

**MINUTES OF MEETING OF THE AUDIT COMMITTEE  
OF  
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION  
September 26, 2023**

A special meeting of the Audit Committee (the "Committee") of New York City Economic Development Corporation (the "Corporation" or "NYCEDC") was held on Tuesday, September 26, 2023, 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:

- Eric Clement, Committee Chairperson (attended virtually)
- James McSpirtt (present in person)
- Betty Woo (present in person)

The following members of NYCEDC staff were present in person:

- Finance:
  - Jeanny Pak – CFO
  - Spencer Hobson – EVP/Treasurer
  - Amy Chan – Controller
  - Leslie Escobar – Deputy Controller
  - Fanny Fung – Financial Reporting Manager
  - Bryan Schwartz- SVP- Finance
- Internal Audit ("IA"):
  - Jennie Wallace – EVP
  - Allison Richardson- VP
  - Melanie Fredericks- AVP
- Legal:
  - Mark Silversmith – Special Counsel
- MIS
  - Delano Clarke- VP
  - Mafamata Seck- Senior Technical Lead

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

- Kimberly Hancy – Engagement Partner (virtually present)
- Danielle Hurlburt – Managing Director (present in person)

- Anisha Patel – Assurance Manager (present in person)

The meeting was called to order at 1:31 pm.

**1. Approval of the Minutes of the May 18, 2023 Audit Committee meeting**

Mr. Clement asked if there were any comments or additions related to the minutes of the May 18, 2023 Committee meeting as submitted. There being no comments or additions, Mr. Clement requested a motion to approve the minutes. Ms. Woo moved to approve the minutes. Mr. McSpirtt seconded the motion, and the minutes were approved.

**2. Presentation of the Annual Financial Statements and Investment Report– Management Discussion**

Ms. Chan stated that Ms. Escobar would present the Corporation’s fiscal year 2023 operating results, financial statements, and schedule of investments. Ms. Chan also noted that a clean audit opinion and that no significant findings are anticipated as a result of EY’s audit efforts.

Ms. Escobar stated that the Corporation ended the year with a net position of \$675 million, which is an increase of approximately \$32.5M over last year.

Ms. Escobar discussed revenues noting that during the fiscal year ended 2023, operating revenues decreased by \$72.6 million, or 6%. The decrease in operating revenues is largely due to the decrease in reimbursable grants of \$48.2 million and the decrease in fees and other income of \$47.5 million, offset by an increase in property rental, lease and interest revenue of \$23.1 million. The decrease in reimbursable grants is primarily the result of \$45 million of non-recurring funding for NYC Ferry Operations consisting of City tax levy of \$15 million and federal relief funds of \$30 million allocated to the Corporation during fiscal year 2022. Fees and Other income decreased as a result of several fiscal year 2022 non-recurring transactions. Increases in property rental, lease and interest revenue was driven by continued recovery of rental and cruise activity back to pre-pandemic levels.

Ms. Escobar addressed non-operating revenues stating that total non-operating income for fiscal years ended 2023 and 2022 totaled \$63.9 million and \$53.0 million, respectively. The fiscal year 2023 total was primarily made up of \$53.9 million 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. Post implementation, a component identified as lease interest revenue is classified as non-operating income in accordance with GASB 87. Additionally, \$10.0 million of investment income was recognized during fiscal year 2023, due to rising interest rates and market recovery.

Ms. Escobar stated that operating expenses during the fiscal year ended 2023 increased by \$3.4 million, remaining relatively flat as compared to the prior year. Reimbursable project costs decreased \$10.1 million mainly due to the close out of prior year projects related to COVID-19. Program costs increased by \$15.4 million due to expenses incurred on 29 new capital projects. Ferry related expenses, net, decreased \$4.1 million to \$41.2 million. The decrease is primarily due to \$6.0 million of petroleum business and sales tax rebates from the State, which were utilized to

offset ferry fuel costs. Personnel services increased by \$5.2 million due to back filling of vacant positions. Other expenses decreased by \$7.0 million primarily due to pandemic-driven tenant bad debt expenses recognized in fiscal year 2022, not continuing in fiscal year 2023. Accordingly, the Corporation's net operating loss of \$31.3 million and non-operating revenue of \$63.9 million, resulted in an increase in net position of \$32.5 million during fiscal year 2023.

Ms. Escobar presented the Corporation's Condensed Statement of Net Position. The Corporation's total assets at June 30, 2023 decreased by \$9.1 million, as compared to fiscal year ended June 30, 2022. Cash, cash equivalents, and investments increased by \$90.4 million mainly due to income from investments of \$10.0 million, the receipt of \$45.0 million in receivables due from City and Federal grants for prior year costs associated with NYC Ferry, and an increase in tenant security deposits of \$20.1 million. Loan and mortgage receivables decreased by \$7.0 million mainly due to \$6.0 million in repayments from a hospital in connection with the hospital loan fund. At the City's request, the fund was established to address the needs of certain City hospitals caused by Covid-19. The hospital loan fund receivable is offset on the liabilities side with the payable due to the bank lender. Other assets increased by \$12.5 million primarily due to an \$8.8 million change in positions related to the Corporation's fuel hedging activities. In accordance with the requirements of GASB 87, lease receivable decreased by \$75.9 million primarily due to cash received from tenants during the fiscal year, net of accrued lease interest, and the Right to Use lease assets decreased \$12M.

Ms. Escobar stated that the Corporation's total liabilities increased by \$35.7 million or 4%. Accounts payable and accrued expenses increased by \$56.8 million primarily due to accruals for several new reimbursable programs. Tenant security and deposits payable increased by \$20.1 million due to deposits received into escrow from Con Edison for the Water Street Corridor Streetscape Improvement Project. Unearned revenue decreased by \$18.2 million or 12% primarily due to restricted PILOMRT income recognized from the 42<sup>nd</sup> Street portfolio. In accordance with GASB 87, lease liabilities decreased by \$9.0 million as a result of payments made on long term leases for office space and Pier 11/12. The Corporation's deferred inflows of resources decreased by \$77.6 million or 3% as a result of \$90.2 million recognized on a straight-line basis as lease revenues offset with \$24.1 million of net additions related to the Corporation's various lessor arrangements during the fiscal year. The Corporation's overall net position during fiscal year 2023 increased by \$32.5 million, or 5%, as a result of the fiscal year operating and non-operating activities.

Ms. Escobar discussed the Statement of Cash Flows which combines restricted and unrestricted cash, noting that from a cash perspective, \$82 million of net cash was provided by operations. Net cash used in investing activities was \$35 million and this amount is primarily made up of cash being invested in securities. These activities resulted in a net increase in cash and cash equivalents of \$47 million for an ending cash and cash equivalents balance of \$387 million. Of the \$387 million of cash at year end, \$59M was unrestricted.

Ms. Escobar presented the Annual Investment Report which informs the Board of NYCEDC's investment portfolio at year end which includes \$167 million in Money Market Funds, \$171 million in US Agency Securities, and \$24 million in Commercial Paper. The allocations are compliant with the investment allocations established by the Board.

Ms. Escobar noted that the PAAA formatted version of the financials was also sent to the Committee and was 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.

### **3. Ernst & Young LLP Update**

Ms. Hurlburt reminded everyone that she joined the audit team this year and that Ms. Hancy would be rolling off the team. Ms. Hurlburt introduced EY's audit results presentation and stated that EY's scope was consistent with what was communicated at the May 2023 audit committee meeting. Ms. Hurlburt also stated that EY expects to be issuing an unmodified (clean) opinion on NYCEDC's financial statements and schedule of investments upon completion of all final audit procedures. Ms. Hurlburt also stated that with EY's audit procedures substantially complete, there were no findings or issues to report.

Ms. Patel subsequently presented a summary of the testing procedures performed by EY in certain areas. Lastly, Ms. Hurlburt referenced the required communications as included in the audit results presentation.

Mr. McSpirtt asked if there were any upcoming GASB requirements that we should expect to affect NYCEDC. Ms. Hurlburt responded that there was nothing too significant on the horizon and that recently adopted requirements have been disclosed in the footnotes to the financial statements. Mr. McSpirtt's inquiries regarding the accounting for fuel hedges were also addressed.

Mr. Clement requested a motion to approve the financial and annual investment reports. Ms. Woo moved to approve the financial and annual investment reports. Mr. McSpirtt seconded. The financial and annual investment reports were then approved.

### **4. Internal Audit Activity Update**

Ms. Wallace provided an update on the status of the FY23 NYCEDC Audit Plan and the FY24 Audit Plan. Ms. Wallace then discussed changes to the FY2024 Audit Plan, pending approval by the Committee. Ms. Wallace asked for approval of the changes to the FY24 Audit Plan. Mr. Clement requested a motion to approve the plan's amendments. Ms. Woo moved to approve the plan's amendments and Mr. McSpirtt seconded. The Audit Plan changes were approved.

Ms. Wallace then discussed the status of management's audit issues, open action plans and issues closed.

### **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 at which, the Committee agreed that NYCEDC should present to the Executive Committee a plan to restructure NYCEDC's internal audit activities whereby NYCEDC's internal audit functions will be

performed by one or more outside consultants that will be managed by a Senior Vice President or other officer of NYCEDC.

**8. Adjournment**

There being no further business to come before the Committee, the meeting was adjourned at 2:35 pm.