

Report of Independent Auditors

Management and the Members of the
New York City Housing Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of and for the year ended October 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 2018 and the changes in financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Schedule of Changes in the Net OPEB Liability and Related Ratios, the Schedule of the Corporation's OPEB Contributions, the Schedule of the Corporation's Proportionate Share of the Net Pension Liability and the Schedule of the Corporation's Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedule of Net Position for the Housing Revenue Bond Program and Multi-Family Secured Mortgage Revenue Bond Program as of October 31, 2018 and 2017 and the Schedule of Revenue, Expenses and Changes in Net Position for the years then ended, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January __, 2019

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Management and Audit Committee

New York City Housing Development Corporation

In planning and performing our audit of the financial statements of the New York City Housing Development Corporation (the "Corporation") as of and for the year ended October 31, 2018, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agencies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Agencies' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

January __, 2019

FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION ON EXPENDITURES OF FEDERAL
AWARDS AND REPORTS AND SCHEDULE REQUIRED
BY THE UNIFORM GUIDANCE

New York City Housing Development Corporation
Year Ended October 31, 2018
With Report of Independent Auditors

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New York City Housing Development Corporation

Financial Statements, Supplementary Information on Expenditures of Federal Awards and Reports and Schedule Required by the Uniform Guidance

October 31, 2018

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Report of Independent Auditors

Management and the Members of the
New York City Housing Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of and for the year ended October 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 2018, and the changes in financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Schedule of Changes in the Net OPEB Liability and Related Ratios, the Schedule of the Corporation's OPEB Contributions, the Schedule of the Corporation's Proportionate Share of the Net Pension Liability and the Schedule of the Corporation's Pension Contributions to the New York City Employees' Retirement System, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated _____, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

_____, 2019

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Financial Section

FINANCIAL STATEMENTS TO BE INSERTED LATER

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Required Supplementary Information

SCHEDULE TO BE INSERTED

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Supplementary Information

New York City Housing Development Corporation

Schedule of Expenditures of Federal Awards

Year Ended October 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development Direct Program: Interest Reduction Payments – Rental and Cooperative Housing for Lower-Income Families (Federal Direct)	14.103		\$ 26,136,762
Passed-Through New York City Department of Housing Preservation and Development: CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	N/A	133,139,149
Total expenditures of federal awards			<u>\$ 159,275,911</u>

See accompanying notes to the schedule of expenditures of federal awards.

New York City Housing Development Corporation

Notes to Schedule of Expenditures of Federal Awards

October 31, 2018

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (“SEFA”) presents the financial activity of the federally assisted programs of the New York City Housing Development Corporation as of and for the year ended October 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Corporation.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are presented using the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles of OMB Circular A-87, *Cost Principles for State, Local and Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Interest Reduction Payments Program

Disbursements reported under the Interest Reduction Payments program (CFDA #14.103) fall under one of two project categories: those insured under Section 223(f) of the General Housing Act and those that are uninsured under General Housing subsidiary projects.

4. Hurricane Sandy Community Development Block Grant Disaster Recovery Grants

The City of New York, through the New York City Department of Housing Preservation and Development (“HPD”), applied for and was awarded funds from the United States Department of Housing and Urban Development (“HUD”) under the Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (“CDBG-DR”) program. On October 29, 2013, the Corporation executed a subrecipient agreement with HPD in which the Corporation is responsible for implementing and administering a portion of the Multi-Family Rehabilitation Loan Program (the “Program”). The Program is intended to lend CDBG-DR funds to eligible owners of eligible buildings for eligible work under CDBG-DR and Program regulations.

New York City Housing Development Corporation

Notes to Schedule of Expenditures of Federal Awards (continued)

**4. Hurricane Sandy Community Development Block Grant Disaster Recovery Grants
(continued)**

The below table summarizes the loan commitments and loans receivable at October 31, 2018. Loan commitments are not included in the SEFA until funds are advanced to the borrower.

Property	Loans Receivable November 1, 2017	Loan Advances	Loans Receivable October 31, 2018	Remaining Loan Commitment	Total
Sam Burt	\$ 1,202,939	\$ 6,060,768	\$ 7,263,707	\$ 4,958,168	\$ 12,221,875
334 Beach 54 th Street	710,935	-	710,935	-	710,935
Metro East 99 th Street	600,000	-	600,000	-	600,000
9501 Rockaway Blvd	734,037	-	734,037	-	734,037
Dayton Tower Co-op	18,208,627	7,186,724	25,395,351	2,920,556	28,315,907
Sons of Italy	363,396	-	363,396	-	363,396
Village East Towers	3,510,582	4,415,703	7,926,285	1,455,994	9,382,279
Riverbend	4,358,106	5,348,985	9,707,091	379,909	10,087,000
Arverne/Nordeck Apts	18,406,633	29,237,369	47,644,002	811,794	48,455,796
Brighton House	875,345	3,392,802	4,268,147	12,306,853	16,575,000
Arverne View (Ocean Village)	1,853,790	2,343,023	4,196,813	3,187	4,200,000
Dayton Beach Park	--	20,662,379	20,662,379	34,337,621	55,000,000
Haven Plaza	--	3,429,306	3,429,306	5,795,694	9,225,000
Total	\$ 50,824,390	\$ 82,077,059	\$ 132,901,449	\$ 62,969,776	\$ 195,871,225

Pursuant to the Agreement with HPD, the Corporation may be reimbursed for general administrative costs incurred in conjunction with the program. This amount cannot exceed \$4,854,940 over the life of the agreement. Expenditures on the SEFA include \$237,700 of general administrative costs incurred by the Corporation during the year ended October 31, 2018. Cumulative general and administrative costs to date are \$2,422,564.

**Reports and Schedule Required by the Uniform
Guidance**

Report of Independent Auditors on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Management and the Members of the
New York City Housing Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New York City Housing Development Corporation (the Corporation), a component unit of the City of New York, which comprise the statement of net position as of October 31, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

_____, 2019

Report of Independent Auditors on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance

Management and the Members of the
New York City Housing Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the New York City Housing Development Corporation's (the Corporation) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended October 31, 2018. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2018.

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Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

_____, 2019

New York City Housing Development Corporation

Schedule of Findings and Questioned Costs

For the Year Ended October 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____

Yes √ No

Significant deficiency(ies) identified? _____

Yes √ None reported

Noncompliance material to financial statements noted? _____

Yes √ No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified? _____

Yes √ No

Significant deficiency(ies) identified? _____

Yes √ None reported

Type of auditor’s report issued on compliance for major federal program (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____

Yes √ No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

14.269

CDBG – Disaster Recovery Grants Cluster:
Hurricane Sandy CDBG Disaster Recovery Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 907,069

Auditee qualified as low-risk auditee? _____

√ Yes _____ No

New York City Housing Development Corporation
Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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SCHEDULE OF INVESTMENTS

New York City Housing Development Corporation

October 31, 2018

With Report of Independent Auditors

Draft

New York City Housing Development Corporation

Schedule of Investments

October 31, 2018

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Draft

Report of Independent Auditors

Management and the Members of the
New York City Housing Development Corporation

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October 31, 2018 and the related notes.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule of Investments in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Investments based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Investments is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Investments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Investments, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Investments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Investments.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of the Corporation at October 31, 2018, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of October 31, 2018

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of the Corporation as of and for the year ended October 31, 2018, and our report thereon dated _____, 2019, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated _____, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance with respect to the Schedule of Investments.

_____, 2019

Report of Independent Auditors on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Schedule of Investments Performed in
Accordance with *Government Auditing Standards*

Management and the Members of the
New York City Housing Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October 31, 2018, and the related notes to the Schedule of Investments, and have issued our report thereon dated _____, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, investment policies established by the Corporation and the New York State Comptroller's investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of Schedule of Investment amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

_____, 2019

New York City Housing Development Corporation

Schedule of Investments
(In Thousands of Dollars)

October 31, 2018

Purpose investments	\$ 29,081
Restricted investments	2,517,462
Unrestricted investments	135,589
Total investments	<u>\$ 2,682,132</u>

The accompanying notes are an integral part of this schedule.

Draft

New York City Housing Development Corporation

Notes to Schedule of Investments

October 31, 2018

1. Background and Organization

The accompanying Schedule of Investments includes the investments of the New York City Housing Development Corporation (the "Corporation" or "HDC") and its component units, the New York City Housing Assistance Corporation ("HAC") and the New York City Residential Mortgage Insurance Corporation ("REMIC").

HDC is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971, under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding.

The Corporation was created to encourage the investment of private capital through low-interest mortgage loans in order to increase the supply of safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, the Corporation is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation finances significant amounts of its activities through the issuance of bonds, notes and debt obligations. The bonds, notes and debt obligations of the Corporation are not debts of either the State or the City of New York (the "City").

Pursuant to Governmental Accounting Standards Board ("GASB") Codification 2100, *Defining the Financial Reporting Entity*, the Corporation's financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

HAC is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate-income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments. As a subsidiary of HDC, HAC's functions are administered by the Corporation and its Board Members substantially overlap with HDC's Board Members, so it is reported as a blended component unit in HDC's financial statements.

New York City Housing Development Corporation

Notes to Schedule of Investments (continued)

REMIC is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

2. Summary of Significant Accounting Policies for Investments

Investments

Short-term bank deposits and investments with stated maturities of 90 days or less are reported as Cash and Cash Equivalents and are not included in the Schedule of Investments. All investments with maturities longer than 90 days are reported as investments in the Schedule of Investments and are carried at fair value, except for certificates of deposit and investment agreements. The Corporation's investment agreements can take the form of open time deposits or fixed repurchase agreements and are reported in the Schedule of Investments at an amount equal to principal and accrued interest.

Purpose Investments

As part of its financing activities, HDC has made three housing development loans that are secured by GNMA certificates rather than mortgages on the related properties. The GNMA certificates provide payments at such times and in such amounts as to fully repay the respective HDC loans, and are the only source of repayment for these loans. The GNMA certificates are treated under U.S. Treasury regulations as acquired program obligations. The GNMA certificates are classified in the Schedule of Investments as purpose investments and identified separately from other investments and restricted investments in the schedule. However, interest earned on the GNMA certificates is included in investment income.

The Corporation's policy is to record GNMA certificates at amortized cost, which amounted to \$29,081,000 at October 31, 2018. The fair value of these purpose investments amounted to \$29,067,000 at October 31, 2018.

3. Investments

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation by the

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Housing Development Corporation

Notes to Schedule of Investments (continued)

Members of the Corporation on an annual basis, through the annual adoption of written investment guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee. The Corporation principally invests in securities of the United States and its agencies, open time deposits ("OTDs") in the form of investment agreements, demand accounts, and repurchase agreements. In fiscal year 2018, HDC continued investing in taxable municipal bonds of New York State and New York City, consistent with the Corporation's statute and Investment Guidelines. The Corporation did not enter into any reverse repurchase agreements during the year ended October 31, 2018. Management of the Corporation is not aware of any violations of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, were held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program.

All investment transactions are recorded on the trade date. Investments, other than purpose investments, which are reported at fair value at October 31, 2018, were as follows:

Investment Type	Fair Value 2018	Investment Maturities at October 31, 2018 (In Years)			
		Less than 1	1-5	6-10	More than 10
<i>(In Thousands)</i>					
Money Market and NOW Accounts	\$2,403,444	\$2,403,444	\$—	\$—	\$—
FHLMC Bonds	760,661	395,379	313,326	25,013	26,943
FHLB	612,832	42,840	569,992	—	—
U.S. Treasury (Bonds, Notes, Bills)	335,398	331,839	3,559	—	—
NYS/NYC Municipal Bonds*	184,583	12,904	119,576	—	52,103
FFCB	180,297	98,757	81,540	—	—
Fixed Repurchase Agreements	147,752	147,752	—	—	—
FNMA Bonds	132,087	24,694	107,393	—	—
Term repurchase Agreements	14,249	14,249	—	—	—
Sub-total	\$4,771,303	3,471,858	1,195,386	25,013	79,046
Less amounts classified as cash equivalents	(2,565,163)	(2,565,163)	—	—	—
Total investments	\$2,206,140	\$906,695	\$1,195,386	\$25,013	\$79,046

* Note: These are mostly Variable Rate Demand Obligation ("VRDO") instruments, which can be put weekly.

Total investments recorded on the Schedule of Investments at October 31, 2018 of \$2,653,051,000 is made up the following: (a) investments recorded at fair value of \$2,206,140,000, (b) certificates of deposits in the amount of \$254,994,000 and (c) open time deposits in the amount of \$191,917,000.

New York City Housing Development Corporation

Notes to Schedule of Investments (continued)

HDC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Corporation has the following recurring fair value measurements as of October 31, 2018:

- NYC/NYS Municipal securities of \$184,583,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Treasury securities of \$335,398,000 are valued based on models using observable inputs (Level 2 inputs)
- U.S. Agency securities of \$1,685,877,000 are valued based on models using observable inputs (Level 2 inputs)

In addition to the investments identified above, as of October 31, 2018, the Corporation held \$16,995,000 uninvested as cash in various trust and escrow accounts.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "...determining appropriate investment instruments based on length of time funds are available for investment purposes..." among other factors. Thus, maturities are matched to the Corporation's liquidity needs. As part of the Corporation's investment policies, it looks to invest its bond and corporate related reserves in long term securities that carry a higher yield, with the intent to hold the investments to maturity.

Credit Risk: The Corporation's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished by making decisions based on a review of ratings, collateral, and diversification requirements that vary according to the type of investment.

As of October 31, 2018, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal Home Loan Bank ("FHLB") were rated by Standard & Poor's and/or Moody's Investors Service (Fannie Mae, Freddie Mac and FHLB are collectively referred to as "Agency"). These ratings were AA+ and A-1+ by Standard & Poor's, and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. Investments in Fannie Mae, Freddie Mac and FHLB are implicitly guaranteed by the U.S. government. They carry ratings equivalent to the credit ratings for the U.S. government. Some investments were not rated by Fitch Ratings. Of the investments

New York City Housing Development Corporation

Notes to Schedule of Investments (continued)

that were rated by Fitch Ratings, they carried ratings from AAA to F2. Money market accounts are either backed by collateral held by the provider or letters of credit provided by third parties.

Ratings for NYS/NYC municipal bonds are usually the highest rated securities held at HDC. The ratings by Standard and Poor are ranged from AAA to A; Moody's ranged from Aaa to Aa2 and Fitch Ratings Service ranged from AAA to AA. Money market, open time deposits and Repurchase Agreements in the form of OTDs are not rated; however, the providers are rated.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation.

As of October 31, 2018, open time deposits in the amount of \$30,093,000, repurchase agreements in the amount of \$162,001,000, certificates of deposits in the amount of \$254,994,000 and demand accounts in the amount of \$2,246,336,000 were collateralized by high quality instruments such as U.S. Treasury Notes, U.S. Treasury Bills, and Agency investments and letters of credits held by the Corporation's agent in the name of the Corporation. A portion of collateral supporting the demand accounts was in the form of FHLB letters of credit.

For deposits, custodial credit risk is the risk that in the event of a bank failure the Corporation's deposit may not be returned to it. HDC bank deposits amounted to \$25,494,000 at October 31, 2018, of which \$24,664,000 was uninsured by the Federal Deposit Insurance Corporation ("FDIC") and uncollateralized. Correspondingly, \$15,159,000 was secured in trust accounts, which are protected under state law and \$10,334,000 was held in demand deposit accounts ("DDA"). HDC limits its deposits to highly rated institutions, and such deposits are either in trust accounts or partially insured through the FDIC. The maximum coverage of \$250,000 is available to depositors under the FDIC's general deposit insurance rules. All of the Corporation's funds held in the DDA are subject to this provision.

Concentration of Credit Risk: The Corporation follows its annually adopted investment guidelines in accordance with concentration limits. The Corporation reviews its credit concentration monthly. The Corporation's Credit Risk unit monitors concentration risk amongst issuers and reports regularly to the Members of the Corporation's Audit Committee.

New York City Housing Development Corporation

Notes to Schedule of Investments (continued)

The following table shows issuers that represent 5% or more of the total investments at October 31, 2018 (dollars in thousands):

Issuer	Dollar Amount	Percentage
FHLMC	\$760,661	14.58%
NY Community Bank	675,319	12.94
FHLB	612,832	11.74
Signature Bank	513,613	9.84
Sterling National Bank(*)	399,627	7.66
Customers Bank(*)	338,055	6.48

**Note: Either fully or partially covered by FHLB securities and/or FHLB letter of credit collateral held at FHLB as the Corporation's collateral agent.*

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REPORT ON COMPLIANCE WITH SPECIFIED
MINIMUM SERVICING STANDARDS

New York City Housing Development Corporation
October 31, 2018
With Report of Independent Auditors

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Housing Development Corporation
Report on Compliance With Specified Minimum Servicing Standards

October 31, 2018

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Report of Independent Accountants.....	1
Report of Management on Compliance.....	2
Specified Minimum Servicing Standards	3

Report of Independent Accountants

The Members of the
New York City Housing Development Corporation

We have examined management's assertion, included in the accompanying *Report of Management on Compliance*, that the New York City Housing Development Corporation (the Corporation) complied with the servicing standards identified in Exhibit A (the specified minimum servicing standards) to the *Report of Management on Compliance*, as set forth in the Mortgage Bankers Association of America's *Uniform Single Attestation Program for Mortgage Bankers* (USAP) for the year ended October 31, 2018. Management is responsible for the Corporation's compliance with the specified minimum servicing standards. Our responsibility is to express an opinion on management's assertion about the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified minimum servicing standards is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Corporation's compliance with the specified minimum servicing standards.

In our opinion, management's assertion that the Corporation complied with the servicing standards identified in Exhibit A (the specified minimum servicing standards) for the year ended October 31, 2018 is fairly stated, in all material respects.

This report is intended solely for the information and use of management, the Members of the Corporation, and the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

January __, 2019

Report of Management on Compliance

January __, 2019

We, as members of management of the New York City Housing Development Corporation (the Corporation), are responsible for complying with the servicing standards identified in the attached Exhibit A (the specified minimum servicing standards) as set forth in the Mortgage Bankers Association of America's *Uniform Single Attestation Program for Mortgage Bankers* (USAP). We also are responsible for establishing and maintaining effective internal control over compliance with the specified minimum servicing standards. We have performed an evaluation of the Corporation's compliance with the specified minimum servicing standards as of October 31, 2018 and for the year then ended. Based on this evaluation, we assert that as of October 31, 2018 and for the year then ended, the Corporation complied with the specified minimum servicing standards and had in effect fidelity bonds in the amount of \$3 million and is self-insured for errors and omissions.

Cathleen Baumann
Senior Vice President & Treasurer

Specified Minimum Servicing Standards

I. Custodial Bank Accounts

1. Reconciliations shall be prepared on a monthly basis for all custodial bank accounts and related bank clearing accounts. These reconciliations shall:
 - a. Be mathematically accurate.
 - b. Be prepared within forty-five (45) calendar days after the cutoff date.
 - c. Be reviewed and approved by someone other than the person who prepared the reconciliation.
 - d. Document explanations for reconciling items. These reconciling items shall be resolved within ninety (90) calendar days of their original identification.
2. Funds of the servicing entity shall be advanced in cases where there is an overdraft in an investor's or a mortgagor's account.
3. Each custodial account shall be maintained at a federally insured depository institution in trust for the applicable investor.
4. Escrow funds held in trust for a mortgagor shall be returned to the mortgagor within thirty (30) calendar days of payoff of the mortgage loan.

II. Mortgage Payments

1. Mortgage payments shall be deposited into the custodial bank accounts and related bank clearing accounts within two business days of receipt.
2. Mortgage payments made in accordance with the mortgagor's loan documents shall be posted to the applicable mortgagor records within two business days of receipt.
3. Mortgage payments shall be allocated to principal, interest, insurance, taxes or other escrow items in accordance with the mortgagor's loan documents.
4. Mortgage payments identified as loan payoffs shall be allocated in accordance with the mortgagor's loan documents.

Specified Minimum Servicing Standards (continued)

III. Disbursements

1. Disbursements made via wire transfer on behalf of a mortgagor or investor shall be made only by authorized personnel.
2. Disbursements made on behalf of a mortgagor or investor shall be posted within two business days to the mortgagor's or investor's records maintained by the servicing entity.
3. Tax and insurance payments shall be made on or before the penalty or insurance policy expiration dates, as indicated on tax bills and insurance premium notices, respectively, provided that such support has been received by the servicing entity at least thirty (30) calendar days prior to these dates.
4. Any late payment penalties paid in conjunction with the payment of any tax bill or insurance premium notice shall be paid from the servicing entity's funds and not charged to the mortgagor, unless the late payment was due to the mortgagor's error or omission.
5. Amounts remitted to investors per the servicer's investor reports shall agree with cancelled checks, or other form of payment, or custodial bank statements.
6. Unissued checks shall be safeguarded so as to prevent unauthorized access.

IV. Investor Accounting and Reporting

1. The servicing entity's investor reports shall agree with, or reconcile to, investors' records on a monthly basis as to the total unpaid principal balance and number of loans serviced by the servicing entity.

V. Mortgagor Loan Accounting

1. The servicing entity's mortgage loan records shall agree with, or reconcile to, the records of mortgagors with respect to the unpaid principal balance on a monthly basis.
2. Adjustments on adjustable rate mortgage (ARM) loans shall be computed based on the related mortgage note and any ARM rider.
3. Escrow accounts shall be analyzed, in accordance with the mortgagor's loan documents, on at least an annual basis.
4. Interest on escrow accounts shall be paid, or credited, to mortgagors in accordance with the applicable state laws.

Specified Minimum Servicing Standards (continued)

VI. Delinquencies

1. Records documenting collection efforts shall be maintained during the period a loan is in default and shall be updated at least monthly. Such records shall describe the entity's activities in monitoring delinquent loans including, for example, phone calls, letters and mortgage payment rescheduling plans in cases where the delinquency is deemed temporary (i.e., illness or unemployment).

VII. Insurance Policies

1. A fidelity bond and errors and omissions policy shall be in effect on the servicing entity throughout the reporting period in the amount of coverage represented to investors in management's assertion.

New York City Housing Development Corporation

2018 audit results

January 29, 2019



Building a better
working world



Building a better
working world

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The Audit Committee of the Board of Directors
New York City Housing Development Corporation

January 21, 2019

Dear Members of the Audit Committee,

We are pleased to present the results of our audit of the financial statements of the New York City Housing Development Corporation (the "Corporation"). Open and candid dialogue with you, as a member of the Audit Committee, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

Our audit was designed to express an opinion on the 2018 financial statements as of October 31, 2018. We continue to receive the full support and assistance of the Corporation's personnel in conducting our audit.

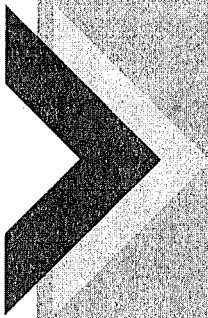
This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

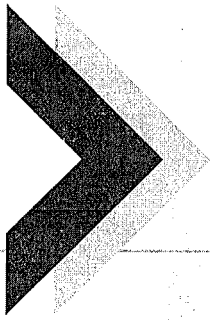
Very truly yours,

Ernst + Young LLP

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05	▸ Areas of audit emphasis
07	Required communications



2018 EY services

Services and deliverables

Audit and audit-related services

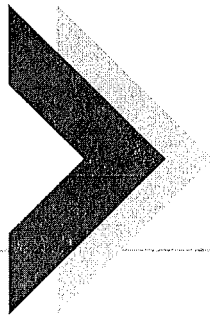
- ▶ Consistent with our audit plan, we express opinions on, and report to the Audit Committee:
 - The financial statements of the Corporation
 - The Corporation's Schedule of Expenditures of Federal Awards as required by the Uniform Guidance and the Single Audit Amendments Act
 - The Corporation's Schedule of Investments

Internal control communications

- ▶ Issue a Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- ▶ Issue a Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
- ▶ Issue a management letter that provides our recommendations regarding internal controls and opportunities for improvement or efficiency, based on observations made during the course of our audit, if applicable

Other services

- ▶ Issue our report on the Corporation's compliance with minimum servicing requirements



Executive summary

Status

- ▶ The 2018 audit is progressing as planned. After completing our remaining procedures, we expect to issue an unmodified opinion on the financial statements.

Scope

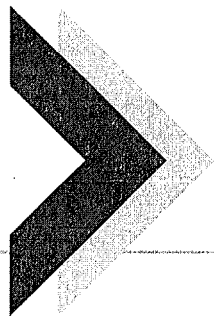
- ▶ Our audit scope is consistent with the plan communicated in September 2018. We continually reassess the need for changes to our planned audit approach throughout the audit.

Results

- ▶ The Corporation's analysis for significant accounting matters is appropriate.
- ▶ Reasonable judgments and consistency have been used by management to account for significant accounting estimates.
- ▶ No corrected misstatements or material uncorrected misstatements were identified.
- ▶ Entity level controls and other internal controls over financial reporting are designed effectively.
- ▶ Outstanding cooperation and communication occurred between the Corporation and EY.

Open items

- ▶ Obtaining the executed letter of representations from management



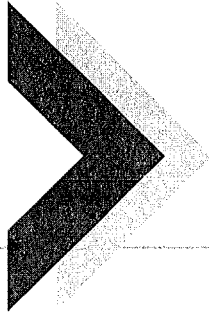
2018 audit results

Areas of audit emphasis

Our audit procedures emphasize testing those processes, accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items. We considered the effects of current market risk factors on the Corporation, and also placed

emphasis on those areas requiring subjective determinations by management. Our audit procedures at the Corporation included additional focus on the following areas, which are consistent with what was communicated to you at our meeting in September 2018.

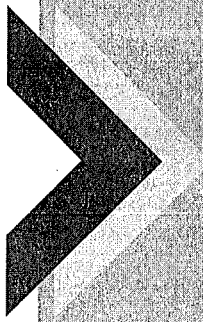
Key Issue/risk area	Summary of procedures and findings
Internal controls over applications that affect the financial statements	<ul style="list-style-type: none"> During our audit, we obtained an understanding of internal control and evaluated the various internal controls over financial reporting as a basis of determining our overall audit approach and scope. No findings were identified.
Cash and cash equivalents and investments	<ul style="list-style-type: none"> We confirmed all significant cash and investment balances and agreed responses to the Corporation's accounts and related reconciliations. Investments were tested to determine that they were properly valued and all risk disclosures were evaluated.
Mortgage receivable balances and allowances	<ul style="list-style-type: none"> We confirmed all significant mortgage receivable balances. The Corporation's methodology for recording allowances were tested and evaluated for reasonableness.
Long term debt, including bonds payable, debt obligations and participation with FFB	<ul style="list-style-type: none"> We confirmed all outstanding debt and tested the Corporation's compliance with related debt covenants. No findings were noted.
Loan participation receivable	<ul style="list-style-type: none"> We agreed participation loans to outstanding mortgage loan detail and to the corresponding Due to NYC detail. We tested participation receivable on a sample basis. No exceptions were noted.
Net position	<ul style="list-style-type: none"> We tested all changes to net position and evaluated the classification of net position balances.
Compliance with applicable laws, regulations, and contractual provisions	<ul style="list-style-type: none"> We noted no non-compliance with applicable laws and regulations.
Due to The City of New York	<ul style="list-style-type: none"> We tested a sample of associated entries that have been made for propriety. No exceptions were noted.
Payable to mortgagor	<ul style="list-style-type: none"> We tested a sample of associated entries that have been made for propriety. No exceptions were noted.
Single Audit	<ul style="list-style-type: none"> Overall opinion on compliance for major programs was unmodified. No findings required to be reported under the Uniform Guidance were identified during the 2018 audit.
Litigation and loss contingencies	<ul style="list-style-type: none"> We reviewed all litigation and loss contingencies. No significant findings were noted.
Obligations for pensions	<ul style="list-style-type: none"> We obtained the actuarial valuation and schedule of employer allocations provided by the NYCOA. We evaluated the assumptions utilized by the independent actuary in completing their actuarial valuation. We have also verified proper disclosure in the financial statements.
Obligations for postemployment benefits other than pensions	<ul style="list-style-type: none"> We evaluated the assumptions utilized in making the calculation and compared such assumptions to industry trends. We have also verified proper disclosure in the financial statements.



2018 audit results (continued)

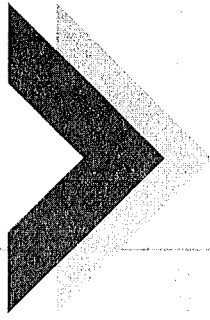
Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Interest on loans	▶ We tested interest on loans, including performance of substantive analytical procedures. No exceptions were noted.
Interest and amortization of bond premium and discount	▶ We tested interest and amortization expense on a test basis, including performance of substantive analytical procedures. No exceptions were noted.
Operating expenses	▶ We tested operating expenses on a test basis. No exceptions were noted.



Required communications with those charged with governance

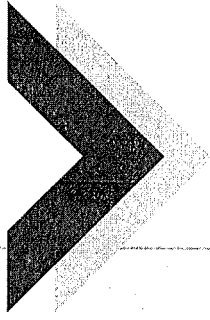
Supplements



Summary of required communications

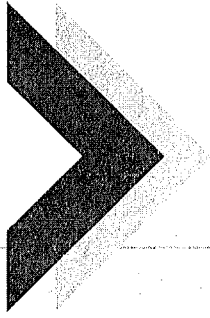
Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		Page 9
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing		Page 9
Matters relevant to our evaluation of the entity's ability to continue as a going concern		Page 9
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		Page 10
▸ Additional views		Page 11
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		Page 12
Material corrected misstatements, related to accounts and disclosures		Page 12
Significant deficiencies and material weaknesses in internal control	Page 12	Page 12
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		Page 13
Fraud and non-compliance with laws and regulations (illegal acts)	Page 13	
Independence matters		Page 13
Representations we are requesting from management		Page 14
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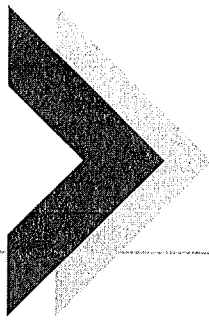
Required communications

Area	Comments
Overview of the planned scope and timing of the audit	
<p>We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit and our plans to use the work of internal auditors.</p>	<p>Our audit scope is consistent with the plan communicated during the September 2018 meeting.</p>
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing	
<p>The financial statements and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement [and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.</p> <p>An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.</p> <p>An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.</p> <p>We also communicate to you matters required by other legal or regulatory requirements.</p>	<p>Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.</p> <p>Upon completion of our remaining audit procedures, we currently expect to issue an unmodified opinion on the Corporation's financial statements and supplementary information as of and for the year ended October 31, 2018.</p>
Matters relevant to our evaluation of the entity's ability to continue as a going concern	
<p>We communicate to the audit committee conditions and events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.</p>	<p>We believe it is appropriate for management to prepare the Corporation's financial statements using the going concern basis of accounting.</p> <p>We did not identify any conditions or events, that when considered in the aggregate, raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.</p>



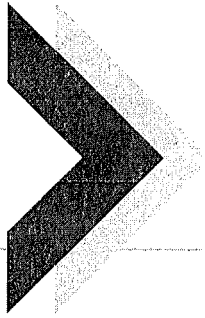
Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: accounting policies	
<p>As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">▶ The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements.▶ The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements).▶ The appropriateness of the accounting policies to the particular circumstances of the entity.▶ Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities.▶ The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	<ul style="list-style-type: none">• We are not aware of any significant accounting policies used by the Corporation in controversial or emerging areas or for which there is a lack of authoritative guidance.• The significant policies of the Corporation are described in Note 2 to the financial statements. The Corporation's policies are consistent with generally accepted accounting principles.



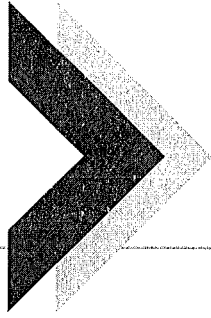
Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: additional views	
<p>(1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">▸ Risks of material misstatement▸ Indicators of possible management bias▸ Disclosure of estimation uncertainty in the financial statements <p>(2) Financial statement disclosures and related matters which may include the following:</p> <ul style="list-style-type: none">▸ The issues involved and related judgments made, in formulating sensitive financial statement disclosures▸ The overall neutrality, consistency and clarity of financial statement disclosures▸ The potential effect of significant risks and exposures and uncertainties on the financial statements▸ The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized▸ The factors affecting asset and liability carrying value▸ The selective correction of misstatements <p>(3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.</p>	<p>(1) Estimates and assumptions made by management in preparing the financial statements relate to evaluating the need for potential allowance for uncollectible mortgage receivables, assigning depreciation rates (useful lives), and other postemployment benefits and pension related liabilities.</p> <p>(2) We have reviewed the Corporation's significant accounting practices. Financial statement disclosures and related matters remain appropriate.</p> <p>(3) We are not aware of any significant unusual transactions recorded by the Corporation.</p>



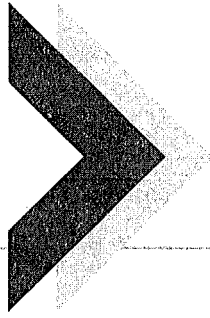
Required communications

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial	
<p>We discuss with those charged with governance uncorrected misstatements, related to accounts and disclosures, and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole.</p> <p>In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.</p>	<p>No uncorrected misstatements were identified in connection with our audit of the Corporation's financial statements as of and for the year ended October 31, 2018.</p>
Material corrected misstatements, related to accounts and disclosures	
<p>We discuss with those charged with governance material, corrected misstatements, related to accounts and disclosures, that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.</p>	<p>No corrected misstatements were identified in connection with our audit of the Corporation's financial statements as of and for the year ended October 31, 2018.</p>
Significant deficiencies and material weaknesses in Internal control	
<p>We communicate all significant deficiencies and material weaknesses in internal control that were identified during the course of our audit, including those that have been remediated during the audit.</p>	<p>No matters to be reported.</p>



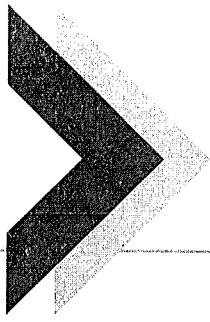
Required communications

Area	Comments
<p>Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements</p> <p>Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.</p>	<p>When it is available, we will review the Corporation's Annual Report to ensure consistency with the audited financial statements.</p>
<p>Fraud and non-compliance with laws and regulations (illegal acts)</p> <p>We communicate with those charged with governance fraud and non-compliance with laws and regulations (illegal acts) involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements.</p> <p>If desired by those charged with governance or we determine it is appropriate, we communicate to those charged with governance regarding fraud involving employees other than management that does not result in a material misstatement.</p> <p>We also communicate other matters of non-compliance with laws and regulations (illegal acts) that come to our attention during the audit, unless they are clearly inconsequential.</p>	<p>We are not aware of any matters that require communication.</p>
<p>Independence matters</p> <p>Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired. All breaches of independence requirements that relate to the audit must be communicated to those charged with governance.</p>	<p>We are not aware of any matters that in our professional judgment would impair our independence.</p>



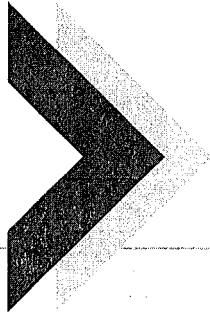
Required communications

Area	Comments
Representations we are requesting from management	
We discuss with those charged with governance representations we are requesting from management.	We will obtain from management a standard letter of representations related to the audit.
Changes to the terms of the audit with no reasonable justification for the change	
We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None
Significant findings and issues arising during the audit relating to related parties	
<p>We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following:</p> <ul style="list-style-type: none"> ▸ Non-disclosure (whether intentional or not) by management of related parties or significant related party transactions ▸ The identification of significant related party transactions that have not been appropriately authorized and approved ▸ Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions in accordance with US GAAP ▸ Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions ▸ Difficulties in identifying the party that ultimately controls the entity 	None
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	
<p>We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including:</p> <ul style="list-style-type: none"> ▸ Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. ▸ Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period. 	None



Required communications

Area	Comments
Significant difficulties encountered during the audit <p>We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as:</p> <ul style="list-style-type: none">▸ Significant delays in management providing required information▸ An unnecessarily brief time within which to complete the audit▸ The unavailability of expected information▸ Restrictions imposed on us by management▸ Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None
Disagreements with management <p>We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.</p>	None
Management's consultations with other accountants <p>When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.</p>	None of which we are aware.
Findings regarding external confirmations <p>We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.</p>	None



Required communications

Area	Comments
<p>AICPA ethics ruling regarding third-party service providers</p> <p>AICPA Ethics Ruling No. 112 under Rule 102, <i>Integrity and Objectivity</i>, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined "third-party service provider" to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non US personnel who work for EY affiliate firms (e.g., Ernst & Young United Kingdom), non US personnel working in the US on a foreign secondment and non US personnel working at EY shared service centers.</p>	<p>From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Corporation or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.</p> <p>Other than the utilization of Mitchell & Titus to honor our commitment to utilize an MBE firm for a portion of the audit, no services were subcontracted or completed by a third-party service provider.</p>
<p>Other findings or issues regarding the oversight of the financial reporting process</p> <p>We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.</p>	<p>There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</p>

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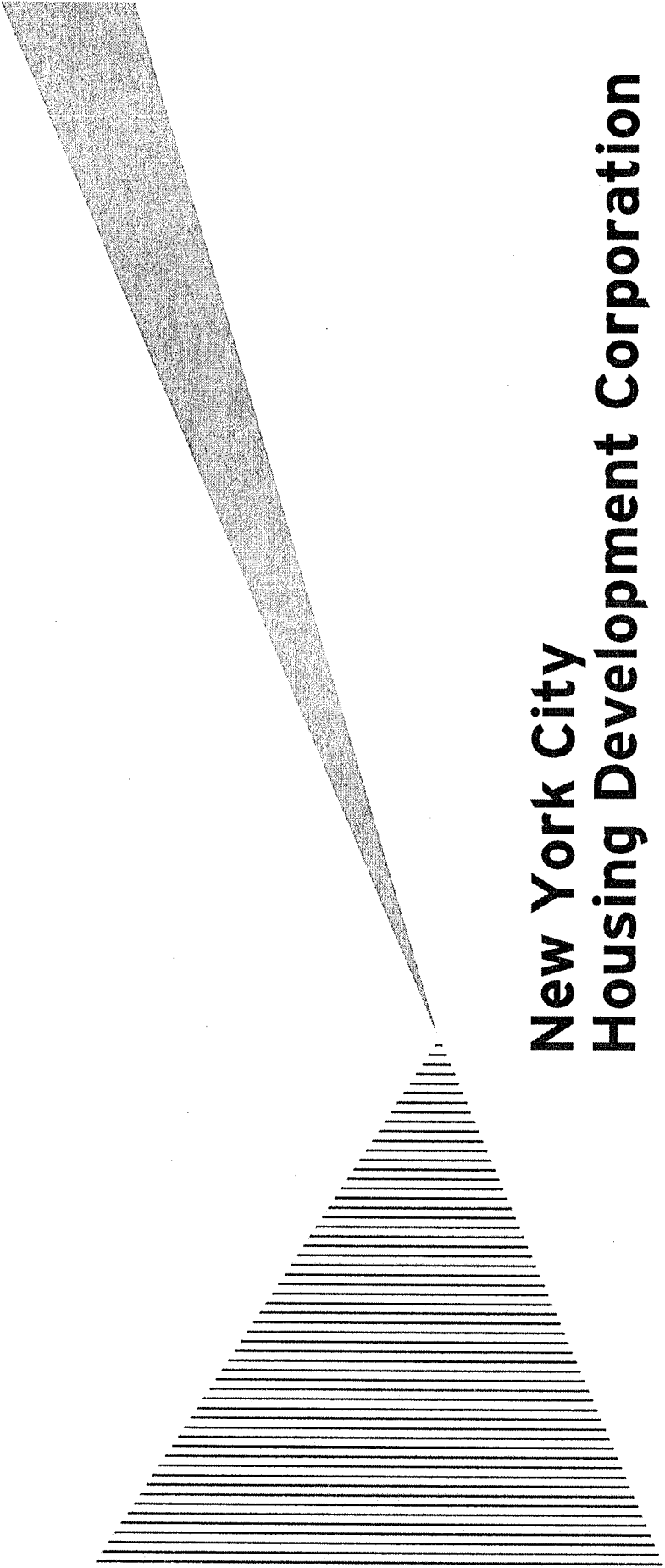
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New York City Housing Development Corporation

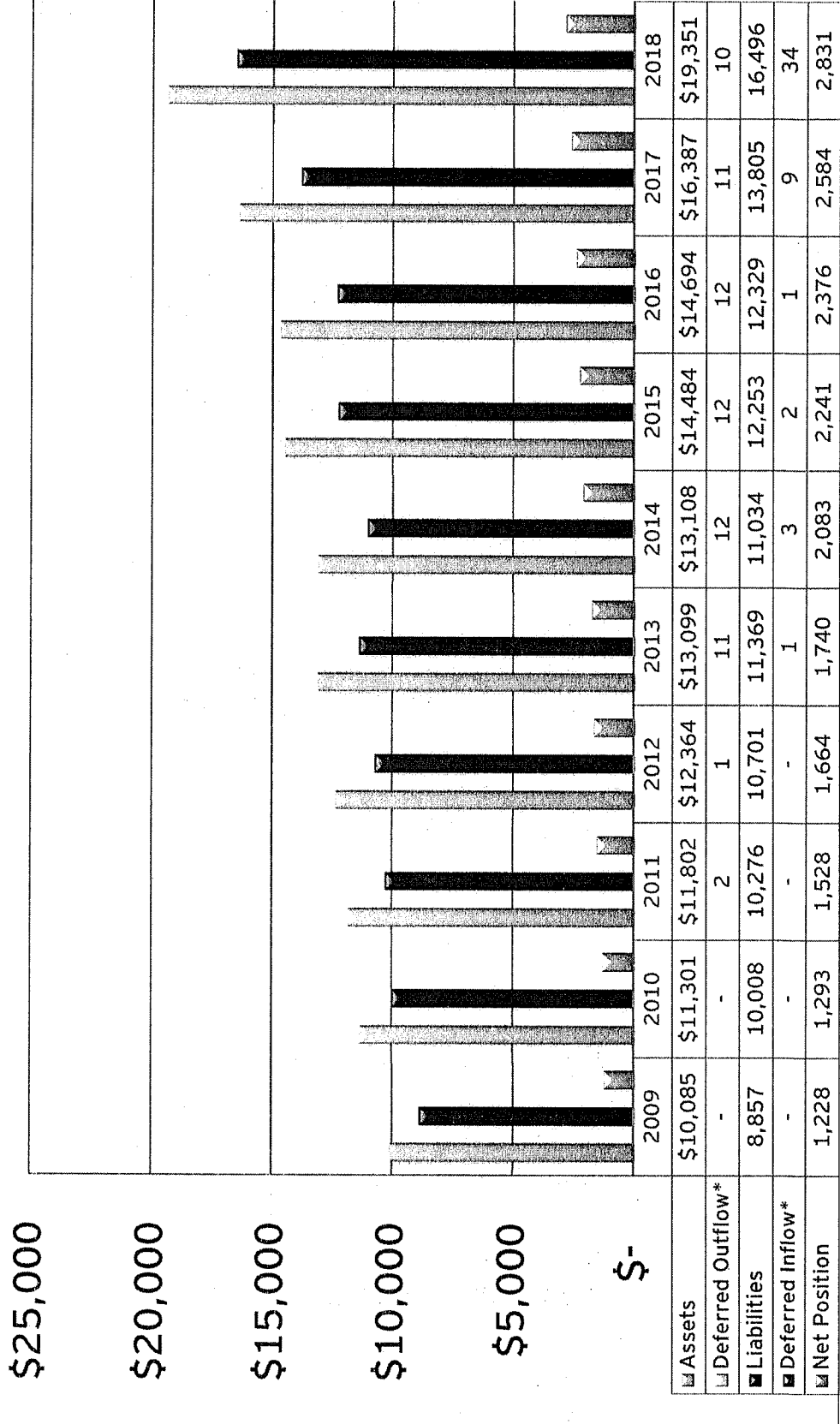
Financial Analysis

2018



Balance Sheet Analysis (2009-2018)

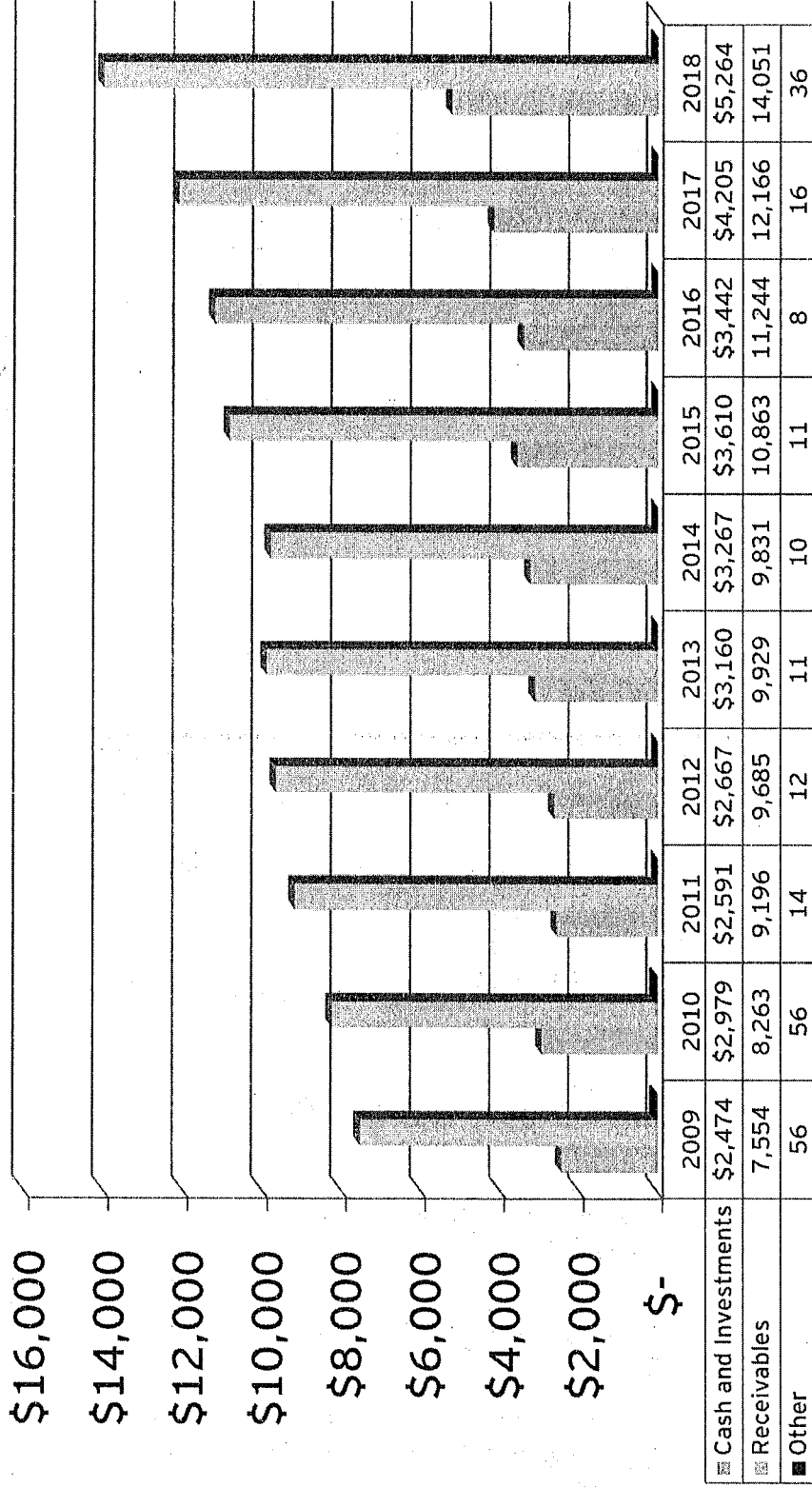
HDC and Component units (Dollars in millions)



* Deferred outflows/inflows of resources only shown in FY11 through FY18, as applicable, due to the adoptions of GASB 65 in 2012, GASB 68 in 2014, and GASB 75 in 2017.

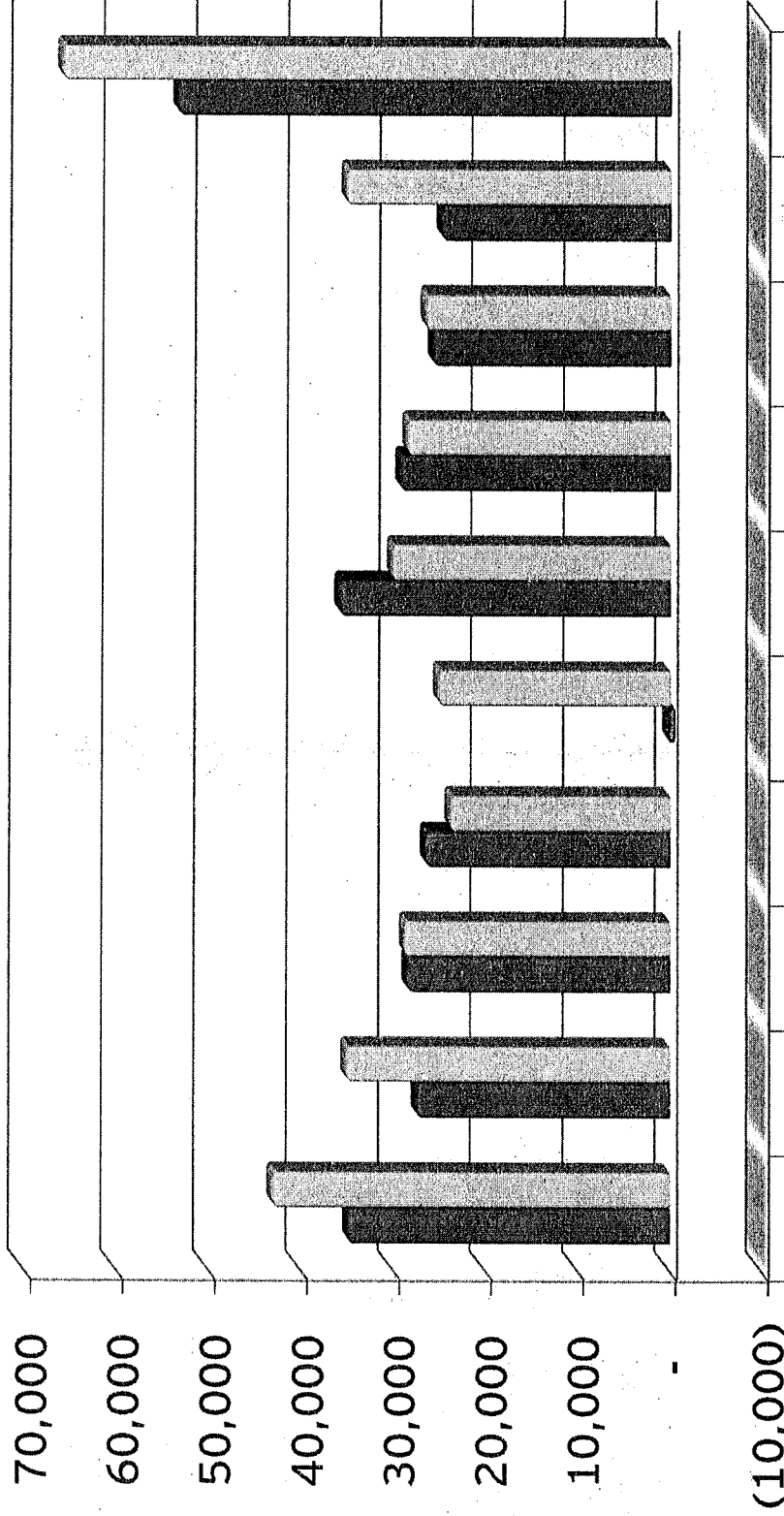
Component of Total Assets (2009-2018)

HDC and Component units (Dollars in millions)



Investment Earnings (Cash Basis) (2009-2018)

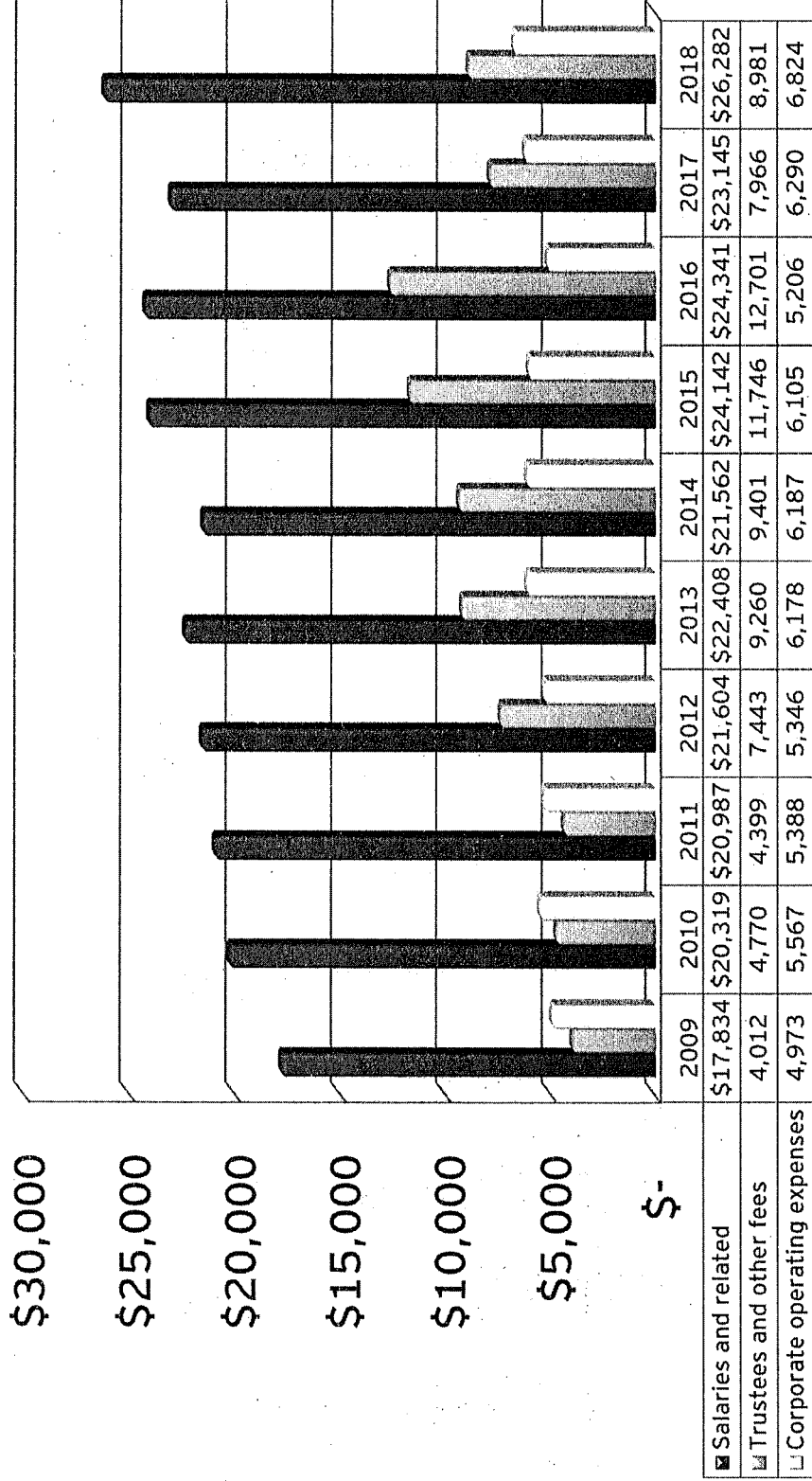
HDC Only (Dollars in thousands)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GASB 31	34,904	27,470	28,486	26,486	(671)	35,920	29,357	25,799	24,870	53,555
Cash Basis	43,100	35,136	28,831	23,881	25,153	30,245	28,565	26,572	35,276	66,084

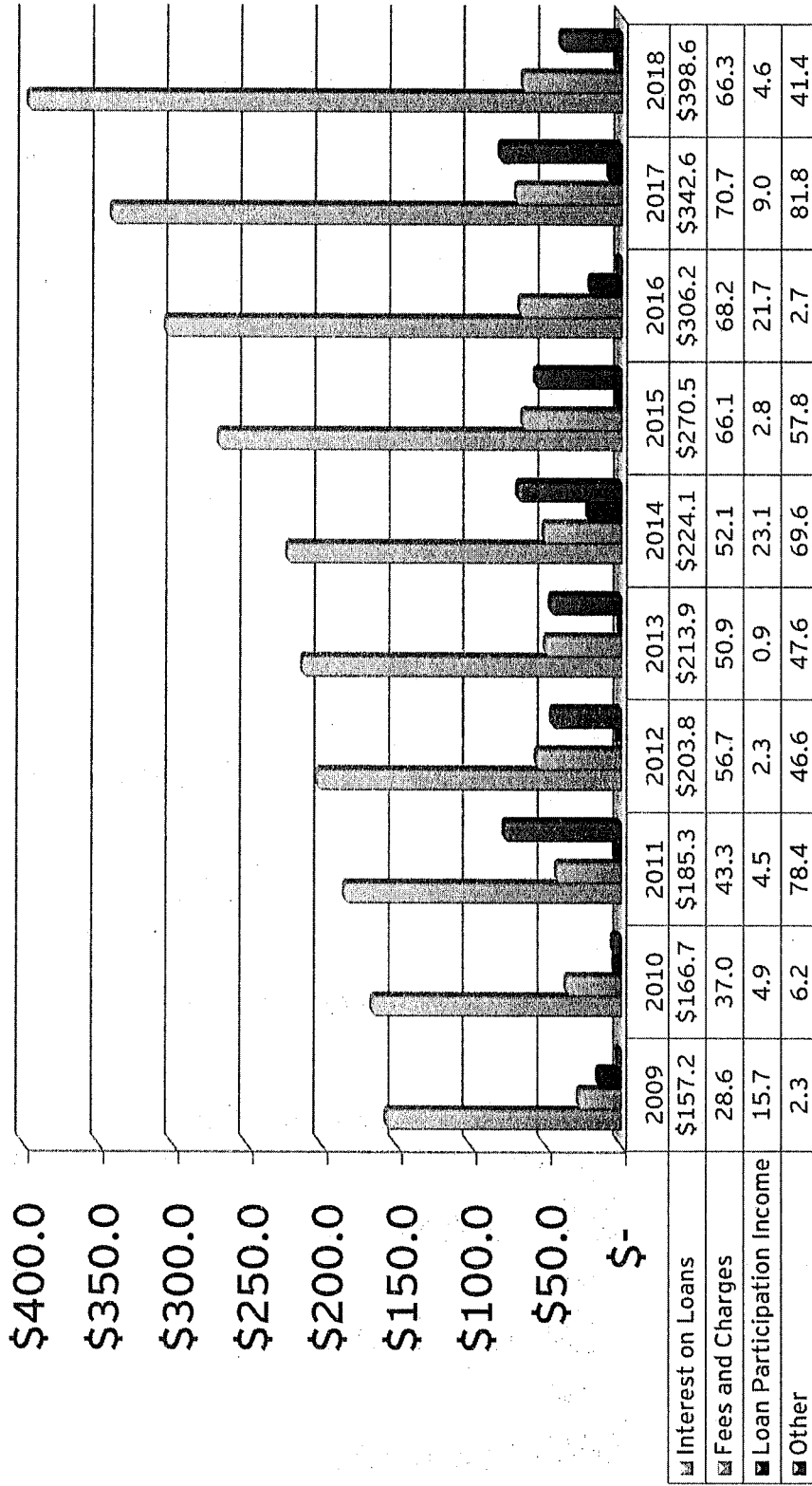
Analysis of Selected Expenses (2009-2018)

HDC & Component units (Dollars in thousands)



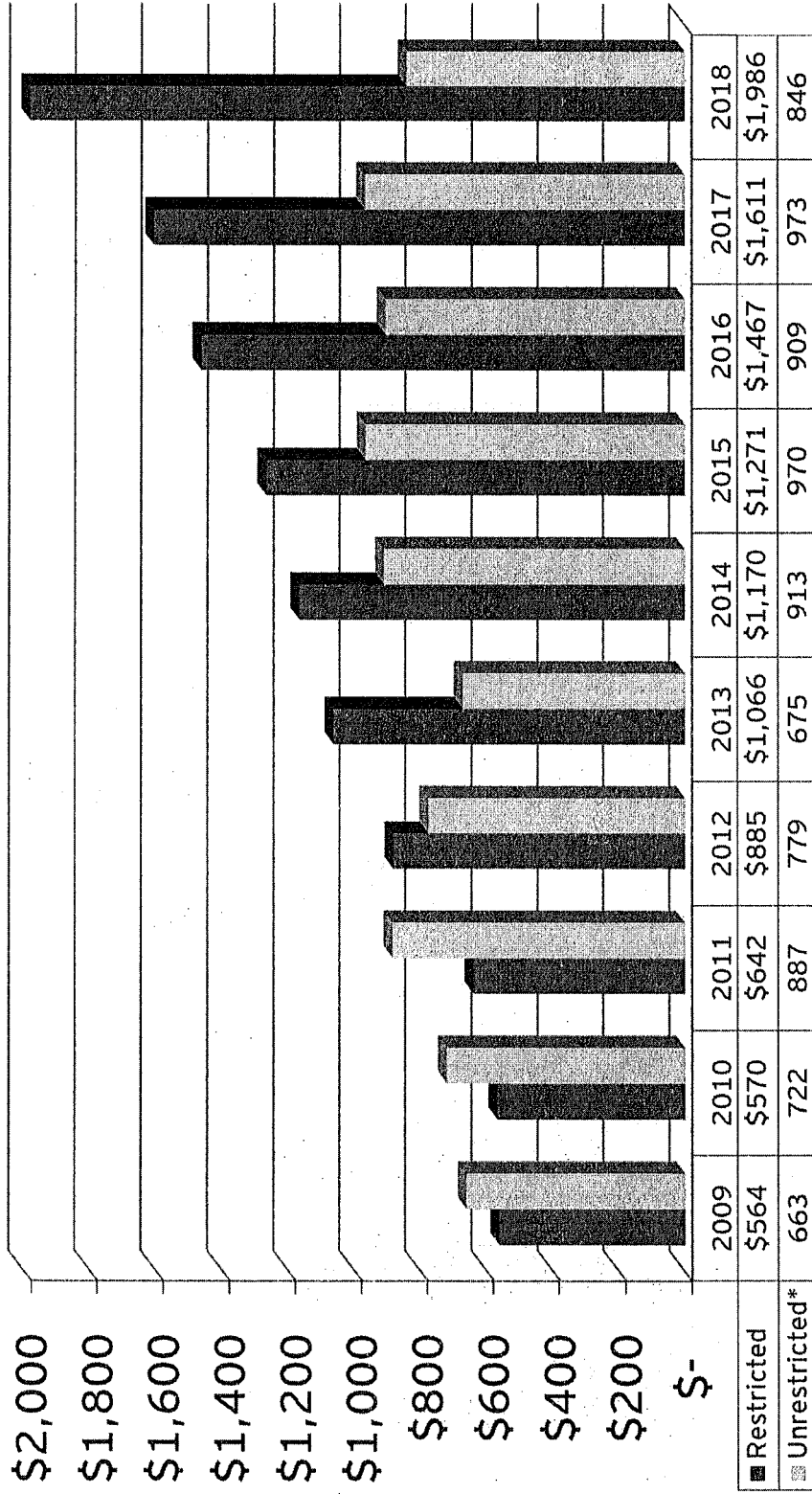
Analysis of Revenue (2009-2018)

HDC & Component units (Dollars in millions)



Net Position Comparison (2009-2018)

HDC & Component units (Dollars in millions)

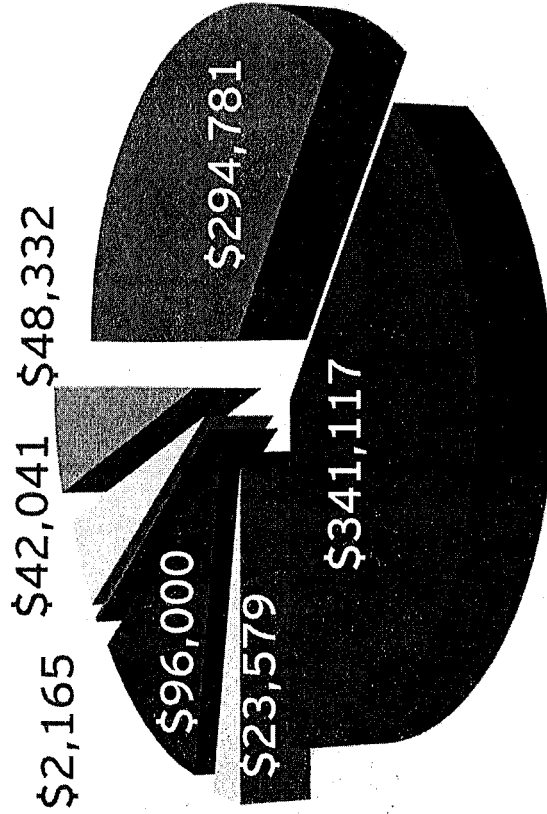


* Unrestricted net position for 2013 and 2016 was restated upon adoption of GASB 68 in 2014 and GASB 75 in 2017.

Unrestricted Net Position

HDC & Component units (Dollars in thousands)

- Housing Programs
- Existing Mortgages
- Working Capital
- Reserve Requirements
- Capital Assets
- Financial Guaranty Reserve
- REMIC Insurance Reserves



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