

**CAPITALIZE ALBANY CORPORATION**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

# CAPITALIZE ALBANY CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Capitalize Albany Corporation

We have audited the accompanying consolidated balance sheets of Capitalize Albany Corporation (a component reporting unit of the City of Albany) as of December 31, 2011 and 2010, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows, for the years then ended. These consolidated financial statements are the responsibility of Capitalize Albany Corporation's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capitalize Albany Corporation as of December 31, 2011 and 2010, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 2 to 5 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 audits 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.

*UHY* LLP

Albany, New York  
March 28, 2012

# **CAPITALIZE ALBANY CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management Discussion and Analysis (MD&A) of Capitalize Albany Corporation (CAC or the Corporation) activities and financial performance, is offered as an introduction and overview of the financial statements of CAC for the fiscal year ended December 31, 2011. Following this MD&A are the basic financial statements of CAC together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the notes, this section also presents certain supplementary information to assist with the understanding of CAC's financial operations.

CAC 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 CAC's Board of Directors on an annual basis.

The Finance and Investment Committee meets are held 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. On a monthly basis, the Board of Directors of CAC meets to discuss programming needs, project activity and progress, and meets quarterly to discuss CAC's financial position. In addition, the Audit Committee of the Board of Directors, without management present, independently meets with the external auditors to discuss relevant issues and concerns.

### **OPERATION SUMMARY**

In 1979, 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. CAC continues to extend loans and plays an active role in facilitating large-scale transformational real estate projects that the Corporation has identified as a priority.

CAC executes the Capitalize Albany Economic Development Strategy as well as implements the initiatives identified as part of the 2007 Re-Capitalize Albany Strategic Advisory Committee Report. The 2007 Report evaluated the existing economic development vision and recommended necessary updates and changes.

### **Business Development**

CAC facilitates real estate transactions to expand and enhance business development and investment opportunities. Additionally, CAC encourages job creation and business development by extending loans to new and existing businesses, as well as providing technical support with respect to city, state and other economic development programs.

During 2011, the Corporation executed a purchase option agreement with the City of Albany for a parcel of land on Central Avenue. The \$500,000 paid at the time of execution will be applied against the purchase price if the option is exercised within the next five years. It is expected that a development project that could be realized by exercising the option would complement and enhance existing development on one of the City's most vital corridors.

CAC 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). The CACRC is a not-for-profit local development corporation formed by the City of Albany in 2010. During 2011, several organizations utilized the programs and incentives of the CAIDA and CACRC; resulting in approximately \$127 million of financial assistance for new projects within the City of Albany. These projects are anticipated to create and retain approximately 780 jobs within the City of Albany.

# CAPITALIZE ALBANY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Downtown Revitalization

In 2010, the Corporation's Board of Directors established a 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. Two loans were approved in 2011 under this program with a total value of \$650,000.

### Neighborhood Revitalization

To enhance and support neighborhood development efforts, during 2011 CAC extended a \$500,000 loan for acquisition of a building to contribute to the redevelopment of the Delaware Gateway Site. CAC recognizes that the redevelopment will ultimately provide opportunities for the City of Albany residents; the goal of the completed development site is to offer services to residents within the surrounding neighborhood. It is expected that the increased value of this site will have a positive impact on the property values within the neighborhood and lead to increased investment in adjacent areas.

## FINANCIAL OPERATIONS HIGHLIGHTS

CAC facilitates the Capitalize Albany Economic Development Strategy. The projects associated with this strategy are diverse, and therefore CAC'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, 2011, 2010 and 2009 is shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total revenues	\$ 1,434,836	\$ 1,871,461	\$ 2,493,324
Total expenses	<u>1,819,513</u>	<u>1,615,481</u>	<u>2,411,743</u>
Excess of (expenses over revenues) revenues over expenses	<u>\$ (384,677)</u>	<u>\$ 255,980</u>	<u>\$ 81,581</u>

### Total revenues decreased \$436,625 or 23%:

- Grant revenues decreased \$199,201 or 29% from \$692,001 in 2010 to \$492,800 in 2011. Revenue derived from grants is typically program specific and non-recurring. The decrease is attributable to a reduction in the economic development grant from the City of Albany IDA. Significant grants in 2011 include \$150,000 from the City of Albany IDA and \$170,000 from the Albany Community Development Agency both for general economic development support.
- Rental income increased by \$10,624 or 3%. This is primarily attributable to filling a prior year vacancy in a property owned by the Corporation.
- Other interest and investment income decreased \$99,354 or 33% from \$300,191 in 2010 to \$200,837 in 2011 primarily due to the change in fair market value of investments.
- Interest income on mortgage notes decreased \$24,702 or 26% from \$95,154 in 2010 to \$70,451 in 2011 due to the non-performance of one loan.

# CAPITALIZE ALBANY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- There was no gain on sale of properties in 2011 compared to a \$280,000 gain in 2010.
- Fees and other income increased \$156,009 or 93% from \$168,262 in 2010 to \$324,271 in 2011. This is primarily attributable to the increase in the professional services agreement with the City of Albany IDA and Capital Resources Corporation.

### Total expenses increased \$204,032 or 13%:

- Salaries and fringe benefits decreased \$76,140 or 10% from \$726,315 in 2010 to \$650,175 in 2011 due to staff vacancies.
- Program and project costs decreased \$161,208 or 38% from \$422,819 in 2010 to \$261,610 in 2011. The decrease is primarily attributable to programs and projects that were active and completed in 2010 and not renewed in 2011.
- Interest Expense decreased \$9,210 or 8% from \$122,419 in 2010 to \$113,209 in 2011. This decrease is attributable to a reduced interest rate on the variable rate bonds that were issued to finance a redevelopment project supported by a capital lease.
- Bad debt expenses of \$463,455 in 2011 are primarily attributable to recording an allowance for one non-performing loan.
- Other Expenses decreased \$17,382 or 5% from \$348,446 in 2010 to \$331,064 in 2011. This decrease is primarily attributable to a reduction in administrative expenses.

A condensed summary of CAC's net assets at December 31, 2011, 2010 and 2009 is shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 3,572,020	\$ 4,395,388	\$ 4,306,861
Investments	2,644,806	2,627,790	2,534,633
Restricted cash	321,034	664,610	616,426
Other assets	800,464	304,823	327,912
Mortgage notes receivable, net of allowances	2,030,574	1,867,026	1,628,738
Net investment in direct financing leases	2,273,211	2,443,358	2,595,337
Property, plant and equipment, net (includes property held for investment and lease)	4,135,705	4,303,350	4,568,700
<b>Total assets</b>	<b><u>\$ 15,777,814</u></b>	<b><u>\$ 16,606,345</u></b>	<b><u>\$ 16,578,607</u></b>
Bonds payable	\$ 4,530,548	\$ 4,840,270	\$ 5,132,581
Other liabilities	1,138,760	1,294,325	1,233,118
Deferred program support and revolving loan fund liability	786,692	765,259	762,397
<b>Total liabilities</b>	<b><u>6,456,000</u></b>	<b><u>6,899,854</u></b>	<b><u>7,128,096</u></b>
Net assets invested in capital assets, net of related debt	1,615,705	1,643,350	1,776,435
Restricted net assets	289,781	279,256	270,780
Unrestricted net assets	7,416,328	7,783,885	7,403,296
<b>Total net assets</b>	<b><u>9,321,814</u></b>	<b><u>9,706,491</u></b>	<b><u>9,450,511</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 15,777,814</u></b>	<b><u>\$ 16,606,345</u></b>	<b><u>\$ 16,578,607</u></b>

# **CAPITALIZE ALBANY CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS**

In 2012, CAC will 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.

In 2012 and beyond, 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.

### **FINANCIAL STATEMENTS**

CAC'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). CAC is a local development corporation organized under the Not-For-Profit Corporation laws of the State of New York. CAC is also a component reporting unit of the City of Albany. CAC 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 CAC'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 Vice President and Chief Financial Officer, Capitalize Albany Corporation, 21 Lodge Street, Albany, NY 12207.

**CAPITALIZE ALBANY CORPORATION**  
**BALANCE SHEETS**

	December 31,	
	2011	2010
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,572,020	\$ 4,395,388
Investments	2,644,806	2,627,790
Restricted cash	321,034	664,610
Mortgage notes receivable, current portion, net	178,737	146,801
Net investment in direct financing leases, current portion	180,620	169,187
Accrued interest receivable	73,508	79,721
Grants receivable	-	23,279
Other receivables, current portion, net	3,325	5,123
Total current assets	<u>6,974,050</u>	<u>8,111,899</u>
Noncurrent Assets:		
Mortgage notes receivable, less current portion, net	1,851,837	1,720,225
Receivables from the City of Albany and City agencies	100,000	100,000
Other receivables, less current portion, net	91,180	91,180
Net investment in direct financing leases, less current portion	2,092,591	2,274,171
Property held for investment and lease, net	3,663,351	3,851,773
Property and equipment, net	472,354	451,577
Other assets	532,451	5,520
Total noncurrent assets	<u>8,803,764</u>	<u>8,494,446</u>
Total assets	<u>\$ 15,777,814</u>	<u>\$ 16,606,345</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 91,714	\$ 213,397
Due to the City of Albany	136,248	190,959
Deferred grant and other income	910,798	889,969
Bonds payable, current portion	322,112	309,722
Total current liabilities	<u>1,460,872</u>	<u>1,604,047</u>
Noncurrent Liabilities:		
Bonds payable, less current portion	4,208,436	4,530,548
Revolving loan fund liability	705,245	683,812
Deferred program support	81,447	81,447
Total noncurrent liabilities	<u>4,995,128</u>	<u>5,295,807</u>
Total liabilities	<u>6,456,000</u>	<u>6,899,854</u>
Net Assets		
Invested in capital assets, net of related debt	1,615,705	1,643,350
Restricted for:		
Debt service	171,400	177,732
CDBG eligible activities	109,612	99,196
Other program specific activities	8,769	2,328
Unrestricted	7,416,328	7,783,885
Total net assets	<u>9,321,814</u>	<u>9,706,491</u>
Total liabilities and net assets	<u>\$ 15,777,814</u>	<u>\$ 16,606,345</u>

See notes to financial statements.



**CAPITALIZE ALBANY CORPORATION**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

	<b>Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenues		
Grant income	<b>\$ 492,800</b>	\$ 692,001
Rental income	<b>346,477</b>	335,853
Other interest and investment income	<b>200,837</b>	300,191
Interest income on mortgage notes	<b>70,451</b>	95,154
Gain on sale of properties	-	280,000
Fees and other income	<b>324,271</b>	168,262
Total revenues	<b>1,434,836</b>	1,871,461
Expenses		
Salaries and fringe benefits	<b>650,175</b>	726,315
Program and project costs	<b>261,610</b>	422,819
Interest expense	<b>113,209</b>	122,419
Bad debt expenses (recovery)	<b>463,455</b>	(4,518)
Other expenses	<b>331,064</b>	348,446
Total expenses	<b>1,819,513</b>	1,615,481
Excess of (expenses over revenues) revenues over expenses	<b>(384,677)</b>	255,980
Net Assets, Beginning of Year	<b>9,706,491</b>	9,450,511
Net Assets, End of Year	<b>\$9,321,814</b>	\$ 9,706,491

*See notes to financial statements.*

**CAPITALIZE ALBANY CORPORATION**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 588,261	\$ 551,821
Cash received from grantors	540,973	740,185
Other operating cash receipts	324,271	168,262
Cash payments to suppliers and grantees	(551,889)	(529,835)
Cash payments to employees	(650,175)	(721,428)
Net cash provided by operating activities	<u>251,441</u>	<u>209,005</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from sale of property held for sale	-	555,000
Purchase of property held for investment and lease	-	(7,447)
Purchase of property and equipment	(47,219)	(201,640)
Purchase of other assets including purchase options	(526,559)	-
Principal payments on bonds payable	(309,722)	(292,312)
Interest paid on bonds payable	(115,525)	(124,536)
Net cash used in capital and related financing activities	<u>(999,025)</u>	<u>(70,935)</u>
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents and investments	72,896	77,504
Net decrease (increase) in restricted cash	343,576	(48,184)
Proceeds from sales and maturities of investments	2,576,534	3,009,217
Purchase of investments	(2,629,302)	(3,006,288)
Issuance of mortgage notes receivable	(1,000,000)	(370,445)
Repayments received on mortgage notes receivable	390,364	136,674
Principal payments received under direct financing leases	170,148	151,979
Net cash used in investing activities	<u>(75,784)</u>	<u>(49,543)</u>
<b>Change in cash and cash equivalents</b>	<b>(823,368)</b>	<b>88,527</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>4,395,388</u>	<u>4,306,861</u>
End of year	<u>\$ 3,572,020</u>	<u>\$ 4,395,388</u>

See notes to financial statements.

**CAPITALIZE ALBANY CORPORATION**  
**STATEMENTS OF CASH FLOWS, CONTINUED**

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Excess of (Expenses Over Revenues)</b>		
<b>Revenues Over Expenses to Net Cash Provided by</b>		
<b>Operating Activities</b>		
Excess of (expenses over revenues) revenues over expenses	<b>\$ (384,677)</b>	\$ 255,980
Adjustments to reconcile excess of (expenses over revenues)		
revenues over expenses to net cash provided by		
operating activities:		
Depreciation and amortization	<b>214,862</b>	199,438
Adjustment for losses on mortgage notes and		
other receivables	<b>463,455</b>	(4,518)
Gain on sale of property	-	(280,000)
Net realized and unrealized losses (gains) on investments	<b>35,752</b>	(96,087)
Interest income on cash and cash equivalents and		
investments	<b>(73,677)</b>	(78,042)
Interest expense on bonds payable	<b>113,209</b>	122,419
Changes in:		
Grants receivable	<b>23,279</b>	28,877
Other receivables, accrued interest receivable and		
other assets	<b>8,420</b>	(5,248)
Accounts payable and accrued expenses	<b>(119,365)</b>	21,794
Due to the City of Albany	<b>(54,711)</b>	25,084
Deferred grant and other income	<b>20,829</b>	16,446
Revolving loan fund liability	<b>4,065</b>	2,862
	<u><b>\$ 251,441</b></u>	<u><b>\$ 209,005</b></u>

See notes to financial statements.

# **CAPITALIZE ALBANY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

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

#### **Organization and Mission**

Capitalize Albany Corporation (CAC) 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). CAC facilitates large scale transformational real estate projects to accomplish its mission.

CAC'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, CAC has invested in certain real estate, and leases such real estate to businesses in order to further job opportunities within the City.

CAC formed Citywide Property Holdings, LLC (Citywide) in April 2008 for the limited purpose of assisting CAC in the furtherance of CAC's mission. CAC is the sole member and manager of Citywide. Citywide's participation in the furtherance of CAC'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 consolidated financial statements represent the consolidated financial position and the consolidated changes in financial position and cash flows of CAC and Citywide. All intercompany transactions between CAC and Citywide have been eliminated for the financial reporting purpose.

#### **Component Unit Reporting**

CAC is a component reporting unit of the City of Albany and, as such, is also reported in the City of Albany's general purpose financial statements.

#### **Basis of Accounting and Presentation**

CAC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. CAC'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**

CAC, 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 program 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 CAC'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 2011 or 2010.

**CAPITALIZE ALBANY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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

**Cash and Cash Equivalents**

Cash is comprised of various interest bearing and non-interest bearing deposits in several financial institutions. CAC 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, 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. CAC'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 CAC to recipient entities are generally issued as part of larger financial packages involving additional lenders. Substantially all of CAC'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. CAC 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 CAC in establishing the estimated allowance for possible losses.

CAC 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 market and represents assets acquired to assist in CAC'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.

**CAPITALIZE ALBANY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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

**Other Assets**

In December 2011, Citywide Property Holdings, LLC executed a purchase option agreement for a development site on Central Avenue. Under the terms of the agreement, Citywide paid \$500,000 at the time of the execution that will be applied to the purchase price of the property. Citywide can exercise the option at any time within the next five years. This amount is included in other assets in the balance sheet at December 31, 2011.

**Description of Leasing Arrangements**

CAC, as part of its mission, has entered into arrangements leasing various parcels of real estate. These arrangements include both operating and direct financing leases. The lease terms range from one to thirty years.

**Allocated Salaries and Fringe Benefits**

The majority of salaries and fringe benefits have been incurred by the City in connection with Community Development Block Grants (CDBG) and other funding, for economic development and for other administrative purposes. Such costs have been allocated and charged to CAC, and are included in salaries and fringe benefits in CAC's consolidated statements of revenue and expenses.

**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.

**Income Taxes**

CAC is a publicly supported organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Citywide's annual tax information filings are included with the annual filings of its sole member, CAC.

**Net Assets**

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

Invested in capital assets, net of related debt – This component of net assets 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 invested in capital assets, net of related debt. Rather, when applicable, that portion of the debt is included in the same net assets component as the unspent proceeds.

**CAPITALIZE ALBANY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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

**Net Assets** (Continued)

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

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

**Reclassifications**

Certain items have been reclassified in the 2010 financial statements to conform with the 2011 presentation.

**Subsequent Events**

For purposes of preparing these financial statements, CAC considered events through March 28, 2012, the date the financial statements were available for issuance. See Note 18 for disclosure regarding subsequent events.

**NOTE 2 — CASH AND CASH EQUIVALENTS**

CAC maintains its cash in bank accounts with several financial institutions.

CAC 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, 2011, the carrying amount and the bank balance of CAC’s deposits were approximately \$3,572,000 and \$3,610,000, respectively. Of the bank balance, approximately \$510,000 was insured under the FDIC coverage, and approximately \$436,000 was secured by bank pledged investment securities. Uncollateralized amounts approximated \$2,664,000 at December 31, 2011, and were maintained with major financial institutions considered by management to be secure.

**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:

	<u>2011</u>	<u>2010</u>
CDBG eligible activities	\$ 81,899	\$ 65,419
EC/EDZ revolving loan fund	8,638	362,421
Debt service reserve	171,400	177,732
Hudson River Way campaign	<u>59,097</u>	<u>59,038</u>
Total restricted cash and cash equivalents	<u>\$ 321,034</u>	<u>\$ 664,610</u>

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 3 — RESTRICTED CASH (Continued)**

At December 31, 2011, the bank balance of restricted cash was approximately \$321,000. Of the bank balance, approximately \$192,000 was insured under FDIC coverage, and approximately \$59,000 was secured by bank pledged investment securities. Uncollateralized amounts approximated \$70,000 at December 31, 2011, and were maintained with major financial institutions considered by management to be secure.

**NOTE 4 — INVESTMENTS**

Investments consist of the following at December 31:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Agency Securities	\$ 241,401	\$ 242,709	\$ 581,355	\$ 585,067
Corporate Debt Securities	713,267	726,655	613,427	630,184
Certificates of Deposit	1,241,992	1,238,425	999,607	999,444
Equities	282,840	304,511	304,290	340,554
Other	132,506	132,506	72,541	72,541
Total	<u>\$ 2,612,006</u>	<u>\$ 2,644,806</u>	<u>\$ 2,571,220</u>	<u>\$ 2,627,790</u>

Unrealized losses of approximately \$24,000 at December 31, 2011 and unrealized gains of approximately \$96,000 at December 31, 2010 are included in other interest and investment income in the consolidated statements of revenue and expenses and changes in net assets.

**NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET**

CAC's mortgage notes receivable are comprised of 42 individual accounts at December 31, 2011 and 2010, with an average outstanding principal balance approximating \$104,000 and \$90,000, respectively.

Repayment terms and interest rates on mortgage loans vary with each loan. Generally, interest rates range from 0% to 9% per year, with the average yield on all loans approximating 5% for the years ended December 31, 2011 and 2010. Maturities range from the short-term through the year 2080.

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



**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET (Continued)**

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

	<u>2011</u>		<u>2010</u>	
	<u>Number of Notes</u>	<u>Amount</u>	<u>Number of Notes</u>	<u>Amount</u>
CDBG	2	\$ 59,817	3	\$ 71,572
UDAG	15	962,805	15	962,805
Other	25	3,362,837	24	2,741,446
	<u>42</u>	4,385,459	<u>42</u>	3,775,823
Less allowance for losses		<u>(2,354,885)</u>		<u>(1,908,797)</u>
Mortgage notes receivable, net		2,030,574		1,867,026
Less: Current portion		<u>178,737</u>		<u>146,801</u>
Noncurrent		<u>\$ 1,851,837</u>		<u>\$ 1,720,225</u>

Of the total mortgage receivable balance approximately \$640,000 and \$150,000 as of December 31, 2011 and 2010, respectively, is due from the Albany Community Development Agency (ACDA), another component unit of the City of Albany.

The recorded investment in mortgage notes receivable that are considered to be impaired approximated \$2,453,000 and \$2,004,000 at December 31, 2011 and 2010, respectively. The allowance for losses related to impaired loans approximated \$2,355,000 and \$1,909,000 at December 31, 2011 and 2010, respectively. Interest income recognized on impaired mortgage notes receivable, while such mortgage notes receivable were impaired, was approximately \$17,000 and \$8,000 for 2011 and 2010, respectively.

**NOTE 6 — RECEIVABLES FROM THE CITY OF ALBANY AND CITY AGENCIES**

Included in receivables from the City of Albany and City agencies is \$100,000 advanced by CAC to the Albany Community Development Agency, another component unit of the City, under a collateral loan agreement for the purpose of establishing a fund for collateral as required by the Federal National Mortgage Association for ACDA's participation in the Down Payment Assistance Program. The funds were deposited by ACDA in a restricted collateral fund held by a trustee. The funds are available to offset principal losses on mortgages granted under the Down Payment Assistance Program and to cover any shortfall in a related bond payment account to pay interest on bonds issued related to the Down Payment Assistance Program. The loan receivable matures at the earlier of the end of the Down Payment Assistance Program or August of 2013. The balance of the funds remaining is due at maturity. At both December 31, 2011 and 2010, the balance was \$100,000.

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 7 — 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, 2011:

	<u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassification</u>	<u>Impairment</u>	<u>December 31,</u> <u>2011</u>
Riverfront Bar & Grill -						
Utilities Project	\$ 43,800	\$ -	\$ -	\$ -	\$ -	\$ 43,800
Quackenbush Square Parking Lot	146,863	-	-	-	-	146,863
677 Broadway	449,001	-	-	-	-	449,001
174 North Pearl Street	188,391	-	-	-	-	188,391
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	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
	5,391,338	-	-	-	-	5,391,338
Less accumulated depreciation	<u>1,539,565</u>	<u>188,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,727,987</u>
	<u>\$ 3,851,773</u>					<u>\$ 3,663,351</u>

In February 2010, land at 10 Dallius Street was sold to Albany Convention Center Authority (ACCA), resulting in a net gain of approximately \$280,000. In addition, the Corporation entered into a license agreement with ACCA to operate the premises on behalf of ACCA. The agreement is for one year and will renew automatically for successive one year intervals. According to the license agreement, CAC will pay ACCA a license fee equal to seventy percent of the monthly rental income derived from the premises.

**NOTE 8 — PROPERTY AND EQUIPMENT, NET**

The following is a summary of changes in property and equipment for the year ended December 31, 2011:

	<u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>December 31,</u> <u>2011</u>
Land	\$ 49,300	\$ -	\$ -	\$ 49,300
Building and improvements	459,082	-	-	459,082
Furniture and equipment	<u>76,800</u>	<u>47,219</u>	<u>(7,217)</u>	<u>116,802</u>
Total	585,182	47,219	(7,217)	625,184
Less accumulated depreciation	<u>133,605</u>	<u>26,442</u>	<u>(7,217)</u>	<u>152,830</u>
	<u>\$451,577</u>			<u>\$ 472,354</u>

Depreciation expense, including depreciation expense on property held for investment and lease, was approximately \$215,000 and \$199,000 for the years ended December 31, 2011 and 2010, respectively.

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 9 — OPERATING LEASES**

CAC leases the Quackenbush Square Parking Lot, Riverfront Bar & Grill, 174 North Pearl Street, 677 Broadway (ground lease), the Quackenbush House, and Corning Preserve Project, all classified as property held for investment and lease (see Note 7), to help accomplish its economic development goals.

The following is a schedule by year of the minimum future rentals to be received on non-cancellable operating leases as of December 31, 2011:

2012	\$ 317,042
2013	293,401
2014	273,839
2015	279,286
2016	264,174
Thereafter	<u>3,042,589</u>
	<u>\$ 4,470,331</u>

CAC leases the Corning Preserve Project to the Albany Port District Commission (the "Port"), another component unit of the City, under a shared use and lease agreement (see Note 15). The shared use and sublease agreement has a thirty year term. 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. CAC is recognizing the base rental income on a straight-line basis (\$150,000 per year) over the life of the lease based on the lease factors at inception of the lease. For the years ended December 31, 2011 and 2010, rental income approximated \$150,000 and \$157,000, 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 — NET INVESTMENT IN DIRECT FINANCING LEASES**

The following lists the components of the net investment in direct financing leases as of December 31:

	<u>2011</u>	<u>2010</u>
Total minimum lease payments to be received	\$ 3,202,583	\$ 3,531,344
Less: amounts representing executory costs (such as insurance) included in total minimum lease payments	<u>(58,355)</u>	<u>(42,458)</u>
Net minimum lease payments receivable	3,144,228	3,488,886
Less: unearned income	<u>(871,017)</u>	<u>(1,045,528)</u>
Net investment in direct financing leases	2,273,211	2,443,358
Less: current portion	<u>180,620</u>	<u>169,187</u>
Noncurrent	<u>\$ 2,092,591</u>	<u>\$ 2,274,171</u>

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 10 — NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)**

Minimum future lease payments to be received, as of December 31, 2011, for the remaining lease terms, are as follows:

2012	\$ 345,395
2013	341,706
2014	343,311
2015	340,267
2016	332,824
Thereafter	<u>1,499,080</u>
Total minimum lease payments to be received	<u><u>\$3,202,583</u></u>

Net investment in direct financing leases is comprised primarily of the following leases with related parties:

A lease with ACDA, related to a facility located at 200 Henry Johnson Boulevard. In addition, a master lease agreement with the City guarantees the required lease payments of ACDA. The lease with ACDA required an up-front payment of \$300,000 and variable semi-annual payments over the remaining lease term (payments approximate \$190,000 annually). Portions of the payments are utilized by CAC to fund their debt service obligation for the related bonds payable (see Note 12). The lease has a twenty-five year term and matures in March 2018. The net investment in the lease approximated \$942,300 and \$1,031,800 as of December 31, 2011 and 2010, respectively. Income earned during 2011 and 2010 approximated \$104,500 and \$114,100, respectively.

A lease with the Port, related to a warehouse facility. In 2004, the lease with the Port was amended to reflect CAC's refinancing related bonds payable (see Note 12). The lease amendment with the Port requires monthly payments of \$8,718 which is equivalent to CAC's debt service obligation for related bonds payable (see Note 12). The lease has a twenty year term and matures in November 2024. The net investment in the lease approximated \$1,055,500 and \$1,115,300 as of December 31, 2011 and 2010, respectively. Income earned during 2011 and 2010 approximated \$44,700 and \$47,100, respectively.

A lease with the City, related to the Albany Police Department's North Station, requiring annual payments of \$22,088. The lease has a twenty year term and matures in July 2018. The net investment in the lease approximated \$105,300 and \$122,000 as of December 31, 2011 and 2010, respectively. Income earned during 2011 and 2010 approximated \$6,500 and \$7,400, respectively.

**NOTE 11 — DUE TO THE CITY OF ALBANY**

Due to the City of Albany consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Payable attributable to allocated salaries and fringe benefits (see Note 1)	\$ 77,151	\$ 131,921
Hudson River Way project	59,097	59,038
	<u>\$ 136,248</u>	<u>\$ 190,959</u>

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 12 — BONDS PAYABLE**

The following is a summary of changes in bonds payable for the year ended December 31, 2011:

	<u>December 31,</u> <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2011</u>
Bonds Payable:				
AIDA Port Warehouse Project (A)	\$ 1,115,270	\$ -	\$ (59,722)	\$ 1,055,548
AIDA Henry Johnson Boulevard Project (B)	1,065,000	-	(110,000)	955,000
AIDA Corning Preserve Project (C)	<u>2,660,000</u>	<u>-</u>	<u>(140,000)</u>	<u>2,520,000</u>
	4,840,270	-	(309,722)	4,530,548
Less current maturities	<u>309,722</u>			<u>322,112</u>
	<u>\$ 4,530,548</u>			<u>\$ 4,208,436</u>

- (A) CAC functioned as the conduit agency in connection with a 1994 bond issue of the Albany Industrial Development Agency (AIDA), another component unit of the City, in the amount of \$1,675,000. The net proceeds were utilized to fund a project to construct a building for the Port. The transaction has been recorded at the amount of debt assumed under the bond issue. The building is leased to the Port under a related lease agreement that has been classified as a direct financing lease (see Note 10). In 2004, the 1994 bond was refinanced through the issuance of a 2004A bond of the AIDA in the amount of \$1,430,000. The 2004A bond requires monthly payments of principal and interest in the amount of \$8,718, with interest at a rate of 4.07% per annum. The bond matures in November 2014. Accordingly, the lease with the Port was amended in 2004 (see Note 10).
- (B) CAC functioned as the conduit agency in connection with a 1994 bond issue of the AIDA in the amount of \$1,975,000. The net proceeds were utilized to fund a project to construct a building for the City and City Agencies. The transaction has been recorded at the amount of debt assumed under the bond issue. The bonds require semi-annual payment of interest and the interest rate is adjusted every five years. Principal payments are required annually on March 1 in prescribed amounts currently ranging from \$100,000 to \$160,000. The obligation matures in March 2018. The interest rate at December 31, 2011 was 5.75%. The building is leased to ACDA under a related lease agreement that has been classified as a direct financing lease (see Note 10).
- (C) CAC functioned as the conduit agency in connection with a 2002 Civic Facility Revenue bond issue of the AIDA 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 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 \$140,000 to \$255,000. 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 bonds mature in May 2027. The interest rate at December 31, 2011 was 0.32%. The Corning Preserve Project is leased to the Port under a related agreement that has been classified as an operating lease (see Note 9).

**CAPITALIZE ALBANY CORPORATION**  
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**NOTE 12 — BONDS PAYABLE (Continued)**

At December 31, 2011, principal and interest requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 322,112	\$ 101,791
2013	339,846	91,825
2014	1,218,590	81,413
2015	300,000	36,233
2016	320,000	27,645
2017 - 2021	1,310,000	37,392
2022 - 2024	720,000	3,310
	<u>\$ 4,530,548</u>	<u>\$ 379,609</u>

**NOTE 13 — REVOLVING LOAN FUND LIABILITY**

In June 1999, CAC 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 \$16,200 and \$18,400 of such revenue was recognized for the years ended December 31, 2011 and 2010, respectively.

**NOTE 14 — RETIREMENT PLAN**

**Employees’ Retirement System (ERS)**

*Plan Description:* The City contributes to the Employees' Retirement System (ERS), a plan administered by the New York State and Local Retirement System. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. ERS issues a financial report which includes financial statements and other information for ERS which is available to the public. That report may be obtained by writing to New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

*Funding Requirements:* The City is required to contribute annually to ERS. For both 2011 and 2010, substantially all services in connection with CDBG and other programs were provided by the City’s employees who are covered by the ERS. The City allocates certain retirement costs to CAC based on a percentage of payrolls (approximately \$38,000 for 2011 and \$37,000 for 2010). The rates, which vary according to the employees' date of hire, include normal, administrative, and supplemental pension contributions and prior service costs.

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**NOTE 14 — RETIREMENT PLAN (Continued)**

**Simplified Employee Pension Plan (SEP-IRA)**

*Plan Description:* Simplified Employee Pension Plan is an employer-funded retirement plan with 100% immediate vesting. Maximum employee limit is 25% of gross compensation not to exceed \$49,000. Distributions taken prior to age 59 ½ may be subject to 10% premature penalty tax in addition to ordinary income tax. The Plan must be adopted and funded by employer's tax filing deadline, plus extensions, for prior year deductibility.

*Funding Requirements:* CAC has elected to contribute 11% of an eligible employee's compensation annually to the SEP-IRA. At December 31, 2011 and 2010, three employees were covered by the SEP-IRA, and total contributions were approximately \$21,000 and \$19,000, respectively.

**Post Employment Benefit**

The City provides health benefits to its employees and retirees through a variety of health insurance plans, which are offered to full-time employees. Employees who reach retirement age while working for the City and who have ten or more years of continuous full-time service are currently provided with the insurance benefit, to which they were entitled as employees. Retirement benefits are not collectively bargained and the City can alter this benefit at any time. Such benefits provided to those City employees are the liability of the City.

CAC does not offer post employment benefit to its employees.

**NOTE 15 — CORNING PRESERVE PROJECT**

CAC, 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). CAC 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.

CAC entered into a lease agreement with the AIDA to sublease the property to the AIDA. The sublease expires at the earlier of a date requested by CAC or the completion date of the Corning Preserve Project. The lease agreement provides for a nominal payment. CAC also entered into an installment sale agreement with the AIDA pursuant to which CAC is obligated, among other things, to complete the Corning Preserve Project as the agent of the AIDA and the AIDA sells the Corning Preserve Project to CAC on an installment basis. CAC'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 AIDA to fund the Corning Preserve Project, which is accounted for as bonds payable (see Note 12).

CAC entered into a shared use and sublease agreement with the Port. Under the shared use and sublease agreement the Port is obligated to perform on behalf of CAC, CAC'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 CAC'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**  
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**NOTE 16 — COMMITMENTS AND CONTINGENCIES**

**Loan Commitments**

During 2011, CAC agreed to extend a \$250,000, 7-year loan for the renovation of a building in downtown Albany. The project is expected to yield 14 residential units and rentable commercial space. The loan carries an interest rate of 5.75% for 18 months and 6.00% for 66 months and is collateralized by the building and property. The loan was subsequently disbursed in February 2012.

**NOTE 17 — SUBSEQUENT EVENTS**

In February 2012, CAC agreed to extend a \$400,000, 2-year construction and 20-year permanent financing loan for the renovation of a building in downtown Albany. The loan carries an interest rate of 5% during the 2-year construction period and an interest rate of 5.75% for the first five years of the permanent financing. After the first five years, the interest rate resets every five years indexed to the 5-year Constant Maturity Treasury (CMT) with a spread of 2.5%. The rate will have a ceiling of 6.75% and a floor of 5.75%. CAC is secured with a second position mortgage on the building and property. It is expected that this project will yield 43 downtown residential units. The loan was subsequently disbursed in March 2012.

In February 2012, CAC agreed to extend a \$250,000, 12-month construction and 10-year permanent financing loan for the renovation of a building in downtown Albany. This loan carries an interest rate of 5%. CAC is secured with a second position mortgage on the building and property. It is expected that this project will yield 4 downtown residential units and 1 commercial tenant.

Citywide Property Holdings, LLC and CAC (as a co-borrower) closed on a revolving line of credit with a financial institution for \$1,000,000 in February 2012. The line carries a rate of Prime, with a floor of 5%, and is collateralized by several parcels of real estate owned by CAC. The line matures in two years.