	6,997
Administrative Expenses	191,809	383,978	382,156
Total expenses	<u>557,306</u>	<u>1,823,558</u>	<u>1,686,323</u>
Excess of (expenses over revenues) revenues over expenses	79,862	(35,303)	79,685
Net Position, Beginning of Year	11,036,545	11,036,545	10,956,861
Net Position, End of Month	<u>\$ 11,116,407</u>	<u>\$ 11,001,242</u>	<u>\$ 11,036,545</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

Cash Flows From Operating Activities

	June 30, 2017	Projected December 31, 2017	December 31, 2016
Cash received from customers	\$ 125,935	\$ 445,656	\$ 412,116
Cash received from grantors	230,623	513,423	1,164,756
Other operating cash receipts	219,431	414,540	417,737
Cash payments to suppliers and grantees	(187,643)	(888,060)	(690,116)
Cash payments to employees	(327,599)	(730,903)	(801,106)

Net cash provided by operating activities 60,747 (245,344) 503,387

Cash Flows From Capital and Related Financing Activities

Proceeds from sale of property held for sale	-	-	-
Purchase of property held for investment and lease	-	-	-
Purchase of property and equipment	-	0	-
Purchase of other assets including purchase options	-	-	-
Principal payments on bonds payable	(149,999)	(330,000)	(320,000)
Interest paid on bonds payable	(14,279)	(19,198)	(32,308)

Net cash used in capital and related financing activities (164,278) (349,197) (352,308)

Cash Flows From Investing Activities

Interest on cash and cash equivalents and investments	39,762	75,533	101,828
Net decrease (increase) in restricted cash	(30,717)	(68,682)	(60,171)
Proceeds from sales and maturities of investments	2,518,320	2,518,320	3,351,824
Purchase of investments	(2,539,753)	(2,539,753)	(3,395,389)
Issuance of mortgage notes receivable	-	(400,000)	(400,000)
Repayments received on mortgage notes receivable	493,768	634,642	298,713
Principal payments received under direct financing leases	166,736	172,732	160,182

Net cash used in investing activities 648,115 392,792 56,987

Change in cash and cash equivalents

544,584 (201,750) 208,066

Cash and cash equivalents:

Beginning of year 4,370,264 4,370,264 4,162,198

End of year \$ 4,914,848 \$ 4,168,514 \$ 4,370,264

Reconciliation of Excess of (Expenses Over Revenues)

Revenues Over Expenses to Net Cash Provided by

Operating Activities

	June 30, 2017	Projected December 31, 2017	December 31, 2016
Excess of (expenses over revenues) revenues over expenses	\$ 79,862	\$ (35,303)	\$ 79,685
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	-	199,307	199,306
Adjustment for losses on mortgage notes and other receivables	(1,017)	(1,017)	(2,785)
Gain on sale of property	-	-	-
Net realized and unrealized losses (gains) on investments	(22,968)	(22,968)	(45,054)
Interest income on cash and cash equivalents and investments	(39,762)	(75,534)	(100,195)
Interest expense on bonds payable	14,279	19,198	29,529
Changes in:			
Grants receivable	-	-	-
Other receivables, accrued interest receivable and other assets	3,829	26,214	4,002
Accounts payable and accrued expenses	(25,166)	(25,533)	(40,731)
Due to the City of Albany	59,334	12,640	(12,691)
Unearned grant, program support and other income	(8,261)	(342,965)	391,319
Revolving loan fund liability	617	617	1,002

Net cash provided by operating activities \$ 60,747 \$ (245,344) \$ 503,387

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Capitalize Albany Staff
RE: Review of the 2nd Quarter Hugh Johnson Investment Portfolio
DATE: July 18, 2017

Staff has reviewed the Hugh Johnson portfolio to ensure that it is compliance with the guidelines of the Capitalize Albany investment policy. After reviewing the investment policy Capitalize Albany is in compliance with all aspects of this policy.

Asset Allocation

<i>Asset Class</i>	<i>Min. Wt.</i>	<i>Max. Wt.</i>	<i>Representative Index</i>
Equities	0%	15%	S&P 500 and MSCI EAFE
<i>Domestic</i>	<i>85%</i>	<i>100%</i>	S&P 500
<i>International*</i>	<i>0%</i>	<i>15%</i>	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit**
Cash or Equivalents	3%	25%	Treasury Bill

Currently CAC's portfolio composition for the second quarter consists of 14% Equities, 80% Fixed Income, and 6% cash.