

MINUTES OF THE AUDIT COMMITTEE
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
September 14, 2023

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 in-person on Tuesday, September 14, 2023.

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

- Shanel Thomas
- James Prendamano

The following members of NYCEDC staff were present:

- Finance: Jeanny Pak, CFO; Spencer Hobson, EVP and the Agency’s Treasurer; Amy Chan, Controller and the Agency’s Assistant Treasurer; Leslie Escobar, Deputy Controller and the Agency’s Assistant Treasurer; Carol Ann Butler, AVP
- Internal Audit (“IA”): Jennie Wallace, EVP
- Compliance Department (“Compliance”): Shin Mitsugi, SVP and the Agency’s Compliance Officer
- Strategic Investments Group (“SIG”): Noah Schumer, AVP and the Agency’s Deputy Executive Director; Brinda Ganguly, EVP; Leyla Arcasoy, Associate

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

- Danielle Hurlburt, Managing Director
- Anisha Patel, Assurance Senior

Ms. Thomas called the meeting to order at 9:31 a.m.

1. Approval of the Minutes of the June 6, 2023 Audit Committee meeting

Ms. Thomas asked if there were any questions or comments related to the minutes of the June 6, 2023 meeting. There being no questions or comments, Ms. Thomas motioned to approve the minutes. Mr. Prendamano seconded the motion, and the motion was approved.

2. Finance Update

Ms. Chan stated that her team would be presenting the financial highlights from operations for FY2023, which would be followed by a presentation of the audit results from Ernst & Young.

Ms. Escobar presented the NYCIDA financial and investment position as of year-end and discussed the financials. She discussed the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position. NYCIDA had an ending net position in FY2023 of \$21.6 million, which represents an approximate decrease of \$3.5 million as compared to FY2022 of \$25 million.

Ms. Escobar explained the components causing the decrease in net position of \$3.5 million. There was a decrease in operating revenues of \$800,000 from \$3.4 million to \$2.6 million. The drivers of this decrease are fewer transactional closings in FY2023 as well as a non-recurring capture event in 2022. Operating expenses, which are primarily made up of the \$4.4 million management fee to EDC remained flat as compared to the previous year. Under non-operating revenues and expenses, special project costs in FY2023 were \$2.1 million, an increase of \$0.7 million as compared to prior year, largely because of \$0.6 million expense incurred for Kingsbridge Armory Visioning. These expenses were offset with \$0.5 million of investment income. As a result, with an operating loss of \$2 million and non-operating expenses of \$1.5 million, there was a decrease in net position of \$3.5 million from \$25 million to \$21.6 million as of June 30, 2023.

Ms. Escobar then presented IDA's statement of net position. IDA's net position of \$21.6 million is primarily made up of approximately \$24.2 million of unrestricted cash and investments; \$0.2 million of fees receivable, offset with \$2.8 million of current payables and unearned revenues. IDA's net position of \$21.6 million is \$4 million above the target net position 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 that the 97% of unrestricted investments are held in US Agency securities and the remaining 1% are held in certificates of deposit and money markets, all of which is compliant with the Investment Allocation in the Board approved policy.

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 as of June 30, 2023 were \$496,000, representing amounts collected and payable to the City at year end, and the liabilities which are the PILOT payable were \$496,000, resulting in fiduciary Net Position of \$0.

Ms. Escobar closed by asking if there were any questions. There were none and Ms. Thomas thanked her for the presentation.

3. EY Update

Ms. Hurlburt introduced EY's audit results presentation and stated that EY has executed the audit plan that was discussed in the June 2023 audit committee meeting. EY expects to be issuing an unmodified opinion on the IDA financial statements and schedule of investments upon completion of all final procedures. She stated that there are no material weaknesses to report, nor any uncorrected or corrected statements to the financial statements. Ms. Hurlburt then introduced Ms. Patel who presented a summary of key audit areas.

Ms. Patel provided a high-level overview of the areas covered by EY's audit of IDA's financial statements. Among those areas were cash and investments, price testing, revenues, operating expenses, unearned income.

Ms. Hurlburt defined certain required communications as included in the audit results book, noting that there were no issues to be highlighted as a result of the audit of the Agency.

Ms. Thomas asked about the PILOT collections. Mr. Hobson provided a definition of how the PILOT are collected and returned to the city by IDA. Mr. Mitsugi offered additional context on this definition, noting that the Agency reported a 100% collection rate on PILOTs in FY23.

Mr. Prendamano asked how frequently the audit occurs. Ms. Hurlburt responded annually. Mr. Prendamano noted that he felt as though the audit process took significantly longer than usual and asked if there were any anomalies. Ms. Chan suggested he was referring to the state auditors who were present at the agency for two and a half years but separate to the audit of the agency's financial statements, which occurs on a regular annual basis.

Mr. Schumer highlighted that there was a slight drop in fee income this fiscal year compared to the previous year, which he attributed to the timing of closings for certain large transactions. Mr. Prendamano asked if there had been a drop-off in the number of transactions, to which Mr. Schumer explained that the number of transactions were about

normal to the previous year, but that the closings of large deals typically drive the Agency's fee revenue, and the way they drive revenue is dependent on timing.

Ms. Thomas asked if there were any additional questions. With none, Ms. Thomas motioned to approve the financial statements and the EY audit update, which was seconded by Mr. Prendamano. The financial statements and EY audit update were approved.

4. Internal Audit Activity Update

Ms. Wallace provided the status of the FY23 NYCIDA audit plan and updates on each audit. She stated that there are no prior year open issues to report. Ms. Wallace then discussed the status of the FY24 Audit Plan, which is deferred so as not to duplicate the efforts of the New York State Controller's audit of the Agency.

There being no questions or comments, Ms. Thomas motioned to approve the internal audit update, which was seconded by Mr. Prendamano. The internal audit update was approved.

5. Compliance Activity Update

Mr. Mitsugi gave an update on the audit of the Agency by the Office of the State Controller (OSC). He stated that IDA staff met with the auditors in late August and confirmed that the on-site work was completed. He explained that the OSC will send a draft final report of their findings to the Agency within 4-6 weeks and that the Agency will have 30 days to prepare an official response to the draft final report, after which, the OSC is expected to issue the final report prior to the end of the calendar year and be made publicly available via OSC's website.

Mr. Mitsugi noted that he anticipates no findings of significant deficiency on the Agency as a result of the OSC audit.

Ms. Thomas asked if the audit committee would be reviewing the final draft report during the 30 day window. Mr. Mitsugi explained that there were three rounds of preliminary findings provided to the Agency, to which the Agency made specific responses to each point of the findings. He explained that the final published report would be a combination of the OSC's audit as well as the Agency's responses.

In response to Ms. Thomas' desire to review the OSC audit results prior to publication, Mr. Mitsugi stated that he can share a draft of what the Agency has already been provided with.

There being no questions or comments, Ms. Thomas motioned to approve the compliance update, which was seconded by Mr. Prendamano.

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. **Other Business**

Mr. Schumer noted that there would be new appointments to the Agency's Board of Directors as well as to the Audit Committee and explained that five of the six new appointees are appointees from the Adams mayoral administration.

Mr. Prendamano asked to confirm that the Agency is aligned with historical performance of a normal market. Mr. Schumer confirmed.

Besides this, no other business was discussed.

10. **Adjournment**

There being no further business, the meeting was adjourned at 9:57 a.m.