

NYC Neighborhood Capital Corporation  
Minutes of the Meeting of the Audit Committee  
July 11, 2017

A meeting of the Audit Committee of NYC Neighborhood Capital Corporation (NCC) was held on Tuesday, July 11, 2017 at 10 a.m. at the New York City Economic Development Corporation, 110 William Street, Conference Room 5B, New York, NY 10038.

The following Audit Committee members were present:

**Sara Tranter**  
Senior Vice President, NYCEDC

**Julie Stein**  
Senior Vice President, NYCEDC

Also present were the following members of New York City Economic Development Corporation:

**Christine Robinson**  
Senior Accountant, NYCEDC

**Mac Thayer**  
Assistant Vice President, NYCEDC

**Lily Berticevich**  
Project Manager, NYCEDC

**Spencer Hobson**  
Executive Vice President, NYCEDC

**David Price**  
Senior Vice President, NYCEDC

**Kim Vaccari**  
Chief Financial Officer, NYCEDC

**Izzy Cohn**  
Counsel, NYCEDC

**Fred D'Ascoli**  
Controller, NYCEDC

**Kelly Hogan**  
Intern, NYCEDC

Also present were the following members of Novogradac & Company, LLP:

**Owen Gray**

**Elaine Chang**

Julie convened the meeting of the Audit Committee of the NYC Neighborhood Capital Corporation and the external auditors of Novogradac & Company, LLP at 10:00 a.m.

Julie requested a motion to approve the minutes from the Audit Committee meeting held on Tuesday, June 6, 2017. Izzy pointed out that the Committee's approval of Novogradac's services was not explicitly stated at the end of the minutes, despite the fact that the Committee orally approved the use of Novogradac's auditing services at the previous meeting. Julie agreed to amend the minutes and motioned to approve the minutes contingent upon the addition of the Committee's approval. Sara seconded the motion and it was approved.

Owen Gray from Novogradac introduced himself and offered to give some background on the new markets tax credits (NMTC) program before going into the details of the specific audit plan. Fred agreed that it would be helpful for Owen to review the program.

Owen explained some background on Novogradac and how they have been involved in NMTC deals since the program's inception. He explained there are essentially 2 compliance requirements for the CDE. These include the Allocation Agreement requirements and requirements in regard to the Internal Revenue Code (IRC).

Owen explained how the Allocation Agreement binds the CDE to the US Treasury (CDFI Fund) and the CDE's responsibilities are to submit a Transaction-Level Report and Institution-Level Report through the Fund's Community Investment Impact System (CIIS) 180 days after the CDE's fiscal year end. He explained how they are also responsible for notifying the Fund of Qualified Equity Investment filings through the fund's Allocation Tracking System.

Owen clarified that the Allocatee (in this case, NCC) is distinct from the sub-CDEs. The Allocatee is also considered the parent CDE.

Kim asked about events of default or recapture. Owen explained there are three ways the government can recapture the credits: (1) if the CDE fails to keep the money continually invested, (2) if the CDE redeems interest on any investment, and (3) if the entity no longer qualifies as a CDE. Owen confirmed these are the only three ways funds can be recaptured.

Mac mentioned that NCC has been working to map out the reporting requirements and asset management guidelines for NMTC deals. Mac inquired about the other work streams involved in the closing process and how NCC should go about executing them.

Fred mentioned that NCC still needs some internal clarification about reporting for the state PAAA requirements. Izzy explained that the reporting to the PAAA and Charities' Bureau is not much different than 990 reporting.

Mac explained that UFA's primary role is to advise NCC on CIIS level reporting, but that the contract is fairly open-ended and that UFA's main job is to advise NCC on any NMTC confusion the entity may have.

Fred asked about next year's allocation and the likelihood of another award. Owen explained that the NMTC program was extended by 5 years, which is why the total award was so high last year. He stated the awards for next year will be announced in Q1 2018. He explained this is slightly delayed because the CDFI Fund was required, for the first time, to release the application for a 60-day public comment period.

Mac asked Lily to talk about NCC's application efforts for the upcoming year. Lily explained that NCC submitted the application and requested \$81.5 million, but cautioned that Cam warned that it is difficult to get an allocation two years in a row as a new CDE. Still, she stated the application is very strong, the fact that New York City is NCC's controlling entity is helpful, and that NCC is very hopeful for another award.

Owen transitioned to begin discussing the specifics of the audit services that Novogradac will be performing for NCC. He presented the audit timeline and explained that there is flexibility in the dates, should it need to be accelerated or slowed down. Spencer says they will have to consider EDC's timeline.

Fred asked again about PAAA, Charity Bureau and 990 form reporting, requesting some further discussion and clarification. Christine explained that the 990 goes to the State with the Charity Bureau 500, but not the IRS.

Owen continued discussing the nature of the auditing services and the agreement between the two parties. He explained that NCC won't have a lot of activity compared to other, larger entities. Owen explained there will be three areas of focus: (1) cash, (2) equity investments in CDEs, and (3) fee revenue from asset management/associated expenses.

Owen described how Novogradac will perform its audit of NCC. First, they will test internal controls. Then, they will request confirmations for cash positions. Last, they will perform substantive testing and ensure the information they have received can tie back to the agreements.

Owen began discussing the importance of low income representatives on the CDE's Advisory Board in order to maintain accountability. Mac explained that NCC has an eight person Advisory Board with eight external members and also a Governing Board with nine internal EDC members. Owen explained that the NMTC program requires that the Allocatee's Advisory Board meets at least once a year.

Lily added that Advisory Board members annually recertify that they are, in fact, representing the Low Income Communities that the projects wish to serve.

Owen noted that there must be formal, official minutes kept at each of these Advisory Board meetings and that collecting those minutes will be part of the auditing process. Izzy added that a project cannot be closed without the Investor's receipt of the Board meeting's minutes.

Owen made a final comment about the nature of the agreement between Novogradac and NCC. He explained that Novogradac will help NCC draft and prepare the financial statements but, ultimately, they are NCC's statements and thus their responsibility to produce them with faithful representation. Fred agreed with this notion and categorized it as standard. Owen added that Novogradac is simply verifying the materiality of the statements.

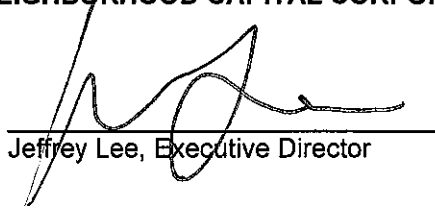
Sara made a motion to accept the Novogradac auditors, and Julie seconded the motion. The motion was approved and Novogradac was accepted as NCC's auditor.

Then, Sara made a motion to adjourn the meeting, which Julie seconded. The motion to adjourn was approved and the Audit Committee meeting concluded at 11 a.m.

Approved by:

**NYC NEIGHBORHOOD CAPITAL CORPORATION**

By:



Jeffrey Lee, Executive Director