CAPITALIZE ALBANY CORPORATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

CAPITALIZE ALBANY CORPORATION

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitalize Albany Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capitalize Albany Corporation, which comprise the consolidated statements of net position as of December 31, 2020 and 2019, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

UHY LLP Certified Public Accountants

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capitalize Albany Corporation as of December 31, 2020 and 2019, and the changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of Capitalize Albany Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capitalize Albany Corporation's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 19, 2021

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of Capitalize Albany Corporation (Capitalize Albany or the Corporation) activities and financial performance, is offered as an introduction and overview of the consolidated financial statements of Capitalize Albany Corporation for the fiscal year ended December 31, 2020. Following this MD&A are the basic consolidated financial statements of the Corporation together with the notes thereto which are essential to a full understanding of the data contained in the consolidated financial statements. In addition to the notes, this section also presents certain supplementary information to assist with the understanding of Capitalize Albany Corporation's financial operations.

Capitalize Albany Corporation has a Corporate Governance Policy, which includes a conflict of interest policy and a conflict of interest disclosure. The conflict of interest disclosure is distributed to and completed by the Corporation's Board of Directors on an annual basis.

Not less than six times annually, the Board of Directors of Capitalize Albany Corporation meets to discuss programming needs, project activity and progress, and meets quarterly to discuss the Corporation's financial position. The Finance and Investment Committee meets on a quarterly basis or more frequently if necessary to provide enhanced project and transactional analysis. As necessary, the Committee makes recommendations for the Board's consideration. The Governance Committee meets twice a year or more frequently if necessary to among other things review and update corporate governance principles and practices. The Audit Committee meets twice a year among other things to appoint and oversee the Corporation's independent auditors, review and approve the Corporation's year-end financial statements and reviews the effectiveness of internal controls. In addition, the Audit Committee, without management present, independently meets with the external auditors to discuss relevant issues and concerns.

OPERATION SUMMARY

As a catalyst for economic growth, Capitalize Albany Corporation facilitates transformational development projects. As a registered 501(c) (3) non-profit organization, the Corporation implements programs and resources to create, retain, and attract business in the City of Albany. Powered by investors composed of Albany's community and business leaders, Capitalize Albany manages and coordinates the local economic development functions in the City of Albany.

In 1979, the Capitalize Albany Corporation (formerly Albany Local Development Corporation) was incorporated to primarily provide financing to eligible businesses in order to create and retain employment and investment within the City of Albany. The Corporation continues to extend loans and plays an active role in facilitating strategic development, business development and transformational real estate development projects that have been identified as a priority. These efforts are developed in partnership with regional stakeholders, and are backed by market analysis and trend identification. Implementation of its initiatives is accomplished through direct efforts of the Corporation as well as through collaboration with complementary organizations and tools.

The mission of Capitalize Albany Corporation is to facilitate strategic economic development and stimulate transformative investment throughout the City of Albany, making New York's Capital a vibrant place to thrive.

Business Development

Capitalize Albany encourages job creation and business development through its work with individual businesses. This work includes, but is not limited to, extending grants and loans to new and existing businesses, providing technical support with respect to accessing city, state and other economic development resources, and helping businesses to identify appropriate locations to grow and expand within the City. Capitalize Albany staff worked with more than 300 businesses in 2020. Capitalize Albany also works with government officials, business leaders, community and neighborhood organizations, and the public to ensure that the City maintains and enhances an environment that is both conducive to new business growth and supportive of the expansion of existing enterprises.

In recent years, the Corporation has administered three distinct grant programs (Amplify Albany, Downtown Retail, and Small Business Façade) in order to stimulate buzz in commercial corridors, attract new investment at street level in the Downtown core and improve the quality of neighborhood commercial districts while catalyzing new investment. In 2020, the Corporation launched an emergency round of its Small Business Façade Improvement Program and Downtown Retail Program to assist businesses that were directly impacted by vandalism and looting during the year. To respond to the needs of local small businesses as the deal with ongoing impacts of COVID-19, in 2020 the Corporation launched the Small Business Adaptation Program (SBAP), whereby it administered grants to approximately 60 predominantly women and minority-owned businesses funded directly by the City of Albany Industrial Development Agency and Albany Community Development Agency. Prior to the pandemic, the Corporation had also received funding approval for a $100,000 investment from the Capital Resource Corporation to implement a Commercial Corridor Retail Grant Program, which was designed to assist retail businesses with the costs associated with renovating or retrofitting a commercial space located in one of the identified neighborhoods within West Hill, Arbor Hill, North Albany & the South End, four of the City's Neighborhood Strategy Areas. The Corporation postponed the launch of this program as a result of the pandemic and the shifting needs and priorities of the business community.

Real Estate Development

Capitalize Albany facilitates real estate development in the City of Albany through programs and partnerships as well as brick and mortar projects of its own.

In 2010, the Corporation's Board of Directors established a Revolving Real Estate Loan Fund designed to provide subordinate lending to qualifying borrowers at below market rates in concert with primary lenders for the purpose of stimulating strategic development projects. The Board allocated $2 million to capitalize the Fund which is focused on revitalizing strategic vacant or underutilized real estate that will contribute positive and transformational development activity. Through December 31, 2020, $2,575,000 has been disbursed under this revolving loan fund program representing over $32 million of project investment within the City of Albany. These projects have created 165 market-rate rental units.

Contracted under a professional services agreement, Capitalize Albany administers and provides staffing, office equipment, phone and computer network support to the City of Albany Industrial Development Agency (CAIDA) and the City of Albany Capital Resource Corporation (CACRC). In the past five years, more than $390 million of investment was made possible in the City of Albany with support from the CAIDA, creating 1,725 construction and 430 new and retained full-time jobs.

Strategic Initiatives

The Corporation continues to follow the citywide economic development plan laid out in the Capitalize Albany Strategy as well as neighborhood, commercial district, City and Regional economic development and revitalization strategies to catalyze strategic growth in the Capital City. The Corporation's execution of these various plans has resulted in the assistance of roughly $500 million in Downtown Albany and more than $1 billion of activity throughout Albany's neighborhoods.

The revitalization of Downtown Albany is a strategic priority of Capitalize Albany Corporation. In response to the recognized need for a common vision, strategic direction, and tactical solutions to issues facing the Downtown neighborhood, Capitalize Albany launched Impact Downtown Albany, a strategic plan which positions Downtown, its adjacent warehouse district and waterfront as the ideal urban center, in 2014. The plan has provided a clear path forward for projects, incentives and structural changes and define what Downtown Albany should be striving toward throughout the next decade. Through December 31, 2020, Impact Downtown Albany has led to more than $400 million of project investment recently completed and underway within the City of Albany. Facilitating the creation of Downtown residential units continues to be a priority and will act as a driving market force for economic development. Under Impact Downtown Albany the Corporation has assisted in the creation of more than 650 units to date. More than 400 are currently under construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2015, the Impact Downtown Albany strategy served as a core guiding document for the creation of the Capital Region Economic Development Council's transformative regional strategy, the Capital 20.20 Plan. The Plan's Metro section prioritizes downtown development and matches Impact Downtown Albany catalyst sites with developers, resources, and prospective tenants to build on the current momentum and move aggressive projects forward. Implementation of Capital 20.20 began in 2015 and will continue to be a priority for the Corporation in coming years.

FINANCIAL OPERATIONS HIGHLIGHTS

Capitalize Albany Corporation's activities fluctuate greatly from year to year. With such diversity, it is not always meaningful to compare revenue and expenditure levels to prior years. While revenues and expenditures for any given year represent activity during that year, one must consider the level of program revenue to program expenses within a given year, in relation to the projects undertaken and accomplished during that same year. A condensed summary of revenues and expenses for the years ended December 31, 2020 and 2019 is shown below:

	2020	2019
Total revenues		
Operating revenues	$1,809,425	$1,822,298
Capital grant funding	394,510	4,108,478
	2,203,935	5,930,776
Total expenses	2,415,099	1,814,186
Change in net position	$ (211,164)	$4,116,590

Total revenues decreased $3,726,841 or 63%:

- Capital grant income of $4,108,478 in 2019 and $394,510 in 2020 was recognized under the ESD grant for the acquisition and redevelopment of property in the Liberty Park neighborhood in Downtown Albany.

- Grant and contribution income that is not capital-related is classified as operating revenue and increased $11,866 or 2% from $710,231 in 2019 to $722,097 in 2020. Revenue derived from grants and contributions is typically program specific and non-recurring. Significant grants and contributions in 2020 include $250,000 from the IDA and $165,843 from the Albany Community Development Agency, both for general economic development support, and $125,596 from the New York State Department of State for the Clinton Market Collective project.

- Rental income decreased $729 or less than 1% from $298,473 in 2019 to $297,744 in 2020. There were no significant changes in the Corporation's lessor arrangements during 2020.

- Other interest and investment income decreased $73,660 or 26% from $287,030 in 2019 to $213,370 in 2020 primarily due to lower yields earned on the Corporation's fixed income investments in addition to lower interest earned on the Corporation's general bank accounts.

- Interest income on mortgage notes decreased $13,824 or 23% from $59,731 in 2019 to $45,907 in 2020 due to lower principal balances on existing notes due to repayments with no new loan disbursements in 2019 or 2020.

- Fees, program, and other income increased $63,474 or 14% from $466,833 in 2019 to $530,307 in 2020. This is primarily attributable to an approved increase in the Corporation's management fees pursuant to a professional services agreement with the CAIDA and CACRC.

Total expenses increased $600,913 or 33%:

- Salaries and fringe benefits increased $242,986 or 30% from $801,249 in 2019 to $1,044,235 in 2020. This increase is primarily attributable to staffing increases due to the implementation of the Corporation's staffing plan in 2020.
- Program and project costs increased $265,377 or 46% from $573,858 in 2019 to $839,235 in 2020. The increase is primarily attributable to activity in 2020 related to the Clinton Market Collective project.
- Professional and consulting expenses increased $172,050 or 72% from $240,268 in 2019 to $412,318 in 2020. This increase is attributable to higher consulting fees incurred by the Corporation, including fees related to communications and outsourced staffing.
- Interest expense decreased $10,800 or 55% from $19,503 in 2019 to $8,703 in 2020. This decrease is attributable to a reduction in interest expense related to the variable rate bonds for the Corning Preserve project.
- Bad debt expense totaled $44,034 in 2019 compared to $0 in 2020. The Corporation's allowance for losses is evaluated on a regular basis by management. Additional bad debt provisions are charged to earnings and offset by recoveries, if any.
- Other administrative expenses decreased $24,396 or 18% from $135,004 in 2019 to $110,608 in 2020. This decrease is attributable lower meeting expenses in 2020 as a direct result of the cancellation of in-person meetings as result of the COVID-19 pandemic.

A condensed summary of Capitalize Albany's net position at December 31, 2020 and 2019 is shown below:

	2020	2019
Assets		
Cash and cash equivalents	$ 3,469,351	$ 3,260,200
Investments	6,231,220	6,065,068
Restricted cash	6,546,534	6,830,301
Other assets	462,028	599,142
Mortgage notes receivable, net of allowances	1,163,043	1,303,701
Property, plant and equipment, net (includes property held for investment and lease)	1,982,248	2,149,414
Liberty Park properties	4,115,439	4,005,841
Total assets	$ 23,969,863	$ 24,213,667
Deferred Outflows of Resources	$ -	$ -
Liabilities		
Bonds payable	$ 940,000	$ 1,150,000
Paycheck Protection Program loan	129,100	-
Other liabilities	238,224	168,276
Unearned grant and other income	6,934,865	6,958,634
Unearned program support and revolving loan fund liability	721,606	719,525
Total liabilities	$ 8,963,795	$ 8,996,435
Deferred Inflows of Resources	$ -	$ -
Net Position		
Net investment in capital assets	$ 5,157,687	$ 5,005,255
Restricted net position	115,558	117,270
Unrestricted net position	9,732,823	10,094,707
Total net position	$ 15,006,068	$ 15,217,232

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

In 2021, Capitalize Albany will focus on the continued implementation of Corporation, local, regional and State revitalization strategies and strategic plans to further economic development and growth through new programs and initiatives, focusing on a variety of areas, including long-range vision, community engagement, and market-driven recommendations. These implementation efforts will be consistent with the Corporation's mission and align with the business, real estate and strategic development activities outlined above.

Capitalize Albany Corporation will also continue to focus on the implementation of the specific components of the Capital 20.20 Plan which are consistent with the mission of the Corporation. Special focus will be given to those projects which directly align with the objectives of Impact Downtown.

Capitalize Albany will also continue to facilitate the Capitalize Albany Economic Development Strategy. As part of that strategy, the Corporation will continue to focus on developing more downtown residential capacity and will pursue opportunities that will result in catalytic development projects as well as maximize and diversify potential revenue sources for the Corporation.

Continual execution of the Strategic Plan established by the Corporation's Board in 2009 will translate into potential projects. New economic development opportunities with the potential to generate new resources to stimulate growth will be developed by re-focusing and deploying existing strengths and resources. Ultimately, programmatic, marketing, and financial initiatives will reconcile to the objectives set forth in the Strategic Plan.

In December 2016 the Corporation was awarded State funding, to study the feasibility of and design the conversion of the I-787 northbound exit ramp from Quay Street to Clinton Avenue into the Region's first and only highline park — the Skyway. Corporation staff continues to provide support as the City and NYS Department of Transportation construct the project, which is expected to open at the end of 2021.

In December 2017, the Corporation entered into a PSA with the Albany Convention Center Authority (ACCA) for transfer of property interests in the roughly five acre ACCA surplus property surrounding Liberty Park in downtown Albany. The Corporation and the ACCA closed on this agreement in 2019. This development site (Liberty Park) was highlighted as a priority in both the Impact Downtown Albany and Capital 20.20 plans. In 2018, the Corporation formed Liberty Square Development, LLC to aid in the revitalization efforts to acquire and develop properties related to Liberty Park site redevelopment.

In 2019, the Corporation was awarded up to $15 million in Upstate Revitalization Initiative funds for the redevelopment of Liberty Park. This funding will support acquisition, demolition, stabilization of property, infrastructure and public space improvements, design, planning, construction and renovation costs. Empire State Development approved the distribution of $10.1 million for associated preliminary costs. Capitalize Albany has used the grant to acquire all parcels in the 8 acre footprint, with the exception of .88 acres for which the Corporation submitted an acquisition assistance application to the CAIDA in 2020 to facilitate future development within the site. The Corporation anticipates closing on the final properties in 2022 pending the outcome of the legal proceeding.

In 2018, the City of Albany was chosen as the Capital Region's New York State Downtown Revitalization Initiative (DRI) $10 million-winner in an effort administered by the Corporation on behalf of the City. Capitalize Albany's Clinton Market Collective project was competitively awarded $1 million. This DRI Priority Project will create a new market concept and proving ground for start-up businesses on the Corporation-owned 11 Clinton Avenue site. Capitalize Albany initiated the project's design phase in 2020 and expects to break ground next year and be completed by 2024.

In 2019, Capitalize Albany Corporation entered into a Purchase and Sale Agreement (PSA) with the Palace Performing Arts Center, Inc., a 501(c)(3) New York not for profit corporation (Palace Theatre) for the transfer of six (6) CAC-owned unimproved real property parcels to support the Palace's announced expansion, renovation and new construction project which will ultimately enable the Palace to expand the diversity and quality of its cultural and entertainment offerings. Parcels include 27 and 29 Clinton Avenue and 168, 170, and 174 North Pearl Street which are immediately adjacent to the historic theater in downtown Albany. Given the impact of COVID-19 on the hospitality and entertainment industry, the project did not close in 2020, however the transaction is still pending.

FINANCIAL STATEMENTS

Capitalize Albany Corporation's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). Capitalize Albany Corporation is organized under the Not-For-Profit Corporation laws of the State of New York. Capitalize Albany follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources management focus. These financial statements are presented in a manner similar to a private business.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Controller, Capitalize Albany Corporation, 21 Lodge Street, Albany, NY 12207.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF NET POSITION
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	**$ 3,469,351**	$ 3,260,200
Investments (Note 4)	**6,231,220**	6,065,068
Restricted cash (Note 3)	**6,546,534**	6,830,301
Mortgage notes receivable, current portion, net (Note 5)	**117,041**	156,206
Accrued interest receivable	**39,875**	30,174
Grant receivables	**255,496**	439,101
Other receivables	**30,066**	12,346
Total current assets	**16,689,583**	16,793,396
Noncurrent Assets:		
Mortgage notes receivable, less current portion, net (Note 5)	**1,046,002**	1,147,495
Other receivables, net	**93,524**	90,780
Property held for investment and lease, net (Note 6)	**1,639,467**	1,809,193
Property and equipment, net (Note 7)	**342,781**	340,221
Liberty Park properties (Note 8)	**4,115,439**	4,005,841
Other assets	**43,067**	26,741
Total noncurrent assets	**7,280,280**	7,420,271
Total assets	**$ 23,969,863**	$ 24,213,667
Deferred Outflows of Resources	**$ -**	$ -
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 178,703**	$ 108,755
Funds held related to Hudson River Way campaign	**59,521**	59,521
Unearned grant and other income	**6,934,865**	6,958,634
Paycheck Protection Program loan (Note 13)	**129,100**	-
Bonds payable, current portion (Note 10)	**220,000**	210,000
Total current liabilities	**7,522,189**	7,336,910
Noncurrent Liabilities:		
Bonds payable, less current portion (Note 10)	**720,000**	940,000
Revolving loan fund liability (Note 11)	**714,487**	712,406
Unearned program support	**7,119**	7,119
Total noncurrent liabilities	**1,441,606**	1,659,525
Total liabilities	**$ 8,963,795**	$ 8,996,435
Deferred Inflows of Resources	**$ -**	$ -
Net Position		
Net invested in capital assets	**$ 5,157,687**	$ 5,005,255
Restricted for:		
CDBG eligible activities	**115,138**	114,977
Other program specific activities	**420**	2,293
Unrestricted	**9,732,823**	10,094,707
Total net position	**$ 15,006,068**	$ 15,217,232

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Grant and contribution income	**$ 722,097**	$ 710,231
Rental income	**297,744**	298,473
Other interest and investment income	**213,370**	287,030
Interest income on mortgage notes	**45,907**	59,731
Fees, program, and other income	**530,307**	466,833
Total operating revenues	**1,809,425**	1,822,298
Operating Expenses		
Salaries and fringe benefits	**1,044,235**	801,249
Program and project costs	**839,235**	573,858
Professional and consulting expenses	**412,318**	240,268
Interest expense	**8,703**	19,503
Bad debt expense	**-**	44,304
Other administrative expenses	**110,608**	135,004
Total operating expenses	**2,415,099**	1,814,186
Change in Net Position Before Capital Funding	**(605,674)**	8,112
Capital grant funding	**394,510**	4,108,478
Change in Net Position	**(211,164)**	4,116,590
Net Position, Beginning of Year	**15,217,232**	11,100,642
Net Position, End of Year	**$ 15,006,068**	$ 15,217,232

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Cash received from customers	**$ 307,153**	$ 381,268
Cash received from grantors and contributors	**1,276,505**	617,446
Other operating cash receipts	**530,307**	453,568
Cash payments to suppliers and grantees	**(1,113,464)**	(1,028,574)
Cash payments to employees	**(1,044,235)**	(801,249)
Net cash used in operating activities	**(43,734)**	(377,541)
Cash Flows From Capital and Related Financing Activities		
Purchase of property held for investment and lease	**(5,252)**	-
Purchase of property and equipment	**(20,833)**	(23,272)
Proceeds from Paycheck Protection Program loan	**129,100**	-
Purchase of Liberty Park properties	**(109,598)**	(3,994,883)
Cash received from capital grant funding	**-**	10,193,720
Principal payments on bonds payable	**(210,000)**	(200,000)
Interest paid on bonds payable	**(8,703)**	(19,503)
Net cash (used in) provided by capital and related financing activities	**(225,286)**	5,956,062
Cash Flows From Investing Activities		
Interest on cash, cash equivalents, restricted cash, and investments	**108,941**	110,918
Proceeds from sales and maturities of investments	**7,365,491**	5,639,290
Purchase of investments	**(7,420,686)**	(7,919,842)
Repayments received on mortgage notes and other receivables	**140,658**	147,656
Net cash provided by (used in) investing activities	**194,404**	(2,021,978)
Change in cash, cash equivalents, and restricted cash	**(74,616)**	3,556,543
Cash, cash equivalents, and restricted cash:		
Beginning of year	**10,090,501**	6,533,958
End of year	**$ 10,015,885**	$ 10,090,501
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Statements of Net Position:		
Cash and cash equivalents	**$ 3,469,351**	$ 3,260,200
Restricted cash	**6,546,534**	6,830,301
	$ 10,015,885	$ 10,090,501

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
For the Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Change in Net Position Before Capital Funding to Net Cash Used in Operating Activities		
Change in net position before capital funding	**$ (605,674)**	$ 8,112
Adjustments to reconcile change in net position before capital funding to net cash used in operating activities:		
Depreciation and amortization	**193,251**	194,775
Adjustment for losses on mortgage notes and other receivables	**-**	44,304
Net realized and unrealized gains on investments	**(110,957)**	(139,171)
Interest income on cash, cash equivalents, restricted cash, and investments	**(109,942)**	(112,460)
Interest expense on bonds payable	**8,703**	19,503
Changes in:		
Grant receivables	**183,605**	(25,812)
Other receivables, accrued interest receivable and other assets	**(45,490)**	(12,336)
Accounts payable and accrued expenses	**69,948**	(274,218)
Unearned grant and other income	**370,741**	(70,808)
Unearned program support	**-**	(13,265)
Revolving loan fund liability	**2,081**	3,835
Net cash used in operating activities	**$ (43,734)**	$ (377,541)

See notes to consolidated financial statements.

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

Capitalize Albany Corporation (the "Corporation") was formed under the Not-for-Profit Corporation Laws of the State of New York in October 1979 for the purposes of facilitating the creation of new employment opportunities, retaining existing jobs and encouraging investment that will expand the commercial and industrial tax base within the City of Albany (City). The Corporation facilitates large scale transformational real estate projects to accomplish its mission.

The Corporation's mission is accomplished by providing technical support for City, State and other economic development programs and loaning money to new or existing businesses. Additionally, the Corporation has invested in certain real estate, and leases such real estate to businesses in order to further job opportunities within the City.

The Corporation formed Citywide Property Holdings, LLC (Citywide) in April 2008 for the limited purpose of assisting the Corporation in the furtherance of the Corporation's mission. The Corporation is the sole member and manager of Citywide. Citywide's participation in the furtherance of the Corporation's mission is evaluated on a project basis. This participation includes, but is not limited to, holding property as available for sale to enhance project development.

The Corporation formed Liberty Square Development, LLC in January 2018 for the limited purpose of assisting the Corporation in the furtherance of the Corporation's mission. The Corporation is the sole member and manager of Liberty Square Development, LLC. Liberty Square Development LLC's operations includes, but are not limited to, the acquisition, disposition and development of properties located in the Liberty Park area of Downtown Albany.

The consolidated financial statements represent the consolidated financial position and the consolidated changes in financial position and cash flows of the Corporation, Citywide, and Liberty Park Development, LLC. All intercompany transactions between the Corporation, Citywide, and Liberty Park Development, LLC have been eliminated for financial reporting purposes.

Basis of Accounting and Presentation

The Corporation follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Capitalize Albany Corporation's consolidated financial statements apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue Recognition

Grant and contribution income

Grants, contributions, and similar items, including capital grant funding, are recognized as revenue when all requirements imposed by the grantor or contributor, if any, have been satisfied. Grant funds received for which all requirements have not yet been met are recorded as unearned grant and other income.

Rental income

Rental income is recognized as earned over the term of the related lease arrangements.

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fees, program, and other income

Fees, program, and other income consists primarily of management fees, which are recognized as earned under a management fee arrangement with terms of generally one year.

In addition, the Corporation, under Urban Development Action Grants (UDAG) financing arrangements through the United States Department of Housing and Urban Development (HUD), has recognized grant amounts as mortgage notes receivable, with corresponding credits to deferred program support. Principal repayments on these notes are recognized as fees, program, and other income and are applied against deferred program support. The UDAG agreements provide that the program income, together with the interest earned thereon, are restricted by HUD to be used for Title I eligible activities. The deferred program support account, in the Corporation's consolidated balance sheet, is a contra account which reflects UDAG loan principal repayments scheduled to be received in future years. There were no new UDAG grants in either 2020 or 2019.

Cash and Cash Equivalents

Cash is comprised of various interest bearing and non-interest bearing deposits in several financial institutions. The Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents except for cash equivalents included in the investment account, which are included in investments in the accompanying consolidated balance sheets.

Investments

Investments are carried at fair value on a recurring basis, based on current market prices.

Mortgage Notes Receivable and Allowance for Losses

As explained further in Note 5, mortgage notes receivable are carried at the principal amount outstanding, net of an allowance for estimated uncollectible amounts. The Corporation's allowance for losses is evaluated on a regular basis by management and is estimated based on delinquency rates, current economic conditions, borrowers' outstanding balances, an analysis of borrowers' financial condition, and estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for losses is increased by provisions charged to earnings and reduced by charge-offs, net of recoveries.

Loans made by the Corporation to recipient entities are generally issued as part of larger financial packages involving additional lenders. Substantially all of the Corporation's mortgage notes receivable, which are collateralized by real property and/or equipment, are subordinated to the loans provided by these other lenders. In some cases, projected growth and overall economic conditions have substantially changed since loan origination. The Corporation attempts to work with borrowers who are experiencing financial difficulties and has entered into debt restructuring agreements with respect to certain financially troubled borrowers. These restructuring agreements often incorporate notes, for which current repayment is contingent upon favorable future events as specified in the note agreement. Such uncertainties have been considered by the Corporation in establishing the estimated allowance for possible losses.

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Notes Receivable and Allowance for Losses (Continued)

The Corporation places impaired loans on nonaccrual status and recognizes interest income on such loans only on a cash basis. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Property Held for Investment and Lease, Net

Property held for investment and lease is carried at the lower of cost or net realizable value and represents assets acquired to assist in the Corporation’s mission of encouraging economic development and business retention within the City.

Property and Equipment, Net

Property and equipment is stated at cost. Depreciation of property and equipment is provided using straight-line method over the estimated useful lives of the respective assets ranging from 5 years for equipment to 40 years for buildings.

Liberty Park Properties

Liberty Park consists of property within the boundaries of South Pearl Street, Madison Avenue, Broadway, and Hudson Avenue in the City of Albany, referred to as Liberty Park, held by the Corporation for possible redevelopment.

The Corporation records Liberty Park assets at historical cost. Cost is considered the appropriate basis for this project because several uncertainties exist with regard to the timing and nature of redevelopment completion. Cost includes the purchase price of the property and site improvement and development costs. The costs of normal maintenance and operation of the properties that do not add to the value of the properties are not capitalized. Cost basis does not necessarily represent fair value.

See Note 8 for additional information.

Description of Leasing Arrangements

The Corporation, as part of its mission, has entered into arrangements leasing various parcels of real estate. The lease terms range from one to thirty years. See Note 9 for further disclosure of these lease arrangements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Corporation is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Citywide and Liberty Park Development LLC's annual tax information filings are included with the annual filings of their sole member, Capitalize Albany Corporation.

Net Position

In order to present consolidated financial condition and consolidated operating results of the Corporation in a manner consistent with limitations and restrictions placed upon the use of resources, the Corporation classifies net position into three categories as follows:

Net invested in capital assets – This component of net position consists of property and equipment, including property held for investment and lease, net of accumulated depreciation, and reduced by the outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net invested in capital assets. Rather, when applicable, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on assets use through external constraints imposed by creditors, by law or regulation, or through enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of "net invested in capital assets" or "restricted."

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

For purposes of preparing these financial statements, Capitalize Albany Corporation considered events through March 19, 2021, the date the financial statements were available for issuance.

NOTE 2 — CASH AND CASH EQUIVALENTS

The Corporation maintains its cash in bank accounts with several financial institutions.

The Corporation has not experienced any losses with respect to its cash and cash equivalents balances. Based on management's review of the strength of the financial institutions, management feels the risk of loss on its cash balances is minimal.

At December 31, 2020, the carrying amount and the bank balances of the Corporation's deposits were approximately $3,469,000 and $3,604,000, respectively. Of the bank balances, approximately $1,562,000 was insured under FDIC coverage. The remaining approximately $2,042,000 was invested in a daily sweep/repurchase agreement with a financial institution which is invested in and fully collateralized by United States government issued securities but is not FDIC insured. There were no uncollateralized amounts at December 31, 2020.

NOTE 3 — RESTRICTED CASH

Generally, restricted cash represents funds that have been placed in a segregated account that cannot be used for a purpose other than the purpose for which that account is designated. Restricted cash includes amounts restricted for the following purposes at December 31:

	2020	2019
Liberty Park (ESD grant funds)	$5,757,244	$6,120,354
CDBG eligible activities	115,138	114,977
EC/EDZ revolving loan fund	614,554	535,424
Hudson River Way campaign	59,598	59,546
Total restricted cash and cash equivalents	$6,546,534	$6,830,301

At December 31, 2020, bank balances of restricted cash were approximately $6,547,000, of which approximately $365,000 were not insured under FDIC coverage or collateralized. The Liberty Park (ESD grant funds) bank balance is fully collateralized by an undivided security interest in pooled U.S. federal agency and government sponsored enterprise securities in proportion to its deposit to the bank's total deposits secured by the pool. The total collateral value of the pool is maintained at a minimum of 100% of total deposits secured by the pool after FDIC insurance. Uncollateralized amounts were maintained with major financial institutions considered by management to be secure.

NOTE 4 — INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Fixed Income Securities	$ 5,222,265	$ 5,292,091	$ 5,557,216	$ 5,591,748
Certificates of Deposit	300,461	301,234	-	-
Equities	296,060	473,830	267,620	418,600
Money Market	164,065	164,065	54,720	54,720
Total	$ 5,982,851	$ 6,231,220	$ 5,879,556	$ 6,065,068

Unrealized gains of approximately $58,000 and $77,000 at December 31, 2020 and 2019, respectively, are included in other interest and investment income in the consolidated statements of revenue and expenses and changes in net position.

GASBS No. 72, *Fair Value Measurement and Application*, establishes requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 4 — INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, within the fair value hierarchy, the Corporation's assets at fair value at December 31, 2020 and 2019:

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market	$ 164,065	$ -	$ -	$ 164,065
Equities	473,830	-	-	473,830
Corporate Debt Securities	1,762,872	-	-	1,762,872
U.S. Treasury	3,007,207	-	-	3,007,207
Municipal Bonds	-	522,012	-	522,012
Certificates of Deposit	-	301,234	-	301,234
	$ 5,407,974	$ 823,246	$ -	$ 6,231,220

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market	$ 54,720	$ -	$ -	$ 54,720
Equities	418,600	-	-	418,600
Corporate Debt Securities	979,050	-	-	979,050
U.S. Treasury	4,235,535	-	-	4,235,535
Municipal Bonds	-	377,163	-	377,163
	$ 5,687,905	$ 377,163	$ -	$ 6,065,068

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET

The Corporation's mortgage notes receivable are comprised of 27 individual accounts at both December 31, 2020 and 2019 with an average outstanding principal balance approximating $122,000 and $127,000 at December 31, 2020 and 2019, respectively.

Repayment terms and interest rates on mortgage loans vary with each loan. Generally, interest rates range from 0% to 9% per year, with a weighted yield on all loans approximating 3.8% for each of the years ended December 31, 2020 and 2019. Current maturities range from 2021 through the year 2080.

Substantially all mortgage notes are collateralized by a subordinate interest in real property and/or equipment.

The composition of mortgage notes receivable by funding source is as follows at December 31:

	2020		2019	
	Number of Notes	**Amount**	**Number of Notes**	**Amount**
CDBG	1	$ 33,735	1	$ 33,735
UDAG	8	881,353	8	881,353
EC/EDZ	4	199,518	4	276,849
Revolving Real Estate Loan Fund	4	816,389	4	831,609
Other	10	1,355,493	10	1,403,599
	27	3,286,488	27	3,427,145
Less allowance for losses		(2,123,445)		(2,123,444)
Mortgage notes receivable, net		1,163,043		1,303,701
Less: current portion		117,041		156,206
Noncurrent		$ 1,046,002		$ 1,147,495

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET (Continued)

The Community Block Development Grant Program (CDBG) and UDAG notes were funded through monies received under Federal programs in prior years. The Enterprise Community/Economic Development Zone (EC/EDZ) notes were funded through grant monies received in prior years (see Note 11).

The Revolving Real Estate Loan Fund was established through an allocation of $2 million of general funds of the Corporation for the purpose of stimulating strategic development projects. The Corporation also lends monies to individuals, businesses, and non-profit agencies for other projects in furtherance of its mission utilizing general funds of the Corporation. Both the Revolving Real Estate Loan Fund and Other notes are not restricted by any external funding sources.

The recorded investment in mortgage notes receivable that are considered to be impaired approximated $2,170,000 and $2,191,000 at December 31, 2020 and 2019, respectively. The allowance for losses related to impaired loans approximated $2,123,000 at both December 31, 2020 and 2019. Interest income recognized during 2020 and 2019 on impaired mortgage notes receivable, while such mortgage notes receivable were impaired, was not material.

NOTE 6 — PROPERTY HELD FOR INVESTMENT AND LEASE, NET

The following is a summary of changes in property held for investment and lease for the year ended December 31, 2020:

	January 1, 2020	Additions	Dispositions	Reclassification	Impairment	December 31, 2020
Riverfront Bar & Grill - Utilities Project	$ 43,800	$ -	$ -	$ -	$ -	$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	199,192	5,252	-	-	-	204,444
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	225,000	-	-	-	-	225,000
Land at 174 North Pearl	114,915	-	-	-	-	114,915
	4,868,862	5,252	-	-	-	4,874,114
Less accumulated depreciation	3,059,669	174,978	-	-	-	3,234,647
	$ 1,809,193					$ 1,639,467

The following is a summary of changes in property held for investment and lease for the year ended December 31, 2019:

	January 1, 2019	Additions	Dispositions	Reclassification	Impairment	December 31, 2019
Riverfront Bar & Grill - Utilities Project	$ 43,800	$ -	$ -	$ -	$ -	$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	199,192	-	-	-	-	199,192
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	225,000					225,000
Land at 174 North Pearl	-	-	-	114,915	-	114,915
	4,753,947	-	-	114,915	-	4,868,862
Less accumulated depreciation	2,884,186	175,483	-	-	-	3,059,669
	$ 1,869,761					$ 1,809,193

NOTE 6 — PROPERTY HELD FOR INVESTMENT AND LEASE, NET (Continued)

Property located at 174 North Pearl Street was vacant and as of December 31, 2018, a plan of reuse had not been developed and was included in other assets in the consolidated statement of net position at December 31, 2018. In 2019, the Corporation approved a plan to sell the property and it is classified as property held for investment and lease, net, in the consolidated statements of net position at December 31, 2020 and 2019.

Corning Preserve Project

The Corporation, in 2002, functioned as the conduit agency with several related parties related to a project to construct various improvements to a portion of the Corning Preserve Park (Corning Preserve Project). The Corporation entered into an interim use and ground lease agreement with the City providing for a ground lease of the property owned by the City, underlying the Corning Preserve Project. The interim use and ground lease agreement has a thirty-five year term and provides for a nominal rent payment. At the end of the lease term the Corning Preserve Project reverts to the City.

The Corporation entered into a lease agreement with the City of Albany Industrial Development Agency (CAIDA) to sublease the property to the CAIDA. The sublease expires at the earlier of a date requested by the Corporation or the completion date of the Corning Preserve Project. The lease agreement provides for a nominal payment. The Corporation also entered into an installment sale agreement with the CAIDA pursuant to which the Corporation is obligated, among other things, to complete the Corning Preserve Project as the agent of the CAIDA and the CAIDA sells the Corning Preserve Project to the Corporation on an installment basis. The Corporation's payments under the installment sale agreement are equivalent to the debt service requirements on the $4,390,000 in 2002 Civic Facility Revenue Bonds issued by the CAIDA to fund the Corning Preserve Project, which is accounted for as bonds payable (see Note 10).

The Corporation entered into a shared use and sublease agreement with the Albany Port District Commission (the "Port"). Under the shared use and sublease agreement the Port is obligated to perform on behalf of the Corporation, the Corporation's obligations under the interim use and ground lease agreement and the installment sale agreement. Also under the shared use and sublease agreement, which is accounted for as an operating lease, the Port is obligated to fund the Corporation's obligations relating to the Corning Preserve Project, including funding payments sufficient to cover all related bond debt service and certain other expenses (see Note 9).

NOTE 7 — PROPERTY AND EQUIPMENT, NET

The following is a summary of changes in property and equipment for the year ended December 31, 2020:

	January 1, 2020	Additions	Dispositions	December 31, 2020
Land	$ 49,300	$ -	$ -	$ 49,300
Building and improvements	485,035	-	-	485,035
Furniture and equipment	170,731	20,833	-	191,564
Total	705,066	20,833	-	725,899
Less accumulated depreciation	364,845	18,273	-	383,118
	$340,221	$ 2,560	$ -	$ 342,781

NOTE 7 — PROPERTY AND EQUIPMENT, NET (Continued)

The following is a summary of changes in property and equipment for the year ended December 31, 2019:

	January 1, 2019	Additions	Dispositions	December 31, 2019
Land	$ 49,300	$ -	$ -	$ 49,300
Building and improvements	485,035	-	-	485,035
Furniture and equipment	147,459	23,272	-	170,731
Total	681,794	23,272	-	705,066
Less accumulated depreciation	345,553	19,292	-	364,845
	$336,241	$ 3,980	$ -	$ 340,221

Depreciation expense, including depreciation expense on property held for investment and lease, was approximately $193,000 and $195,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 — LIBERTY PARK PROPERTIES

Liberty Park consists of property within the boundaries of South Pearl Street, Madison Avenue, Broadway, and Hudson Avenue in the City of Albany, referred to as Liberty Park, held by the Corporation for possible redevelopment.

The Corporation records Liberty Park assets at historical cost. Cost is considered the appropriate basis for this project because several uncertainties exist with regard to the timing and nature of redevelopment completion. Cost includes the purchase price of the property and site improvement and development costs. The costs of normal maintenance and operation of the properties that do not add to the value of the properties are not capitalized. Cost basis does not necessarily represent fair value.

In December 2017, the Corporation entered into a Purchase and Sale Agreement with the Albany Convention Center Authority (ACCA) for the transfer of property interests in the roughly five acre ACCA surplus property surrounding Liberty Park in downtown Albany (Liberty Park) for a nominal purchase price of $1. The Corporation and the ACCA closed on this transfer effective December 2019. As part of the agreement, the Corporation assumed a ground lease obligation expiring in 2038. Annual rent through August 2023 is $174,000 with escalations in annual rent of $12,000 every 5 years thereafter through August 2038.

In 2019, the Corporation was awarded up to $15 million in Upstate Revitalization Initiative funds for the redevelopment of Liberty Park. Empire State Development (ESD) approved an initial investment of $10.1 million for the acquisition of property rights (fee and/or leasehold interests as needed), emergency demolition, property maintenance, operation and stabilization, and administration, planning and design, which was transferred to a restricted cash account held by the Corporation. Drawdowns of grant funds from the restricted account must be approved by ESD.

The Corporation utilized a portion of the grant funds to purchase a portion of the Liberty Park site with existing leases that have since been terminated for $3.3 million in November 2019, which is included in the Liberty Park properties asset in the accompanying consolidated statements of net position.

NOTE 8 — LIBERTY PARK PROPERTIES (Continued)

Significant assets, liabilities, revenues, and expenses associated with the Liberty Park properties as of and for the years ended December 31, 2020 and 2019 are summarized below and included in the referenced category (financial statement line item) in the consolidated financial statements:

	2020	2019
Assets		
Restricted cash	$5,757,244	$ 6,120,354
Liberty Park properties	$4,115,439	$ 4,005,841
Liabilities		
Unearned program support and revolving loan fund liability	$5,690,732	$ 6,085,242
Rental income	$ 62,838	$ -
Capital grant funding	$ 394,510	$ 4,108,478
Program and project costs	$ 437,419	$ 113,816

NOTE 9 — OPERATING LEASES

The Corporation leases the Quackenbush Square Parking Lot, the Quackenbush House, and Corning Preserve Project, all classified as property held for investment and lease (see Note 6), to help accomplish its economic development goals. In addition, the Corporation entered into an agreement to lease a certain portion of the acquired Liberty Park properties.

The following is a schedule by year of the minimum future rentals to be received on non-cancellable operating leases as of December 31, 2020:

2021	$ 358,775
2022	286,098
2023	301,773
2024	298,168
2025	44,262
Thereafter	7,413
	$ 1,296,489

The Corporation leases the Corning Preserve Project to the Albany Port District Commission (the "Port") under a shared use and lease agreement (see Note 6). The shared use and sublease agreement has a thirty year term expiring in 2032. Under the shared use and lease agreement the Port is obligated to make lease payments sufficient to cover all related bond debt service and certain other expenses. The annual rent payments due from the Port will change on a year to year basis as a result of the variable interest rate associated with the bonds, the amortization schedule of the bonds and bond prepayments. The Corporation is recognizing the base rental income on a straight-line basis over the life of the lease based on the lease factors at inception of the lease. For the years ended December 31, 2020 and 2019, rental income approximated $152,000 and $153,000, respectively. Increases or decreases to the base rental income result from changes in lease factors occurring subsequent to the inception of the lease and are recognized as contingent rentals in the period that the changes take place.

NOTE 10 — BONDS PAYABLE

The following is a summary of changes in bonds payable for the year ended December 31, 2020:

	January 1, 2020	Increases	Decreases	December 31, 2020
Bonds Payable:				
CAIDA Corning Preserve Project (A)	$ 1,150,000	$ -	$ (210,000)	$ 940,000
Less current maturities	210,000			220,000
	$ 940,000			$ 720,000

The following is a summary of changes in bonds payable for the year ended December 31, 2019:

	January 1, 2019	Increases	Decreases	December 31, 2019
Bonds Payable:				
AIDA Corning Preserve Project (A)	$ 1,350,000	$ -	$ (200,000)	$ 1,150,000
Less current maturities	200,000			210,000
	$ 1,150,000			$ 940,000

(A) The Corporation functioned as the conduit agency in connection with a 2002 Civic Facility Revenue bond issue of the CAIDA in the amount of $4,390,000. The proceeds were utilized to fund a project that includes the construction of various improvements to the Corning Preserve Park. The obligation requires monthly payment of interest and the interest rate is adjusted weekly. The bonds mature in May 2027. The bonds are secured by a letter of credit issued by Key Bank. The letter of credit requires principal payments on the outstanding bonds, annually on May 1, in prescribed amounts currently ranging from $220,000 in 2021 to $255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date. The letter of credit also requires principal payments on the outstanding bonds if certain grant proceeds related to the Corning Preserve Project are received. The interest rate at December 31, 2020 was 0.23% (1.10% at December 31, 2019). The Corning Preserve Project is leased to the Port under a related agreement that has been classified as an operating lease (see Note 9).

At December 31, 2020, principal and interest requirements to maturity are as follows:

	Principal	Interest
2021	$ 220,000	$ 1,863
2022	225,000	1,351
2023	240,000	815
2024	255,000	244
	$ 940,000	$ 4,273

NOTE 11 — REVOLVING LOAN FUND LIABILITY

In June 1999, the Corporation was awarded a grant of $643,291 to establish and operate a revolving loan fund to benefit prospective or existing Enterprise Community and/or Economic Development Zone (EC/EDZ) businesses. Generally, repayments on loans originated are to be recycled back into the loan fund to provide additional loans. However, with approval from the Empire State Development Corporation (“ESDC”), interest generated from the loans can be recorded as revenue to the extent that it offsets administrative expenses related to operating the loan fund. Approximately $9,000 and $15,000 of such revenue was recognized for the years ended December 31, 2020 and 2019, respectively.

NOTE 12 — EMPLOYEE BENEFIT PLANS

Retirement Plan

Prior to January 1, 2020, the Corporation sponsored a Simplified Employee Pension Plan (SEP-IRA). The Corporation elected to contribute 11% of an eligible employee’s compensation annually to the SEP-IRA. Effective January 1, 2020, the Corporation replaced the existing SEP-IRA plan with a company-sponsored 401(k) plan. The Corporation elected to continue to contribute 11% of eligible employee compensation to the 401(k) plan.

During 2020 and 2019, nine and seven employees were covered by the plans, and total contribution expenses incurred were approximately $88,000 and $65,000, respectively.

Post Employment Benefit

The Corporation does not offer post employment benefits to its employees.

NOTE 13 — PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Corporation received loan proceeds of $129,100 under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). Generally, the PPP loan and related accrued interest are forgivable, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains certain payroll levels.

In accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the PPP loan is required to be reported as a liability until the entity is legally released from the debt. The Corporation applied for and has been notified that the full $129,100 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven effective January 5, 2021. As the Corporation did not receive notification of the PPP loan forgiveness as of December 31, 2020, the PPP loan is reported as a current liability in the accompanying 2020 consolidated statement of net position and the forgiveness will be recognized in the 2021 consolidated statement of revenues and expenses and changes in net position.

The Corporation must maintain all records relating to the PPP loan for six years from the date the loan is forgiven.

NOTE 14 — COMMITMENTS AND CONTIGENCIES

Professional Services Agreement

During 2015, the Corporation entered into a professional services agreement with the City of Albany with a five-year term, which has been renewed for an additional five-year term expiring in December 2024. Under this agreement the City of Albany provides economic development, planning, and community development consultancy services in furtherance of the Corporation's mission. The Corporation's fee to the City of Albany under this agreement totaled approximately $53,000 for each of the years ended December 31, 2020 and 2019. The fee shall be automatically modified to reflect any salary and fringe adjustment to the City employee positions and any changes to expenses.

COVID-19

Global and domestic responses to the coronavirus disease (COVID-19) outbreak continue to evolve. Management's determination is that currently, there is minimal financial effect on the Corporation. However, management will continue to closely monitor financial results, including areas with a greater risk of potential adverse impact, including repayments of mortgage notes receivable and any significant decline in investment values. The ability of borrowers to repay mortgage notes can be impaired by a number of factors, including a pandemic such as COVID-19. Furthermore, in light of the global market's volatility since the pandemic, the Corporation will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to significantly change its investment portfolio based on its current composition (see Note 4). As the situation continues to unfold, management may need to find ways to address the disruption of operations that may result from the ongoing national and local response to the outbreak. At this point, the extent to which COVID-19 may impact the Corporation is uncertain.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Capitalize Albany Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Capitalize Albany Corporation, which comprise the consolidated statement of net position as of December 31, 2020, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Capitalize Albany Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capitalize Albany Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Capitalize Albany Corporation's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

UHY LLP Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitalize Albany Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Investment Guidelines for Public Authorities and Capitalize Albany Corporation's investment guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Albany, New York
March 19, 2021