

MINUTES OF THE AUDIT COMMITTEE
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
September 18, 2017

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 Monday, September 18, 2017, pursuant to notice from the Deputy Executive Director of the Agency, at the New York City Economic Development Corporation (“NYCEDC”), 110 William Street, Conference Room 5B, New York, New York 10038.

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:

- Albert V. De Leon, Chair (attended by phone)
- Kevin Doyle (present in person)

In addition, the following members of NYCEDC staff were present:

- Finance: Kim Vaccari - CFO, Spencer Hobson – EVP/Treasurer, Fred D’Ascoli – Controller, Raafat Osman – Deputy Controller, Christine Robinson – AVP, Carol Ann Butler – AVP
- Internal Audit (“IA”): David Price – SVP
- Compliance Department (“Compliance”): Shin Mitsugi – SVP, Daniel Kane – VP
- Strategic Investments Group (“SIG”): Jeffrey Lee – SVP, Anne Shutkin – VP

Also present were representatives from Ernst & Young LLP (“E&Y”):

- Louis Roberts – Engagement Partner and Nicole Rapport – Senior Manager

The Meeting was convened at 9:00 a.m.

1. Approval of the Minutes of the May 9, 2017 Audit Committee meeting

Mr. De Leon asked if there were any questions or comments relating to the minutes of the May 9, 2017 meeting. There being no questions or comments, Mr. Doyle motioned to approve and Mr. De Leon seconded and the motion was approved.

2. Presentation of Financial Statements

Mr. D'Ascoli presented the NYCIDA financial position as of year-end and discussed the financials at a high level including the auditors' opinion. He noted that E&Y would be issuing an unqualified opinion after the completion of the Board Meeting on September 19, 2017. He then moved into the Management's Discussion and Analysis section and the financial statement section of the board book for further discussion.

Mr. D'Ascoli detailed the Statement of Net Position on page 10 of the committee book. The unrestricted cash and investments reported for NYCIDA was \$32.4 million and the net position is \$38.7 million, most of which is liquid and in readily available cash. Total assets reported at year-end were \$1.9 billion, which after obviating assets pertaining to the Stadia projects, left \$46.4 million in assets that were strictly NYCIDA. The liabilities totaled \$1.8 billion, \$7.7 million of which belong to NYCIDA. The Stadia Projects' assets and liabilities completely offset each other (not affecting the bottom line that is carried on the books). The bottom line summarized that NYCIDA's unrestricted net position is a healthy \$38.7 million.

Mr. D'Ascoli discussed the Statement of Revenue, Expenses and Changes in Net Position for the year. NYCIDA had operating revenue of \$2.5 million that was the result of seven (7) transactions as opposed to nineteen (19) transactions completed the prior year. Operating expenses of \$3.5 million is a decrease from \$4.1 million reported in the prior year because of the gradual shifting of NYCEDC management fees from NYCIDA to Build NYC Resource Corporation. Non-operating expenses primarily consist of Special Project costs totaling \$6.8 million. These costs essentially drove the \$7.8 million overall decrease in net assets.

The last statement discussed was the Statement of Cash Flows, which showed that cash generated from operations decreased \$2 million. Cash moved from investments is \$4.7 million; however, only \$1.3 million of that belongs to NYCIDA. The biggest outflow for the period was cash used in Special Projects of \$4 million.

Lastly, Mr. D'Ascoli highlighted the Agency's Annual Investments Report. He noted the general breakout between Restricted Funds Held in Account – Stadia Projects of \$139 million and Unrestricted Funds of \$31 million that is relative to NYCIDA itself. As for the breakout of investments – 94% of funds were invested in federal securities and 6% in certificates of deposit and money markets, aligning with the Agency's Investment Policies Guidelines.

Mr. D'Ascoli 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 (E&Y).

3. Ernst & Young Update

Mr. Roberts stated that they would be issuing an unmodified opinion. E&Y would need the updated legal letter and the Management Representation letter in order to issue the audit opinion. E&Y's scope was consistent with what they had communicated back in May as part of the presentation of the audit plan. E&Y focused on certain significant areas such as revenue recognition, recording of expenses and the recognition of the recording of the Pilot lease receivables. E&Y confirmed cash and investments to ensure proper presentation in the financial statements. E&Y reviewed accrued liabilities and evaluated the assumptions and various factors that affect the liabilities. Related to debt and accrued interest payable, E&Y confirmed outstanding debt and reviewed the footnotes. E&Y recalculated accrued interest payable utilizing the schedules from the official statements. With respect to the interest rate swaps related to the Stadia bonds, E&Y reviewed the fair value calculation performed by the Agency to ensure that it is fairly stated and accurately recorded in the footnotes to the financial statements.

Regarding required communications under Government Auditing Standards, E&Y did not identify any material misstatements, material weaknesses, instances of fraud or non-compliance with laws and regulations.

4. Internal Audit Update

Mr. Price directed everyone's attention to Tab 3 in the meeting book. At the May 9, 2017 NYCIDA Audit Committee meeting, a vote on the NYCIDA Audit Committee Duties and Responsibilities guide was deferred to include the Compliance Group's function. Mr. Price noted that the Compliance Department had been added on page 5 and 7 of the NYCIDA Audit Committee Duties and Responsibilities guide. There being no questions or comments, Mr. Doyle motioned to approve and Mr. De Leon seconded and the motion was approved.

Mr. Price also stated that at the May 9, 2017 NYCIDA Audit Committee Meeting, a vote on the NYCIDA Audit Charter was deferred to include the Compliance group's function. Mr. Price noted that the Compliance Department had been added on page 81 of the NYCIDA Audit Charter. There being no questions or comments, Mr. Doyle motioned to approve and Mr. De Leon seconded and the motion was approved.

Lastly, Mr. Price discussed the audits on the FY18 audit plan. The NYCIDA projects approved at the May 9, 2017 Audit Committee meeting were Brown Brothers Harriman & Co. and JP Morgan Chase. The fieldwork testing commenced on both of these projects. The scope of IA's testing covered sales tax benefits, annual employment levels and incentive rate credits. Internal Audit has been working closely with the Compliance Team to ensure that

they obtain all required documentation. Internal Audit made good progress on both of these audits and expects to have reports finalized and distributed before the next NYCIDA Audit Committee meeting.

5. Compliance Update

Mr. Mitsugi presented the Compliance updates with a brief overview of the role and responsibility of the Compliance Department related to Annual Reporting. He noted that the Compliance Department is responsible for the management and oversight of the portfolio of incentives and real estate transactions for NYCEDC, NYCIDA and Build NYC Resource Corporation. Portfolio projects are subject to a wide range of annual reporting requirements mandated by both local and state laws monitored by the Office of the State Comptroller and New York State Authorities Budget Office (“ABO”). The Public Authorities Accountability Act (“PAAA”) of 2005 created the Public Authorities Reform Act (“PARA”) to ensure that NYS public authorities follow high standards of accountability and transparency. In 2009, PARA amended PAAA providing ABO increased oversight authority over NYS public authorities. These requirements annually reported on a fiscal year basis are due 90 days after the close of the fiscal year; therefore, Compliance will submit the annual reports for NYCIDA and Build NYC by September 30, 2017. The components of the report include governance and corporate information, audited financials, schedule of debit issued, real estate transactions, projects data specific to NYCIDA and local development corporations.

Mr. Mitsugi also discussed that the data reported online is submitted through the Public Authorities Reporting Information System (“PARIS”). Reporting production starts in early June and ends in the beginning of October. All these reports mandated by local law as well as state law are available online through the website; and for some of the local law reports submitted to the mayor’s office, the website has a link.

6. Session with Management

Session with Management was not required by the Committee.

7. Session with Auditors

Session with Auditors was not required by the Committee

8. Adjournment

Meeting was adjourned at 9:25 a.m.