NYC HDC
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

To: Members of the Audit Committee

From: Mary Hom, Chief Risk Officer

Date: January 6, 2023

Subject: Approval of Annual Audit Committee Report

I am pleased to request the Members approval of the 2022 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, 2022.

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, 2022

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

ANNUAL AUDIT COMMITTEE REPORT
Year Ended December 31, 2022

Table of Contents

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

January 14th, 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 January 14th, 2022.

The meeting was called to order at 1:00 p.m. by Ms. Denise Scott, Board Member, who noted the presence of a quorum. Ms. Scott called for approval of the minutes from the November 30th, 2021 meeting. The minutes were approved.

Ms. Scott 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. Scott turned to Mr. Eric Enderlin, President, to provide an update on the Corporation. Mr. Enderlin noted that the Corporation had a strong year-end performance, helping HPD build or preserve over 200,000 units in the Housing Plan. The Corporation also had a strong closing season with the New York City Housing Authority (NYCHA) PACT portfolio; to date, over 30,000 NYCHA units have had their renovations completed or are in the PACT pipeline. Mr. Enderlin further noted that, on the COVID front, HDC staff is back in the office, although the Corporation allowed some flexibility at the end of the year to ensure that employees stayed safe. Mr. Enderlin commented on the eviction moratorium noting that since the portfolio is affordable, it is insulated but there is still risk, and HDC will be working with other agencies on advocating for additional resources at the federal level. Mr. Enderlin then stated that on the mayoral transition front, HDC is waiting for Mayor Adams to announce housing leadership appointments.

Ms. Scott then turned to Ms. Mary John, Controller, to report on the Corporation's Annual Financial Report for fiscal year 2021. Ms. John noted that yesterday afternoon, the Corporation sent an updated blacklined version of the financial statements to the Audit Committee Members that reflects the comments by the independent reviewer at Ernst & Young. Ms. John further noted that there were no substantial changes. HDC doesn't anticipate any material changes to the financials or footnotes before E&Y signs off, but if there are any, the staff will inform the Committee. Despite another year of operating under a global pandemic, the Corporation achieved another successful year of growth. The coronavirus pandemic has led to some challenges, but the Corporation has adapted and performed very well. The MD&A provides an overview of the financial structure of HDC and its subsidiaries and key operating results for FY 2021. The Corporation had net income of $287.3 million in fiscal year 2021. Operating revenues which comprise of mortgage interest and other fees totaled $682.7 million. Non-operating revenues net of expenses totaled $41.5 million mainly from the 421-A Grant Revenues Program from the Battery Park City Authority. Usually, investment income makes up a larger percentage of non-operating revenues; however, this year there was an unrealized paper loss of $53.2 million. Operating expenses, mainly bond interest, salaries and fringe benefits, were $438.3 million.

Total assets increased to $24.4 billion, an increase of $2.6 billion or 11.76% from FYE 2020. The increase was due to the robust mortgage lending and bond financing activities throughout the year. HDC's mortgage loan portfolio increased by $2.2 billion or 13.59%. The mortgage loan portfolio which comprises of 74.87% of total assets, has performed well, and repayments continue to remain close to pre-pandemic levels. Throughout the pandemic, HDC staff has worked closely with mortgagors to monitor their financial positions and had granted forbearance to a few developments, as well as access to their reserves. As of the end of the fiscal year, all mortgagors that had been granted forbearance had resumed making their monthly mortgage payments. Total liabilities were $20.7 billion, an increase of $2.2 billion or 11.87% from FYE 2020 as a result of the Corporation's ongoing debt and lending activities.

Ms. John reported that HDC issued eighteen new bond series totaling $2.6 billion, and debt obligation draws totaled $48.3 million. The Corporation had a total of $1.3 billion in bond repayments for the fiscal year of which $1 billion were bond redemptions and $245.5 million were scheduled debt service principal payments. Additionally, HDC signed a new loan participation agreement with the FFB for $135.5 million. Total net position of the Corporation was $3.7 billion, representing an increase of $287.3 million or 8.41% over the prior year. Of this amount, $242.6 million was generated from the Corporation's activities, and $44.7 million from 421-A grant revenues. During the fiscal year, the Corporation early adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases ("GASB 87"). In the Corporation's normal course of business, it leases its office space, which was previously accounted as an operating expense. With the adoption of GASB 87, the remaining lease commitment was recognized as a lease liability, and the right to use the premises as a lease asset. There was no cumulative effect from adjustments to the prior period net position as a result of the adoption. Ms. John then thanked HDC's Deputy Controller Cheuk Yu and the rest of the accounting staff for their hard work on this audit.

Ms. Scott then turned to Ms. Danielle Hurlburt and Ms. Erin Montgomery of Ernst & Young to present HDC's Fiscal Year 2021 Audit report. Ms. Hurlburt turned the Committee's attention to the first slide of the Ernst & Young presentation to remind the Members of the services and deliverables performed for this audit. Ms. Hurlburt then moved to the Executive Summary which highlight the results of the audit. E&Y plans to issue the final financial statements by the end of the month and included a summary of results to-date in the reports before the Members. If there are any changes, E&Y will reach out to Audit Committee members with the changes and final summary. Ms. Hurlburt then proceeded with the Executive Summary noting that all results are in line with what was expected. Ms. Hurlburt continued with the results of the audit, reporting that the Corporation's analysis for significant accounting matters is appropriate, and that judgments were consistently used by management to account for significant accounting estimates. Ms. Hurlburt further noted that there were no corrected misstatements or material uncorrected misstatements. There were no findings to report and E&Y will issue clean audit opinions on the deliverables. Ms. Hurlburt proceeded to thank the HDC accounting team for their cooperation with the audit process and concluded her report. Ms. Scott then requested a motion to approve the Corporation's 2021 Financial Statements and the Members approved the 2021 Financial Statements.

Ms. Scott then turned to Ms. Ellen Duffy, Executive Vice President of Debt Issuance and Finance, to present the Corporation's Annual Investment Report for fiscal year 2021. Ms. Duffy noted that the New York City Housing Development Corporation is submitting its Annual Investment Report for the Corporation and its subsidiaries pursuant to Section 2925 of the Public Authorities Law of New York State. The Report presents the Corporation's investment record for fiscal year 2021. As required by statute, the report includes: 1) The investment record of the Corporation, which is discussed in the letter included in the Members' package; 2) The Investment Guidelines as approved by the Members on January 26, 2021; and 3) The results of the annual independent audit in draft form. This report also includes descriptive charts on HDC's investments and investing environment, including a chart from the Counterparty Credit Risk Exposure Report.

Ms. Duffy then proceeded to highlight the major points in the report: 1) Earnings on investments totaled $51.98 million in fiscal year 2021, a decrease of $37.7 million from fiscal year 2020, due mainly to a decrease in reinvestment rates during FY 2021. The lower interest rates across the short-term maturities and a changing yield curve environment are factors to consider in the Corporation's ongoing investment strategy. 2) 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. 3) As required by GASB rule No. 31, the Corporation has recorded a fair value adjustment in its investment portfolio. The Corporation recorded a net depreciation of $53.17 million for fiscal year 2021. 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. 4) HDC funds under management increased about 7.9% from fiscal year-end 2020 to fiscal year-end 2021, from $4.6 billion to $4.9 billion. The Corporation had an 8.41% growth in net position over the last year. 5) Consolidated investment income was $51.98 million. Of this amount, $32.4 million or 62.3% of the consolidated investment income was attributable to bond programs and HPD-related investments, and therefore was not available to the Corporation. An additional $3.68 million was earned by and retained within REMIC and HAC. The remaining $15.9 million of earnings is pledged to ongoing affordable housing programs of the Corporation. 6) HDC 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. 7) 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 Members on January 26, 2021. 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. Ms. Duffy then requested the Members' approval of the Corporation's 2021 Annual Investment Report and readoption of the Investment

Guidelines without any changes to them at this time. The Members approved the 2021 Annual Investment Report and readopted the Investment Guidelines.

Ms. Scott then turned again to Ms. Ellen Duffy to present the Corporation's Debt Report as of November 30, 2021. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of October 31, 2021. During this time, the Corporation issued one series of Open Resolution bonds in the amount of $43.3 million. There were bond redemptions in seven series of Open Resolution bonds in the amount of $244.6 million. The Corporation's debt outstanding as of November 30, 2021 is approximately $14.2 billion. The Corporation's statutory debt capacity is $17 billion.

Ms. Scott turned again to Ms. Duffy to provide the Corporation's Investment Report as of December 13, 2021. Funds under management totaled approximately $5.27 billion. This report reflects routine investment activity.

Ms. Scott then called upon Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom reported that the report before the Committee is dated December 31, 2021, and the last report to the Audit Committee was dated October 31, 2021. There were no new additions to the approved list of counterparties, and there were no rating agency actions of note. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with Fannie Mae and Freddie Mac. Investments rated double-A or higher were 58% of total investments, versus 51% at the last report, and investments rated triple-B or not rated were 23% of total investments, versus 27% at the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded her report by noting that HDC exposure to liquidity providers was $355.0 million, up from $305.0 million at the last report due to the issuance of the 2021 Series K-3 bonds.

Ms. Scott then called upon Ms. Hom for the Internal Audit reports. Ms. Hom reported that since the last report to the Audit Committee on November 30, 2021, Internal Audit completed the annual employee recertification of the Code of Ethics and two internal audits. 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. Ms. Hom reported that this process was completed for 2021. With respect to audit activity, Internal Audit completed the Petty Cash and Month-End Reconciliation audits. On Petty Cash, the objectives 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. Internal Audit found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that were considered to be material weaknesses. Internal Audit 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 all expenditures were properly authorized, processed, and reconciled. While there were only three petty cash transactions during the audit period, Ms. Hom reminded the Members that this audit is required to be performed on an annual basis due to the terms of the 2003 MOU with DOI.

With respect to the Month-End Reconciliation audit, the objectives were to evaluate the adequacy of controls over the month-end reconciliation process; to ensure that the Accounting staff has the requisite knowledge and training to perform their duties; to ensure that policies and procedures governing month-end financial closing and reporting is up-to-date; to determine that data interfaced into the General Ledger (GL) from various feeds is complete and accurate and recorded in the appropriate accounting period; to ensure that a formal checklist has been established detailing each step in the month-end reconciliation process; to ensure that Financial Statement accounts agree to the applicable GL accounts; and to determine whether the Corporation's financial performance is monitored by senior management and the Audit Committee. Upon completion of the audit, Internal Audit noted no matters involving internal controls that were considered material weakness. Internal Audit found that: key aspects of the month-end closing guidelines were followed; data recorded in the GL is complete and accurate; the month-end reconciliation process is reviewed by senior staff; the corporate financial statement is reviewed by the Audit Committee; and accounting month-end functions were properly segregated.

Ms. Scott then called upon Ms. Hom to present the Annual Audit Committee Report. Ms. Hom noted that pursuant to the New York City Comptroller's Directive #22, the Audit Committee is required to submit an annual report detailing its activities and decisions for the prior calendar year. The Members were presented with a report consisting of a compilation of the Minutes from the Audit Committee meetings that occurred during the calendar year 2021. Ms. Hom noted that upon approval, this report will be submitted to the New York City Audit Committee. Ms. Hom then requested approval of this report, and the Audit Committee approved the Annual Audit Committee Report.

At 1:32 p.m., with no further business, the meeting was adjourned.

Respectfully submitted,

VRoberty

Violine Roberty

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

January 14th, 2022

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	AFFILIATION
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Erin Montgomery	Ernst & Young
Danielle Hurlburt	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.

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

Austin Chin

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

March 15th, 2022

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.

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

June 1st, 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 Wednesday, June 1st, 2022.

The meeting was called to order at 10:04 a.m. by Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the March 15th, 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.

Mr. Gould then turned to Ms. Mary John, Senior Vice President and Controller, to report on the Second Quarter Financial Report for Fiscal Year 2022. Ms. John noted that the second quarter financials cover the period November 1, 2021, through April 30, 2022. As of the end of the second quarter, expenses exceeded revenues by $38.7 million, compared with the same period in FY 2021 when net income was $93.5 million. The decrease was due to the fair value depreciation on the investment portfolio, a result of rising interest rates. Under the Financial Accounting Standards Board's rule, investments should be reported at fair market value. As a result, the investment portfolio was marked down by $219.9 million and recorded as an unrealized loss. Currently, HDC has sufficient liquidity with $2.1 billion in short term investments to meet current obligations and funds already committed for closed mortgage loans. Excluding the effect of the fair value depreciation, the Corporation's net income performance was in line and in fact surpassed the previous year's. Operating income for this period was $157.9 million compared to $114.7 million during the same period last year. The main driver of HDC's profit continues to be mortgage interest earnings and fees, which increased by 15.25% from a year ago. Total assets were at $24.6 billion, an increase of $156.4 million or 0.6% from fiscal year end 2021. The increase was mainly due to the Corporation's on-going lending activities, as mortgage loan advances were at $1.3 billion for the period. The mortgage portfolio which totals $20.1 billion and comprises 79.6% of total assets, is currently performing well, and the delinquency rate as of April 30, 2022 was below 2% of monthly billings. Total liabilities were $21.0 billion, a net increase of $195.2 million or 0.9%, mainly due to the PACT mortgage loan proceeds held in escrow for future advances. Bonds and debt obligations increased by a net of $61.1 million. New issuances were at $1.3 billion, while principal repayments and defeasance totaled $1.23 billion. Net Position at the end of the second quarter was $3.7 billion down by $38.7 million, from fiscal year end 2021.

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 April 30, 2022. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of January 31, 2022.

During this time, the Corporation issued three series of Open Resolution bonds in the amount of $245 million, one series of bonds in the amount of $104.3 million in the Housing Impact Bond Resolution, and one series of bonds in the amount of $398.3 million of Capital Fund Grant Program Revenue Bonds for NYCHA. This was a refunding. There were bond redemptions in two series of Open Resolution bonds in the amount of $107.1 million and two series of stand-alone bond in the amount of $93.7 million. The Corporation's debt outstanding as of April 30, 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 May 9, 2022. Funds under management totaled approximately $5.1 billion. This report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Counterparty Credit Risk Exposure Report. Ms. Hom reported that the report is dated April 30, 2022, and the previous report to the Audit Committee was dated February 28, 2022. There were no rating agency actions of note, and there were no new approved counterparties. HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA and FHLMC. Investments rated double-A or higher were 60% of total investments, versus 58% at the last report while investments rated triple-B or not rated were 17% of total investments, versus 21% at the last report, and these investments were fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded her report by noting that HDC exposure to liquidity providers was $355.0 million, unchanged since the last report.

Mr. Gould then called on Ms. Hom for the Internal Audit Reports. Ms. Hom reported that since the last report to the Audit Committee on March 15, 2022, two internal audits and the 2021 Internal Assessment were completed. On the Corporate Fleet Management agile audit, various tests were performed to determine compliance and controls around the corporate fleet of vehicles which included: (1) examining whether or not only authorized employees had access to the vehicles; (2) were the vehicles used for business purposes; (3) did employees properly complete sign out logs; (4) were the vehicles leased in accordance with HDC's Procurement Policy; and (5) is there an up-to-date parking garage agreement. Upon completion of the audit, there were no matters involving internal controls that were considered a material weakness. Critical aspects of the HDC vehicle usage policy were followed.

The second completed audit was the IT Equipment Delivery and Inventory audit. The objectives here were to: (1) determine that new IT equipment purchased was received as ordered; (2) determine that IT equipment returned from employees was received and documented; and (3) determine the accuracy and validity of inventory records for IT equipment. Upon completion of this audit, there were no matters involving internal control and its operation that were considered to be material weaknesses. There are opportunities to strengthen controls for managing IT inventory, including enhancing data entry of equipment into inventory, continuing to develop software solutions for documenting return of equipment, and updating policies and procedures to be in line with current business practices for inventory management. Management is amenable to these recommendations and has begun to address these enhancement opportunities.

Finally, Ms. Hom reported that in accordance with The International Professional Practices Framework, or IPPF, the conceptual framework that organizes authoritative guidance provided by The Institute of Internal Auditors, HDC has conducted its Internal Audit Internal Assessment for 2021. This 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. The assessment outlines the structure and activities of the internal audit department for calendar year 2021, including all audits completed, projects and initiatives, governance and oversight activities, and updates regarding employee development and ongoing training that helps to ensure that staff remains current on internal audit best practices.

Mr. Gould then called on Ms. Hom to present the Audit Committee Charter. Ms. Hom noted that the Corporation's Audit Committee Charter requires an annual review by the Committee to determine and reaffirm the Charter's adequacy. The last time the Audit Committee reviewed and approved the Audit Committee Charter was June 2, 2021. There are no proposed revisions to the Charter at this time. Ms. Hom then requested approval of the Audit Committee Charter. Mr. Gould requested a motion by the Committee, and the Audit Committee Charter was approved.

Mr. Gould asked if there were any other questions. Ms. Denise Scott posed a question to Mr. Enderlin on whether he had a roster of potential appointees to the board to which Mr. Enderlin replied that he did. Ms. Scott also asked Mr. Enderlin about the impact of rising interest rates and other costs in general, in terms of both the investment side of the portfolio and the maintenance side. Mr. Enderlin pointed to a few findings presented in Mary John's report regarding the unrealized loss on the investment portfolio, a situation that has occurred before in rising rate environments. He also noted the interest rate volatility on the debt issuance side and how he is coordinating with the Capital Markets team to monitor rates closely. Mr. Enderlin reported that the Corporation is looking into how the costs have impacted the construction side, such as with storage fees for stockpiled materials, as well as operating costs. Mr. Enderlin noted that this is a challenging situation as projects do not always have access to an increase in income due to regulation and other external factors. Mr. Enderlin reiterated that HDC is looking at various places where it impacts the portfolio and noted that the M&O standards have been increased. Mr. Enderlin concluded by stating that the corporation will continue to keep an eye on the situation as there is still significant uncertainty.

At 10:17 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

June 1st, 2022

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.
Madhavi Kulkarni	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.
Cheuk Yu	NYC Housing Development Corp.

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

October 28th, 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 Friday, October 28th, 2022.

The meeting was called to order at 10:00 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the June 1st, 2022 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 turned to Ms. Danielle Hurlburt, Ernst & Young, to provide a summary of E&Y's audit plan for Fiscal Year 2022. Ms. Hurlburt referred to the plans and procedures provided to the Committee and noted that they are consistent with prior years. One addition for this year is the use of a data analytics tools in the evaluation of the mortgage receivables accounts. E&Y plans to continue the use of this tool in future years. As in previous years, the results of the audit along with draft financial statements will be provided at the regular January Audit Committee meeting. Ms. Hurlburt noted one accounting change, the adoption in FY 2022 of a new accounting standard by the Corporation, GASB 91, regarding reporting of conduit debt obligations.

Mr. Gould then turned to Mr. Cheuk Yu, Deputy Controller, to present the Third Quarter Financial Report. The third quarter financials of fiscal year 2022 covers the period November 1, 2021 thru July 31, 2022. Mr. Yu shared that as of the end of the third quarter, revenues exceeded expenses by $75.1 million, compared with the same period in FY 2021 when net income was $201.7 million. The decrease was due to the fair value depreciation on investments as a result of rising interest rates. The investment portfolio was marked down by $198.1 million and recorded as an unrealized loss. Currently, HDC has sufficient liquidity with $1.9 billion in demand deposit accounts to meet current obligations including funds already committed for closed mortgage loans. Excluding the effect of the fair value depreciation, the Corporation's net income performance exceeded the results of previous years. Operating income for this period was $237.1 million compared to $175.3 million during the same period last year. Mortgage interest earnings and fees make up 82.2% of operating revenues and increased by 14.4% from a year ago.

Mr. Yu also noted that the Corporation's total assets were at $25.0 billion, an increase of $486.8 million or 2.0% from fiscal year end 2021. The increase was mainly due to the Corporation's on-going lending activities as mortgage loan advances were at $1.8 billion for the period. The mortgage portfolio which totals $20.3 billion and comprises 79.4% of total assets, is currently performing well, and the delinquency rate as of July 31, 2022, was below 2% of monthly billings. Total liabilities were $21.2 billion, a net increase of $411.7

million or 2.0% from fiscal year end 2021 mainly due to HPD grant funds received for mortgage loans under Section 661. Bonds and debt obligations increased by a net of $222.2 million. New issuances were at $1.8 billion, while principal repayments and defeasance totaled $1.6 billion. Net Position at the end of the third quarter was $3.8 billion up by $75.1 million from fiscal year end 2021. Ms. Denise Scott posed a question about the interest rate impact on the investment portfolio and whether it will continue to be offset going forward by the growing business and mortgage interest earnings. Mr. Eric Enderlin, President, noted that the Corporation has the liquidity to meet all obligations. Mr. Enderlin noted the Corporation planned to hold investments to maturity and has no intention to sell, ensuring that the long-term value is not lost. Ms. Mary John, Senior Vice President & Controller, noted that the other side of the negative impact on the investment portfolio due to increased rates was the positive impact on mortgage portfolio interest earnings due to increased rates. Ms. Ellen Duffy, Executive Vice President, Debt Issuance & Finance, noted that the Corporation is investing in very short-term bank deposits and money market accounts as their rates are rising and they are not marked-to-market. Ms. Duffy also noted that for the December bond deal, Debt Issuance plans to use a guaranteed investment contract which is also not marked-to-market. Short-term investments are also being made in repo contracts which are not marked-to-market. Ms. Duffy reiterated that the Corporation has plenty of liquidity and there are a lot of tools available to the Corporation. Mr. Gould noted that the bad debt is minimal. Mr. Enderlin agreed while noting that the Corporation is keeping a close eye on this so as to not be surprised by anything.

Mr. Gould then turned to Ms. Duffy to present the Corporation's debt report. The Corporation's Debt Report is as of September 30, 2022. The last debt report presented to the Audit Committee was as of April 30, 2022. Ms. Duffy noted that during this time, the Corporation issued seven series of Open Resolution bonds in the amount of $670.2 million, and one remarketing in the Open Resolution in the amount of $158 million. There were bond redemptions in seven series of Open Resolution bonds in the amount of $320.9 million, one series in the Multi-Family Secured Resolution (the "Mini-Open") in the amount of $45,000, and one Stand-alone bond redemption in the amount of $5.99 million. The Corporation's debt outstanding as of September 30, 2022 is approximately $14.7 billion. The Corporation's statutory debt capacity was increased from $17 billion to $18 billion in mid-August when the Governor signed the debt limit bill.

Mr. Gould again turned to Ms. Duffy to present the Investment Report. Ms. Duffy noted that the Corporation's Investment Report is as of October 3, 2022. Funds under management totaled approximately $5.2 billion. This report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom reported that the report before the Audit Committee is dated as of September 30, 2022. The previous report to the Audit Committee was dated April 30, 2022. 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 being to FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 22 projects. Investments rated double-A or higher were 59% of total investments, versus 60% at the last report. Investments rated triple-B or not rated were 13% of total investments, versus 17%

at the last report, and are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. Ms. Hom concluded her report by noting that HDC's exposure to liquidity providers increased to approximately $384 million from $355 million at the last report due to the issuance of the 2022 Series C-3 bonds.

Mr. Gould then called on Ms. Hom to provide the Internal Audit report. Ms. Hom began her report by updating the Committee on three Internal Audit matters. First, since the last meeting, HDC filed its Financial Integrity Statement and Internal Controls Checklist with the NYC Comptroller's Office and the Mayor's Office of Operations in compliance with the Comptroller's Directive #1 regarding internal controls. This Financial Integrity Statement is posted on the HDC website. Second, HDC posted a Request for Proposals seeking an outside vendor to perform the five-year Quality Assessment Review ("QAR") of the Internal Audit function in accordance with HDC's Quality Assurance and Improvement Program ("QAIP") as well as the International Standards for the Professional Practice of Internal Auditing that recommends that an external assessment be performed every five years. The last time a QAR was conducted at HDC was in 2017 – five years ago. BDO has been selected to perform the QAR and hopes to complete this review by the end of this calendar year. Third, Ms. Hom provided a brief update on the audit plan. Due to staffing issues, Ms. Hom reported that the audit plan will not be completed as originally presented to the Audit Committee earlier this year. The current organizational plan calls for a staff of two auditors; however, HDC has been down one auditor for the last seven months. Finding a replacement has proven to be a challenge, and staff will continue to search for an appropriate replacement. With respect to audit planning for 2023, risk assessment discussions are complete, and Ms. Hom thanked the Audit Committee Members for their participation in HDC's risk assessment process. Comments are being assessed, and staff contemplates moving from a static audit plan set at the beginning of each calendar year to a more dynamic approach that will assess risk and plan accordingly on a more periodic basis. More details on audit planning will be reported at the next Audit Committee meeting.

Ms. Hom then reported on three audits that were completed since the last report to the Audit Committee on June 1, 2022. First, Ms. Hom reported on the 2022 Office Card Access agile audit. Internal Audit performed various audit tests, including verifying all active key card access was valid; determining if key card access was removed on a timely basis for terminated employees or individuals no longer requiring access; determining if adequate procedures and appropriate oversight of key card activity is in place; and determining whether or not inventory of stored cards for future use are kept safely. There were no matters involving internal controls that were considered a material weakness. Key card access was found to only be provided to active employees, building management, and affiliates that required access. Terminated employees' key cards were de-activated in a timely manner, and inventory of stored access cards was appropriately secured. Internal Audit provided management with a list of best practices to consider as the Corporation moves to new office space in 2023.

The next completed audit was the 2022 Construction Loan Monitoring audit. The objectives were to: (1) determine if there are written construction loan policies and procedures; (2) assess the accuracy, validity, and adequacy of documentation for construction loan draw requests; and (3) determine if appropriate general ledger accounts have been set up to accurately record construction loan disbursements, and bank reconciliations are maintained for accounts used to fund disbursements. Upon completion of this audit, there were no matters involving internal controls that were considered to be a material weakness. Responsibilities for monitoring construction, disbursing funds to borrowers, and maintaining bank reconciliations are adequately segregated with sufficient reporting to monitor all activities. Documentation supporting draw requests was accurate with appropriate signatures recorded. Enhancement opportunities were presented to management, and management is reviewing the feasibility of these proposed enhancements.

The third audit was the Payroll/Timekeeping and Employee Benefits Administration audit. This audit was outsourced to BDO USA LLP. BDO was selected in September 2021 through the Request for Proposals ("RFP") process to perform an internal audit of HDC's Payroll/Timekeeping and Employee Benefits Administration. The audit commenced in February 2022, and the final report was issued in May 2022. BDO assisted HDC with comprehensive reviews of HDC's payroll and timekeeping, including supporting systems and technology, and employee benefits administration with the goal of making strategic recommendations that are in alignment with HDC goals and objectives, as well as to best practices. Upon completion of the audit, BDO reported no "significant" or "high" risk factors that need to be addressed. In the area of payroll and timekeeping, BDO noted three areas of "moderate" risk regarding systems and access, and management has since addressed these risks by taking the necessary actions to mitigate them. In addition, two process improvements were suggested, and management is examining both suggestions for implementation. Ms. Hom concluded her report by noting that in the area of employee benefits administration, BDO noted no observations and made no additional recommendations.

Upon completion of the Internal Audit report, Mr. Gould disclosed that his firm has hired BDO in the past. Mr. Gould further noted that he did not have any role in the selection of BDO for HDC's Internal Audit projects or HDC's five-year Quality Assessment Review.

Mr. Gould then turned to Ms. Cathleen Baumann, Executive Vice President & Chief Financial Officer, to provide an update on HDC's Corporate Credit Card Policy. At the HDC Audit Committee meeting held on October 5, 2021, the Members approved the adoption of a corporate credit card policy. The main purpose of the policy is to eliminate the financial burden on HDC staff who currently use their personal credit cards during HDC business related travel. Since the meeting last year, there have been a few minor changes to the policy. The main change is related to using a travel coordination vendor. The original policy presented to the Members stated that a travel coordination vendor will be used. However, upon discussions with the vendor it was determined that the costs related to using a travel vendor were too high to justify the benefits. The amount of travel that HDC does each year is fairly low and does not meet the thresholds of the monthly charges of a travel management vendor. Among the benefits a travel vendor provides are tools to make travel arrangements, capture travel data and receipts for reporting, and integrate expenses into an accounts payable system. All of which are nice perks to have with the credit card but are not necessary, especially given the fact that HDC currently has systems in place to report and record travel. As a result, senior management has decided to forego a travel management vendor and continue to handle travel arrangements in-house. The other minor changes to the policy are related to title changes since the last meeting to reflect promotions of senior staff.

Mr. Gould then turned to Mr. Alex Medina, Senior Vice President, Asset Management, to provide an update on the Homeless Placements Memorandum of Understanding (MOU) with HPD. Mr. Medina noted that the Corporation continues to work with the New York City Department of Housing Preservation and Development (HPD) in its effort to expedite and streamline housing placement within HDC's portfolio. The increase in homeless set-aside units anticipated in HDC's new construction pipeline along with the re-rental of existing homeless units requires more capacity than HPD's Homeless Placement Services (HPS) has available. These capacity constraints would adversely impact one of New York City's most vulnerable populations as well as the financial stability of HDC developments. In order to accommodate for this ongoing matter, HDC has agreed to extend our existing Memorandum of Understanding (MOU) between the agencies through June 30, 2023. This extension preserves the existing five (5) HPD temporary employees currently working on HDC homeless placements at a total cost of $330,000. Given HPD's existing infrastructure and expertise in placing homeless households, HDC has concluded that this is the most effective solution to ensuing that our homeless units are leased as quickly as possible.

Mr. Medina noted that keeping the homeless placement process centralized is important in avoiding confusion among the agency's joint partners. In addition, alternative solutions have been deemed not feasible as they would create undue financial, technical, and legal hurdles otherwise needed for HDC (or a third party) to create its own homeless placement division and gain access the New York City Department of Homeless Services IT systems.

Mr. Gould then turned to Ms. Baumann to provide an update on the HPD Census Payment. The Corporation wanted to inform the Members about a recent emergency payment made by HDC to the US Census Bureau on behalf of HPD. On August 10th, 2022, a Memorandum of Understanding was executed between HDC and HPD, and on August 12th, 2022, HDC issued payment to the US Census Bureau for $2,000,000. The MOU stipulated that HPD was to reimburse HDC for the full amount upon registration by the New York City Comptroller's Office of a contract between HPD and the Census Bureau, which occurred on September 28th, 2022, and HDC was reimbursed in full. All future payments related to this contract are expected to be made by HPD directly to the US Census Bureau.

As background, HPD is required to conduct the Housing and Vacancy Survey as required by Section 3 of the Local Emergency Housing Rent Control Act of 1962. HPD is required to pay the Census Bureau to conduct the Survey work under the contract between HPD and the Census Bureau, which has to be registered by the New York City Comptroller's Office. The Census Bureau is the only entity who performs this work, and there is no other option for a vendor to conduct the survey. Due to a delay in registration of the contract, HPD determined that it would be unable to make the payment due date of August 12, 2022. The Census Bureau stated to HPD that if the payment was not made by the due date, they would have to re-assign survey workers to another project, which would have led to a 9- to 12-month delay in starting and finalizing the work. This delay would have resulted in the work not being completed within the required timeframe under the legislation, which without an amendment to extend, would have resulted in the expiration of Rent Stabilization, even though the eventual completion of the survey most likely would have demonstrated a continuation of the emergency, necessitating extension of the Rent Stabilization Law. The expiration of Rent Stabilization would result in a significant and unprecedented increase in the already significant demand in New York City for the development of newly constructed affordable housing, and the preservation of existing market-rate housing into rental housing units affordable to low- and moderate-income residents.

As a last resort, HPD asked HDC to make a payment of $2,000,000 on HPD's behalf to the Census Bureau. In order to avoid the expected negative consequences to the New York City housing market, which would result in a strain on HDC's financial and staffing resources, HDC agreed to make this emergency payment.

Ms. Scott noted that making the payments on HPD's behalf was a good decision for the Corporation.

At 10:36 a.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

October 28th, 2022

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.
Madhavi Kulkarni	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Alex Medina	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

November 30th, 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 Wednesday, November 30th, 2022.

The meeting was called to order at 10:00 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 October 28th, 2022 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 recognized Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to provide the Debt Report. The Corporation's Debt Report is as of October 31, 2022. The last debt report presented to the Audit Committee was as of September 30, 2022. Ms. Duffy noted that during this time, the Corporation did not issue or redeem any bonds. The Corporation's debt outstanding as of October 31, 2022 is approximately $14.7 billion. The Corporation's statutory debt capacity stands at $18 billion. Mr. Gould posed a question about whether next year the Corporation would request an increase in the statutory debt ceiling. Mr. Eric Enderlin, President, noted that this has been the Corporation's pattern and is based on forward planning, while also noting that there is currently room under the capacity ceiling. Mr. Enderlin stated that, over time, the Corporation will likely continue to request an average of about $1 billion a year.

Mr. Gould again turned to Ms. Duffy to present the Investment Report. The Corporation's Investment Report is as of November 14, 2022. Funds under management totaled approximately $4.8 billion. This report reflects routine investment activity. Ms. Duffy noted that the percentage and amount of the Bond Reserve is required to be reviewed annually and reported to the Audit Committee. The Bond Reserve required amount was revised to be 1.50%-2% of the Open Resolution long term bonds outstanding and approved by the Audit Committee on November 30, 2021. After debt service on the bonds was paid on November 1, 2022, and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately $8.5 billion. Based on this balance, a 1.50% Reserve would equal $127 million, and a 2% Reserve would equal $169 million. During fiscal year 2022, the Reserve was funded at $150 million (1.87%). Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the $49 million of guaranty and working capital reserves currently cash-funded, HDC staff recommends that the Reserve should be increased from $150 million to $160 million (1.88%) at this time.

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 October 31, 2022, and the previous report to the Audit Committee was dated September 30, 2022. There were no rating agency actions of note, and there were no new approved counterparties. Ms. Hom concluded her report by noting that diversification and large exposures were unchanged since the last report.

Mr. Gould then called on Ms. Hom to present the Internal Audit plan for first quarter 2023. Ms. Hom reminded the Committee that at the previous Audit Committee meeting on October 28, 2022 she reported that Internal Audit will move from an annual audit plan to a quarterly audit plan. Internal Audit believes this more frequent assessment and review of projects will allow Internal Audit to prioritize and focus on key risks as they arise. Based on recent feedback from management and risk assessment discussions, the proposed projects for the first quarter of 2023 include two advisory assignments, an internal audit, and continuous monitoring of the investment portfolio. Ms. Hom reported that a new staff auditor is expected to begin before the end of December, and the first quarter will also be busy with training this new team member. Ms. Hom then requested approval of the first quarter 2023 audit plan, and the plan was approved by the Members.

Ms. Denise Scott, Board Member, posed a question to Mr. Enderlin on inflation impacts. Mr. Enderlin noted that the Corporation feels it is managing well and that further discussion would be welcome at the board meeting. Ms. Baumann noted that the Corporation's investment income is increasing because the rates are increasing.

Ms. Scott also posed a question regarding concerns many participants in the housing community are having about the capacity at HPD at the staff level and the impact that this is having on the flow and timing of projects. Mr. Enderlin noted that HPD has been making significant progress in the last couple of weeks to mitigate the issue. Mr. Enderlin further noted that the Corporation has strengthened itself within in order to be as flexible as possible to make up for some of HPD's staffing issues by successfully attracting and retaining talent. Mr. Enderlin reiterated that the capacity issues at HPD are gradually improving.

Referring back to the question on inflation, Ms. Duffy remarked on the investment portfolio noting that because of the shape of the yield curve where short-term rates are higher than long-term rates, this is a very good investment opportunity for the Corporation on the short-term side. Ms. Duffy further noted that the Corporation is keeping a lot of money liquid and the banks are raising their rates. Ms. Duffy also highlighted the increase in the repo rate. The Corporation's investments are likely to cover a good portion if not all of the Corporation's bond costs, and the Corporation is reinvesting funds in higher amounts where possible. Ms. Ruth Moreira, First Executive Vice President of Development, noted that the portfolio is noticing the impact of inflation particularly on the insurance side and that high level discussions are ongoing to determine new approaches to help projects in this area. Ms. Moreira noted however that the overall debt service coverage of the Corporation's portfolio is healthy and that projects have been able to absorb some of the inflationary costs. Ms. Moreira added that the Asset Management, Credit Risk, and Development teams all meet annually to reset the Maintenance & Operating Standards and noted that these standards have been increased in the last few years to take into account the current environment. This ensures that the Corporation underwrites to realistic amounts and sizes deals and their subsidy appropriately. Mr. Enderlin noted that the Corporation participates in the High-Cost Housing Cities Forum to discuss what other cities are experiencing and noted that all parties are anticipating gaps in projects. Mr. Enderlin noted that the M&O and construction costs are increasing significantly nationally and pointed to the supply chain issues and future concerns surrounding uncertain geopolitical events. Mr. Enderlin noted that the Corporation is deepening and strengthening the Asset Management team to better deal with these challenges.

Ms. Scott posed a question as to whether the Corporation was looking at the Greenhouse Gas Reduction Fund as a possible source for capital. Mr. Enderlin noted that the Corporation is still digesting information. Mr. Enderlin stated that the Corporation is enhancing the Asset Management department on both the regulatory and compliance side as well as Engineering to research this and take advantage of whatever is available.

At 10:22 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

November 30th, 2022

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.
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