

AUDIT COMMITTEE MEETING

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

**Thursday, May 23, 2019 – 9:00 a.m.
Conference Room 5B
110 William Street
New York, New York 10038**



AUDIT COMMITTEE REGULAR MEETING
NOTICE and AGENDA
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
May 23, 2019

A meeting of the Audit Committee of the Board of Directors of New York City Industrial Development Agency ("NYCIDA"), called at the request of the Chairperson of the Audit Committee, will be held at 9:00 a.m. on Thursday, May 23, 2019, at New York City Economic Development Corporation, 110 William Street, Conference Room 5B, New York, New York 10038.

The Agenda for the meeting is as follows:

- I. Approval of the Minutes of the September 17, 2018 Audit Committee Meeting
- II. EY Audit Plan
- III. Internal Audit Activity Update
 - Status of FY2018/2019 Audit Plan
 - Open Issues Update
 - FY2020 Proposed Audit Plan
- IV. Compliance Activity Update
- V. Session with Management (if necessary)
- VI. Session with Auditors (if necessary)
- VII. Such other business as may properly come before the Committee

New York, New York

Date: Micha Flack

5/20/19

MINUTES OF THE AUDIT COMMITTEE
OF
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
September 17, 2018

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 17, 2018 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 by means of a conference call at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- Albert V. De Leon, Committee Chairperson
- Shanel Thomas

In addition, the following members of NYCEDC staff were present in person or by means of a conference call:

- Finance: Kim Vaccari – CFO, Spencer Hobson – EVP/Treasurer, Fred D’Ascoli – Assistant Treasurer, Raafat Osman – Assistant Treasurer, Carol Ann Butler – AVP
- Internal Audit (“IA”): David Price – SVP (attended by phone)
- Compliance Department (“Compliance”): Shin Mitsugi – SVP, Daniel Kane – VP
- Strategic Investments Group (“SIG”): Krishna Omolade – AVP

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

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

Mr. De Leon called the meeting to order at 9:10 a.m.

1. Approval of the Minutes of the April 5, 2018 Special Audit Committee meeting

Mr. De Leon asked if there were any questions or comments relating to the minutes of the April 5, 2018 meeting. There being no questions or comments, Ms. Thomas motioned to approve and Mr. De Leon seconded, and the motion was approved.

2. Approval of the Minutes of the May 10, 2018 Audit Committee meeting

Mr. De Leon asked if there were any questions or comments relating to the minutes of the May 10, 2018 meeting. There being no questions or comments, Ms. Thomas motioned to approve and Mr. De Leon seconded, and the motion was approved.

3. Presentation of the Annual Financial Statements – Management Discussion

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 EY would be issuing an unmodified opinion after the completion of the Board Meeting on September 18, 2018. 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 meeting book. Total assets reported at year-end were \$1.85 billion, which after obviating assets pertaining to the Stadia projects, left \$43 million in assets that were strictly NYCIDA. The liabilities totaled \$1.8 billion, \$5.9 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 \$37.1 million.

Mr. D’Ascoli discussed the Statement of Revenue, Expenses and Changes in Net Position for the year. NYCIDA had operating revenue of \$4.6 million due to an increase in the industrial closings for the period. Operating expenses were \$3.5 million similar to prior year. Non-operating expenses primarily consist of Special Project Costs totaling \$2.8 million. The change in net position was a decrease of \$1.6 million essentially the result of the net assets being used to pay for special projects previously authorized by the Board.

The last statement discussed was the Statement of Cash Flows that showed an increase in cash from operations of \$1.2 million. Cash moved from investments to generate cash is \$14 million. Cash used to fund Special Projects is \$4.9 million. Stadia related bond activity payments of \$30 million leave us with a net change in cash of \$19.5 million reduction, for a total of \$51 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 \$113 million and Unrestricted Funds of \$25 million that is relative to NYCIDA itself. As for the breakout of investments – 82% of funds were invested in federal securities and 18% 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 (EY).

Ernst & Young Update:

Mr. Roberts stated that they would be issuing an unmodified opinion after they receive the updated legal letter and the Management Representation letter. EY's scope is consistent with what was communicated back at the May 10, 2018 Audit Committee meeting, which gave an overview of the audit plan. EY focused on certain significant areas such as revenue recognition, recording of expenses and the recognition of the recording of the Pilot lease receivables. EY confirmed cash and investments to ensure proper presentation in the financial statements. EY reviewed accrued liabilities and evaluated the assumptions and various factors that affect the liabilities. Related to debt and accrued interest payable, EY confirmed outstanding debt and reviewed the footnotes. EY recalculated accrued interest payable utilizing the schedules from the official statements. With respect to the interest rate swaps related to the Stadia bonds, EY 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, EY did not identify any material misstatements, material weaknesses, instances of fraud or non-compliance with laws and regulations.

Mr. De Leon asked if there were any questions or comments relating to the presentation of the NYCIDA annual financial statements. There being no questions or comments, Ms. Thomas motioned to approve and Mr. De Leon seconded, and the motion was approved.

3. Internal Audit Update

Mr. Price directed everyone's attention to Tab 4 in the meeting book. He stated that the NYCIDA projects approved for audit at the May 10, 2018 Audit Committee meeting were the New York Times Company and CBS Inc. The last audit for the New York Times Company was four (4) years ago and disclosed that project employment was significantly below the employment base thresholds. Testing has commenced, and at this time, there are no immediate issues to note.

CBS Inc. was selected because of the noteworthy level of sales tax exemption reported. As this project terminates at the end of 2018, Compliance and Internal Audit believed that this was a good project to audit. Testing has commenced and IA anticipates

having both audits completed and ready for review prior to the next NYCIDA Audit Committee meeting.

Ms. Thomas inquired if there were any repercussions in regards to the New York Times project if they do not meet the employment threshold. Mr. Mitsugi answered that it depends on the cause(s) of employment reduction. Generally, either recapture of the benefits taken by the company or a reduction of future benefits is the applicable penalty for employment reductions below required thresholds. From Mr. Mitsugi's understanding, most of the reductions in the New York Times reported employment occurred due to non-relocation reductions, for which the Agency has been applying reductions to the New York Times pool of available NYCIDA benefits.

4. Compliance Activity Update

Mr. Mitsugi stated on March 1, 2018, NYCIDA received a notice from the Internal Revenue Service (IRS) regarding the Yankee Stadium Project Revenue Bonds, Series 2006. The IRS informed the Agency that the purpose of this examination was to determine whether the Series 2006 Bonds were compliant with federal tax requirements. The selection of this project for audit may have been as part of an initiative or a random selection. On April 27, 2018, the Agency submitted all the responses to the questions imposed by the IRS. NYCIDA relied on the information provided by Yankee Stadium LLC, the lessee of the financed facility and the legal advice by Nixon Peabody LLP, the issuer's bond counsel. On July 13, 2018, IRS notified the issuer that it closed the examination with no negative findings.

Following the Compliance Activity Update, there was some discussion of internal training for staff.

5. Session with Management

Session with Management was not required by the Committee

6. Session with Auditors

Session with Auditors was not required by the Committee

7. Adjournment

There being no further business, the meeting was adjourned at 9:35 a.m.