

**MINUTES OF MEETING OF THE AUDIT COMMITTEE  
OF  
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION  
September 26, 2018**

A meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held on Wednesday, September 26, 2018 at the Corporation, 110 William Street, Conference Room 3D, 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:

- William Candelaria, Committee Chairperson (attended by phone)
- James McSpiritt (present in person)
- Gail Mellow (attended by phone)
- Betty Woo (attended by phone)
- Timothy Wilkins (attended by phone)

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

- Finance: Spencer Hobson – EVP/Treasurer, Fred D’Ascoli – Controller, Raafat Osman – Deputy Controller, and Fanny Fung – Financial Reporting Manager
- Internal Audit (“IA”): David Price – SVP
- Legal – Mark Silversmith – Special Counsel

Also present were representatives from Ernst & Young LLP (“E&Y”): Lou Roberts – Engagement Partner and Nicole Rapport – Senior Manager

The meeting was called to order at 12:15 p.m.

**1. Approval of the Minutes of the April 17, 2018 Special Audit Committee meeting**

Mr. McSpiritt asked if there were any questions or comments relating to the minutes of the April 17, 2018 Committee meeting as submitted. There being no questions or comments, Mr. McSpiritt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

**2. Approval of the Minutes of the May 9, 2018 Audit Committee meeting**

Mr. McSpiritt asked if there were any questions or comments relating to the minutes of the May 9, 2018 Committee meeting as submitted. There being no questions or comments, Mr. McSpiritt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

### **3. Presentation of the Annual Financial Statements – Management Discussion**

Mr. Hobson submitted the FY2018 Annual Financial Statements and the Annual Investment Report for the Audit Committee's approval. He stated that the team from E&Y has examined the financial statements and NYCEDC continues to be a financially healthy organization. He also highlighted for the Audit Committee that E&Y considered the internal controls structures over financial reporting and no deficiencies have been noted.

Mr. D'Ascoli stated that NYCEDC has adopted Government Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result, the Corporation's Net Position as of July 1, 2016 and the Statement of Revenues and Expenses and Changes in Net Position for June 30, 2017 have been restated to reflect the required adjustments.

Mr. D'Ascoli presented the NYCEDC 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 unmodified opinion after the completion of the Board Meeting on September 28, 2018. He then moved into the Management's Discussion and Analysis and the financial statement section of the board book for further discussion.

Mr. D'Ascoli detailed the Corporation's Statement of Net Position. Total assets reported at year-end were \$1.1 billion, an increase of \$27 million. The total liabilities were \$651 million, an increase of \$11 million. The net position of \$448 million is comprised of \$102 million restricted, \$308 million unrestricted and \$38 million invested in capital assets.

Next, Mr. D'Ascoli discussed the Statement of Revenue, Expenses and Changes in Net Position that tracked the financial performance over the course of the year. NYCEDC had operating revenue of \$761 million, an \$83 million increase from prior year. Operating expenses were \$751 million, an increase of \$79 million from prior year.

As reflected in the Statement of Cash Flows, NYCEDC used cash in operations of \$5 million, cash was provided from the sale of investments of \$24 million and \$7 million was used to fund capital investments, primarily leasehold improvements at Brooklyn Army Terminal ("BAT") for a net increase in cash of \$12 million.

The Annual Investments Report, which is a PAAA requirement, was the next section presented. NYCEDC's cash is conservatively invested in compliance with the investment policies that were adopted by the Board. Mr. D'Ascoli presented the investments in three categories, money market funds (MM), Government backed securities, and commercial paper (CP). The MM category made up 45% of the investment portfolio while the Government backed securities were 43% of the investments. Commercial Paper comprised 12% of the

investments. The amounts invested in each category are well within the Board adopted investment guidelines.

Mr. McSpirtt asked if there were any questions or comments relating to the Annual Financial Statements and the Annual Investments Report as described. There being no questions or comments, Mr. Wilkins motioned to approve the Annual Financial Statements and the Annual Investments Report. Ms. Mellow seconded the motion and the Annual Financial Statements and the Annual Investments Report were approved.

### **Ernst & Young Update:**

Mr. Roberts noted that E&Y spent considerable time reviewing the implementation of the new GASB Statement No. 75 to ensure that it was properly recorded. E&Y will be completing its required subsequent event review procedures through Friday, September 28, 2018, which is the anticipated date of the audit opinion. E&Y does not see any reason that it would not be issuing an unmodified opinion.

### **3. Internal Audit Activity Update**

Mr. Price indicated that each year the Institute of Internal Auditors, (“IIA”) highlights opportunities for improvements across Internal Audit functions. One of the areas identified for improvement is the Internal Audit Charter. To ensure that Internal Audit Charters reflect the full range of services, roles and responsibilities provided to the organization, the IIA made updates to their Internal Audit Charter model. As the Charter had not been evaluated in several years, Internal Audit assessed the IIA’s model and made updates where applicable. This updated version has been reviewed by NYCEDC’s Legal Department to ensure that it complies with PAAA. Going forward, this document will be updated periodically.

Mr. McSpirtt asked if there were any questions or comments relating to the Internal Audit Charter. There being no questions or comments, Ms. Mellow motioned to approve the Internal Audit Charter, Mr. Wilkins seconded the motion and the Internal Audit Charter was approved.

Mr. Price stated that fourteen (14) projects were approved at the May Audit Committee Meeting. All Q1 projects have commenced; all projects are on track and no immediate findings have been identified.

Mr. Price stated that there are two hundred thirty (230) open issues dating back to FY2013 and noted that there are only twenty-one (21) issues remaining.

Lastly, Mr. Price highlighted engineering audit metrics that will be a new agenda item for Internal Audit. Last year, Internal Audit set a 14-day threshold for change orders to be

reviewed and processed within the IA department. The average review time has been below the 14-day threshold and IA is striving to further reduce its review time.

**4. Session with Management**

It was decided that a private session with Management was not required by the Committee.

**5. Session with Auditors**

A private session with E&Y was held at this time.

**6. Adjournment**

There being no further business to come before the Committee, the meeting was adjourned at 1:20 p.m.