

CAPITALIZE ALBANY CORPORATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

CAPITALIZE ALBANY CORPORATION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Consolidated Statements of Net Position	10
Consolidated Statements of Revenues, Expenses and Changes in Net Position	11
Consolidated Statements of Cash Flows	12
Notes to Consolidated Financial Statements	14
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	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitalize Albany Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying consolidated financial statements of Capitalize Albany Corporation, which comprise the consolidated statements of net position as of December 31, 2023 and 2022, 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.

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, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capitalize Albany Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitalize Albany Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Capitalize Albany Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitalize Albany's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, 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 22, 2024, 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 the effectiveness of Capitalize Albany Corporation's 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.



Albany, New York
March 22, 2024

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of Capitalize Albany Corporation's ("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 ending December 31, 2023. 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

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. 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.

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 200 businesses in 2023. 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.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In recent years, the Corporation has administered four distinct grant programs (Amplify Albany, Downtown Retail, Neighborhood Retail, and Small Business Façade) in order to generate interest 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 January 2023, the Corporation launched the Small Business Building Improvement Grant Program. Funded through the City of Albany's American Rescue Plan Act application process, the Corporation awarded more than \$630,000 to 34 small businesses and 3 not-for-profit applicants for projects proposed to support the ongoing post COVID-19 recovery efforts of the awarded applicants. Eighty-five (85) percent of the small businesses awarded identified as disadvantaged business enterprises (DBEs) including minority, women and veteran-owned operations. This citywide program supported businesses in 15 Albany neighborhoods including in each of the Neighborhood Strategy Areas (NSAs) designated by the Albany Community Development Agency (ACDA) - Arbor Hill, West Hill, North Albany and Albany's South End neighborhood. Following funding approvals from the City of Albany Capital Resource Corporation (CACRC) prior to the pandemic, in early 2022, the Corporation launched the Neighborhood Retail Grant Program, which is 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. This program continues to be actively marketed through 2023.

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, 2023, \$3,075,000 has been disbursed under this revolving loan fund program representing over \$37 million of project investment within the City of Albany. These projects have created 193 market-rate rental units.

Capitalize Albany also plays an active role, both directly and through technical assistance, in local transformative real estate developments that advance local, regional and state economic development and revitalization initiatives as described in the section below. In 2023, the Corporation assisted 36 multifamily, affordable housing, hotel and commercial projects by identifying available funding sources, providing technical assistance, and coordinating with local permitting agencies. Capitalize Albany also advanced its own real estate development projects through continued acquisition and stabilization of the parcels at Liberty Park and the design and construction of the Clinton Market Collective at 11 Clinton Avenue. In April 2023, the Corporation broke ground at Clinton Market and achieved substantial completion of the construction by year-end 2023, with an anticipated completion date in late Spring 2024.

In addition to in-house real estate development efforts, Capitalize Albany, contracted under a professional services agreement, 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 \$602 million of investment was made possible in the City of Albany with support from the CAIDA, creating over 3,200 construction and 349 new and retained full-time jobs.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Strategic projects such as the Skyway, a half-mile long linear park which opened in 2022 backed more by than \$10 million in state resources, the eight-acre Liberty Park redevelopment supported by the Upstate Revitalization Initiative and the Clinton Market Collective project underway, a Downtown Revitalization Initiative project, are direct result of the proven economic development strategies implemented by the Corporation.

The revitalization of Downtown Albany is also 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, 2023, Impact Downtown Albany has led to more than \$500 million of project investment 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 1,000 units to date. More than 220 are currently under construction.

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 prioritized downtown development and matched Impact Downtown Albany catalyst sites with developers, resources, and prospective tenants to build on the current momentum and move aggressive projects forward. In late November 2023, the Capital Region Economic Development Council released their 2024-2028 Strategic Plan. The identified priorities – People, Place, Innovate, and Grow – reflect the same core strategies of the Capital 20.20 Plan and continue to align with Impact Downtown.

In 2023, Capitalize Albany continued its role as the strategic coordinator for the City of Albany, leading a refreshed Downtown Revitalization Initiative planning and application process for South Pearl Street and assisted in the preparation and coordination of a Restore New York application for the demolition of Albany Housing Authority's three decommissioned and fully vacant Lincoln Square Homes Towers.

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, 2023 and 2022 is shown below:

	2023	2022
Total revenues		
Operating revenues	\$2,387,247	\$1,598,184
Capital grant funding	1,631,561	3,039,268
	4,018,808	4,637,452
Total expenses	2,212,210	2,278,302
Change in net position	<u>\$1,806,598</u>	<u>\$2,359,150</u>

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total revenues decreased \$618,644 or 13%:

- Capital grant income of \$3,039,238 in 2022 was recognized under the ESD grant for the acquisition and redevelopment of property in the Liberty Park neighborhood in Downtown Albany. In 2023, capital grant income of \$1,100,000 was recognized under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) subaward agreement with the City of Albany and approximately \$532,000 was recognized under the New York State Downtown Revitalization Initiative (DRI) for the redeveloping of an underutilized site on Clinton Avenue to transform it into the Clinton Market Collective
- Grant and contribution income that is not capital-related is classified as operating revenue and decreased \$12,778 or 2% from \$766,970 in 2022 to \$754,192 in 2023. Revenue derived from grants and contributions is typically program specific and non-recurring. Significant grants and contributions in 2023 include \$250,000 from the CAIDA, \$165,843 from the Albany Community Development Agency and \$188,465 recognized under the Small Business Building Improvement Grant Program.
- Rental income decreased \$52,243 or 11% from \$464,683 in 2022 to \$412,440 in 2023. This decrease was primarily due to a one-time payment in 2022 for an easement needed for a rightaway needed on the Corporation's property located in the Quackenbush Square area.
- Other interest and investment income increased \$666,251 or 293% from \$(227,617) in 2022 to \$438,634 in 2023 primarily due to FMV adjustments on the equity portion of the Corporation's investment portfolio.
- Interest income on mortgage notes decreased \$24,157 or 41% from \$59,070 in 2022 to \$34,913 in 2023 due to primarily the payoff of two significant mortgage notes in 2023.
- Fees, program, and other income increased \$211,990 or 40% from \$535,078 in 2022 to \$747,068 in 2023. This is primarily due to an increase in CAIDA management fees of approximately \$138,000 and the Corporation collecting more in contributions in 2023.

Total expenses decreased \$66,092 or 3%:

- Salaries and fringe benefits remained consistent from \$1,120,239 in 2022 to \$1,123,632 in 2023.
- Program and project costs decreased \$214,081 or 28% from \$766,451 in 2022 to \$562,370 in 2023. The decrease is primarily attributable to the elimination of lease payments on Liberty Park properties (decrease of approximately \$131,000) and lower repairs and maintenance costs on Liberty Park properties (decrease of approximately \$85,000) in 2023.
- Professional and consulting expenses decreased \$108,764 or 27% from \$405,961 in 2022 to \$297,197 in 2023. This decrease is primarily attributable to canceling one service agreement that was approximately \$120,000 a year.
- Interest expense increased \$6,329 or 114% from \$5,552 in 2022 to \$11,881 in 2023. This increase is attributable to an increase in interest expense related to the variable rate bonds for the Corning Preserve project.
- Bad debt expense (recovery) totaled (\$220,581) in 2022 compared to \$45,321 in 2023. 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 \$18,871 or 10% from \$190,680 in 2022 to \$171,809 in 2023. This decrease is attributable to lower repairs and maintenance costs and lower employee travel expenses related to training and networking events.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

A condensed summary of Capitalize Albany's net position at December 31, 2023 and 2022 is shown below:

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,719,486	\$ 1,342,410
Restricted cash	3,184,933	4,464,465
Investments	6,384,679	6,047,993
Other assets	1,461,991	1,154,883
Mortgage notes receivable, net of allowances	490,977	1,134,245
Property, plant and equipment, net (includes property held for investment and lease)	4,140,835	1,617,287
Liberty Park properties	<u>7,368,187</u>	<u>6,829,131</u>
Total assets	<u>\$ 24,751,088</u>	<u>\$ 22,590,414</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>
Liabilities		
Bonds payable	\$ 255,000	\$ 495,000
Other liabilities	497,317	122,973
Unearned grant and other income	2,931,925	2,517,640
Revolving loan fund liability	<u>735,451</u>	<u>718,187</u>
Total liabilities	<u>\$ 4,419,693</u>	<u>\$ 3,853,800</u>
Deferred Inflows of Resources	<u>\$ 1,336,587</u>	<u>\$ 1,548,404</u>
Net Position		
Net investment in capital assets	\$ 11,254,022	\$ 7,951,418
Restricted net position	115,320	115,268
Unrestricted net position	<u>7,625,466</u>	<u>9,121,524</u>
Total net position	<u><u>\$ 18,994,808</u></u>	<u><u>\$ 17,188,210</u></u>

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

In 2024, 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 newly-released Capital Region Economic Development Strategic 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.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the City of Albany Industrial Development Agency (CAIDA) in 2020 to facilitate future development within the site. Pursuant to an Order of the Supreme Court, CAIDA successfully took title to the properties in October 2022 under Eminent Domain Procedure Law. The Corporation closed on the final properties in April 2023 following the satisfaction of required notice period under Public Authorities Law. The legal proceedings to determine the final valuation of the properties are anticipated to begin in 2024.

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 broke ground on the project in April 2023 and anticipates completion of construction in 2024.

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,719,486	\$ 1,342,410
Restricted cash	3,184,933	4,464,465
Investments	6,384,679	6,047,993
Mortgage notes receivable, net	15,140	254,660
Accrued interest receivable	39,996	26,903
Grant receivables	850,930	303,216
Lease receivables	299,382	301,696
Other receivables	65,408	44,971
Total current assets	<u>12,559,954</u>	<u>12,786,314</u>
Noncurrent Assets:		
Mortgage notes receivable, net	475,837	879,585
Lease receivables	49,295	346,413
Other receivables	93,180	93,401
Property held for investment and lease, net	3,831,903	1,298,133
Property and equipment, net	308,932	319,154
Liberty Park properties	7,368,187	6,829,131
Other assets	63,800	38,283
Total noncurrent assets	<u>12,191,134</u>	<u>9,804,100</u>
Total assets	<u>\$24,751,088</u>	<u>\$22,590,414</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 437,796	\$ 63,452
Funds held related to Hudson River Way campaign	59,521	59,521
Unearned grant and other income	2,931,925	2,517,640
Bonds payable, current portion	255,000	240,000
Total current liabilities	<u>3,684,242</u>	<u>2,880,613</u>
Noncurrent Liabilities:		
Bonds payable, less current portion	-	255,000
Revolving loan fund liability	735,451	718,187
Total noncurrent liabilities	<u>735,451</u>	<u>973,187</u>
Total liabilities	<u>\$ 4,419,693</u>	<u>\$ 3,853,800</u>
Deferred Inflows of Resources	<u>\$ 1,336,587</u>	<u>\$ 1,548,404</u>
Net Position		
Net invested in capital assets	\$11,254,022	\$ 7,951,418
Restricted for:		
CDBG eligible activities	115,320	115,268
Unrestricted	7,625,466	9,121,524
Total net position	<u><u>\$18,994,808</u></u>	<u><u>\$17,188,210</u></u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Grant and contribution income	\$ 754,192	\$ 766,970
Rental income	412,440	464,683
Other interest and investment income (loss), net	438,634	(227,617)
Interest income on mortgage notes	34,913	59,070
Fees, program, and other income	<u>747,068</u>	<u>535,078</u>
Total operating revenues	<u>2,387,247</u>	<u>1,598,184</u>
Operating Expenses		
Salaries and fringe benefits	1,123,632	1,120,239
Program and project costs	562,370	776,451
Professional and consulting expenses	297,197	405,961
Interest expense	11,881	5,552
Bad debt expense (recovery)	45,321	(220,581)
Other administrative expenses	<u>171,809</u>	<u>190,680</u>
Total operating expenses	<u>2,212,210</u>	<u>2,278,302</u>
Change in Net Position Before Capital Funding	175,037	(680,118)
Capital grant funding	<u>1,631,561</u>	<u>3,039,268</u>
Change in Net Position	1,806,598	2,359,150
Net Position, Beginning of Year	<u>17,188,210</u>	<u>14,829,060</u>
Net Position, End of Year	<u><u>\$ 18,994,808</u></u>	<u><u>\$ 17,188,210</u></u>

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 595,624	\$ 580,589
Cash received from grantors and contributors	1,200,056	621,992
Other operating cash receipts	664,731	535,078
Cash payments to suppliers and grantees	(482,469)	(1,292,012)
Cash payments to employees	<u>(1,123,632)</u>	<u>(1,120,239)</u>
Net cash provided by (used in) operating activities	<u>854,310</u>	<u>(674,592)</u>
Cash Flows From Capital and Related Financing Activities		
Cash received from capital grant funding	1,069,532	-
Purchase of property held for investment and lease	(2,708,770)	(8,645)
Purchase of property and equipment	(6,336)	(11,976)
Purchase of Liberty Park properties	(539,056)	(2,713,692)
Principal payments on bonds payable	(240,000)	(225,000)
Interest paid on bonds payable	<u>(11,881)</u>	<u>(5,552)</u>
Net cash used in capital and related financing activities	<u>(2,436,511)</u>	<u>(2,964,865)</u>
Cash Flows From Investing Activities		
Interest income	226,986	70,325
Proceeds from sales and maturities of investments	5,384,034	7,317,260
Purchase of investments	(5,529,221)	(7,355,101)
Repayments received on mortgage notes and other receivables	<u>597,946</u>	<u>393,178</u>
Net cash provided by investing activities	<u>679,745</u>	<u>425,662</u>
Change in cash, cash equivalents, and restricted cash	<u>(902,456)</u>	<u>(3,213,795)</u>
Cash, cash equivalents, and restricted cash:		
Beginning of year	<u>5,806,875</u>	<u>9,020,670</u>
End of year	<u><u>\$ 4,904,419</u></u>	<u><u>\$ 5,806,875</u></u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Statements of Net Position:		
Cash and cash equivalents	\$ 1,719,486	\$ 1,342,410
Restricted cash	<u>3,184,933</u>	<u>4,464,465</u>
	<u><u>\$ 4,904,419</u></u>	<u><u>\$ 5,806,875</u></u>

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Change in Net Position Before Capital Funding to Net Cash Provided by (Used in) Operating Activities		
Change in net position before capital funding	\$ 175,037	\$ (680,118)
Adjustments to reconcile change in net position before capital funding to net cash provided by (used in) operating activities:		
Depreciation and amortization	191,558	192,329
Adjustment for losses (gains) on mortgage notes and other receivables	45,322	(220,581)
Net realized and unrealized (gains) losses on investments	(191,499)	292,874
Interest income	(233,204)	(76,022)
Interest expense on bonds payable	11,881	5,552
Changes in:		
Grant receivables	14,315	(68,612)
Lease receivables	299,432	281,094
Other receivables, accrued interest receivable and other assets	(52,608)	1,050
Accounts payable and accrued expenses	374,344	(111,249)
Unearned grant and other income	414,285	(80,065)
Revolving loan fund liability	17,264	2,414
Deferred inflow of resources	(211,817)	(213,258)
Net cash provided by (used in) operating activities	<u>\$ 854,310</u>	<u>\$ (674,592)</u>

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 2023 or 2022.

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.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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. The lease term is defined as the non-cancelable period of the lease plus any option to extend the lease when it is reasonably certain that it will be exercised. For leases with a term, including renewals, of twelve months or less, no lease assets or liabilities have been recorded in accordance with GASB Statement No. 87, *Leases*. See Note 9 for further disclosure of the 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.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

Change in Accounting Principle

During the fiscal year ended December 31, 2023, the Corporation adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The standards for SBITAs follow those established in GASB Statement No. 87, *Leases*, as amended. This pronouncement did not impact the preparation of these financial statements.

Subsequent Events

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

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023, the carrying amount and the bank balances of the Corporation's deposits were approximately \$1,719,000 and \$1,745,000, respectively. Of the bank balances, approximately \$510,000 was insured under FDIC coverage. The remaining balance was collateralized by securities pledged by the depositories at December 31, 2023.

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:

	<u>2023</u>	<u>2022</u>
Liberty Park	\$2,291,873	\$3,588,721
CDBG eligible activities	115,320	115,268
EC/EDZ revolving loan fund	718,118	700,854
Hudson River Way campaign	59,622	59,622
Total restricted cash and cash equivalents	<u>\$3,184,933</u>	<u>\$4,464,465</u>

At December 31, 2023, bank balances of restricted cash were approximately \$3,185,000, of which approximately \$468,000 were not insured under FDIC coverage or collateralized. The Liberty Park bank balance is fully collateralized in compliance with the Corporation's investment guidelines. 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:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities	\$ 5,519,146	\$ 5,445,552	\$ 5,759,996	\$ 5,571,616
Equities and Mutual Funds	331,671	406,014	145,589	328,650
Certificates of Deposit	400,052	400,560	-	-
Money Market	132,553	132,553	147,727	147,727
Total	<u>\$ 6,383,422</u>	<u>\$ 6,384,679</u>	<u>\$ 6,053,312</u>	<u>\$ 6,047,993</u>

Unrealized gains (losses) of approximately \$3,500 and \$(284,000) at December 31, 2023 and 2022, respectively, are included in other interest and investment income (loss) in the consolidated statements of revenue and expenses and changes in net position.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 — INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

The following table sets forth, within the fair value hierarchy, the Corporation's assets at fair value at December 31, 2023 and 2022:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 132,553	\$ -	\$ -	\$ 132,553
Equities	406,014	-	-	406,014
Corporate Debt Securities	864,347	-	-	864,347
U.S. Treasury	4,282,596	-	-	4,282,596
Municipal Bonds	-	298,609	-	298,609
Certificates of Deposit	-	400,560	-	400,560
	<u>\$5,685,510</u>	<u>\$ 699,169</u>	<u>\$ -</u>	<u>\$6,384,679</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 147,727	\$ -	\$ -	\$ 147,727
Equities	328,650	-	-	328,650
Corporate Debt Securities	988,237	-	-	988,237
U.S. Treasury	4,292,201	-	-	4,292,201
Municipal Bonds	-	291,178	-	291,178
	<u>\$5,756,815</u>	<u>\$ 291,178</u>	<u>\$ -</u>	<u>\$6,047,993</u>

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET

The Corporation's mortgage notes receivable are comprised of 17 and 20 individual accounts at December 31, 2023 and 2022, respectively, with an average outstanding principal balance approximating \$143,000 and \$152,000 at December 31, 2023 and 2022, 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 4.45% and 4.05% for the years ended December 31, 2023 and 2022, respectively. Current maturities range from 2024 through the year 2026.

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

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET (Continued)

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

	2023		2022	
	Number of		Number of	
	Notes	Amount	Notes	Amount
CDBG	1	\$ 33,735	1	\$ 33,735
UDAG	8	881,353	8	881,358
EC/EDZ	2	94,668	2	109,077
Revolving Real Estate Loan Fund	1	483,689	2	842,805
Other	5	943,759	7	1,168,175
	<u>17</u>	<u>2,437,204</u>	<u>20</u>	<u>3,035,150</u>
Less allowance for losses		<u>(1,946,227)</u>		<u>(1,900,905)</u>
Mortgage notes receivable, net		490,977		1,134,245
Less: current portion		<u>15,140</u>		<u>254,660</u>
Noncurrent		<u>\$ 475,837</u>		<u>\$ 879,585</u>

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 allowance for losses related to impaired loans approximated \$1,946,000 and \$1,901,000 at December 31, 2023 and 2022, respectively. Interest income recognized during 2023 and 2022 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, 2023:

	January 1,					December 31,
	2023	Additions	Dispositions	Reclassification	Impairment	2023
Riverfront Bar & Grill - Utilities Project	\$ 43,800	\$ -	\$ -	\$ -	\$ -	\$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	204,445	-	-	-	-	204,445
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	225,000	-	-	-	-	225,000
Clinton Market Collective Project	8,645	2,708,770	-	-	-	2,717,415
Land at 174 North Pearl	<u>114,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,915</u>
	4,882,760	2,708,770	-	-	-	7,591,530
Less accumulated depreciation	<u>3,584,627</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,759,627</u>
	<u>\$ 1,298,133</u>					<u>\$ 3,831,903</u>

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

The following is a summary of changes in property held for investment and lease for the year ended December 31, 2022:

	January 1, <u>2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassification</u>	<u>Impairment</u>	December 31, <u>2022</u>
Riverfront Bar & Grill - Utilities Project	\$ 43,800	\$ -	\$ -	\$ -	\$ -	\$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	204,445	-	-	-	-	204,445
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	225,000	-	-	-	-	225,000
Clinton Market Collective Project	-	8,645	-	-	-	8,645
Land at 174 North Pearl	<u>114,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,915</u>
	4,874,115	8,645	-	-	-	4,882,760
Less accumulated depreciation	<u>3,409,627</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,584,627</u>
	<u>\$ 1,464,488</u>					<u>\$ 1,298,133</u>

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 a lease under GASB Statement No. 87, *Leases*, 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).

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

Clinton Market Collective Project

The Corporation's Clinton Market Collective will create a new market concept and proving ground for start-up businesses on the Corporation-owned 11 Clinton Avenue site in Downtown Albany. Project funding includes \$1,160,240 from NYS Department of State through the Downtown Revitalization Initiative (DRI), \$750,000 from Empire State Development, \$1,100,000 from City of Albany American Rescue Plan Act (ARPA) funding, \$250,000 from National Grid, and up to \$610,000 in Corporation resources. The Corporation initiated the project's design phase in 2020, and the Project officially broke ground on April 25, 2023. As of December 31, 2023, substantial completion, or approximately 90%, of the construction portion of the approx. \$3.8 million project has been completed. Construction is anticipated to be fully complete in late Spring 2024.

NOTE 7 — PROPERTY AND EQUIPMENT, NET

The following is a summary of changes in property and equipment for the year ended December 31, 2023:

	January 1, 2023	Additions	Dispositions	December 31, 2023
Land	\$ 49,300	\$ -	\$ -	\$ 49,300
Building and improvements	485,035	-	-	485,035
Furniture and equipment	203,540	6,336	-	209,876
Total	737,875	6,336	-	744,211
Less accumulated depreciation	418,721	16,558	-	435,279
	<u>\$319,154</u>	<u>\$ (10,222)</u>	<u>\$ -</u>	<u>\$ 308,932</u>

The following is a summary of changes in property and equipment for the year ended December 31, 2022:

	January 1, 2022	Additions	Dispositions	December 31, 2022
Land	\$ 49,300	\$ -	\$ -	\$ 49,300
Building and improvements	485,035	-	-	485,035
Furniture and equipment	191,564	11,976	-	203,540
Total	725,899	11,976	-	737,875
Less accumulated depreciation	401,392	17,329	-	418,721
	<u>\$324,507</u>	<u>\$ (5,353)</u>	<u>\$ -</u>	<u>\$ 319,154</u>

Depreciation expense, including depreciation expense on property held for investment and lease, was approximately \$192,000 for both the years ended December 31, 2023 and 2022, and is included in program and project costs on the consolidated statements of revenues and expenses and changes in net position.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 certain ground lease obligations.

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 portions of the Liberty Park site, with certain existing leases that have since been terminated, for approximately \$3,300,000 in November 2019, which is included in the Liberty Park properties asset in the accompanying consolidated statements of net position.

Effective October 24, 2022, and pursuant to an Order of the Supreme Court dated October 21, 2022, the City of Albany Industrial Development Agency (CAIDA) was vested with title to various parcels of land related to the Liberty park site that the Corporation previously held under ground lease agreements (the "Liberty Park Land Parcels") pursuant to the provisions of the Eminent Domain Procedure Law of the State of New York (the "EDPL"). Pursuant to Section 302 of the EDPL, the CAIDA arranged for the preparation of a commercial appraisal of the Land and such appraisal estimated the fair market value of the Liberty Park Land Parcels to be equal to \$2,650,000. In connection with the vesting of such title, the CAIDA deposited an amount equal to \$2,650,000 with the office of the Albany County Clerk as an advance payment (the "Advance Payment") for the acquisition of the Liberty Park Land Parcels pursuant to a Notice of Deposit with Court dated September 30, 2022. The actual amount to be paid by the CAIDA for the acquisition of the Liberty Park Land Parcels is subject to a determination by the Supreme Court pursuant to a proceeding under the EDPL. The Corporation and the CAIDA have entered into a Funding Agreement dated as of November 11, 2020 whereby the Corporation has agreed to pay the purchase price for the Liberty Park Land Parcels. The CAIDA authorized the conveyance of the Liberty Park Land Parcels to Liberty Square Development, LLC, a subsidiary of the Corporation, for the purpose of holding title to the Liberty Park Land Parcels. Following the satisfaction of the 90-day public agency notice period required under Section 2897 of the Public Authorities Law, the CAIDA completed the conveyance of the Liberty Park Land Parcels to Liberty Square Development, LLC. in April 2023. The Corporation utilized grant funds to provide the CAIDA with the \$2,650,000 advance payment in July 2022, which is included in the Liberty Park properties asset in the accompanying consolidated statements of net position due to the conveyance of the properties from the CAIDA to the Corporation. All previous ground leases related to these properties have since been terminated.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022 are summarized below and included in the referenced category (financial statement line item) in the consolidated financial statements:

	<u>2023</u>	<u>2022</u>
Assets		
Restricted cash	<u>\$2,291,873</u>	<u>\$3,588,721</u>
Liberty Park properties	<u>\$7,368,187</u>	<u>\$6,829,131</u>
Liabilities		
Unearned program support and revolving loan fund liability	<u>\$2,164,992</u>	<u>\$2,164,992</u>
Rental income	<u>\$ 164,253</u>	<u>\$ 117,863</u>
Capital grant funding	<u>\$ -</u>	<u>\$3,039,268</u>
Program and project costs	<u>\$ 114,138</u>	<u>\$ 389,437</u>

NOTE 9 — LEASES

The Corporation is lessor in multiple property lease arrangements. The Corporation leases out the Quackenbush Square Parking Lot, Quackenbush House and the Corning Preserve Project which are classified as property held for investment and lease (see Note 6), to help accomplish its economic development goals. The Corporation also leases out office space within one of their buildings.

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 each of the years ended December 31, 2023 and 2022, rental income approximated \$151,000. 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.

Original terms of the space and building leases range from three to fifteen years. Certain agreements provide for periodic adjustments to base rents based upon changes in the CPI. These variable revenues are recognized as period costs in the year incurred.

The Corporation reported lease receivables of \$348,677 and \$648,109 at December 31, 2023 and 2022, respectively, on their non-cancelable leases that have initial lease terms in excess of one year or remaining lease terms in excess of one year from January 1, 2021, the initial application date of GASB Statement No. 87, *Leases*. The interest rates used in the Corporation's calculations of the present value of the lease receivables ranged from 0.23% to 0.63%.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9 — LEASES (Continued)

The following is a schedule by year of the future minimum receipts to be recognized on these leases:

	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2024	\$ 297,118	\$ 855	\$ 297,973
2025	44,149	113	44,262
2026	7,410	3	7,413
	<u>\$ 348,677</u>	<u>\$ 971</u>	<u>\$ 349,648</u>

Deferred inflows of resources of \$1,336,587 and \$1,548,404 are reported in the Statement of Net Position at December 31, 2023 and 2022, respectively, related to these leases. The deferred inflows of resources will be recognized as lease revenue over the term of the lease on a straight-line basis.

The following is a schedule of revenues recognized for the years ended December 31, 2023 and 2022 related to the above leases:

	<u>2023</u>	<u>2022</u>
Lease-related Revenue		
Lease Revenue		
Building	\$ 41,456	\$ 41,456
Land	151,123	151,123
Office Space	19,238	19,238
Total Lease Revenue	211,817	211,817
Interest Revenue	1,191	1,906
Variable and Other Revenue	14,667	8,037
Total	<u>\$ 227,675</u>	<u>\$ 221,760</u>

NOTE 10 — BONDS PAYABLE

The following is a summary of changes in bonds payable for the year ended December 31, 2023:

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Bonds Payable:				
CAIDA Corning Preserve Project (A)	\$ 495,000	\$ -	\$ (240,000)	\$ 255,000
Less current maturities	240,000			255,000
	<u>\$ 255,000</u>			<u>\$ -</u>

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 — BONDS PAYABLE (Continued)

The following is a summary of changes in bonds payable for the year ended December 31, 2022:

	<u>January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2022</u>
Bonds Payable:				
CAIDA Corning Preserve Project (A)	\$ 720,000	\$ -	\$ (225,000)	\$ 495,000
Less current maturities	<u>225,000</u>			<u>240,000</u>
	<u>\$ 495,000</u>			<u>\$ 255,000</u>

- (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 the prescribed amount of \$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, 2023 was 4.19% (2.06% at December 31, 2022). The Corning Preserve Project is leased to the Port under a related agreement (see Note 9).

At December 31, 2023, principal and interest requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	<u>\$ 255,000</u>	<u>\$ 4,460</u>
	<u>\$ 255,000</u>	<u>\$ 4,460</u>

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. No such revenue was recognized for the years ended December 31, 2023 and 2022, respectively.

NOTE 12 — EMPLOYEE BENEFIT PLANS

Retirement Plan

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 2023 and 2022, ten and nine employees were covered by the plans, and total contribution expenses incurred were approximately \$96,000 and \$90,000, respectively.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 12 — EMPLOYEE BENEFIT PLANS (Continued)

Post Employment Benefit

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

NOTE 13 — COMMITMENTS AND CONTINGENCIES

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. The Corporation applied for and was notified that the full \$129,100 in eligible expenditures for payroll and other expenses described in the CARES Act was forgiven effective January 5, 2021. The forgiveness was recognized in the 2021 consolidated statement of revenues and expenses and changes in net position.

According to the rules of the SBA, the Corporation is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Corporation's judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the Corporation may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 14 — RISKS AND UNCERTAINTIES

From time to time, the Corporation may be involved in legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of any outstanding proceedings and litigation will not materially affect the financial position, results of operations and cash flows of the Corporation.

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, 2023, 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 22, 2024.

Report on 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) as a basis for designing 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 a material weakness, yet important enough to merit attention by those charged with governance.

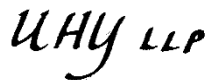
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitalize Albany Corporation's consolidated financial statements are free from 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 financial statements. 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.



Albany, New York
March 22, 2024