

MINUTES OF THE AUDIT COMMITTEE
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
September 19, 2022

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 site on Monday, September 19, 2022.

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

- Albert V. De Leon
- Khary Cuffe

The following members of NYCEDC staff were present in person:

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

Present in-person were representatives from Ernst & Young LLP (“EY”):

- Kimberly Hancy –Partner
- Adam Wolken– Manager
- Tara Chaglasian – Assurance Senior

Mr. De Leon called the meeting to order at 9:05 a.m.

1. Approval of the Minutes of the May 12, 2022 Audit Committee meeting

Mr. De Leon asked if there were any questions or comments related to the minutes of the May, 12, 2022 special meeting. Mr. De Leon motioned to approve the minutes. Mr. Cuffe seconded the motion, and the motion was approved.

2. Finance Update

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. Chan stated her team will be presenting the Financial Statements and the Schedule of Investments for the IDA. Afterwards, Ernst & Young would be presenting the audit results.

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 FY2022 of \$25 million, which represents a decrease of \$2.7 million as compared to FY2021 of \$27.7 million.

Ms. Escobar explained the components causing the decrease in net position of \$2.7 million. There was a decrease in the operating revenues of \$11.2 million from \$14.6 million to \$3.4 million. The drivers of this decrease are the non-recurring large closings that took place in the prior year: Yankee Stadium of \$7.7 million and Queens Baseball Stadium of \$4.6 million, offset with an increase in other fee income of \$0.3 million. Operating expenses, which are primarily made up of the \$4.4 million management fee to EDC remained flat as compared to the prior year. Under non operating revenues and expenses, special project costs in FY2022 were \$1.4 million, a decrease as compared to prior year of \$0.8 million largely as a result of the closeout of the Workforce One Career Center Satellites project in 2021. As a result, with an operating loss of \$1.2 million and nonoperating expenses of \$1.5 million, there was a decrease in net position of \$2.7 million from \$27.7 million to \$25 million as of June 30, 2022.

Ms. Escobar then presented IDA's statement of net position. IDA's unrestricted net position of \$25 million is primarily made up of approximately \$29.9 million of cash and investments; \$256,000 of fees receivables, offset with \$1.7 million of current payables and unearned revenues. IDA's net position of \$25 million is \$7.4 million above the target net position level established by the Board of four times the annual management fee, or \$17.6 million.

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

Ms. Escobar gave an overview of the fiduciary statements. The agency collects PILOT pursuant to the lease agreements between the Agency and its various lessees on behalf of the City of New York and these funds are remitted to the City upon request. The pass-through PILOT trust accounts are recognized as custodial funds under GASB 84. The custodial funds total cash

and cash equivalents at June 30, 2022 were \$227 thousand representing amounts collected and payable to the City at year end and the liabilities which are the PILOT payable were \$227 thousand resulting in a fiduciary Net Position of \$0.

Ms. Escobar closed by asking if there were any questions. There were none and Mr. De Leon thanked her for the presentation. Mr. De Leon motioned to approve the financial statements, and Mr. Cuffe seconded. The financial reports were approved.

3. Ernst & Young LLP Update

Ms. Hancy introduced EY's audit results presentation. EY expects to be issuing an unmodified opinion on the IDA 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 and Mr. Wolken subsequently discussed the results of EY's testing in specific audit areas. Lastly, Ms. Hancy highlighted certain required communications as included in the audit results book. There were no new accounting pronouncements that had significant impact on IDA for FY23. During FY22, IDA implemented GASB 84 for fiduciary activities and early implemented GASB 91 on conduit debt.

4. Internal Audit Activity Update

Ms. Wallace provided the status of the FY22 NYCIDA audit plan and updates on each plan. She stated that there are no open issues to report. Ms. Wallace then discussed the status of the FY23 Audit Plan.

Mr. De Leon asked if there were any questions or comments related to the FY2023 proposed Audit Plan. There were no questions or comments.

5. Compliance Activity Update

Mr. Mitsugi gave an update on the NY State Audit of NYCIDA. He stated IDA staff met with the auditors on July 22 to learn about the audit team's preliminary findings. Following the meeting, IDA staff provided comments to the preliminary findings on August 18. In October, after the completion of the fiscal year-end financial and public disclosure reports, Mr. Mitsugi reported that the audit team will resume review of the Agency's enforcement and clawback processes and documentation. Hence, the Compliance team will be working closely with Ms. Chan's accounting team to produce documentation and records to be requested by the audit team.

In responding to Mr. De Leon's question, Mr. Mitsugi responded that the preliminary findings did not reveal deterrent practices of the Agency. While the preliminary findings implied that the Agency could improve some practices, Mr. Mitsugi stated that Agency staff reiterated in our comments that the Agency has been making improvements and further refining in the

application review and the compliance processes in recent years. Mr. D'Ascoli stated they've done their due diligence and are awaiting to see whether the preliminary findings are mitigated or removed. Hence, they'll have a better answer once the auditors conclude Mr. Mitsugi and team will then have more of an appropriate response.

Mr. De Leon closed by requesting updates on any upcoming milestones. He then proceeded to ask if anyone had questions. Mr. Chan asked for her financial report to be approved which was so deemed by Mr. De Leon and Mr. Cuffe before adjourning the meeting at 9:45AM.

6. **Session with External Auditors**

A private session with EY was not held at this time

7. **Session with Management**

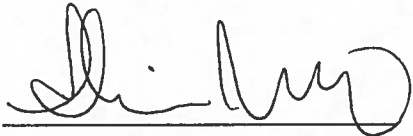
A private session with Management was not held at this time

8. **Session with Internal Audit**

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

9. **Adjournment**

There being no further business, the meeting was adjourned at 9:45 a.m.



Assistant Secretary

Date: _____

New York, NY

3/3/23