

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 29, 2022**

A special meeting of the Audit Committee (the "Committee") of New York City Economic Development Corporation (the "Corporation" or "NYCEDC") was held on Thursday, September 29, 2022 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 virtually)
- James McSpirtt (present in person)
- Betty Woo (present in person)

The following members of NYCEDC staff were present by virtual means or present in person:

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

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

- Kimberly Hancy – Engagement Partner (virtually present)
- Adam Wolken – Manager (virtually present)
- Anisha Patel – Assurance Senior (virtually present)

The meeting was called to order at 9:04 a.m.

1. Approval of the Minutes of the May 18, 2022 Audit Committee meeting

Mr. Candelaria asked if there were any questions or comments related to the minutes of the May, 18, 2022 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. Approval of the FY2023 Audit Committee meetings

Mr. Candelaria asked if there were any questions or comments related to the proposed dates for Audit Committee meetings for the rest of FY23, which were Monday, January 30, 2023 and Thursday, May, 18, 2023. There being no questions or comments, Mr. Candelaria motioned to approve the dates. Ms. Woo seconded the motion and the FY23 meeting dates were approved.

3. Presentation of the Annual Financial Statements – Management Discussion

Ms. Chan gave an overview of the implementation of GASB 87. Previously, receivables and payables were recorded only on unpaid amounts earned or incurred through the end of the year. NYCEDC was now required to gross up the balance sheet to recognize all the future lease obligations and receivables through the end of the lease terms. On the lessee side, NYCEDC recorded a lease liability for \$283 million, offset with a lease asset.

On the lessor side, as NYCEDC subleases City properties to tenants, it recognized approximately \$2.4 billion of future lease receivables for the lease agreements in place, offset by a deferred inflow of resources.

With GASB 87, NYCEDC recognized a net \$2 million increase in revenue. GASB 87 also required NYCEDC to recognize lease interest income in non-operating revenues.

Ms. Chan stated that a column for GASB 87 adjustments was added to the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position to isolate all of the GASB 87 entries in one place.

Ms. Escobar presented highlights of fiscal year 2022 NYCEDC financial statements, which consists of MD&A, the basic financial statements, and related footnotes and supplemental information.

Ms. Escobar discussed NYCEDC's financial position noting the Corporation ended the year with net position of \$642 million, which is an increase of approximately \$95.7 million over last year. Ms. Escobar discussed the Statement of Revenues, Expenses, and Changes in the Net Position. During fiscal year 2022, operating revenues increased by \$245.1 million. The increase in operating revenues is largely due to the increase in reimbursable grants of \$234.5 million, real estate sales, property rental, lease and interest revenue of \$33.4 million and other income of \$35 million. The increase in reimbursable grants is primarily due to the following programs: COVID-19

vaccine incentive program, NYC Green Infrastructure, Manhattan Greenway, NYC Ferry capital infrastructure, and Wildlife Conservation. Additionally, \$15 million of City tax levy funding and \$30 million in federal relief funds were allocated to the Corporation during the fiscal year for NYC Ferry operations. The revenue increases were offset by a decrease of \$34.2 million in other COVID-19 response expenses and a decrease of \$14.6 million relating to the Queens Small Business Grant Program. Property rental, lease, and interest revenue increased by \$38.4 million mainly due to: an increase in permit revenues received mainly from the Coney Island Amusement operator and from the Bathgate Industrial Campus, pass-through PILOT income received for a site in the 42nd Street Development Project District, a site acquisition payment for 11 Metro Tech in downtown Brooklyn, and wharfage and dockage revenues from the cruise terminals. The increase in other income of \$35.0 million is driven by the transfer of development rights at 69 Adams Street and Atlantic Yards in Brooklyn which generated \$17.8 million and \$5.3 million, respectively, and the partial sale of a leasehold interest at Kaufman Astoria Studios of \$26.2 million.

Ms. Escobar stated that operating expenses during fiscal year 2022 increased by \$174.5 million. The increase in reimbursable project costs of \$51.8 million and increase in program costs of \$121.0 million were primarily due to the costs incurred for the aforementioned projects for vaccine incentives, Green Infrastructure, and Manhattan Greenway. The increase of \$12.8 million in ferry related expenses is due to the result of ferry services continuing to return to pre-pandemic levels. Other expenses decreased by \$9.2 million primarily due to pandemic-driven tenant bad debt expense recognized in fiscal year 2021, not continuing in fiscal year 2022.

Ms. Escobar noted that non-operating revenues for fiscal year 2022 totaled \$51.0 million, primarily made up of interest revenues earned on leases recognized in accordance with the requirements of GASB 87. Prior to the adoption of this standard, all property rental and lease revenues recognized were classified as operating income.

Ms. Escobar presented the Corporation's Statement of Net Position. Total assets increased by \$2.8 billion during fiscal year 2022. Cash, cash equivalents, and investments increased by \$72.7 million mainly due to income generated from the partial sale of the leasehold interest at Kaufman Astoria Studios amounting to \$26.3 million and the transfer of development rights at the Brooklyn properties of 69 Adams Street and Atlantic Yards totaling \$22.5 million. A net increase in Due from/to the City of \$51.0 million is primarily a result of a \$45.0 million receivable generated from City and Federal grants to offset the costs of NYC Ferry and \$6.2 million of receivables for personnel services costs. The reimbursements primarily relate to prior year costs incurred, during and in response to COVID-19. Loan and mortgage receivables increased by \$23.6 million mainly due to the establishment of a hospital loan program with a bank lender that facilitated funding to address the needs of certain City hospitals caused by COVID-19 and emerging variants. As a result of the adoption of GASB 87, \$2.4 billion of leases receivable was recognized for the present value of future lease amounts due to the Corporation from tenants and \$243.1 million of right to use lease assets were recognized for the present value of future lease obligations owed for office space, Pier 11/12, vehicles and equipment.

Ms. Escobar noted the Corporation's total liabilities increased by \$298.2 million during fiscal year 2022. As a result of the implementation of GASB 87, lease liabilities increased by \$283.1 million to offset the right to use assets recognized. Additionally, \$24.2 million of notes payable, including interest, were executed by an NYCEDC LLC and due to a bank lender relating to the hospital loan program. The Corporation's deferred inflows of resources increased by \$2.4 billion due to the adoption of GASB 87 which required the recognition of deferred inflows of resources to offset future leases receivables. The Corporation's overall net position during fiscal year 2022 increased by \$95.7 million, as a result of the fiscal year operating activities. This increase consisted of a \$31.1 million increase in restricted net position, \$127.1 million increase in unrestricted net position, offset by a \$62.5 million reduction in net investment in capital assets.

Ms. Escobar discussed the Statement of Cash Flows noting that \$75 million of cash was provided by operating activities, \$131 thousand was used in capital and related financing activities, and \$26 million of cash was used in investing activities.

Ms. Escobar presented the Annual Investment Report, which is a PAAA requirement. NYCEDC's cash is invested in compliance with the investment policies that were adopted by the Board. Ms. Escobar noted that \$177 million are in money market funds, \$123 million in US agency securities, and \$33 million in commercial paper. The amounts invested in each category are 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. McSpirtt motioned to approve the financial report and Ms. Woo seconded. The financial report was then approved.

Ernst & Young LLP Update

Ms. Hancy introduced EY's audit results presentation. EY expects to be issuing an unmodified opinion on NYCEDC's financial statements and schedule of investments upon completion of all final procedures, including receipt of the signed management representation letter. One additional area of note was there was a change in the form and content of the draft auditor's report, which is based on changes in AICPA standards.

Ms. Hancy stated that EY's scope was consistent with what was communicated at the May 2022 audit committee meeting. Mr. Wolken subsequently discussed the results of EY's testing in specific audit areas, including the impact of the implementation of GASB 87 for leases. Lastly, Ms. Hancy highlighted certain required communications as included in the audit results book.

4. Internal Audit Activity Update

Ms. Wallace provided an update on the status of the FY22 NYCEDC Audit Plan and the FY23 Audit Plan. Ms. Wallace then discussed updates to the FY2023 Audit Plan, pending approval by the Committee. Ms. Wallace asked for approval of the changes to the FY23 Audit Plan. Mr.

McSpiritt motioned to approve the plan, and Ms. Woo seconded. The Audit Plan changes were approved.

Ms. Wallace then discussed open audit issues and the plan to work with management to close the issues that are open.

5. Session with External Auditors

A private session with EY was held by the Committee.

6. Session with Internal Audit

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

7. Session with Management

A private session with Management was held by the Committee.

8. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 11:12 am.