

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 27, 2021**

A special meeting of the Audit Committee (the "Committee") of New York City Economic Development Corporation (the "Corporation" or "NYCEDC") was held on Monday, September 27, 2021 at the Corporation, One Liberty Plaza, Conference Room 14A (The Battery), 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:

- William Candelaria, Committee Chairperson (attended by phone)
- James McSpirtt (present in person)
- Betty Woo (present in person)

The following members of NYCEDC staff were present by means of a conference call:

- Finance:
 - Fred D'Ascoli – CFO
 - Spencer Hobson – EVP/Treasurer
 - Amy Chan – Controller
 - Leslie Escobar – Deputy Controller
 - Fanny Fung – Financial Reporting Manager
- Internal Audit ("IA"):
 - Jennie Wallace – EVP
- Legal:
 - Mark Silversmith – Special Counsel

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

- Kimberly Hancy – Engagement Partner
- Adam Wolken – Manager

The meeting was called to order at 1:00 p.m.

1. Approval of the Minutes of the May 19, 2021 Audit Committee meeting

Mr. Candelaria asked if there were any questions or comments related to the minutes of the May, 19, 2021 Committee meeting as submitted. There being no questions or comments, Mr. McSpirtt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

2. Presentation of the Annual Financial Statements – Management Discussion

Ms. Chan stated that NYCEDC will receive an unmodified opinion and mentioned that the Auditors' Report (in accordance with Government Auditing Standards) concluded that there were no findings, no material weaknesses, and no internal control issues noted by EY, the external auditors.

Ms. Chan noted that the Corporation follows the pronouncements of the Governmental Accounting Standard Board ("GASB"). Ms. Chan noted that the Corporation adopted GASB Statement No. 84, Fiduciary Activities (GASB 84), as of July 1, 2020. Adoption of the new accounting standard required the analysis of over 100 funds and resulted in the identification of one immaterial custodial fund and the OPEB trust as fiduciary activity. Due to immateriality, the custodial fund is not reported separately as fiduciary activity; the OPEB trust is now reported as a fiduciary activity in two new financial statements: Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Ms. Chan discussed that a single year presentation of the financial statements is allowable by GASB. Ms. Chan noted the users of the financial statements can find the condensed comparative statements located in the Management Discussion and Analysis (MD&A) section of the financial statements.

Ms. Escobar presented the NYCEDC financial position as of year-end and discussed the financials. She directed everyone's attention to the Management Discussion and Analysis (MD&A) section and stated that the net position totaled \$546 million, a decrease of approximately \$18 million over the prior year.

Ms. Escobar discussed the Statement of Revenue, Expenses, and Changes in Net Position that tracked the financial performance over the course of the year. NYCEDC had operating revenue of \$922 million, a \$19 million increase from prior year. The increase in operating revenues is largely due to the increase in fees and other income of \$27 million. The increase is primarily due to Hunts Point remediation work which is offset by related expenses. With the COVID-19 pandemic continuing into fiscal year 2021, Ms. Escobar noted that real estate sales and property rental revenue continued to decline. Property rental revenues decreased from prior fiscal year and continue to be significantly down from pre-pandemic levels.

Ms. Escobar stated that the operating expenses decreased by \$42 million from prior year as NYCEDC continued to manage spending during the pandemic. The decrease in project and program costs of \$17 million is primarily due to lower spending on self-funded initiatives in the current fiscal year, and in part due to the decrease in City funded reimbursable grants and offsetting expenses. Ms. Escobar noted that property rental expenses decreased \$16 million as NYCEDC decreased spending related to rental properties focusing on priority life and safety work only. Additionally, she noted that cruise operations continued to be suspended due to the COVID-19 pandemic. Ms. Escobar noted that ferry related expenses, net, decreased by \$20 million, directly resulting from the pandemic driven reduction in ferry services. Ms. Escobar noted that the increase in other expenses of \$14 million is primarily due to an increase of \$17.6 million in tenant bad debt expense. Additionally, she noted there was an increase in depreciation expense related to vessels of \$2.5 million over the prior year. Offsetting these increases was a decrease of \$6 million as NYCEDC reduced general and administrative costs. Ms. Escobar stated that NYCEDC's operating loss for fiscal year 2021 was \$26 million, a positive change of 70% as compared to prior fiscal year's operating loss of \$87 million.

Ms. Escobar noted that non-operating income declined by \$4 million reflecting market conditions. Capital contributions from the City of \$8 million were recognized in fiscal year 2021 to fund assets, primarily vessels, managed and maintained by the NYCEDC. As a result, the Corporation has recognized a decrease in net position of \$18 million during FY2021.

Ms. Escobar presented the Corporation's Statement of Net Position. Total assets reported at year-end were \$1.225 billion, a decrease of \$10 million from FY2020. There was an increase in tenant receivables of \$14 million and an increase in the allowance for uncollectible receivables of \$10 million directly resulting from the continued COVID-19 pandemic. She stated that there was a decrease of \$9 million in net capital assets, primarily due to \$17 million of depreciation expense. There was a decrease of \$64 million in NYCEDC's receivables from the City due to amounts collected which were attributable to the COVID costs and vessel acquisition amounts provided by NYCEDC that were pending reimbursement as of prior fiscal year end. Total liabilities were \$673 million, a decrease of \$1.5 million from prior year. Net position decreased by \$18 million to \$546 million, and is comprised of \$88 million restricted, \$146 unrestricted, and \$312 million invested in capital assets. Ms. Escobar highlighted that the largest category of NYCEDC's net position continues to be the net investment in capital assets. Of the \$312 million invested in capital assets, \$220 million is the ferry vessel fleet net of depreciation, and \$57 million are leasehold improvements at One Liberty Plaza net of amortization.

Ms. Escobar described the Statement of Cash Flows and stated that \$11 million cash was used for operations, \$58 million was provided by capital and related financing activities, and \$79 million was cash used in investments resulting in a net decrease to cash of \$32 million for an ending cash and cash equivalents balance of \$292 million. She noted that the cash provided by capital and related financing activities was largely money received through the City's

reimbursement process for the purchase of assets in the prior fiscal year, primarily the purchase of vessels. Additionally, of the \$292 million of cash at year end only \$36 million was unrestricted.

Ms. Escobar presented the Annual Investment Report, which is a PAAA requirement. NYCEDC's cash is conservatively invested in compliance with the investment policies that were adopted by the Board. Ms. Escobar noted that \$107 million are in government securities, \$119 million in money market, and \$19 million in commercial paper. The amounts invested in each category are well within the Board adopted investment guidelines.

Ms. Escobar noted that the PAAA formatted version of the financials are attached and consistent with NYCEDC's financial statements and the information provided in this presentation. The PAAA formatted version will be filed with the audited financials once NYCEDC receives approval from the Board.

Mr. Candelaria thanked the Finance team for their diligence in preparing the financial statements and completing the audit in an efficient, thorough, and timely manner during this extremely challenging time of the COVID-19 pandemic.

Ernst & Young LLP Update

Ms. Hancy stated that EY will be issuing an unmodified opinion after completing its required subsequent event review procedures that will be presented to the NYCEDC Board on Tuesday, September 28, 2021.

Ms. Hancy introduced Mr. Wolken, manager at EY, to highlight the FY2021 audit results:

- Financial statements of the Corporation
- Schedule of investments of NYCEDC

Ms. Hancy stated that EY's scope is consistent with what was communicated at the May 19, 2021 Committee meeting, where an overview of the audit plan was given. Ms. Hancy stated that EY did not identify any material misstatements or weaknesses, instances of fraud, or non-compliance with laws and regulations. This is a required communication under Government Auditing Standards.

Mr. Candelaria asked if there were any questions or comments relating to the approval of the financial statements and investment report as submitted for presentation and approval by the full Board. There being no questions or comments, Mr. McSpiritt motioned to approve the financial statements and investment report. Ms. Woo seconded the motion and the statements were approved.

3. Internal Audit Activity Update

Ms. Wallace provided an update on the FY2021 NYCEDC Audit Plan commenting that five audits were completed and the reports have been issued. Ms. Wallace then discussed some proposed changes to the FY2022 Audit Plan.

Mr. Candelaria asked if there were any questions or comments related to the FY2022 NYCEDC Audit Plan changes. There being no questions or comments, Mr. McSpirtt motioned to approve the Audit Plan changes, Ms. Woo seconded and the motion was approved.

4. Session with External Auditors

A private session with EY was held by the Committee.

5. Session with Internal Audit

A private session with Internal Audit was held by the Committee.

6. Session with Management

A private session with Management was held by the Committee.

7. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 2:50 p.m.