

**MINUTES OF THE AUDIT COMMITTEE**  
**OF**  
**NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY**  
**September 23, 2019**

A meeting of the Audit Committee of the Board of Directors (the “Committee”) of New York City Industrial Development Agency (“NYCIDA” or the “Agency”) was held on Monday, September 23, 2019 pursuant to notice from the Deputy Executive Director of the Agency, at the New York City Economic Development Corporation (“NYCEDC”), One Liberty Plaza, Conference Room 12A Pulaski, New York, New York 10006.

The following members of the Committee were present in person or by means of a conference call at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- Albert V. De Leon, Committee Chairperson (present in person)
- Khary Cuffe (attended by phone)

In addition, the following members of NYCEDC staff were present in person:

- Finance:
  - Kim Vaccari – CFO
  - Spencer Hobson – EVP/Treasurer
  - Fred D’Ascoli – Controller
  - Amy Chan – Deputy Controller
  - Carol Ann Butler – AVP
- Internal Audit (“IA”):
  - Jennie Wallace – EVP
  - Tony Khoury – VP
- Compliance Department (“Compliance”):
  - Shin Mitsugi – SVP
  - Daniel Kane – VP

- Strategic Investments Group (“SIG”):
  - Krishna Omolade – VP and the Agency’s Deputy Executive Director

Also present were representatives from Ernst & Young LLP (“EY”):

- Louis Roberts – Engagement Partner
- Nicole Rapport – Senior Manager

Mr. De Leon called the meeting to order at 9:10 a.m.

## **1. Approval of the Minutes of the May 23, 2019 Audit Committee meeting**

Mr. De Leon asked if there were any questions or comments relating to the minutes of the May 23, 2019 meeting. There being no questions or comments, Mr. Cuffe motioned to approve, Mr. De Leon seconded, and the motion was approved.

## **2. Presentation of the Annual Financial Statements – Management Discussion**

Ms. Chan presented the NYCIDA financial position as of year-end and discussed the financials at a high level.

Ms. Chan discussed the Statement of Revenues, Expenses, and Changes in Net Position. NYCIDA had an ending net position of \$21.8 million, which represents a \$15.3 million decrease as compared to FY2018 of \$37 million. Since NYCIDA is the conduit debt issuer for the Yankees and Mets Major League Baseball stadiums, these debt obligations and related activity have no bottom-line impact to NYCIDA's financial statements. Operating revenues decreased \$1.8 million and operating expenses increased \$1.1 million, due to the reallocation of a significant portion of the NYCEDC management fees from Build NYC to NYCIDA. Non-operating revenues and expenses incurred were \$3.7 million of Special Project Costs for the Workforce Development and FutureWorks NYC initiatives. The principle reason for the net asset reduction is the termination of the Agency's \$10.5 million security interest in certain equipment at the Fresh Direct facility in Hunts Point. This amount was expensed in November 2018 at the completion of the project.

Ms. Chan highlighted the Investments Section of the Financial Statements and noted that the Agency's unrestricted net position is \$21.8 million and made up of \$23.5 million of unrestricted cash and investments, offset with approximately \$2 million of current payables and unearned revenues. As for the breakout of investments, 99% of investments are in government securities and the remaining 1% are in certificates of deposit and money markets, all of which aligns with the Agency's Investment Policies Guidelines.

Mr. De Leon inquired about the Fresh Direct termination. Ms. Chan explained that back in 2016 when NYCIDA entered into an agreement with Fresh Direct, the Agency had a secured interest in their equipment, which was capitalized on the balance sheet as an asset. With the company meeting its obligations under the agreement, the Agency's interest terminated in November 2018. A charge of \$10.5 million, as a non-operating expense was removed from the balance sheet. Mr. D'Ascoli and Mr. Roberts further explained that Fresh Direct needed to meet the established criteria to fulfill their obligations. NYCIDA provided the funding and capitalized the secured interest on assets until FY2019 when Fresh Direct met all the requirements.

Mr. D'Ascoli mentioned that the Auditors' Report (in accordance with Government Auditing Standards) concluded that there were no findings, and no internal control issues noted by the external auditors (EY).

### **EY Update**

Mr. Roberts stated that EY completed all its procedures for NYCIDA and will be issuing an unmodified opinion after EY receives the final legal letter and the signed Management Representation letter.

Ms. Rapport stated that EY's scope is consistent with what was communicated back at the May 23, 2019 Audit Committee meeting, where an overview of the audit plan was given. Ms. Rapport focused on key audit areas such as revenue recognition, recording of expenses, and the recording of the Pilot lease receivables. EY confirmed cash and investments to ensure proper presentation in the financial statements. EY reviewed accrued liabilities and evaluated the assumptions and various factors that affect the liabilities. Related to debt and accrued interest payable, EY confirmed outstanding debt and reviewed the footnotes. EY recalculated accrued interest payable, utilizing the schedules from the official statements.

EY did not identify any material misstatements, material weaknesses, instances of fraud or non-compliance with laws and regulations. This is a required communication under Government Auditing Standards.

Mr. De Leon asked if there were any questions or comments relating to the presentation of the NYCIDA annual Financial Statements and the Schedule of Investments report. There being no questions or comments, Mr. Cuffe motioned to approve the statements for presentation and approval by the full board, Mr. De Leon seconded, and the motion was approved.

### **3. Internal Audit Activity Update**

Mr. De Leon and Ms. Vaccari introduced Ms. Jennie Wallace, Executive Vice President and the new head of Internal Audit. Ms. Wallace presented the agenda for the Internal Audit update regarding NYCIDA, which consisted of the FY2019 and FY2020 Audit Plan status, Open Issues Status, and General Audit Department updates.

Ms. Wallace commented that all FY2019 NYCIDA audits have been completed and reports have been issued. She stated that FY2020 NYCIDA projects approved for audit at the May 23, 2019 Audit Committee meeting are on track, with two of the audits in planning phase and two of the audits in fieldwork. These audits have been scheduled for Q1/Q2 and at this time, there are no issues to note. Ms. Wallace stated that there are no remaining open issues from prior year audits for NYCIDA.

Ms. Wallace discussed some general department updates. She is in the process of assessing the audit function in order to define long term goals, and to identify areas within the function that can be enhanced for efficiency and effectiveness. Ms. Wallace has started

making some changes to IA's methodology, such as implementing a controls-first approach to audits to better guide management in mitigating risk and strengthening controls.

Ms. Wallace explained that she is also shifting the team's relationship with Management to a collaborative and consultative tone. The IA team has started working on consultative projects, in addition to audits, to proactively guide management in strengthening processes and controls. IA has so far received positive feedback on this approach from the departments with which the team has so far worked.

Ms. Wallace noted that IA is coordinating with Compliance on the current projects and will continue to coordinate and partner going forward.

**4. Compliance Activity Update**

Mr. Mitsugi stated that the Agency is at the final stage of completing the required annual PAAA reports to the NYS Authority Budget Office. The annual reports for both NYCIDA and Build NYC will be completed by the deadline of September 30, 2019.

**5. Session with External Auditors**

Session with External Auditors was not required by the Committee

**6. Session with Management**

Session with Management was not required by the Committee

**7. Session with Internal Audit**

Session with Internal Audit was not required by the Committee

**8. Adjournment**

There being no further business, the meeting was adjourned at 9:42 a.m.