

***MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE***

October 5th, 2021

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the “Corporation”) was held virtually on WebEx on Tuesday, October 5th, 2021.

The meeting was called to order at 11:35 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the June 2nd, 2021 meeting. The minutes were approved.

Mr. Gould turned to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to provide an overview of the agenda. Ms. Baumann briefly provided an overview of the agenda.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young to present the firm’s audit plan for HDC’s Fiscal Year 2021, which ends on October 31st. Mr. Roberts started his presentation by extending condolences to the HDC family for the passing of Mr. Richard Froehlich, First Executive Vice President of the Corporation. Mr. Roberts then continued his report noting that last year was his fifth year serving as lead audit partner with the Corporation and under the NY State Public Authorities Act, he is required to assign the account to another partner. Mr. Roberts introduced Ms. Danielle Hurlburt, partner at Ernst & Young, who will take his place, and Erin Montgomery who is a senior manager in her second year working with the HDC Audit team.

Mr. Roberts turned to Ms. Hurlburt to provide additional details on the audit plan. Ms. Hurlburt turned the Committee’s attention to page 1 of the Ernst & Young audit plan booklet to highlight what’s new for the year. Ms. Hurlburt noted that there is one new accounting standard that the Corporation intends to adopt in the 2021 financial statements which is GASB Statement 87 related to leases; Ernst & Young has been working with the HDC team to prepare to implement GASB 87. Ms. Baumann added that the Corporation only has a few leases in place such as the copiers, company cars and office space, of which there is only one year left, and she does not expect any major impact on the financial statements. Ms. Hurlburt continued with the Ernst & Young action items and noted that they have started the walk-through process and will continue to work throughout October to December. Ms. Hurlburt noted that they will return to the Audit Committee in late January as in previous years, and will be prepared to issue the audited financial statements in the same time frame. Ms. Hurlburt highlighted Ernst & Young’s digital commitment noting that last year they worked in a fully remote environment and will continue to use the secure site to share documents. Ms. Hurlburt stated that Ernst & Young will be able to perform the audit in a remote environment due to their extensive investment in technology. Ms. Hurlburt then turned to Ms. Erin Montgomery to go through the audit plan procedures. Ms. Montgomery gave an overview of the plan procedures and concluded her report.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's third quarter financial statements of fiscal year 2021 covering the period from November 1, 2020 thru July 31, 2021. Ms. John noted that at the end of the third quarter the Corporation's Net Income was \$201.7 million, up from \$193.7 million, a 3.96% increase compared with the same period last year. The increase was primarily due to higher revenues from mortgage interest income and loan related fees. However, this increase was offset by a 64.9% decrease in earnings on investments as a result of the current low interest rate environment. Total assets were at \$24.2 billion, an increase of \$2.2 billion or 9.9% from fiscal year end 2020. The increase was due to the Corporation's mortgage lending activities; mortgage advances as of the third quarter were in excess of \$2.4 billion. HDC's mortgage loan portfolio, which comprises 76.9% of total assets, has performed well, and delinquency rates have remained below 1% of monthly billings. Total Liabilities were \$20.5 billion, an increase of \$2.0 billion or 10.7% from fiscal year end 2020. There was a net increase in Bonds Payable of \$1.4 billion, and bond issuances as of the third quarter were \$2.3 billion, offset by \$959.0 million in principal repayments. Net Position at the end of the quarter was \$3.5 billion, an increase of \$201.7 million, or a 9.3% increase from fiscal year end 2020. The increase was generated from operating revenues of \$504.2 million, operating expenses of \$328.9 million, and non-operating revenues of \$26.4 million (primarily from investment income).

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of August 31, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of April 30, 2021. During this time, the Corporation issued four series of Open Resolution bonds in the amount of \$640 million. In addition, fourteen series of Open Resolution LIBOR indexed floating rate bonds in the amount of \$646.5 million were tendered and remarketed as SOFR indexed floating rate bonds into one consolidated series of bonds. Ms. Duffy further noted that there were bond redemptions in eleven series of Open Resolution bonds in the amount of \$181.9 million, one series of Multi Family Secured Mortgage Revenue Bonds ("Mini-Open") in the amount of \$39.8 million, and three stand-alone bond series in the amount of \$29.1 million. The Corporation's debt outstanding as of August 31, 2021 is approximately \$14.26 billion. The Corporation's statutory debt capacity is \$15.5 billion. The bill to increase the Corporation's debt limit to \$17 billion has been approved by the NYS legislature. It has been submitted to the Governor for signature. Mr. Gould asked whether there is a perspective date of when the governor will sign, and Ms. Duffy answered that the Corporation will continue monitoring, but is hopeful that Governor Hochul will sign the bill soon.

Mr. Gould turned again to Ms. Duffy to provide the Corporation's Investment Report as of September 20, 2021. Ms. Duffy noted that funds under management totaled approximately \$5.995 billion. This report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom reported that the report before the Committee is dated August 31, 2021. The previous report to the Audit Committee was dated April 30, 2021. There were no rating agency actions of note, and there were no new approved counterparties. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA and FHLMC. Investments rated double-A or

higher were 52% of total investments, versus 48% at the last report. Investments rated triple-B or not rated were 27% of total investments, versus 32% at the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded her report by noting that HDC exposure to liquidity providers was \$390.9 million, up from \$348.8 million at the last report. Since the last report, HDC added a \$100 million Barclays Bank line for the 2021 Series F-3 bonds, while the \$57.69 million Wells Fargo line expired with the redemption of the 2017 Series C-4 bonds.

Mr. Gould then called upon Ms. Hom to present the Internal Audit reports. Ms. Hom reported that two internal audits were completed since the last report to the Audit Committee -- Reserve for Replacement and Portfolio Inspections. On the Reserve for Replacement audit, the primary audit objectives were: (1) To determine the adequacy and effectiveness of control over the HDC Reserve for Replacement (R4R) process; (2) To determine compliance with HDC Asset Management R4R request for payment guidelines and the payment disbursement process, and ensuring that relevant documentation is saved in the project folder; (3) To determine if the R4R process is properly tracked and monitored by the department head; and (4) To determine the accuracy of the R4R payment amount, and ensure the payment was accurately recorded in the General Ledger (GL). Upon completion of the audit, there were no matters involving internal controls that were considered material weaknesses. Key aspects of the R4R guidelines were followed, and project requests for reimbursement were properly submitted, documented, and accurately recorded in the project GL accounts. While guidelines for processing R4R requests exist, Internal Audit recommended that a checklist be developed to help guide the process, and that staff training be enhanced to ensure consistent application of the R4R process. Management has indicated that they have begun to work on implementing these recommendations. On the Portfolio Inspections audit, the primary audit objectives were: (1) To determine compliance with the Corporation's policies and procedures relating to the timely completion of required annual physical inspections (API) for projects financed by HDC; (2) To assess the accuracy of Asset Management's portfolio of properties required for inspections; and (3) To evaluate completeness of Engineers' APIs for properties reviewed as part of this audit. Upon completion of the audit, Internal Audit noted no matters involving internal controls that were considered material weaknesses. APIs that were reviewed as part of this audit were accurate, properly assigned, and performed on a timely basis. While guidelines exist for property inspections, Internal Audit recommended development of a comprehensive policy and procedure document that provides guidance to staff on their responsibilities and establishes criteria for when an API is or is not required. Management is in agreement with this recommendation and will work to assemble this document in the near-term.

Mr. Gould then turned the committee's attention to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to request approval of the adoption of a credit card policy. Ms. Baumann reported that the Corporation is seeking the Members' approval of the adoption of a corporate credit card policy. The main purpose of the policy is to eliminate the financial burden on HDC staff who currently use their personal credit cards during HDC business related travel.

Ms. Baumann reported that the proposed Corporate Credit Card Policy outlines significant controls that will be in place to ensure the proper use of the corporate credit card. HDC will designate a limited, small number of executives and two executive assistants to have the credit card information. HDC's proposed Corporate Credit Card Policy is in compliance with the New York City Department of Investigation ("DOJ") Citywide Recommendations regarding credit cards distributed to agencies on March 20, 2018.

Since the adoption by the HDC Board of a Policies and Procedures Recommendations Memo in 2003 that addressed certain policy and procedural changes designed to assure oversight of the expenditures of the Corporation, the Corporation's Internal Audit department has annually audited petty cash, personal expense reimbursements and the President's office expenses. Internal audit findings in the years subsequent to the adoption of the Policies and Procedures Recommendations have been clean, and one of the recommendations in recent years has been to institute a corporate credit card policy to enhance transparency and oversight of employee expenses.

Ms. Baumann concluded by noting that upon approval of HDC's Corporate Credit Card Policy by the Audit Committee Members, it will be presented to the full HDC Board for ratification. Ms. Baumann noted that with the upcoming officer promotions and appointments, the new titles will be reflected in the proposed Policy. If any changes to the Corporate Credit Card Policy are deemed necessary in the future, HDC staff will bring those changes to the HDC Audit Committee.

Ms. Baumann then called for approval of HDC's Corporate Credit Card Policy, and the Members approved the adoption of the HDC Corporate Credit Card Policy.

At 12:02 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Violine Roberty". The signature is written in a cursive style with a long horizontal stroke at the end.

Violine Roberty

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ATTENDANCE LIST (VIRTUAL MEETING)

NAME

AFFILIATION

Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Erin Montgomery	Ernst & Young
Danielle Hurlburt	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.