

MINUTES OF THE AUDIT COMMITTEE
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

September 20, 2021

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 at 9:00 a.m. on Monday, September 20, 2021, at 1 Liberty Plaza, Conference Room (14A), New York, NY 10006.

The following members of the Committee were present at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- Khary Cuffe
- James Prendamano

The following members of NYCEDC staff were present:

- Finance: Fred D’Ascoli – the Agency’s CFO, Spencer Hobson – EVP/Treasurer, Amy Chan – the Agency’s Assistant Treasurer, Leslie Escobar – the Agency’s Assistant Treasurer, Carol Ann Butler – AVP, Christine Robinson – AVP
- Internal Audit (“IA”): Jennie Wallace – EVP
- Compliance Department (“Compliance”): Shin Mitsugi – the Agency’s Compliance Officer
- Strategic Investments Group (“SIG”): Emily Marcus - the Agency’s Deputy Executive Director

Present by means of a conference call were representatives from Ernst & Young LLP (“EY”):

- Kimberly Hancy – Engagement Partner
- Adam Wolken – Manager

Mr. Cuffe called the meeting to order at 9:00 a.m.

1. Approval of the Minutes of the May 12, 2021 Audit Committee meeting

Mr. Cuffe asked if there were any questions or comments related to the minutes of the May 12, 2021 meeting. There being no questions or comments, Mr. Cuffe motioned to approve the minutes. Mr. Prendamano seconded the motion, and the motion was approved.

2. Presentation of the Annual Financial Statements – Management Discussion

Ms. Chan noted that EY will be issuing an unmodified opinion. She 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).

Ms. Escobar presented the NYCIDA financial position as of year-end and discussed the financials. She discussed the Statement of Revenues, Expenses, and Changes in Net Position. NYCIDA had an ending net position in FY2021 of \$27.8 million, which represents a \$7.8 million increase as compared to FY2020 of \$20 million. The Agency early adopted a new accounting pronouncement required by the Governmental Accounting Standards Board ("GASB") Statement No. 91, Conduit Debt Obligations. Previously the activity related to tax-exempt pilot bonds issued for the New York Yankees and Mets Major League Baseball stadia projects were carried on the NYCIDA financial statements as NYCIDA is the legal owner of the stadium. As there were inconsistencies between governments when it came to reporting and disclosing conduit debt in the financials, GASB 91 was issued to set forth criteria that define what conduit debt is and requires government to remove all these transactions from their financial statements. With the adoption of GASB 91 management and EY determined that the Yankees and Mets tax-exempt pilot bonds met the criteria of conduit debt as defined in GASB 91 and therefore, the bonds and related transactions were removed from the Agency's financial statements. As a result, the Agency's financial statements for the year ended June 30, 2020, the earliest period presented on the Agency's comparative financial statements have been restated to reflect the required adjustments.

Ms. Escobar explained the components causing the increase in net position of \$7.8 million. There was increase in operating revenues of \$8.2 million associated with the project finance fees recognized from the refunding bond closings related to Yankee Stadium of \$7.7 million and Queens Baseball Stadium of \$4.6 million during FY2021. This increase was offset by the operating expenses of \$4.6 million during FY2021. Non-operating expenses incurred were \$2.2 million of Special Project Costs primarily related to the LifeSci NYC and Futureworks projects. All these items resulted in an increase of net position of \$7.8 million in FY2021.

Ms. Escobar presented the NYCIDA statement of net position and noted that the Agency's unrestricted net position is \$27.8 million. Ms. Escobar explained that net position is primarily made up \$32.2 million of cash and investments and \$174,000 of fees receivables, offset with \$1.6 million of current payables and unearned revenues.

Ms. Escobar highlighted the Investments Section of the Financial Statements and noted 99% of investments are in government securities and the remaining 1% are in certificates of deposit, all of which is compliant with the Agency's Investment Policies Guidelines.

Ms. Chan stated that EY will be issuing a management letter comment relating to the Agency's investment guidelines. The investment guidelines are approved annually by the Agency's Board of Directors.

Ms. Chan noted that during the current year procedures, it was identified that the Agency has one investment for \$3.2 million where the duration is 27 months from the purchase date, 3 months longer than the maximum maturity stated in the guidelines. Management asserts this decision was made due to a lack of market availability for investments with a maturity date of 24 months or less, and very low returns at the time of investment. It was further stated that the guidelines allow management some discretion in the overall management of the investment portfolio, and that all investments meet the four overarching objectives of the investment guidelines, including the maintenance of sufficient liquidity. Mr. D'Ascoli and Ms. Hancy both agreed that management was consistent in meeting those objectives and that no material non-compliance occurred. Ms. Hancy commented that this was mentioned for transparency and EY understands the decisions made by management.

Ms. Escobar detailed GASB Statement No. 84, Fiduciary Activities. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of this standard by the Agency as of July 1, 2020 resulted in reporting three pass-through PILOT trust accounts as custodial funds. The custodial funds are presented under the statement of fiduciary net position and corresponding additions and deductions are presented under the statement of changes in fiduciary net position.

EY Audit Plan

Ms. Hancy 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.

Mr. Wolken 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 reviewed GASB 84 and GASB 91 and the different disclosures and the impact to NYCIDA.

Ms. Hancy stated that 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. Cuffe asked if there were any questions or comments related 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. Prendamano seconded, and the motion was approved.

3. Internal Audit Activity Update

Ms. Wallace commented that the FY2021 NYCIDA audit has been completed and the report has been issued. She stated that there are two open issues for NYCIDA that were not yet due for remediation. Ms. Wallace then discussed some proposed changes to the FY2022 Audit Plan.

Mr. Cuffe asked if there were any questions or comments related to the FY2022 NYCIDA Audit Plan changes. There being no questions or comments, Mr. Cuffe motioned to approve the Audit Plan changes, Mr. Prendamano seconded, and the motion was approved.

4. Compliance Activity Update

Mr. Mitsugi stated that the NYS Comptroller's Office will be auditing the entire lifecycle of the selected projects of NYCIDA, which is expected to last approximately six months.

Mr. Mitsugi also provided the updates on the Commercial Growth projects. During the May NYCIDA Audit Committee meeting, Mr. Mitsugi stated that because of the government-mandated office closures and the remote work environment during the pandemic, some Commercial Growth projects may not be able to certify whether they had maintained the required level of their NYC-based employees during FY2021. Nevertheless, the Compliance team communicated with these companies on a regular basis throughout the pandemic. A review of the submitted employment data during FY2021 indicated that, if these companies were permitted to report those remote work employees as eligible employees who would otherwise be physically located within New York City, Commercial Growth projects would have employment levels generally consistent with prior years.

Mr. Mitsugi noted for the NYCIDA Audit Committee that an Agency staff would be seeking approval from the board of directors at the September 21 board of directors meeting to permit the Agency to accept as eligible employees those remote work Commercial Growth project employees who otherwise satisfy the employee eligibility criteria under each respective agreement for the period beginning March 1, 2020 through June 30, 2021.

To a question from Mr. Prendamano, Mr. Mitsugi commented that Commercial Growth projects would continue to commit to staying in New York City through multi-year leases with properties located in the city. Notwithstanding this proposed board resolution, these projects must continue to commit remaining in the city with a specified level of NYC-based employees for the duration of each respective agreement.

5. Session with External Auditors

A private session with EY was not held at this time

6. Session with Management

A private session with Management was not held at this time

7. Session with Internal Audit

A private session with Internal Audit was not held at this time

8. Adjournment

There being no further business, the meeting was adjourned at 9:41 a.m.



[Shin Mitsugi \(Jan 20, 2022 13:42 EST\)](#)

Assistant Secretary

01/20/2022

Date: _____

New York, New York