NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

To: Members of the Audit Committee

From: Mary Hom, Chief Risk Officer

Date: January 11, 2024

Subject: Approval of Annual Audit Committee Report

I am pleased to request the Members approval of the 2023 Audit Committee Report. Pursuant to the New York City Comptroller's Directive 22, the Audit Committee is required to publish an annual report detailing its activities and decisions for the prior calendar year. The report is a compilation of the Minutes from the Audit Committee meetings that occurred during the year ended December 31, 2023.

A copy of the report will be submitted to the Secretary for the Audit Committee of New York City.

Annual Audit Committee Report

New York City Housing Development Corporation

December 31, 2023

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

ANNUAL AUDIT COMMITTEE REPORT
Year Ended December 31, 2023

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

January 13th, 2023

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 Friday, January 13th, 2023.

The meeting was called to order at 11:32 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 November 30th, 2022 meeting. The minutes were approved.

Ms. Ruth Moreira, First Executive Vice President of Development, began the meeting by thanking everyone for their contributions to the success of the Corporation in 2022 in spite of many challenges, which the Corporation expects will continue in 2023. Ms. Moreira noted that the Corporation is looking forward to a full pipeline in 2023.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then turned to Ms. Mary John, Controller, to present the Corporation's Annual Financial Report for Fiscal Year ("FY") 2022. Ms. John noted that in spite of the ongoing economic headwinds caused by inflation and the increase in interest rates, that has presented some challenges, the Corporation continues to fulfill its mission to create and preserve affordable housing with few interruptions.

During FY 2022, the Corporation early adopted Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt ("GASB 91"). As a result, Conduit Bonds and the related mortgage loans were excluded from the basic financial statements. Consequently, $3.2 billion of assets and an equal amount of liabilities were carved out from the balance sheet and added as an addendum. However, there was no change to the Corporation's Net Position. Fiscal year 2021 statements were restated to conform with the current year's presentation.

In FY 2022, total assets increased to $21.5 billion, an increase of $793.0 million or 3.82% from 2021, as restated. The increase was due to the strong mortgage lending and bond financing activities throughout the year. HDC's mortgage loan portfolio, which comprises 78.6% of total assets was $16.9 billion, an increase of $1.6 billion or 10.6% from the previous year. The portfolio continues to perform well as repayments continue to remain relatively strong with the delinquency rate at less than 2% of monthly billings. As of the end of the fiscal year, there were no mortgages in forbearance. Total liabilities were $17.7 billion, an increase of $537.5 million or 3.14% from 2021 as a result of the Corporation's ongoing debt and lending activities. Despite rising interest rates, bond issuances continued throughout the year with little interruption. Sixteen new bond series were sold, totaling $1.5 billion. Additionally, HDC signed a new loan participation agreement with the

Federal Financing Bank ("FFB") for $46.6 million. The Corporation had a total of $1.1 billion in bond repayments for the fiscal year of which $875.7 million were bond redemptions and $231.2 million were scheduled debt service principal payments. Additionally, there were $47.4 million in debt obligation redemptions and $5.8 million of FFB repayments. Total Net Position of the Corporation was $3.68 billion, representing a decrease of $16.8 million or 0.45% over the prior year. This decrease was solely due to the recording of an unrealized loss of $368.4 million fair market value adjustment on the investment portfolio. Investment Income is recorded as non-operating. Since the Corporation intends to hold these investments to maturity, the likelihood of realizing this loss is minimal as the Corporation has sufficient liquidity. Operating Income was $296.8 million which is generated from interest on loans and mortgage-related fees less bonding costs, and operating expenses. This is an increase of $52.3 million or 21.4% from last year's operating income and is related to the Corporation's normal operating activities. Ms. John closed her remarks by thanking Mr. Cheuk Yu, Deputy Controller, and the rest of the accounting staff for their work throughout the audit.

Ms. Denise Scott, Board Member, posed a question to Ms. John regarding the exclusion of bonds and loans from the balance sheet and whether this was a new practice or if this was something the Corporation has historically done. Ms. John noted that this is a new GASB pronouncement that the Corporation adopted this year. GASB 91 provides criteria bonds must meet for exclusion and the Corporation's excluded bonds are mostly enhanced by Fannie Mae and Freddie Mac, so the Corporation does not bear the risk. Ms. John added that while these are excluded from the balance sheet, the Corporation does keep a record and have separate financials for these items.

Mr. Gould then turned to Ms. Danielle Hurlburt, Ernst and Young ("E&Y"), to present E&Y's Audit for FY 2022. Ms. Hurlburt introduced Mr. Rob Heffelman, Senior Manager, to share the E&Y presentation. Ms. Hurlburt reminded the Committee of the guidelines of the audit and noted that these are consistent with audits completed in prior years. Ms. Hurlburt then presented the executive summary of the audit results which display clean results and she noted E&Y expects to issue an unmodified opinion. Ms. Hurlburt noted that she anticipates the report to be completed by the end of January, timing consistent with previous years.

Ms. Hurlburt went on to discuss the digital audit and the use of data analytics in the audit, noting that it is consistent with prior years. Ms. Hurlburt then presented the areas of emphasis for the audit, - noted that the procedures are consistent with prior years and that to date, there are no findings. Ms. Hurlburt explained that areas of the audit where E&Y relies on confirmation from external parties has been fully completed apart from mortgage receivables which is 80% complete. Ms. Hurlburt thanked the Corporation's accounting staff for their support of the audit process.

Mr. Gould then called for the approval of the Corporation's Financial Statements for FY 2022. The motion was approved.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Annual Investment Report. Ms. Duffy remarked that the Corporation is submitting its Annual Investment Report for the

Corporation and its subsidiaries pursuant to Section 2925 of the Public Authorities Law ("PAL") of New York State. The Report presents the Corporation's investment record for FY2022. As required by statute, the report includes: the investment record of the Corporation, the Investment Guidelines as approved by the Members on January 14, 2022, and the results of the annual independent audit in draft form. This Report also includes descriptive charts on HDC's investments and investing environment, and a Counterparty Credit Risk Exposure Summary.

Ms. Duffy further noted that earnings on investments totaled $52.76 million in fiscal year 2022, an increase of $780,000 from FY 2021, due mainly to an increase in reinvestment rates during FY 2022. The current inverted yield curve environment and higher short-term rates are factors to consider in the Corporation's ongoing investment strategy. Ms. Duffy stated that because of the Corporation's commitments, the majority of investments must be held for the short term, which provides sufficient liquidity for the Corporation. In response to the current interest rate environment, the Corporation continued to invest primarily in collateralized demand deposits, certificates of deposit, guaranteed investment contracts, and direct purchases of U.S. Treasury and Agency obligations in order to optimize yield. As required by GASB No. 31, the Corporation has recorded a fair value adjustment in its investment portfolio. The Corporation recorded a net depreciation of $368.4 million for FY 2022. As part of the Corporation's investment policies, it looks to invest its bond and corporate related reserves in securities with the intent to hold the investment to maturity. As a result, any unrealized appreciation or depreciation is only reported as an accounting gain or loss at this time.

Ms. Duffy noted that the Corporation's funds under management decreased approximately 25.86% from fiscal year-end 2021 to fiscal year-end 2022, from $4.9 billion to $3.7 billion. This is mainly due to less debt issuance and increased mortgage loan advances. The Corporation had a 0.45% decrease in net position over the last year due to the unrealized loss on the fair value adjustment in its investment portfolio as described above. Consolidated investment income was $52.76 million. Of this amount, $34.43 million or 65.26% of the consolidated investment income was attributable to bond programs and HPD related investments, and therefore was not available to the Corporation. An additional $2.54 million was earned by and retained within REMIC and HAC. The remaining $15.79 million of earnings is pledged to ongoing affordable housing programs of the Corporation. The Corporation did not incur or pay any fees, commissions, or charges for investment services. Treasury operations are conducted by the Corporation's Cash Management Division, which uses electronic and telephone bidding processes to competitively purchase securities that meet the Corporation's Investment Guidelines and funding needs. Oversight is provided internally by an Investment Committee and by various reviews by HDC's Credit Risk and Internal Audit units. There are also investment and credit risk reports presented at each meeting of the Corporation's Audit Committee, and an annual examination by our external auditors, Ernst & Young. The Corporation's Investment Guidelines were last approved by the Audit Committee Members on January 14, 2022 and ratified by the Board on March 15, 2022. Upon approval by the Audit Committee and ratification by the Board, the Report will be submitted to the Mayor and to both the City and State Comptrollers, as required by the Public Authorities Law. With there being no further questions, Ms. Duffy requested that the Audit Committee members approve the

2022 Annual Investment Report and readopt the Investment Guidelines without any changes to them at this time.

Mr. Gould called for the approval of the Corporation's Annual Investment Report for FY 2022. The motion was approved.

Mr. Gould again turned to Ms. Duffy to present the Corporation's Debt Report. The Corporation's Debt Report is as of November 30, 2022. The last debt report presented to the Audit Committee was as of October 31, 2022. Ms. Duffy noted that during this time, the Corporation did not issue any bonds. There were bond redemptions in three series of Open Resolution bonds in the amount of $44.59 million. The Corporation's debt outstanding as of November 30, 2022 is approximately $14.5 billion. The Corporation's statutory debt capacity stands at $18 billion.

Mr. Gould again turned to Ms. Duffy to present the Corporation's Investment Report. The Corporation's Investment Report is as of December 14, 2022. Ms. Duffy noted that funds under management totaled approximately $4.8 billion. This report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the Counterparty Credit Risk Exposure Report. The Corporation's Counterparty Credit Risk Exposure Report is dated as of December 31, 2022. The previous report to the Audit Committee was dated October 31, 2022. There were no rating agency actions of note, and there was one new approved counterparty – East West Bank. East West Bank is a California-based savings bank that has several branches in New York City. The Bank is rated BBB+ by S&P and is approved for money market investments that are collateralized by a FHLB letter-of-credit.

Ms. Hom noted that HDC's counterparty exposure remains diversified with the largest exposures being with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 23 projects. Investments rated double-A or higher were 56% of total investments, versus 58% at the last report. Investments rated triple-B or not rated were 18% of total investments, versus 14% at the last report, and these investments are fully collateralized by high quality U.S. Treasury or Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded by noting that HDC exposure to liquidity providers increased $100 million to approximately $484 million due to the issuance of the 2022 Series F-3 bonds.

Mr. Gould then called on Ms. Hom to present the Internal Audit Report. Since the last report to the Audit Committee, Internal Audit completed the annual employee certification of the Code of Ethics and one internal audit. With respect to the Code of Ethics, each year, HDC employees are required to affirm and certify that they have read and understand the HDC Code of Ethics. This process was completed for 2022.

Ms. Hom noted that with respect to audit activity, Internal Audit completed the Petty Cash audit. Audit objectives here were to determine whether adequate internal controls exist to ensure that the cash asset was safeguarded and maintained in the proper amount, petty cash disbursements were in compliance with the Corporation's policies and procedures, and the Imprest Fund was properly authorized, processed, and reconciled. Ms. Hom noted that

Internal Audit found the Corporation's guidelines for Petty Cash to be effective and found no matters involving internal controls and its operation that we consider to be material weaknesses. The team established that: the petty cash disbursements were in compliance with policies and procedures, the petty cash on hand was kept in a secured lockbox and maintained in the proper amount, and that all expenditures were properly authorized, processed, and reconciled. Ms. Hom reminded the Members that the Petty Cash audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

Mr. Gould again turned to Ms. Hom to present the Annual Audit Committee Report for 2022. Ms. Hom remarked that pursuant to the New York City Comptroller's Directive 22, the Audit Committee is required to publish an annual report detailing its activities and decisions for the prior calendar year. The report is a compilation of the Minutes from the Audit Committee meetings that occurred during the year ended December 31, 2022. Ms. Hom noted that a copy of the report will be submitted to the Secretary for the Audit Committee of New York City.

Mr. Gould called for the approval of the Annual HDC Audit Committee Report for 2022. The motion was approved.

Ms. Scott posed a concern regarding the potential elimination of 50% of vacant staff positions at HPD in addition to continued concerns regarding the slow pace in activity. Ms. Moreira acknowledged Ms. Scott's concerns and noted that the Corporation has picked up some of the workload from HPD. Ms. Moreira noted that the Corporation is in constant communication with HPD to assist wherever possible and to encourage the hiring that is necessary to advance the scope of work. Ms. Moreira added that 2023 is going to be very busy year, specifically noting that on the PACT front there is an aggressive agenda. Ms. Moreira noted that NYCHA and the Corporation are planning to take on some of the burden of work from HPD.

Mr. Gould posed a question as to whether the Corporation is going to get involved with the Governor's new announced housing plans and if the Corporation will be involved in the proposed conversion of office buildings to affordable housing. Ms. Moreira noted that the financing will be between the state, city, and HPD, and that the Corporation will not be directly involved at this level. Ms. Moreira further noted that a lot is on the agenda for 2023 that the Corporation is optimistic about, including a potential replacement for the 421a tax abatement. Ms. Moreira noted on the office conversions that the Corporation has a team beginning to plan this in conjunction with HPD, and that discussions have been had with OMB, but the emphasis at this time is on the resurrection of a tax abatement to help achieve affordability. The Corporation's possible role in financing office conversions has not been determined yet.

At 12:05PM, with no further business, the meeting was adjourned.

Respectfully submitted,

Jeremy Boyer

Jeremy Boyer

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

January 13th, 2023

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Rob Heffelman	Ernst & Young
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.

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

March 31st, 2023

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 Friday, March 31, 2023.

The meeting was called to order at 9:36 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 January 13, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then turned to Ms. Mary John, Senior Vice President and Controller, to present the Corporation's First Quarter Financial Report for Fiscal Year ("FY") 2023 which covers the period November 1, 2022 through January 31, 2023. Ms. John summarized that, as of the end of the first quarter, revenues exceeded expenses by $169.1 million, compared with the same period in FY 2022 when net income was $49.5 million. The increase of $119.6 million was largely due to the improvement of the fair market value of the Corporation's investment securities. The investment portfolio's fair market value improved by $70.8 million from Fiscal Year End ("FYE") 2022 and was recorded as an unrealized gain. Ms. John added that excluding the fair market value adjustment net income would have been $98.3 million.

Recent events surrounding the collapse of two regional banks have put the spotlight on businesses' investment portfolios. The Corporation's investments are mostly comprised of United States government and agency securities and bank money market deposits; all bank deposits are fully collateralized with Federal Home Loan Bank ("FHLB") letters of credit or U.S. government securities held by a third party and deemed safe.

Ms. John continued by reporting that operating revenues for this period was $184.1 million, compared to $176.4 million during the same period last year. Mortgage interest earnings increased by $16.4 million or 12% from a year ago; however, mortgage related fee income decreased by $11.1 million as there were fewer loan closings this period. Non-operating revenues, which mainly consists of investment earnings, saw a significant increase largely due to the increase in the fair market value; however, realized investment earnings increased by $10.3 million from a year ago. Operating expenses increased by $14.4 million primarily due to the increase in bond interest expenses.

Total assets finished the first quarter at $22.2 billion, an increase of $629.1 million or 2.9% from FYE 2022. This increase was mainly attributed to the Corporation's on-going lending activities, as mortgage loan advances were at $655.2 million in the first quarter. The mortgage portfolio, net of conduit loans, was $17.9 billion and comprises 80.5% of total assets, and is currently performing well. The delinquency rate as of January 31, 2023, was below 2% of monthly billings.

Ms. John concluded by reporting that total liabilities were $18.3 billion, a net increase of $460.0 million or 2.6% from FYE 2022. Bonds and debt obligations increased by a net of $398.7 million. New issuances were at $696.8 million, while principal repayments totaled $296.4 million. The net position at the end of the first quarter was $3.8 billion, up by $169.1 million from FYE 2022.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Between November 30, 2022 and February 28, 2023, the Corporation issued six (6) series of bonds in the amount of $696.8 million. There were bond redemptions in six (6) series of Open Resolution bonds in the amount of $38.3 million. The Corporation's debt outstanding as of February 28, 2023, was approximately $15 billion. The Corporation's statutory debt capacity stands at $18 billion.

Mr. Gould, again, turned to Ms. Duffy to present the Corporation's Investment Report. As of March 20, 2023, funds under management totaled approximately $5.2 billion. This report reflects routine investment activity. The Corporation has demand deposits with various banks. In accordance with the Corporation's Investment Guidelines, the deposits with banks listed under the Certificate of Deposit and Demand Deposit sections of the Investment Report are collateralized with a Letter of Credit with the FHLB or U.S. government securities.

On March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. To protect depositors, the FDIC transferred all the deposits and all of the assets of Signature Bank to Signature Bridge Bank, N.A. Signature Bridge Bank, N.A. is a full-service bank that was operated by the FDIC as it marketed the institution to potential bidders. The transfer of all the deposits was completed under the Systemic Risk Exception approved on March 12, 2023. All depositors of the institution were made whole. HDC's FHLB letters of credit remained in place as well.

Ms. Duffy explained that on March 19, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, by Flagstar Bank, a wholly owned subsidiary of New York Community Bancorp, Inc. The 40 former branches of Signature Bank are operating under New York Community Bankcorp's Flagstar Bank, N.A., as of Monday, March 20, 2023.

Depositors of Signature Bridge Bank, N.A., other than cash depositors related to the digital-asset banking businesses, automatically became depositors of the assuming institution. All deposits assumed by Flagstar Bank, N.A., will continue to be insured by the FDIC up to the insurance limit. The Corporation has a banking relationship and deposits with Flagstar Bank via New York Community Bank, which is part of Flagstar Bank. Ms. Duffy concluded her report by explaining that the Corporation's balances and letters of credit were transferred to Flagstar Bank, and the Corporation's letter of credit remained in place under the name of Flagstar Bank.

Ms. Denise Scott, Board Member, posed a question to Ms. Duffy regarding other banks in the Corporation's portfolio that were being evaluated for potential risk. Ms. Duffy noted that most of the banks have FHLB letters of credit. Ms. Duffy does not see any credit concerns at this time. The Corporation is constantly monitoring and reviewing each bank it works with and has many controls that are designed to limit risk. Ms. Scott followed up by asking how the Corporation is watching other sectors, such as the community development side of not-for-profit organizations, regional banks, and developers, in addition to its monitoring of the bank market. Mr. Eric Enderlin, President, noted that the Corporation continuously reviews the market to assess how change ripples across various sectors such as real estate and credit.

Mr. Gould then posed a question to Ms. Duffy about Barclays Bank and the nature of the Corporation's work with the Bank. Ms. Duffy answered that the Corporation does not have bank deposits with Barclays. Mr. Enderlin added that the Corporation is focused on the lending aspects as they relate to risk and that tax credit investors are less of a concern. Mr. Gould then asked Mr. Enderlin if there was anything else to note. Mr. Enderlin responded that the Corporation is always tracking the market and all the various impacts stressors could have on the Corporation's portfolio. Ms. Scott added that her organization is taking a closer look at commercial real-estate exposures.

Mr. Gould then called on Mr. Jeremy Boyer, Credit Analyst, for the Corporation's Counterparty Credit Risk Exposure Report. Mr. Boyer noted that since the last report to the Audit Committee, an enhancement had been added to the Counterparty Report. On the final page of the report is a summary of HDC's interest rate hedges and corresponding counterparties which is new to the report. Mr. Boyer stated that the report is dated March 22, 2023. The previous report to the Audit Committee was dated December 31, 2022.

Mr. Boyer noted that there was one rating agency action of note – the withdrawal of the credit rating for Signature Bank by Moody's in response to the bank's shutdown earlier this month. There were no new approved counterparties. Mr. Boyer stated that the Corporation's counterparty exposure remains diversified with the largest exposures being with Fannie Mae, Freddie Mac, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters of credit covering 24 projects.

Investments rated double-A or higher were 57% of total investments, versus 56% at the last report, while investments rated triple-B or not rated were 28% of total investments, versus 18% in the last report. This increase is primarily due to the repositioning of funds from Signature Bank. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury or agency securities and/or FHLB letters of credit. HDC exposure to liquidity providers was unchanged at approximately $484 million.

Mr. Gould then called on Mr. Neil Saranga, Senior Internal Auditor, to present the Internal Audit Report. Mr. Saranga noted that since the last report to the Audit Committee on January 13, 2023, Internal Audit completed three projects. First, was the 2022 Employee Expenses audit. The audit objectives were to determine whether adequate controls exist to ensure employee expenses and other related expenses were appropriate, properly authorized, and accurately recorded. The audit additionally evaluated and tested compliance with the Corporation's policies and procedures relating to employees' expenses. Mr. Saranga noted that the team found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that they consider to be material weaknesses.

Next, Mr. Saranga presented the 2022 President's Office Expenses audit. The audit objectives were to evaluate the accuracy of the President's Office expenses recorded in Oracle and ensure they were accurately reflected in the General Ledger, as well as evaluate whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements. Mr. Saranga, again, noted that it found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that they consider to be material weaknesses.

Mr. Saranga reminded the Audit Committee that the Employee Expenses and President's Office Expenses audits are required to be performed each year pursuant to the 2003 MOU between the Corporation and New York City's Department of Investigation.

The last audit Mr. Saranga presented was the 2022 Continuous Monitoring of Investments. The objectives were to determine whether the investment portfolio complies with all aspects of the Corporation's Investment Guidelines and determine whether investments were accurately recorded on custodial bank statements. Mr. Saranga noted that the audit team monitored the investment portfolio throughout the year on a quarterly basis and found that the portfolio complied with all aspects of the Corporation's Investment Guidelines. Mr. Saranga concluded by noting that the investment portfolio was supported by custodial bank statements and regularly reconciled.

Mr. Gould then called on Mr. Saranga to present the Second Quarter 2023 Audit Plan. Mr. Saranga noted that the proposed projects for the second quarter include the continuation of two advisory projects, an internal audit, and continuous monitoring of the investment portfolio. Hearing no questions, Mr. Saranga requested approval of the Second Quarter 2023 Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould then called on Ms. Colleen Duffy, Managing Director for BDO's Nonprofit Advisory Services, to present the Quality Assessment Review of HDC's Internal Audit function. Ms. Duffy reported that the review was done through performing interviews, as well as reviewing documents. BDO found HDC's Internal Audit department "Generally Conforms" with the Institute of Internal Auditors (IIA) Standards. "Generally Conforms" is a good rating, and BDO found strong practices present. Moreover, HDC's Internal Audit function is viewed throughout the organization as independent, well-respected, and knowledgeable. Documentation was additionally found to conform to the IIA's Standards.

BDO then outlined various recommendations split into two categories. The first category addressed technical compliance and/or conformity with the IIA Standards. Specific recommendations within this category were for the Audit Committee Charter to specifically state to review and approve the Internal Audit charter; address the dual role with the Chief Audit Executive and Chief Risk Officer with a document on impairment process ensuring that the Internal Audit function remains independent; and specific acknowledgement by Internal Audit staff of the IIA's Code of Ethics (as opposed to the

HDC Code of Ethics). The second category addressed certain practices of the Internal Audit function. Specifically, the recommendations were to engage specialized resources for certain audit areas such as technology; define the minimum number of continuing professional education ("CPE") credits required by each Internal Audit staff member; enhance document retention; and formalize a process to follow up on issues raised from internal audits. With no questions, Ms. Duffy concluded her presentation.

At 10:06 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

Austin Chin

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

March 31st, 2023

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	AFFILIATION
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Colleen Duffy	BDO
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.

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

June 1st, 2023

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 Thursday, June 1, 2023.

The meeting was called to order at 2:02 p.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the March 31, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then turned to Mr. Cheuk Yu, Deputy Controller, to present the Corporation's Second Quarter Financial Report for Fiscal Year ("FY") 2023 which covers the period November 1, 2022 thru April 30, 2023. Mr. Yu noted that as of the end of the second quarter, revenues exceeded expenses by $287.9 million, compared with the same period in FY 2022 when net income was a negative $38.7 million. The increase of $326.6 million was largely due to the improvement of the fair value of the Corporation's investment securities. The investment portfolio's fair market value improved by $95.1 million from FYE 2022 and was recorded as an unrealized gain. Approximately 50% of the Corporation's investments are subject to fair market valuation. Excluding the fair market value adjustment, net income would have been $192.8 million.

Mr. Yu continued by reporting that operating revenues for this period were $359.6 million compared to $345.4 million during the same period last year. Mortgage interest earnings increased by $34.8 million or 12.6% from a year ago; however, mortgage related fee income decreased by $17.3 million as there were fewer loan closings this period. Non-operating revenues, which mainly consist- of investment earnings, saw a significant increase, largely due to the aforementioned increase in the fair market value. Realized investment earnings increased by $29.5 million from a year ago. Operating expenses increased by $29.4 million, primarily due to the increase in bond interest expense.

Assets were at $22.4 billion, an increase of $850.4 million or 3.9% from fiscal year end 2022. This increase was mainly due to the Corporation's on-going lending activities, as mortgage loan advances were at $1.2 billion through this period. The mortgage portfolio, net of conduit loans, was $18.2 billion and comprises 81.3% of total assets and, is currently performing well with a delinquency rate as of April 30, 2023, below 3% of monthly billings.

Mr. Yu concluded by reporting that total liabilities were $18.4 billion, a net increase of $562.6 million or 3.1% from FYE 2022. Bonds and debt obligations increased by a net of $409.7 million. New issuances were at $751.7 million, while principal repayments totaled

$338.6 million. Mr. Yu closed by noting that the net position at the end of the second quarter was $4.0 billion, up by $287.9 million, from fiscal year end 2022.

Ms. Denise Scott, Board Member, posed a question regarding the delinquency rate of less than 3% and asked what this number was the prior year. Ms. Mary John, Senior Vice President and Controller, noted that this number had always been under 2% prior to this year. Ms. John noted that the increase in delinquency rates is due to slower rental collections as well as an increase in operating expenses, with an emphasis on increased insurance premiums. Ms. Scott noted that these same issues were showing up in other portfolios across the country and requested that the Corporation keep a close eye on the portfolio as well as general partner and/or sponsor weaknesses. Mr. Eric Enderlin, President, noted that the Corporation is watching this and looking into more ways to monitor even more closely to be proactive.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Ms. Duffy stated that the Corporation's Debt Report is as of April 30, 2023. The last debt report presented to the Audit Committee was as of February 28, 2023. Ms. Duffy noted that during this time, the Corporation issued two series of Open Resolution bonds in the amount of $54.9 million and remarketed $58.1 million of bonds. There were bond redemptions in one series of Open Resolution bonds in the amount of $59 million and one stand-alone series of bonds in the amount of $50 million. The Corporation's debt outstanding as of April 30, 2023 is approximately $15 billion. The Corporation's statutory debt capacity stands at $18 billion.

Mr. Gould posed a question if the Corporation had plans to raise the $18 billion ceiling. Ms. Duffy noted that it has been requested of the state legislature to increase this to $19 billion. Ms. Elizabeth Strojan, Senior Vice President for Administration & External Affairs & Chief of Staff, noted that this proposal has passed the Assembly and is on to the Senate floor. Ms. Strojan stated that the Corporation does not anticipate any problems with this measure passing. Mr. Gould added that there has never been an issue with this passing in the past, so the Corporation should feel reasonably confident.

Mr. Gould, again, turned to Ms. Duffy to present the Corporation's Investment Report. Ms. Duffy stated that the Corporation's Investment Report is as of May 10, 2023. Funds under management totaled approximately $4.99 billion. This report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated April 30, 2023. The previous report to the Audit Committee was dated March 22, 2023.

Ms. Hom stated that subsequent to the date of the report, there were two bank upgrades. The deposit rating for Bank of America was upgraded by Moody's to Aa1 from Aa2. Moody's cited Bank of America's strengthened capital, improved earnings profile, and restrained risk appetite as reasons for the upgrade. Similarly, S&P upgraded the deposit rating for Barclays Bank to A+ from A due to Barclays' strong earnings performance and prudent funding and liquidity profile. There were no new approved counterparties.

Ms. Hom added that HDC's counterparty exposure remains diversified with the largest exposures being with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 24 projects. Investments rated double-A or higher were 56% of total investments, versus 57% at the last report. Investments rated triple-B or not rated were 31% of total investments, versus 28% at the last report. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. HDC exposure to liquidity providers was up $58 million to approximately $542 million due to the remarketing of the 2018 Series L-2 bonds. Ms. Hom noted that interest rate hedge providers were unchanged since the last report.

Mr. Gould then again called on Ms. Hom, to present the Internal Audit Report. Ms. Hom stated that Internal Audit does not have any completed audits to report on at this meeting as there are a couple of audits still in process, and they will present those results when these audits are complete.

Ms. Hom noted that the annual Internal Audit Internal Assessment for 2022 was completed. Ms. Hom stated that in accordance with The International Professional Practices Framework, or "IPPF," the conceptual framework that organizes authoritative guidance promulgated by The Institute of Internal Auditors, HDC has conducted its 2022 Internal Audit Internal Assessment. This annual internal assessment is part of HDC's Quality Assurance and Improvement Program as dictated by the IPPF and helps to ensure that HDC's internal audit function operates effectively. Ms. Hom added that the assessment before the Committee outlines the structure and activities of the internal audit function for calendar year 2022, including all audits completed, Internal Audit projects and initiatives, governance and oversight activities, and updates regarding employee development and ongoing training that helps to ensure that staff remains current on all internal audit best practices.

Mr. Gould then called on Ms. Hom to present the Third Quarter 2023 Audit Plan. Ms. Hom presented for the Members approval an Internal Audit plan for the third quarter of 2023. The proposed projects for the third quarter include the continuation of two advisory projects and one assurance project, a new advisory project, and continuous monitoring of the investment portfolio. Hearing no questions, Ms. Hom requested approval of the Third Quarter 2023 Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould again called on Ms. Hom to present the Audit Committee Charter. Ms. Hom recommended that the Members approve the Audit Committee Charter. Ms. Hom noted that the Corporation's Audit Committee Charter requires an annual review by the Committee to determine the Charter's adequacy. The last time the Audit Committee reviewed and approved the Audit Committee Charter was June 1, 2022.

Ms. Hom stated that the only substantive change incorporates a recommendation made by BDO as part of the five-year Quality Assessment Review that was completed earlier this year and reported to the Audit Committee on March 31, 2023. The recommendation was that the Audit Committee Charter should specifically state that it is the responsibility of the Audit Committee to review and approve the Internal Audit Charter. Ms. Hom noted that while it has always been the responsibility of the Audit Committee to review and approve the Internal Audit Charter, the Corporation accepted BDO's recommendation and incorporated this language into the Audit Committee Charter. For reference, the last time the Audit Committee reviewed and approved the Internal Audit Charter was March 28, 2019. The Internal Audit Charter requires periodic review and approval whenever there are substantive changes or at least every five years. Aside from the incorporation of this recommendation, the only other changes to the Audit Committee Charter were the updating of staff titles and the move to a quarterly audit plan. Hearing no questions, Ms. Hom requested approval of the Audit Committee Charter. Ms. Scott made a motion, and the Charter was approved.

At 2:19 p.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Jeremy Boyer

Jeremy Boyer

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

June 1st, 2023

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	AFFILIATION
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Tinru Lin	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.

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

September 27th, 2023

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held at the Corporation's Office at 120 Broadway on Wednesday, September 27, 2023.

The meeting was called to order at 4:07 pm by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the June 1, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann then briefly provided an overview of the agenda.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Ms. Duffy noted that the Corporation's Debt Report is as of August 31, 2023. The last debt report presented to the Audit Committee was as of April 30, 2023. Ms. Duffy noted that during this time, the Corporation issued three series of Open Resolution bonds in the amount of $642.7 million and remarketed one series of $53.6 million Open Resolution bonds. In addition, the Corporation issued two series of bonds in the Housing Impact resolution in the amount of $320.3 million. There were bond redemptions in three series of Open Resolution bonds in the amount of $201.99 million and one stand-alone series of bonds in the amount of $8.3 million.

Ms. Duffy advised that the new footnote on the Interest Rate Hedges page indicates that the SOFR based rates that have been used as of July 1, 2023, to calculate swap payments. LIBOR rates are no longer published as of June 30, 2023.

The Corporation's debt outstanding as of August 31, 2023, is approximately $15.6 billion. The Corporation's statutory debt capacity stands at $18 billion. We currently have sitting on the governor's desk for signature a request for an increase of our debt capacity to $19 billion.

Mr. Gould again called on Ms. Duffy to present the Corporation's Investment Report. Ms. Duffy noted that the Corporation's Investment Report is as of September 5, 2023. Funds under management totaled approximately $5.7 billion. This report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated August 31, 2023. The previous report to the Audit Committee was dated April 30, 2023.

Ms. Hom reported that in August, Moody's announced negative rating actions on a number of US banks citing macro concerns affecting the entire US banking sector. With respect to the Corporation's counterparties, Moody's downgraded Webster Bank to A2 from A1 citing the Bank's lower capital and liquidity levels, increased reliance on market sensitive funding, and high concentration of commercial real estate exposure. Other affected banks on the counterparty list were Bank of New York and US Bank which were both placed on negative Watchlist.

Also in August, while the Corporation does not monitor Fitch Ratings, Ms. Hom noted that Fitch downgraded the US government to AA+ from AAA. In its action, Fitch noted the rising level of general government debt, expected fiscal deterioration in the next three years, and erosion of governance, particularly on fiscal and debt matters, relative to its similarly-rated peers. This action brings Fitch's rating in line with S&P's AA+ rating on the US. Moody's continues to rate the US at Aaa. There were no new approved counterparties.

Ms. Hom noted that the Corporation's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 26 projects. Investments rated double-A or higher were 51% of total investments, versus 56% at the last report. Investments rated triple-B or not rated were 36% of total investments, versus 31% at the last report, and these investments are fully collateralized by high quality U.S. Treasury or Agency securities and/or FHLB letters-of-credit. HDC exposure to liquidity providers was unchanged at approximately $542 million.

In June, HDC entered into two interest rate swaps – one with Bank of New York for $80 million, and one with PNC Bank for $50 million. Ms. Denise Scott, Board Member, posed a question to Ms. Hom regarding to the banks that were downgraded and whether the auditors require any special scrutiny of those banks. Ms. Hom noted that Webster bank was the only one downgraded and that it is a deposit bank for money market accounts. As such it is currently fully-collateralized by FHLB letters of credit. Mr. Gould asked what the effect of a government shutdown would be. Mr. Eric Enderlin, President, noted that the city plans around the immediate impact to funding for items like rental assistance. Ms. Elizabeth Strojan, Senior Vice President for Administration and External Affairs added that the HPD and NYCHA currently have reserves for rental assistance similar to those they held during the last shutdown which lasted 35 days.

Mr. Gould then again called on Ms. Hom to present the Internal Audit Report. Ms. Hom noted that the last report to the Audit Committee on June 1, 2023, three internal audit advisory projects were completed: Succession Plan, Electronic Funds Transfers, and Accounts Payable.

Ms. Hom noted that succession planning is an important tool for ensuring that organizations maintain regular operational levels and continue to meet high performance standards. By having a formal, effective succession plan across all departments, the Corporation can proceed with minimal disruption in the event of a key employee's departure. While the Corporation has had informal succession plans in place, management recognizes the need to formalize succession plans to ensure that capable individuals are identified and prepared to assume key responsibilities should a vacancy arise.

Here, Ms. Hom stated, Internal Audit's objective was to assist the Corporation with formalizing an effective succession plan across all departments. Internal Audit began this project by examining departmental organizational charts, job descriptions, and employee tenure data provided by the Corporation's Human Resources department. Internal Audit then developed a template to help guide department heads with formalizing their succession plans. After careful thought and review, department heads completed these templates and formalized their respective succession plans. Internal Audit reviewed these plans and determined that key roles have been identified, and strategies are in place to ensure that capable individuals are prepared, or will be prepared (either through additional training or hiring plans), to assume key responsibilities should a vacancy arise. Internal Audit gathered the completed templates from all the Corporation's departments and assembled into a formal succession plan for the Corporation. Internal Audit intends to perform an annual review of succession planning going forward in conjunction with the annual review of business continuity plans.

Ms. Hom noted that the second completed project is the Electronic Funds Transfers (or EFT) review. EFT has increasingly become a target for fraudsters and scammers seeking to illegally divert funds. A request from the Corporation's Cash Management department to examine best practices in EFT prompted the Internal Audit department to research and review. Here, Internal Audit's objective was to research and report back to the Corporation's Cash Management team best practices around EFT.

Internal Audit reviewed the last audit report for EFT that was conducted in 2019. At that time, Internal Audit determined that the Corporation had effective controls around EFT activity. Internal Audit further researched industry best practices around EFT and communicated this information to the Cash Management team. As Cash Management has always been proactive around EFT security, they noted that they will retain the best practices document and that many of the industry best practices have been long-standing practices at the Corporation.

Ms. Hom further continued stating that the third completed project was an assurance audit on the Accounts Payable function. Ms. Hom noted that this audit was not originally on the Audit Plan for the third quarter. Internal Audit had some downtime between audits, so we picked up this project. Here, Ms. Hom stated, Internal Audit's objectives were: to determine whether there are adequate Accounts Payable policies and procedures; to ensure that the selected check and wire disbursements were made in compliance with Accounts Payable policies and procedures, and to determine whether processed payments were properly recorded in the General Ledger. Upon completion of the audit, Internal Audit noted no matters involving internal controls that the team considered material weaknesses.

Ms. Scott posed a question to Ms. Hom asking if there have been instances of electronic funds transfer scams and Ms. Hom answered that there had not. Ms. Duffy noted that Cash Management has seen fraudulent requests come through the management companies but was able to catch them. The Corporation has strengthened its wire transfer policies.

Mr. Gould then again called on Ms. Hom to present the fourth quarter audit plan. Ms. Hom noted that she was pleased to present for the Members approval an Internal Audit plan for the fourth quarter of 2023. The proposed projects for the fourth quarter include three assurance audits, continuous monitoring of the investment portfolio, and performance of the annual corporate-wide risk assessment. If there are no questions, the Members of the Audit Committee are requested to approve the Fourth Quarter 2023 Audit Plan. The Plan was approved.

Mr. Gould then turned to Ms. Mary John, Senior Vice President and Controller, to present the Corporation's Auditor Proposal for HDC's Finance department. Ms. John summarized that the department recently solicited requests for proposals for the performance of the Corporation's annual financial audit by an independent auditor. The engagement will cover four fiscal years, starting with fiscal year 2023, and cover the period from November 1, 2022, through October 31, 2026. We solicited bids from the "Big Four" accounting firms: Ernst & Young, Deloitte, KPMG, and PwC. Additionally, we solicited bids from three mid-size firms: CBIZ Marks Paneth, Grant Thornton, and BDO.

Only two firms, responded with a bid for services, Ernst &Young ("EY") and CBIZ Marks Paneth ("Marks Paneth"). After interviewing the two firms, and deliberation amongst staff we are recommending that the contract be awarded to Ernst & Young. This decision was based on three major issues: fees, technology and MWBE.

Ms. John continued by reporting that although on the face of it Marks Paneth's annual fee proposal was lower than EY, including the single audit fees, the allotted hours to perform the audit was one third of the amount of hours proposed by EY. Staff believe that given the complexity of the Corporation's bond financings, and the size of the Corporation's balance sheet, the hours that Marks Paneth allocated to the audit are not sufficient. It has been our experience that the number of hours quoted is insufficient and there is a risk that the quality of the audit work could be compromised. When the hours proposed by the two firms are compared on a pro rata basis the annual fees proposed by EY are actually lower than Marks Paneth.

Based on the interviews with both firms and our experience with EY's client portal, it is the opinion of the staff that EY's technology is more advanced than Marks Paneth. EY's digital platform has enabled the Corporation to upload data to a secured portal, which allows for greater transparency and communication with the audit team. We have also noticed an increase in data analytics over the past couple of years.

Lastly, the RFP required MBE/WBE participation in the audit. Marks Paneth referenced their Diversity Equity and Inclusion program, but currently they don't subcontract out to minority firms. EY has long partnered with the largest minority controlled MWBE firm in the United States, and fully engages the firm throughout all aspects of the audit.

An additional factor taken into consideration was experience with housing finance agencies. EY's client list currently includes NYS Housing Finance Agency and prior experience with Connecticut Housing, Florida Housing and New Jersey Housing. They also have been the auditors for the New York City Economic Development Corporation for over twenty years. EY's presentation for retaining them as our auditors was the most compelling of the two firms.

EY has also assisted the Corporation in the implementation of many complex GASB Statements, as well as advising staff in developing the proper accounting treatment of some of HDC's complex financial transactions. EY's partner is available to answer questions that HDC staff have throughout the fiscal year.

Based on their strong HFA background, the new team approach, the MWBE firm fully engaged throughout all aspects of the audit, their advances in the use of technology, and the proposed fees, staff recommends awarding the next four-year contract for auditing services to Ernst & Young. The Members approved Ernst & Young as the independent auditor for the Corporation for the next four years.

At 4:27 pm., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

Austin Chin

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

September 27th, 2023

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Tinru Lin	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.

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

October 10th, 2023

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held at the Corporation's office at 120 Broadway on Tuesday, October 10, 2023.

The meeting was called to order at 4:31 pm by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the September 27, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann welcomed Mr. Marc Norman, Board Member, to the Audit Committee and then provided an overview of the agenda.

Mr. Gould then turned to Ms. Mary John, Senior Vice President and Controller, to present the Corporation's Third Quarter Financial Report for Fiscal Year ("FY") 2023 which covers the period November 1, 2022, through July 31, 2023. Ms. John summarized that, as of the end of the third quarter, revenues exceeded expenses by $355.2 million, compared with the same period in FY 2022 when net income was $75.1 million. The increase of $280.1 million was largely due to the improvement of the fair market value of the Corporation's investment securities and recorded as an unrealized gain.

Ms. John continued by reporting that operating revenues for this period were $559.8 million compared to $520.3 million during the same period last year. Mortgage interest earnings increased by $58.5 million or 13.9% from a year ago. Non-operating revenues, which mainly consists of investment earnings, saw a significant increase largely due to the aforementioned increase in the fair market value, and realized investment earnings increased by $41.3 million from a year ago. Operating expenses were $336.5 million, an increase of $53.3 million, primarily due to the $58.4 million increase in bond interest expense.

Total assets were at $24.1 billion, an increase of $2.5 billion or 11.6% from FYE 2022. This increase was mainly due to the Corporation's on-going lending activities, as mortgage loan advances were at $2.5 billion through this period. The mortgage portfolio, net of conduit loans was $19.2 billion and comprises 79.7% of total assets, is currently performing relatively well.

Ms. John concluded that total liabilities were $20.0 billion, a net increase of $2.1 billion or 12.0% from FYE 2022. Bonds and debt obligations increased by a net of $1.0 billion. New issuances were at $1.7 billion, while principal repayments totaled $672.0 million. Net position at the end of the third quarter was $4.0 billion, up by $355.2 million, from FYE 2022.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. Ms. Duffy noted that the Corporation's Debt Report is as of August 31, 2023. This is the same report that was presented at the Audit meeting on September 27 as the September 30 report was not available at this time. Since April 30, the Corporation issued three series of Open Resolution bonds in the amount of $642.7 million and remarketed one series of $53.6 million Open Resolution bonds. In addition, the Corporation issued two series of bonds in the Housing Impact resolution in the amount of $320.3 million. There were bond redemptions in three series of Open Resolution bonds in the amount of $201.9 million and one stand-alone series of bonds in the amount of $8.3 million. Please see the footnote on the Interest Rate Hedges page that indicates the SOFR based rates that have been used as of July 1, 2023, to calculate swap payments. LIBOR rates are no longer published as of June 30, 2023. The Corporation's debt outstanding as of August 31, 2023 is approximately $15.6 billion. The Corporation's statutory debt capacity stands at $18 billion. Ms. Duffy noted that an increase to $19 billion is waiting on the Governor's desk to be signed.

Ms. Denise Scott, Board Member, asked Ms. Duffy to elaborate on the interest rate hedges. Ms. Duffy noted that there is a page of the debt report which lists out the interest rate hedges. Ms. Duffy continued by noting that when the Corporation entered into these hedges, LIBOR was the reference rate but that the LIBOR rate has been discontinued as of June 30 of this year. Ms. Duffy noted that in the last couple years, the Corporation had been pricing swaps based on SOFR ("Secured Overnight Financing Rate). When the reference rates were converted from LIBOR to SOFR, there was an adjustment factor needed to make the rates equivalent. The adjustment factor was set by the International Swaps and Derivatives Association ("ISDA") and the Corporation signed on to the ISDA protocols.

Mr. Gould again called on Ms. Duffy to present the Corporation's Investment Report. Ms. Duffy noted that the Corporation's Investment Report is as of September 18, 2023. Funds under management totaled approximately $5.7 billion. This report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated September 30, 2023. The previous report to the Audit Committee was dated August 31, 2023. 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, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering twenty-five projects and four interest rate hedges.

Investments rated double-A or higher were 51% of total investments, unchanged versus the last report. Investments rated triple-B or not rated were 35% of total investments, versus 36% at the last report. All investments rated triple-B or not rated 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 and swap providers was unchanged.

Mr. Gould then turned to Ms. Hom to present the Internal Audit Report. Ms. Hom noted that since the last report to the Audit Committee on September 27, 2023, one internal audit project was completed – the Portfolio Management assurance audit. Here, the objectives were (1) to determine how distressed projects are managed within the three main Asset Management divisions of Engineering & Architecture, Portfolio Analysis, and Preservation Programs; (2) to assess controls and compliance with Asset Management policies and procedures; and (3) to assess the system for managing HDC's portfolio of properties across all three divisions.

Upon completion of the audit, there were no matters involving internal controls that were considered material weaknesses. Opportunities exist to enhance current operations, including formalizing training procedures for Portfolio Analysts and Asset Managers, formalizing coordination on projects in distress, strengthening capacity through additional hiring, and centralizing all aspects of project data. Ms. Hom concluded her report by noting that management agrees with these opportunities for enhancement and has already begun taking steps to address them.

Mr. Norman posed a question asking if the number of projects in distress has increased. Ms. Hom noted that this has not been assessed in this report as the Internal Audit team was solely focused on the risks and controls. Mr. Enderlin noted that this issue is being tracked very closely by the Corporation's Asset Management team. Ms. Hom noted that this audit was prompted by these concerns and the audit team looked into all areas where distressed projects are being managed to ensure that the Corporation is doing everything that it can to manage this. Mr. Enderlin noted that the Corporation is adding resources to manage this risk and is working closer with the New York City Housing Authority to monitor the debt side of it as well as the real estate side to evaluate what the needs are. Ms. Ruth Moreira, First Executive Vice President, pointed to the hiring of Mr. Brian Cheigh, Senior Vice President of Public Housing and Lending Strategies, as one of these investments as he will be managing this portfolio directly and working with Asset Management, Portfolio Analysis, and Engineering on the general portfolio.

Mr. Gould then turned to Ms. Danielle Hurlburt, Ernst and Young ("E&Y"), to present E&Y's Audit Plan for FY 2023. Ms. Hurlburt presented the executive summary which outlined the timeline coordinating with Ms. Baumann's team to co-develop some of the audit procedures, potentially completing some of the audit on-site in more of a hybrid environment as opposed to the last few years which have been fully remote. Ms. Hurlburt noted that she expects the internal procedures to be set by the end of the fiscal year, October 31st. Ms. Hurlburt noted that the audit would then be in full swing with the expectation to present the results to the Board in January. Ms. Hurlburt stated that the results and deliverables are consistent with prior years. Ms. Hurlburt reminded the Committee that the 2023 audit services will include an audit of the financial statements of the Corporation for FY 2023 as well as an audit of grant programs that have federal funding and procedures under the minimum servicing requirements. Ms. Hurlburt reiterated that this is consistent with previous years.

Ms. Hurlburt went on to discuss the areas of emphasis for the audit, focusing on the financial statement amounts that are the most material in nature or involve estimation by management which can have many different factors as to why they are considered material in nature. Ms. Hurlburt went on to provide a summary of the audit procedures E&Y intends to execute on and again noted that these are consistent with prior years, noting that these procedures are reassessed each year as part of their risk assessment. Ms. Hurlburt noted that the procedures and summary results will be presented in more detail at the next Committee meeting in January. Ms. Hurlburt then discussed accounting pronouncements that are coming in the future, noting that these would be presented in more detail at the meeting in January. Ms. Hurlburt concluded that E&Y completes an internal audit of their audit process every three years as part of a peer review process and noted that they received a pass rating.

Mr. Gould then turned to Ms. Baumann to present HDC's Purchasing Guidelines. Ms. Baumann noted that pursuant to the Public Authorities Accountability Act of 2005, HDC is required to have its Members annually review and approve the procurement guidelines of the Corporation. After approval, the Guidelines are submitted to the Office of the State Comptroller through its Public Authorities Reporting Information System ("PARIS"). The Guidelines are also published on the Corporation's website. This year, senior staff is recommending a change to the Guidelines to increase the aggregate total dollar amount required for a competitive bidding process for goods and services from $5,000 to $10,000 for the IT and Office Services departments, who are routinely involved in procurement. The last time changes were made to the threshold for competitive bids was January 2015. This change is reflective of the increase in the costs of goods and services over that time frame, coupled with rising inflation over the past couple of years. With this change the Corporation is still below the dollar threshold used by the City for procurement. Other changes to the Guidelines are related to staff title changes within HDC. Ms. Baumann then requested the Members approval of the Corporation's updated Procurement Guidelines. Mr. Gould then called for a motion to approve the updates to the Corporation's Purchasing Guidelines, and the motion was approved.

Ms. Scott then posed a question about the ongoing migrant crisis and its effect on the Corporation. Mr. Enderlin noted that the crisis is affecting the entire City and that while the Corporation is not on the front line, the Corporation has been moving quickly and efficiently to fill vacant units to create more space in the shelter system overall. Ms. Scott asked if the Corporation is seeing more families or individuals. Mr. Enderlin noted that the Corporation is tracking a set of data and is involved in weekly meeting with City Hall, noting that there is a broad mix of people. Ms. Moreira noted that the City is looking at ways of getting rental subsidy quicker to people coming out of the shelter system so that they can move into units in the Corporation's portfolio with the hope this creates more room in shelters.

Mr. Norman posed a question about interest rates asking if the current volatile interest rate environment is affecting the number of deals the Corporation is seeing. Mr. Enderlin noted that this has had significant impacts that are making the public housing and preservation work more difficult. Mr. Enderlin noted that the rate environment impact is also visible in the Corporation's financials in the mark-to-market on investments. Mr. Enderlin noted that the Corporation has still been able to work through deals, stating that the Corporation has had some wins, including the setting of a minimum 4% credit rate for qualifying LIHTC projects which has raised the amount of equity coming into the deals; however, this gain in equity has been offset by some of the interest rate challenges. Ms. Duffy stated that the Corporation sets rates according to market data, but this has been difficult to do in this volatile market. Ms. Duffy noted that the Corporation sometimes takes less spread, knowing that when there are gaps, more City subsidy is necessary. Ms. Duffy noted that the Corporation looks at different structures, notably on the preservation side. Ms. Duffy further noted that the Corporation continues to have good access to the capital markets. Ms. Duffy concluded by noting that the Corporation manages its swaps as a portfolio so things can be moved around effectively to manage interest rate risk.

At 5:04 pm., with no further business, the meeting was adjourned.

Respectfully submitted,
Austin Chin
Austin Chin

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

October 10th, 2023

ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Marc Norman	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Moira Skeados	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.

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

November 30th, 2023

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held at the Corporation's office at 120 Broadway on Thursday, November 30, 2023.

The meeting was called to order at 10:30 am by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the October 10, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann provided an overview of the agenda.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation's Debt Report. The Corporation's Debt Report is as of October 31, 2023. Ms. Duffy noted that the last report presented to the Audit Committee was as of August 31, 2023. During this time, the Corporation issued four series of Open Resolution bonds in the amount of $315.8 million. There were no Open Resolution bond redemptions. Three stand-alone series of bonds in the amount of $13.1 million, and three series of debt obligations in the amount of $84 million were redeemed. The Corporation's debt outstanding as of October 31, 2023 is approximately $15.8 billion. As of October 23, 2023, the Corporation's statutory debt capacity was increased to $19 billion. Mr. Gould asked if this had been signed by the Governor which Ms. Duffy confirmed.

Mr. Gould again called on Ms. Duffy to present the Corporation's Investment Report. Ms. Duffy stated that the Corporation's Investment Report is as of November 13, 2023. Funds under management totaled approximately $5.4 billion. This report reflects routine investment activity.

Ms. Duffy noted that the Bond Reserve was revised and approved by the Audit Committee on November 30, 2021, and is required to be reviewed annually. After debt service on the Open Resolution was paid on November 1, 2023, and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately $9.2 billion. The amount of long-term bonds outstanding in the Housing Impact Bond resolution is approximately $1.1 billion. Based on this total balance of $10.3 billion, a 1.50% Reserve would equal $154 million, and a 2% Reserve would equal $205 million. During fiscal year 2022, the Reserve was funded at $160 million. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the $55 million of guaranty and working capital reserves currently cash funded, HDC Staff recommends that the Reserve should be increased from $160 million to $180 million at this time. Ms. Denise Scott, Board Member, posed a question on whether there is a minimum requirement. Ms. Duffy noted that the reserve level is self-imposed based on bonds outstanding funded and is not required by rating agencies. Ms. Duffy noted that the Corporation feels this is a good way to manage risk internally.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated October 31, 2023. The previous report to the Audit Committee was dated September 30, 2023. Ms. Hom stated that while there were no rating agency actions of note, Moody's recently revised its outlook for the United States government to negative from stable citing increased downside risks, continued large fiscal deficits, and significantly weakening debt affordability. Moody's currently rates the U.S. triple-A while both S&P and Fitch rate the U.S. at AA+. Ms. Hom noted that there were no new approved counterparties.

Ms. Hom continued stating that HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering twenty-five projects and five interest rate hedges. Investments rated double-A or higher were 48% of total investments, versus 51% at the last report. Investments rated triple-B or not rated were 37% of total investments, versus 35% at the last report. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. HDC's exposure to liquidity providers increased $50 million to $591.8 million due to the issuance of the 2023 Series B-2 bonds. Ms. Hom concluded her report by noting that HDC's exposure to swap providers increased to $1.76 billion as HDC entered into a $125 million interest rate swap with Wells Fargo. Ms. Duffy further added that the money market accounts are currently all backed by - Federal Home Loan Bank letters of credit.

Ms. Scott asked what international institutions the Corporation has relationships with. Ms. Duffy noted that the Corporation has liquidity facilities with RBC and TD Bank, as well as interest rate swaps with RBC and Barclays Bank. Ms. Hom noted that HDC also has Construction Letters of Credit with TD Bank.

Mr. Gould then turned to Ms. Hom to present the Internal Audit Report. Ms. Hom noted that since the last report to the Audit Committee, two internal audit projects were completed: IT Third-Party Vendor Management and Petty Cash. On the IT Third-Party Vendor Management audit, Ms. Hom stated that the objective was to determine if IT is effectively managing vendor relations in the context of security, contracts, HDC policies, and all other supporting documentation. Upon completion of the audit, the audit team found no matters involving internal controls that were considered material weaknesses. Opportunities exist to enhance controls for third-party vendor management, including updating policy and procedure documents to reflect current practices, formalizing a vendor close-out protocol, and strengthening the tracking of vendor information in the Oracle database.

On the Petty Cash audit, Ms. Hom reported that the objectives were to determine whether adequate controls exist to ensure that: the cash asset was safeguarded and maintained in the proper amount, petty cash disbursements were in compliance with HDC's policies and procedures, and the Imprest Fund was properly authorized, processed, and reconciled. The team found the Corporation's guidelines to be effective and found no matters involving internal controls that we consider to be material weaknesses. Ms. Hom reminded the Committee that the Petty Cash audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

Mr. Gould again turned to Ms. Hom for the Approval of FY 2024 First Quarter Audit Plan. Ms. Hom noted that the proposed projects for the first quarter of 2024 include two advisory projects related to the annual review and update to business continuity and succession planning, one assurance audit, and the continuous monitoring of the investment portfolio. Hearing no questions, Ms. Hom requested approval of the FY 2024 First Quarter Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould returned to Ms. Duffy to provide an update on presentations to the ratings agencies. Ms. Duffy noted that the Audit Committee Charter requires that presentations to the rating agencies be reviewed with the Audit Committee. During 2023, the Corporation's staff met with Standard and Poor's Global Ratings ("S&P") and Moody's Investors Service ("Moody's"). Both firms rate the Corporation and its bond issuances. In addition, S&P rates REMIC. These meetings are usually held annually as part of the rating agency due diligence process. The meeting with S&P took place on February 7, 2023, and the meeting with Moody's took place on October 12, 2023. Copies of each presentation are in the Members' package for review. Noting no questions, Ms. Duffy concluded her report.

At 10:44 am, with no further business, the meeting was adjourned.

Respectfully submitted,

Jeremy Boyer

Jeremy Boyer

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

November 30th, 2023

ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

NAME	AFFILIATION
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Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Moira Skeados	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.