

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

March 15th, 2022

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, March 15th, 2022.

The meeting was called to order at 10:33 a.m. by Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the January 14th, 2022 meeting. The minutes were approved.

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

Ms. Baumann turned to Mr. Eric Enderlin, President, to provide an update on the Corporation. Mr. Enderlin noted that the Corporation continues to monitor COVID developments. The Corporation is also paying close attention to our portfolio in light of the eviction moratoria being lifted in New York City and across the country. Mr. Enderlin noted that the emergency rental assistance was strong in some ways but not sufficient to cover the high amount of rental loss, and we are watching for any changes that might develop. From coordinating with HDC’s analytics team recently, we found that the damage doesn’t seem to be broadening across the portfolio but that there are some folks in buildings where the problem seems to be deepening in certain ways. Once a tenant gets behind in the rent, it is difficult to dig out of the hole. In addition, we want to be bringing forward good information to policy makers as we work with the city, state, and federal government.

Mr. Enderlin reported that our capital markets team are being thoughtful around the volatility of interest rates but also on the inflation front for underwriting and asset management. When we looked at what has happened to maintenance and operating costs, there is a significant increase that will impact subsidy dollars. Mr. Enderlin has engaged with the new commissioner and is working with HPD to figure out how to navigate the volatile capital markets environment. Mr. Enderlin concluded by noting that we also need to be thoughtful of how we manage interest rate risk. We usually see a tradeoff between rents and ownership whereas now, we are seeing spikes on both sides of renting and owning an apartment/house and seeing that costs have gone up dramatically at the same time as interest rates are spiking.

Mr. Gould then turned to Mr. Cheuk Yu, Deputy Controller, to report on the First Quarter Financial Report for Fiscal Year 2022. Mr. Yu noted that the first quarter financials cover the period November 1, 2021, through January 31, 2022. At the end of the first quarter the Corporation’s Net Income was \$49.5 million, down from \$75.5 million, a 34.5% decrease compared with the same period last year. The decrease was primarily fair value depreciation on the investment portfolio. However, HDC continues to experience consistent increases in mortgage interest earnings and fees and charges. The mortgage

interest earnings increased by 15.8% from the previous year. Total assets were at \$24.5 billion, an increase of \$72.0 million or 0.03% from fiscal year end 2021. The increase was due to the Corporation's mortgage lending activities. Mortgage advances as of the first quarter were in excess of \$753.1 million. HDC's mortgage loan portfolio, which comprises 78.8% of total assets, has performed well, delinquency rates have remained below 2% of monthly billings. Total Liabilities were \$20.8 billion, an increase of \$22.5 million or 0.11% from fiscal year end 2021. There was a net decrease in Bonds Payable of \$28.1 million. Bond issuances as of the first quarter were \$512.5 million, offset by \$538.3 million in principal repayments. Net Position at the end of the first quarter was \$3.8 billion, an increase of \$49.5 million, or 0.3% increase from fiscal year end 2021. The increase was generated from operating revenues of \$193.4 million, offset by operating expenses of \$111.6 million and non-operating expenses of \$32.3 million.

Mr. Gould then turned to Ms. Ellen Duffy, Executive Vice President of Debt Issuance and Finance, to present the Corporation's Annual Debt Report as of January 31st, 2022. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of November 30, 2021. During this time, the Corporation issued four series of Open Resolution bonds in the amount of \$469.2 million. There were bond redemptions in two series of Open Resolution bonds in the amount of \$61.5 million and one stand-alone bond series in the amount of \$68.9 million. The Corporation's debt outstanding as of January 31, 2022 is approximately \$14.5 billion. The Corporation's statutory debt capacity is \$17 billion.

Mr. Gould turned again to Ms. Duffy to provide the Corporation's Investment Report as of February 22, 2022. Funds under management totaled approximately \$5.4 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 noted that the report before the Committee was dated as of February 28, 2022, and the previous report to the Audit Committee was dated December 31, 2021. There was one rating agency action of note: Royal Bank of Canada was upgraded by Moody's to Aa1 from Aa2 based on the Bank's successful track record for earnings stability and diversified business mix. 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 58% of total investments, unchanged versus the last report. Investments rated triple-B or not rated were 21% of total investments, versus 23% 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 by noting that HDC exposure to liquidity providers was \$355.0 million, unchanged since the last report.

Mr. Gould then called upon Ms. Hom for the Internal Audit report. Ms. Hom noted that since the last report to the Audit Committee on January 14, 2022, three internal audits were completed. On the 2021 Employee Expenses audit, Ms. Hom noted that the objectives of the audit were to: (1) evaluate the effectiveness of internal controls over employee expense reimbursements and other related expenses to ensure they were appropriate, properly authorized, and accurately recorded; and (2) evaluate and test compliance with the Corporation's policies and procedures relating to employee and other related expenses. Ms. Hom reported that management has effective controls in place to ensure

employee reimbursement and vendor payments are properly authorized, appropriate, and accurately recorded. A review of the selected expenses determined that employees generally complied with the policies and procedures for processing employee reimbursements and vendor payments.

Ms. Hom then reported on the 2021 President's Office Expenses audit. The objectives of this audit were to: (1) determine accuracy of the President's Office expenses recorded in Oracle and ensure they are accurately reflected in the General Ledger, and (2) determine whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements. Upon completion of this audit, there were no major matters involving internal control and its operation that were considered to be material weaknesses. The Corporation's guidelines were effective, and the President's Office expenses were processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook. Ms. Hom then reminded the Committee that the President's Office Expenses and Employee Expenses audits are required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

Ms. Hom then reported on the 2021 Procurement agile audit. Ms. Hom noted that three tests were performed: (1) Verify that purchases were expensed to appropriate accounts; (2) Determine if receipts of materials and supplies were recorded accurately and timely; and (3) Determine if purchase orders that were processed during the remote working environment were accurate, complete, done timely, and properly authorized in accordance with corporate policies and procedures. Ms. Hom reported that there were no material misstatements or inaccuracies in the data reviewed. Ms. Hom concluded by noting that purchase orders were completed, and invoices were properly approved and accurately recorded to the appropriate expense accounts.

At 10:45 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

Austin Chin

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ATTENDANCE LIST (VIRTUAL MEETING)

NAME

AFFILIATION

Harry Gould	Audit Committee Member
Kyle Kimball	Audit Committee Member
Denise Scott	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Erin Montgomery	Ernst & Young
Cathy Baumann	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.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.