NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

To:	Members of the Audit Committee
From:	Mary Hom, Chief Risk Officer
Date:	January 26, 2021
Subject:	Approval of Annual Audit Committee Report

I am pleased to request the Members approval of the 2020 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, 2020.

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, 2020

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

NYC HDC
NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

ANNUAL AUDIT COMMITTEE REPORT
Year Ended December 31, 2020

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

January 27th, 2020

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Monday January 27th, 2020 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York.

The meeting was called to order at 10:00 am by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the December 12th, 2019 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer of the Corporation to provide an overview of the agenda.

Mr. Gould then turned the Committee's attention to Ms. Cathleen Baumann, Senior Vice President and Treasurer of the Corporation, to provide a summary of the Fiscal Year 2019 Audited Financial Statements. Ms. Baumann noted that 2019 was another exceptional year for the Corporation. Ms. Baumann further noted that the financials of the Corporation, as well as the strong leadership and hard work of a dedicated staff, are a strong measure of HDC's continued success. Ms. Baumann reported that during FY 2019, the Corporation issued 27 new bond series totaling $2.2 billion. In addition, proceeds from debt obligations issued during the fiscal year amounted to $40 million. Total HDC assets were $21.5 billion, an increase of $2.1 billion or almost 11% from fiscal year end 2018 due to the Corporation's robust mortgage lending and bond financing activities throughout the year as well as an increase in the HPD Section 661 funds granted to HDC for making loans on HPD's behalf to developments that are also financed by HDC. Total liabilities were $18.4 billion, an increase of $1.9 billion or 11.8% from 2018 as a result of the Corporation's ongoing debt and lending activities. HDC's Total Net Position at fiscal year-end was $3.13 billion, an increase of $300.5 million or 10.61%. Of this amount, $258.8 million was generated from the Corporation's normal operating activities and $41.7 million were funds received from the 421-A Grant Revenue Program with the Battery Park City Authority. The increase to net position will allow the Corporation to continue to play a critical role in the Mayor's Housing Plan and provide subsidies to the affordable housing developments that we finance. Ms. Baumann took the opportunity to recognize Mary John, HDC's Controller, and the HDC Accounting staff for all of their hard work and dedication in producing the financial statements and footnotes, as well as working diligently with the new E&Y and Mitchell Titus teams in wrapping up another successful audit. Ms. Baumann then noted Mr. Louis Roberts of Ernest & Young would walk the Members through the audit results.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young who provided an overview of the audit results. Mr. Roberts noted that Ernst & Young did not issue a management letter and there were no issues that required the issuance of the letter. Mr. Roberts noted the audit was consistent with what was communicated to the Members back in December. Mr. Roberts noted there the communications between HDC's staff and the new E&Y staff were exceptional while working on the audit. Mr. Roberts noted that with the new E&Y team in place that there were new sets of eyes on the audit. Mr. Roberts further noted that there were no corrected misstatements or material uncorrected misstatements. Mr. Roberts stated that all internal controls over financial reporting are designed effectively. He also noted that as a going concern all trends financially were looking very good for the Corporation. Mr. Roberts stated that there were no instances of fraud, no pushback from management and no issues regarding oversight of process. He also reported that the MWBE firm of Mitchell Titus performed about 15% of the audit including working on the HPD loans and the Single Audit. Mr. Gould then requested approval of the Corporation's Financial Statements and the Members approved the 2019 Financial Statements.

Mr. Kimball asked if E&Y audited any of HDC's borrowers or lenders and what kind of internal controls E&Y had to ensure independence. Mr. Roberts replied that confidentiality is key and that concerns about those relationships had never come up but that E&Y also had a Professional Practices Group whose focus is on ensuring independence and flagging any conflicts.

Ms. Scott asked whether HDC's new relationship with NYCHA raised any issues for E&Y. Mr. Roberts replied that E&Y performed no services for NYCHA. Mr. Froehlich then suggested Ms. Scott's question was more about risk management and outlined the structure of the Housing Impact Bond issuance, noting the Freddie Mac wrap which limits HDC's risk as well as the rating agency scrutiny the deal has been put through. He noted that HDC will continue to monitor the risk issues as it gets more involved with NYCHA and that the Corporation may increase reserves if warranted.

Mr. Gould asked about the term of E&Y's contract with the Corporation, and Mr. Roberts responded that it was five years. He noted the total E&Y team change on the engagement with HDC that had just occurred, and the resulting benefit of having fresh eyes on the audit. He also said E&Y does no other consulting work for HDC.

Mr. Gould turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance to present the Corporation's Debt Report as of December 31, 2019. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of October 31, 2019. During this time, the Corporation issued three series of Open Resolution Bonds totaling $337.5 million and one financing with the Federal Financing Bank in the amount of $65.6 million. There were bond redemptions in two series of Open Resolution bonds in the amount of $38.4 million and four stand-alone bond series in the amount of $63.3 million. The Corporation's debt outstanding as of December 31, 2019 was approximately $12.5 billion. The Corporation's statutory debt capacity stands at $14.5 billion.

Mr. Gould then turned again to Ms. Duffy to provide the Corporation's investment report as of January 13, 2020. Funds under management totaled approximately $5.8 billion. This report reflects routine investment activity.

Mr. Gould then asked whether the Corporation would request more debt capacity, and Mr. Froehlich answered that the Corporation will request an additional $1 billion.

Mr. Gould then recognized Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom reported that the report before the Committee is dated as of December 31, 2019, and the last report to the Audit Committee was dated October 31, 2019. Ms. Hom reported that there were not many changes since the last report. There were no new counterparties, and there were no credit rating agency actions of note. HDC's counterparty exposure remains well-diversified with the largest exposures continuing to be with Fannie Mae followed by Freddie Mac. Investments rated double-A or higher were 48% of total investments, versus 49% at the last report, and the weighted average maturity of the investment portfolio was unchanged at 2.6 years. Ms. Hom concluded her report by noting that exposure to liquidity providers was approximately $219 million.

Mr. Gould then called upon Ms. Hom to present the Annual Audit Committee Report. Ms. Hom reported that pursuant to the New York City Comptroller's Office, Directive No. 22, the HDC Audit Committee is required to publish an annual report detailing its activities for the prior calendar year. The report before the Committee is a compilation of the minutes from all the Audit Committee meetings that occurred during the 2019 calendar year. Ms. Hom then requested approval of the Annual Audit Committee Report for 2019, at which time the Members approved the report.

Mr. Gould then called on Ms. Hom for the presentation of Internal Audit reports. Ms. Hom reported that two audits had been completed since the last report to the Audit Committee: (1) 2019 Loan Servicing/Revenue Billing, and (2) 2019 Income Certification. Regarding the Loan Servicing/Revenue Billing audit, Ms. Hom reported that the objective of the audit was to determine if adequate controls are in place and have been operating effectively for the revenue billing process. Ms. Hom reported that the audit determined that management has effective controls in place. There were no matters involving internal controls that were considered material weaknesses. Recommendations were made regarding the waiver of late fees and the securing of personally identifiable information (PII). Ms. Hom then reported on the Income Certification audit. There, the objective was to determine if adequate controls are in place and have been operating effectively for the Income Certification process. Ms. Hom reported that the audit determined that management was effectively reviewing tenant applicant files to ensure that owners were complying with the program requirements pertaining to Income Certification. There were no matters involving internal controls that were considered material weaknesses. Recommendations were made regarding staffing and the protocols for securing PII.

Mr. Gould then called on Ms. Hom for presentation of the 2020 Internal Audit Plan. Ms. Hom reported that after careful performance of the risk assessment process which included ranking various areas of risk and conducting extensive interviews with management and the Members of the Audit Committee, the proposed plan for 2020 includes the performance of eight audits and two special projects, and the outsourcing of two specialized audits. Ms. Hom highlighted one of the special projects which is focused on PII. Ms. Hom noted that the Members of the Audit Committee, as well as management deemed this as an area that needed further attention. Additionally, Ms. Hom noted that, in response to an earlier question, the 2020 audit plan includes a look at Asset Management's capacity given the expected additional work required by the NYCHA projects. Mr. Gould asked if HDC had any interaction with NYCHA's Federal Monitor. Mr. Enderlin replied yes, when the Corporation had a meeting with NYCHA's budget team the Federal Monitor was also in attendance. He further noted that NYCHA had requested a meeting with HDC to discuss the upcoming NYCHA reorganization and that the Federal Monitor would be part of that discussion. Ms. Hom continued her presentation by extending thanks to the Members of the Audit Committee and HDC staff for their invaluable participation and feedback in this year's risk assessment process. Noting no further questions, Ms. Hom requested approval of the 2020 Internal Audit Plan, and the Members approved the Plan.

Mr. Gould then turned the Committee's attention to Mr. Paul Cackler, Chief Information Officer of the Corporation to provide a Cyber Security update. Mr. Cackler noted that the Corporation has an active cyber security program. IT staff completed many projects in the last year and have many more initiatives in progress. To further advance the cyber security program, HDC engaged The New York State Technology Enterprise Corporation (NYSTEC) that provides technology and security consulting services to public sector clients. They recently conducted a compliance assessment using the Cyber Security Framework published by the National Institute of Standards and Technology. This assessment will serve as a road map to prioritize cyber security projects and ensure that the Corporation is following industry best practices. Mr. Cackler further noted Jeff Pereira, the Corporation's NYSTEC consultant from their security practice who has been working closely with HDC, will present a summary of the assessment for the Audit Committee Members at the next meeting.

Ms. Scott voiced concerns about cyber security at some of the not-for-profits with which HDC does business. While larger organizations such as HDC have resources to focus on cyber security, there is "a lot of money moving around" among the not-for-profit players, some of which are not as sophisticated. Ms. Scott asked if the Corporation had thought about offering training or help to that sector. Mr. Froehlich noted that this issue would be part of any discussion with partners. Mr. Kimball also suggested that consideration be given to cyber-incident response, not just prevention, and Mr. Cackler agreed that will be a focus as well, and also noted that HDC scored higher in incident response and disaster recovery on NYSTEC's assessment.

At 10:30 am, with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted

Violine Roberty

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

January 27th, 2020

ATTENDANCE LIST

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Anthony Richardson	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Uyen Luu	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Carol Micalizzi	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

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

May 21, 2020

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 May 21, 2020.

The meeting was called to order at 3:00 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 January 27, 2020 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer, to provide an overview of the agenda. Mr. Froehlich noted that he and Mr. Eric Enderlin, President, would provide a COVID-19 update on the Corporation's performance to date during the pandemic.

Mr. Gould then turned to Mr. Enderlin to provide the COVID-19 update. Mr. Enderlin stated that the Corporation has sent periodic updates to all employees to keep everyone apprised on the transition to work-from-home since the order came abruptly. Mr. Enderlin noted that the Corporation prepared for telecommuting by ensuring that staff had the proper training and technology and were able to communicate and work from home efficiently and effectively. Mr. Enderlin further noted that the HDC team has been performing tremendously well across the board, and the IT Department has been remarkable. Mr. Enderlin stated that almost all of HDC's business activities are continuing very well. Mr. Enderlin further noted that HDC Government Affairs employees are now focused on education and advocacy in Washington D.C. and have been participating in efforts to assemble the CARES Bill and various programs that are important for the Corporation and the affordable housing industry. Mr. Enderlin talked about the re-entry process for the Corporation and the different phases that must be achieved before re-entry happens. The Corporation is following City and State guidance, and Mr. Enderlin expected the office re-opening to occur possibly late summer or later.

Mr. Enderlin then turned to Mr. Froehlich for the Asset Management COVID-19 update. Mr. Froehlich noted that the Corporation has been functioning efficiently from home and thanked the IT Team and Mr. Paul Cackler, Chief Information Officer, for the work that the IT team has done helping HDC transition to a remote work environment. Mr. Froehlich noted that the staff has adapted well to working remotely, and all functions are performing very well. Mr. Froehlich stated that the Corporation will enter the bond market next week and proceeded to give the Members further details on the market and what HDC is expecting based on the changes from COVID-19. Mr. Froehlich provided an overview of HDC's Asset Management function and noted that the Corporation is doing well. This will be reflected in the report by Ms. Mary John, Controller, who will provide further details on HDC's successful first half in her report regarding the Corporation's second quarter financials. Mr. Froehlich further noted that the Corporation's finances are generally strong and that the Corporation faces genuine challenges but is well positioned to handle these challenges in the near term. Mr. Froehlich reported on the loan portfolio noting that the Corporation's Asset Management staff is working with borrowers to provide debt relief where necessary. Mr. Froehlich stated that as conditions continue to evolve, the Corporation will continue to work with the City and housing advocates to address those challenges. Ms. Denise Scott, Board Member, asked what the Corporation was expecting for May rent rolls. Mr. Froehlich noted that April went well; May is expected to be a little "rockier" than April, but the portfolio varies and it depends on if or when federal relief funds flow through. Mr. Froehlich further noted that HDC is very much engaged with borrowers and is prepared to handle those issues. Ms. Scott then asked whether the Corporation planned on going out to the bond market with the Federal Reserve's Municipal Liquidity Facility, or is there another part of the City that might rely on that. Mr. Froehlich responded that the Corporation does not need the muni facility and that what is helpful about the muni facility is that it creates liquidity in the market which improves the overall marketplace. Mr. Froehlich noted that the housing market is not considered the problem that it was in 2009 during the last financial crisis, and HDC is a very strong credit and maintains reserves in order to address those stresses. Mr. Kyle Kimball, Board Member, asked whether HDC is participating in the air conditioning voucher program that Con Edison, NYSERDA, and the City are doing. Mr. Froehlich answered that the Corporation had not been contacted about it but will reach out to City Hall and see if HDC can provide any help with the program. Mr. Kimball then asked about the program with the New York City Housing Authority and whether that program is moving along as planned. Mr. Enderlin noted that HDC is still working on closing the Manhattan bundle and also working to formulate the best approach regarding new construction and preservation. Mr. Enderlin stated that the main thing to consider right now is what work can be done safely; there is not much tenant-in-place rehab work that can be performed at this time. Mr. Enderlin further noted that the Corporation is working through those questions and gathering information to make sure that we can move forward. Mr. Enderlin continued stating that the Corporation is putting together a small set of transactions that can close this summer. Mr. Gould then asked Mr. Froehlich whether the forthcoming bond issuance is a general obligation. Mr. Froehlich answered that it's a revenue bond in the Open Resolution totaling under $300 million dollars that the Members approved at the meeting last November.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's unaudited financial statements for the second quarter of fiscal year 2020 covering the period November 1, 2019 to April 30, 2020. Ms. John noted that the Corporation ended the second quarter with considerable uncertainty as the country faces a historic economic crisis from the effects of the COVID-19 pandemic. Nonetheless, the second quarter results were not materially impacted by the current economic conditions. The Corporation's net position totaled $3.2 billion representing an increase of $139 million or 4.4 % from FYE 2019, generated from normal operating activities. Operating revenues were $303.5 million an increase of $34.7 million, resulting from higher interest income on loans, as the mortgage portfolio increased by $1.4 billion from FYE 2019. Non-operating revenues which are primarily investment earnings were $57.6 million, a decrease of $12.2 million, mainly due to the lower fair market valuation compared to the same period a year ago. Ms. John further noted that operating expenses were $222.1 million, an increase of $6.8 million or 3.2% compared to a year ago. Bond interest together with bond issuance costs comprise 90% of the Corporation's total operating expenses. As of the end of the second quarter, HDC had raised $908.8 million in bonds and other debt obligations. Mortgage commitments on closed loans including $124.6 million in subsidies were in excess of $1 billion. Total assets were $22.7 billion, an increase of $1.3 billion, or 6.0% from FYE 2019. The increase was mainly due to the Corporation's mortgage financing activities. Total liabilities were $19.6 billion, an increase of $1.2 billion or 6.8% from FYE 2019. The increase was due to a combination of bond financing, an increase in mortgagor's funds held in escrow, and the fair market valuation on the interest rate swap portfolio.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report. The Corporation's Debt Report is as of April 30, 2020. The last debt report presented to the Audit Committee was as of December 31, 2019. During this time, the Corporation issued three series and remarketed one series of Open Resolution bonds totaling $145.2 million and two series of bonds in the Housing Impact Bond Resolution in the amount of $375 million. There were bond redemptions in seven series of Open Resolution bonds in the amount of $254.2 million and two stand-alone bond series in the amount of $10.7 million. The Corporation's debt outstanding as of April 30, 2020 is approximately $12.6 billion. The Corporation's statutory debt capacity stands at $14.5 billion.

Mr. Gould again turned to Ms. Duffy for the investment report. Ms. Duffy noted that the Corporation's investment report is as of May 4, 2020. Funds under management totaled approximately $5.6 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 report before the Committee was dated April 30, 2020, and the last report to the Audit Committee was dated December 31, 2019. There were no new additions to the approved list of counterparties, and there were two rating agency actions of note: (1) in February, Moody's assigned a A2/P-1 rating to Signature Bank; Signature Bank was previously not rated; and (2) earlier in May, S&P downgraded HSBC Bank USA to A+/A-1 from AA+/A-1+ based on concerns regarding the holding company's restructuring plan announced in February, as well as weaker earnings expectations. S&P maintains a stable outlook at this new rating level. Ms. Hom continued by reporting that HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FHLMC and FNMA. Investments rated double-A or higher were 49% of total investments, versus 48% at the last report, while investments rated triple-B or not rated were 32% of total investments, versus 50% at the last report. Ms. Hom noted that triple-B and not rated investments are fully collateralized by high quality U.S. Treasury or Agency securities and/or Federal Home Loan Bank letters-of-credit. The reduction in this exposure is due to the afore-mentioned rating assignment to Signature Bank by Moody's in February. Finally, Ms. Hom reported that HDC exposure to liquidity providers remained unchanged since the last report.

Mr. Gould then recognized Ms. Hom for the internal audit reports. Ms. Hom reported that there were four completed audit reports – three are the required annual audits of President's Office Expenses, Employee Expenses, and Petty Cash; the fourth is an audit of the Corporation's Bond Issuance Process. In addition, Ms. Hom noted that she will also present an internal assessment of the internal audit function for calendar year 2019. First, on the President's Office Expenses, the objectives were: (1) to determine the accuracy of the President's Office expenses recorded in Oracle and to ensure they were accurately reflected in the general ledger; and (2) to determine whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements. Upon completion, there were no matters involving internal controls that were considered material weaknesses. A few enhancements to process controls were recommended, but the Corporation's guidelines were effective and adhered to. Ms. Hom noted that roughly 75% of President's Office expenses were related to training/conferences and legislative travel – areas where we are likely to see a decline given the pandemic. Ms. Hom then reported on the Employee Expenses audit where the objectives were: (1) to 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) to evaluate and test compliance with the Corporation's policies and procedures relating to employee and other related expenses. Upon completion of the audit, we determined that management has effective controls in place to ensure employee reimbursement and vendor payments were properly authorized, appropriate, and accurately recorded. We noted no matters of concern with respect to internal controls. Ms. Hom noted that the top three expense categories were employee development, training/conferences, and membership dues. Ms. Scott asked whether the Corporation expects the employee expense category to increase due to working remotely. Mr. Froehlich responded that generally the tech budget covers working remotely and that's why HDC does not typically have to reimburse employees for tech expenses. The Corporation has provided for employees' tech needs. Ms. Baumann noted that the tech budget is typically $2 million and the COVID-19 tech budget outlays thus far total approximately fifty to sixty thousand dollars because most employees were already set up with laptops and had work-from-home capabilities. Ms. Baumann further noted that the Corporation will be saving on training and conferences since employees will be unable to travel due to COVID-19. Mr. Enderlin noted that when the Corporation performed a quick inventory of who had the ability to work from home back in February, HDC was pleasantly surprised that 75% of the staff was already prepared to work for home. Mr. Enderlin noted that a lot of people are using their own equipment just because they had it and this may raise some questions over time. Mr. Enderlin stated that some companies are talking about fitting out people at home more in terms of space; it's definitely a good long-term question and something to keep an eye on. Mr. Froehlich noted that there are a variety of different ways that employees access the system and essentially everyone is functioning well from home. Mr. Froehlich reiterated that HDC's IT team has really delivered for the Corporation. Mr. Kimball then asked whether the Corporation is working on an active plan for re-entry and what kind of plans are in the works for the fall. Mr. Enderlin noted that the Corporation has been working with City Hall on plans which are very preliminary. Mr. Enderlin further noted that there has been a lot of back and forth drafting plans and a lot of it has been conceptual in nature. HDC's transition out was abrupt but went smoothly, and the re-entry is expected to be smooth as well. Luckily, the Corporation can effectively work from home, so it's a bit of following the numbers and getting back to some level of normalcy when the numbers are safe enough. Mr. Gould then noted that there will be a lot of entities that will say that they worked well from home during the pandemic, and will question whether it's worth it to pay the commercial rent for office space. Mr. Kimball noted that his company did a survey about re-entry and people's needs and their concerns about re-entry, and he would be happy to share that survey and the results with the Corporation. Mr. Enderlin noted that there are a lot of things to think about and work through. Mr. Kimball noted that there might be a big portion of the workforce that may not feel the need to come in short of a vaccine. It's not that they want to quit their jobs, but that they feel it is unnecessary to come into the office when they can do the work from home. Ms. Scott then asked about cyber security and how the Corporation is managing cyber security in a remote work environment. Ms. Scott noted that her company has seen an increase in malicious attempts and asked whether HDC is experiencing that. Mr. Froehlich noted that HDC has seen a little bit of an increase, and there has been some phishing activities. Mr. Cackler noted that the scammers at times reference COVID-19, and the Corporation remains on high alert for that.

Moving to the Petty Cash audit, Ms. Hom reported that the objectives were to determine whether adequate controls exist to ensure that: (1) the cash asset was safeguarded and maintained in the proper amount; (2) petty cash disbursements were in compliance with the Corporation's policies and procedures; and (3) the Imprest Fund was properly authorized, processed, and reconciled. Upon completion of the audit, we found that petty cash disbursements were in compliance with policies and procedures; and we noted no matters of concern regarding internal controls. Finally, on the Bond Issuance Process audit, the objectives were: (1) to ensure that there are effective bond issuance practices, proper oversight, and governance; (2) to determine the accuracy of bond proceeds and the initial transfers at debt issuance and closing; (3) to ensure compliance with volume cap regulations and the use of such source as part of the bond issuance; and (4) to analyze the cost of issuance and assess reasonableness. Upon completion, we determined that HDC has adequate controls and procedures in place over the bond issuance process, and that there is proper oversight and governance. Specifically, it was noted that (1) board approvals were in place; (2) bond amounts, ratings, and interest rates reconciled with the corresponding bonds' Official Statements; (3) all third parties were properly approved; (4) Bond Purchase Agreements (BPA) were signed by authorized principal officers, and signed New York City Comptroller's certifications were on file; (5) volume cap allocation and listing of projects were properly declared and filed in IRS Form 8038; (6) bond proceeds were confirmed and recorded in the general ledger and deposited in the corresponding BPA bank account; and (7) data analysis showed that the average cost of issuance for the five Open Resolution bonds issued during the scope period was within a reasonable range relative to similar bond issuers. Taking a look at the report, Ms. Hom noted that bond ratings have been stable, and bond issuance amounts have been increasing over the last few years. Finally, the average cost of issuance data showed that expenses compared well versus similar issuers.

Ms. Hom then reported on the annual internal assessment of the internal audit function. This internal assessment report is part of the Corporation's Quality Assurance and Improvement Program which mandates that the internal audit function perform periodic self assessments. The report highlighted the structure and activities of the internal audit department for the calendar year 2019, including all audits completed, relevant departmental changes, 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. Noting no additional questions, Ms. Hom concluded her report.

Mr. Gould then recognized Ms. Hom for presentation of the Audit Committee Charter. Ms. Hom recommended that the Members approve the Audit Committee Charter presented before them. The Corporation's Audit Committee Charter requires an annual review by the Audit Committee to determine the Charter's adequacy. The last time the Audit Committee approved revisions to the Charter was May 30, 2019. There have been no changes since last year's revisions were approved by the Members. Mr. Gould then motioned for an approval of the Audit Committee Charter. Ms. Scott seconded the motion and the Audit Committee Charter was approved by the Members.

At 3:43 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Violine Roberty

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

May 21st, 2020

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Jim Quinlivan	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

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

August 5th, 2020

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 August 05, 2020.

The meeting was called to order at 2:30 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 May 21, 2020 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer, to provide an overview of the agenda. Mr. Froehlich provided an overview of the agenda and noted that he and Mr. Eric Enderlin, President, would provide a COVID-19 update on the Corporation's performance.

Mr. Gould then turned to Mr. Enderlin to provide a brief update on COVID-19. Mr. Enderlin stated that the Corporation is participating in ongoing watchful waiting because most of what is happening is dependent on the federal level in terms of ongoing income support and tenants paying rents to our projects, and HDC's ability to service debt through that. As the Members heard in May at the last Audit Committee meeting, HDC has done a great job working remotely. Everything that HDC needs to do to conduct its business is being done effectively in the remote work environment. All of the HDC teams and staff have been incredible and have adapted well to the situation. Mr. Enderlin noted that he will provide additional information at the scheduled board meeting. Mr. Froehlich then continued with the update noting that the Corporation is functioning well and the Members will see this reflected in the financial summary report to be presented by Mr. Cheuk Yu, Deputy Controller. HDC finances are strong and the Corporation's borrowers are generally up-to-date in paying their debt service. HDC has had to provide some additional support in allowing projects to draw on reserves, but overall it has been a smooth process. Mr. Froehlich stated that HDC is watchful and concerned and is hoping that Congress will act shortly to provide additional support to help tenants in New York City and all over the country.

Mr. Gould then turned to Mr. Cheuk Yu, Deputy Controller, to report on the Corporation's financial activities as of June 30th. Mr. Yu noted that the Corporation's financial activities continue to exhibit few negative effects from the ongoing economic decline due to the COVID-19 pandemic although HDC remains concerned as the pandemic is expected to extend into the months ahead. Mortgage loan repayments as of June 30th were relatively back to normal. One exception to the positive news was lower earnings on investments as rates have seen a noticeable decline over the past four months. The financial activities of the first eight months of the fiscal year resulted in an increase in net position of $174.4 million. Total revenues were $463.2 million, an increase of $12.2 million over the same period a year ago. Interest on loans was $325.3 million, an increase of $32.5 million from June 2019 as a result of the increase in the mortgage loan portfolio by $1.6 billion. Fees and charges were $48.4 million, a decrease of $17.3 million, mainly due to lower loan origination fees and bond financing fees. Investment earnings, including the fair market valuation, were $70.9 million, a decrease of $17.7 million in total. The decrease includes a $7.1 million decrease in realized investment earnings as a result of lower interest rates. Mr. Yu further noted that despite the better-than-expected recent results, the Corporation remains vigilant and will continue to track the key economic indicators that may affect repayments on the mortgage portfolio, and in turn, the ability to maintain this level of profitability. Total assets were $22.9 billion, including $17 billion in mortgage loans and loan participating interests, and $5.5 billion of investments. Total assets increased by $1.3 billion, mainly due to $2.0 billion in mortgage loan advances, offset by $460 million in principal repayments. Total liabilities were $19.6 billion including $12.7 billion in bonds and debt obligations, payables to the City of $4.8 billion and payable to mortgagors of $1.2 billion. Bond and debt obligation issuances were $1.2 billion, while repayments were $936 million. Net position was at $3.3 billion, an increase of $174 million of net income from normal operating activities.

Mr. Gould then turned to Mr. Froehlich to present the Corporation's Debt Report. Mr. Froehlich noted that the Corporation's Debt Report is as of June 30, 2020. The last debt report presented to the Audit Committee was as of April 30, 2020. During this time, the Corporation issued four series of Open Resolution Bonds totaling $301.5 million and two series of stand-alone bonds in the amount of $95.9 million. There were bond redemptions in five series of Open Resolution bonds in the amount of $101.5 million and five stand-alone bond series in the amount of $95.9 million. The Corporation's debt outstanding as of June 30, 2020 was approximately $12.7 billion. The Corporation's statutory debt capacity stands at $14.5 billion.

Mr. Gould again turned to Mr. Froehlich for the investment report. Mr. Froehlich noted the Corporation's Investment Report is as of July 13, 2020. Funds under management totaled approximately $5.49 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 is dated June 30, 2020, and the last report to the Audit Committee was dated April 30, 2020. There were no new additions to the 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 Freddie Mac and Fannie Mae. Investments rated double-A or higher were 55% of total investments, versus 49% at the last report. Investments rated triple-B or not rated were 28% of total investments, versus 32% at the last report, and are fully collateralized by high quality U.S. Treasury and Agency securities and/or Federal Home Loan Bank letters-of-credit. Finally, Ms. Hom reported that HDC exposure to liquidity providers remains unchanged since the last report.

Mr. Gould then called on Ms. Hom for the Internal Audit report. Ms. Hom noted that since the last report to the Audit Committee, the FHA Risk Share Program Reporting Requirements process audit was completed. At the request of the head of Asset Management, Internal Audit was asked to examine the FHA Risk Share Program reporting requirements and determine whether or not HDC is fulfilling those requirements in the most efficient and stream-lined manner. Upon completion of this process audit, Internal

Audit determined that there are opportunities for improvement in fulfilling FHA Risk Share Program reporting requirements. This process requires collaboration amongst various departments within the organization, and recommendations were made regarding coordination and leadership on the process. Additionally, Internal Audit has engaged with the Legal department to help develop a comprehensive checklist of requirements, and this process has begun. Internal Audit will work closely with the Asset Management team to enhance the existing process for fulfilling FHA Risk Share Program reporting requirements.

Ms. Hom then provided an update on the 2020 audit plan. Ms. Hom reported that staffing challenges during this pandemic have impacted the Internal Audit department as one of HDC's two staff auditors has been on medical leave since April. HDC's remaining auditor and Ms. Hom have been working to remain on track with the audit plan, but they have been challenged by the prioritization of other initiatives around the Corporation. Additionally, focus has shifted to other projects prompted by the pandemic, such as updating the Corporation's Business Continuity Plan, and Internal Audit has been working in earnest on the PII initiative. Internal Audit feels this shift in focus is warranted and will provide overall benefit to the Corporation.

Regarding the PII initiative, this is one of the special projects on the audit plan this year, and Internal Audit recognizes that this as an area of concern to the Audit Committee. A working group consisting of representatives from various departments which handle PII has been formulated and has been meeting on a monthly basis since January. Thus far, the working group has identified the various types of PII that is gathered by HDC, as well as all areas of the organization which house PII. Next steps will include developing protocols for securing PII and pushing out employee training on how to identify and secure this sensitive information.

Ms. Hom reported that one notable change to the audit plan pertains to the two audits HDC expected to outsource this year. At the time the work-from-home directive was announced, an RFP was being finalized for the two specialized HR audits on the audit plan. In light of COVID, this part of the plan has been postponed as the shift to remote work made outsourcing unfeasible at the time. The RFP process is expected to be restarted later this year.

Ms. Hom concluded her report by noting that HDC will begin its annual risk assessment process. Ms. Hom will be reaching out to schedule a one-on-one discussion with each member of the Audit Committee in the coming weeks. Ms. Hom thanked the Members in advance for their participation and noted that she looked forward to these engaging discussions. Mr. Gould noted that clearly it is mandatory during these abnormal times that priorities have to be established, so this is completely understandable.

At 2:50 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Violine Roberty

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

August 05th, 2020

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	AFFILIATION
Harry Gould	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Jim Quinlivan	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

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

October 29th, 2020

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 October 29th, 2020.

The meeting was called to order at 2:05 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 August 5th, 2020 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer, to provide an overview of the agenda. Mr. Froehlich provided an overview of the agenda and noted that he and Mr. Eric Enderlin, President, would provide a COVID-19 update on the Corporation's performance.

Mr. Gould turned to Mr. Enderlin to provide the COVID-19 update. Mr. Enderlin noted that the Corporation continues to operate well remotely. HDC has maintained all necessary operations and has an internal working group preparing for a safe return to the office at a time yet to be determined. The recent COVID-19 surge is raising some new concern as to when HDC will be re-opening. The Corporation remains strong and the balance sheet remains strong, but we have been frustrated with the lack of support from the federal government on multifamily housing. In particular, there has been a lack of support for tenants by the federal government. While there has been moratoria on evictions and some forbearance, these measures are temporary, and the expectation is that tenants would have to negotiate and pay back their landlords. There has been no real relief passed through for tenants. HDC has been making arguments for some type of federal funding for multi-family stabilization. While the federal government did an effective job early on in responding on the income support side and the liquidity side with fiscal stimulus and liquidity, support was uneven, and there has not been any additional support since. Mr. Enderlin concluded by noting that relief is critical, and if support is not forthcoming, there will be a "rent cliff" coming for a lot of affected households.

Mr. Enderlin then turned to Mr. Froehlich to report on the Corporation's portfolio. Mr. Froehlich noted that HDC's portfolio is continuing to perform well, with very low delinquency rate at 1% – 2%. The Corporation offered forbearance to a handful of projects and has been working with many more permitting releases from reserves. On the capital market side, the Corporation has had access to capital and interest rates are low. Although low rates help us as an issuer, they are less helpful to us in our role as an investor. Investments continue to perform well, but the Corporation is starting to experience a decline in investment income. With the broader issues of tenancy and the role for landlords, we'll continue to work on proposing solutions and working with borrowers, but we also continue to advocate for tenants and multi-family housing generally. Smaller projects tend to be where the Corporation would see a problem. The good news is the delinquency and rental shortfalls are relatively low for the Corporation's projects at this time. We will continue to be available for our borrowers and continue to monitor the portfolio.

Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young to present the firm's audit plan for HDC's Fiscal Year 2020, which ends on October 31st. Mr. Roberts noted that Mr. Alex Civitano, Manager, Ernst & Young will be sharing his screen. Mr. Roberts then turned the Committee's attention to slide 2 of the Ernst & Young audit plan booklet to highlight what's new for the year, changes due to COVID-19 impact, and also the Corporation's adopting GASB Statement 84 which deals with presentation of fiduciary activities. Mr. Roberts noted that the team has started walk-throughs and will be making selections for year-end audit testing. Mr. Roberts stated that Ernst & Young will be able to perform the audit in a remote environment due to the extensive investment in technology, and Ernst & Young has been successful with performing other audits remotely earlier this year. Mr. Roberts then turned to page 3 to review the audit timetable noting that the timeframe is consistent to prior years. Mr. Roberts then gave an overview of the areas of audit emphasis which he noted is consistent with last year. Mr. Roberts noted that there are some new things to consider due to COVID-19. There are no issues with respect to collectability but Ernst &Young will monitor to anticipate any issues due to COVID-19. Mr. Roberts noted meeting with two HDC senior staff members earlier in the week regarding risk of cyber threats due to working remotely and did not see any reasons for concern from an audit perspective. Mr. Roberts continued with the timing of required communications. Mr. Roberts concluded his report by noting that Ernst & Young would report any deficiencies or material weakness in a document to management.

Mr. Gould then turned to Ms. Mary John, Controller, to report on the Corporation's third quarter financial statements covering the period November 1, 2019 through July 31, 2020. Ms. John noted that HDC remains optimistic as the Corporation's financial results continue to exhibit few negative effects from the ongoing economic downturn caused by COVID-19; however, as these conditions persist, HDC will remain diligent in closely monitoring economic activities which can potentially present downside risks to future profitability. The most positive indicator was mortgage loan repayments which continue to remain close to pre-pandemic levels with few requests for forbearance. Adversely, investments have produced lower earnings due to the decline in interest rates during this same period. The financial activities of the first nine months of the fiscal year resulted in an increase in net position by $194.1 million, a 6.2% increase from a year ago. Total revenues were $519.6 million, an increase of $6 million or 1.2% over the same period a year ago. Interest on loans was $366 million, an increase of $35.3 million or 10%, as a result of the increase in the mortgage portfolio by $1.7 billion. Fees and charges were $55.2 million, a decrease of $14.7 million, or 21% mainly due to lower loan origination fees and bond financing fees as a result of fewer loan closings compared to this period last year. Investment earnings, including the fair market valuation, were $77.8 million, a decrease of $28.9 million or 27%. As of July 31st, total assets were $22.9 billion, including $17.2 billion in mortgages and loan participation interests. Investments were at $5.3 billion. Total assets increased by $1.3 billion, or 6.1% mainly due to $2.2 billion in mortgage loan advances, offset by $484 million in principal repayments. Total liabilities were $19.6 billion including $13.0 billion in bonds and other debt obligations. Bond and debt obligation issuances were $1.3 billion, while repayments were $999 million.

Net position at the end of the period was at $3.3 billion, an increase of $194.1 million a 6.2% increase from normal operating activities.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of September 30, 2020. Ms. Duffy noted that during this time, the Corporation issued seven series of Open Resolution bonds totaling $532.9 million. There were bond redemptions in two series of Open Resolution bonds in the amount of $75.5 million and one stand-alone bond series in the amount of $24 million. The Corporation's debt outstanding as of September 30, 2020 is approximately $13.1 billion. The Corporation's statutory debt capacity was increased from $14.5 billion to $15.5 billion on April 3, 2020.

Mr. Gould then turned again to Ms. Duffy to provide the Corporation's Investment Report as of October 5, 2020. Ms. Duffy noted that funds under management totaled approximately $5.5 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 Members is dated as of September 30, 2020. The previous report to the Audit Committee was dated June 30, 2020. Ms. Hom reported that there were no new additions to the 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 FHLMC and FNMA. Investments rated double-A or higher were 48% of total investments, versus 55% at the last report. Investments rated triple-B or not rated were 28% of total investments, unchanged since 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 was up $50 million since the last report due to the issuance of the 2020 Series E and F-2 bonds in August.

Mr. Gould then called on Ms. Hom to provide the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee, the Records Retention audit was completed. The objectives of the Records Retention audit were to ensure there are current and effective record retention policies and procedures; to assess if records are archived in accordance with set schedules and do not exist beyond their planned destruction date; to evaluate the current off-site records storage contract and invoices for compliance and billing accuracy; to determine if there is an off-site records inventory that is accurate, up-to-date, and reviewed at least annually; and to ensure all record keeping systems and storage facilities (both on-site and off-site) are protected from unauthorized access. Ms. Hom reported that upon completion of the audit, we noted that opportunities exist to improve records retention protocols and the associated internal controls. While state-mandated records retention protocols are followed, we recommend that written policies and retention schedules be updated. In addition, we recommend that employee training tools be developed to help employees identify what constitutes a record and how employees should be retaining such records. The focus was on the retention of physical records, and a more thorough review of electronic records retention will be performed at a later time. Ms. Hom concluded her report by noting that with the shift toward electronic documentation, the need for off-site storage of physical files is expected to wane over time.

Mr. Gould then turned the Committee's attention to Ms. Duffy to provide an overview of the Corporation's most recent presentation to Moody's. Ms. Duffy noted that in September, the Corporation made a presentation to Moody's as part of their annual check-in. The Corporation presented reports for both HDC and REMIC. Mr. Froehlich noted that there were no major issues raised, and it was a routine meeting.

Ms. Denise Scott, Board Member, noted that there seems to be heightened cyber security breaches in the industry and noted a need to be extra cautious. Mr. Froehlich noted that the Corporation is very conscious of this issue and has continued periodic cyber security training internally. In addition, Mr. Froehlich noted that HDC continues to remind borrowers to be vigilant about cyber security risks.

At 2:35 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Violine Roberty

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

October 29th, 2020

ATTENDANCE LIST (VIRTUAL MEETING)

NAME	**AFFILIATION**
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Kyle Kimball	Audit Committee Member
Louis Roberts	Ernst & Young
Alex Civitano	Ernst & Young
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Elizabeth Strojan	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Ana Meza	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

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

December 2nd, 2020

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 December 2nd, 2020.

The meeting was called to order at 1:30 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 October 29th, 2020 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, First Executive Vice President and Chief Operating Officer, to provide an overview of the agenda. Mr. Froehlich provided an overview of the agenda and noted that he and Mr. Eric Enderlin, President, would provide a short COVID-19 update on the Corporation’s performance.

Mr. Gould turned to Mr. Enderlin to provide the COVID-19 update. Mr. Enderlin noted that everyone is in a “watchful waiting” period. There is hopeful news for the COVID-19 vaccine that’s coming, but this has not changed the Corporation’s timeline too much. HDC is expected to continue working remotely until at least the end of the year at which time the Corporation will re-evaluate and plan accordingly. HDC is continuing as it has been with 99+% of the Corporation’s business operating well remotely. HDC recently closed on a 1,700 unit NYCHA deal, and the Corporation is moving forward with the pipeline. Construction has resumed and has been operating well. Construction sites have proved largely safe for workers with on-site COVID testing provided. There are changes at the federal level with the election, and there are some talks about reviving a modified relief bill for $908 billion, smaller than what was passed previously but still helpful. There is also support for fixing the 4% tax credit and reviving the Federal Financing Bank which would be important for economic development. There might be GSE action as well in the future. Mr. Enderlin concluded noting that Mr. Froehlich can add more on the GSEs.

Mr. Enderlin then turned to Mr. Froehlich to report on the Corporation’s portfolio. Mr. Froehlich noted that HDC’s portfolio is continuing to perform well. HDC is currently working on the annual audit and financially we’ve been successful all year long. Mr. Froehlich stated that HDC and the City obviously need more from the federal government, but the Corporation is well-positioned and has been articulating the things it needs to the state and the federal government as clearly as possible. HDC closed on the NYCHA Manhattan bundle that Mr. Enderlin mentioned which was our first risk-sharing deal with Fannie Mae. We expect to do more of these types of transactions. The GSEs are important partners of the Corporation and important counterparties as well. The Corporation does a lot with the GSEs, and they enhance a lot of HDC’s portfolio. Mr. Froehlich also noted that HDC will continue to be available for our borrowers and to offer assistance as needed. He concluded by noting that HDC has been very pleased with how things have gone during the pandemic which is a testament to our underwriting and asset management.

Ms. Denise Scott, Board Member, noted that there have been talks about returning to work, and she asked what protocols will be in place for the workforce and whether public transportation will be safe. Ms. Scott then asked, how HDC plans on supporting the workforce and providing flexibility for staff who may not think it's a good idea to return to work. Mr. Enderlin responded that HDC is talking a lot about this issue internally and has formed an internal working group. Although staff have been told there would be no return before January, realistically, it may end up being in the middle of the year and on a voluntary basis for a while. HDC is taking its cue from City Hall. The Department of Health is running the vaccine program with guidance from various other health officials. City Hall and internal folks at HDC are also working on the plan. Mr. Gould added that some companies are looking to return in the middle of next year if the vaccine gets fully deployed and people feels it's safe. Mr. Kyle Kimball, Board Member, noted that his company decided that employees will not return to the office until July 2021, and after July, it will be voluntary for the rest of the year. Mr. Enderlin noted that it's good to have information as to what other corporations are doing and thanked the Board Members for sharing the information.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance, to present the Corporation's Debt Report as of October 31, 2020. Ms. Duffy noted that the Corporation issued one series of Open Resolution bonds totaling $64.04 million. There were bond redemptions in one series of Open Resolution bonds in the amount of $10.96 million and in one stand-alone bond series in the amount of $13.3 million. The Corporation's debt outstanding as of October 31, 2020 is approximately $13.1 billion. The Corporation's statutory debt capacity is $15.5 billion. Mr. Gould asked whether there are any plans to increase the debt capacity limit. Mr. Enderlin responded that HDC will be requesting to increase the debt limit by $1.5 billion, especially with upcoming NYCHA deals.

Mr. Gould then turned again to Ms. Duffy to provide the Corporation's Investment Report as of November 16, 2020. Ms. Duffy noted that funds under management totaled approximately $5.1 billion. This report reflects routine investment activity. Ms. Duffy continued her report with a review of the Rating Agency Reserve Fund, which was previously approved by the Audit Committee. Ms. Duffy noted that after debt service on the Open Resolution was paid on November 1, 2020 and certain redemptions were made, the amount of long-term bonds outstanding in the Open Resolution is approximately $7.0 billion. Based on this balance a 2.00% reserve would amount to $140.3 million, a 2.25% reserve would be $157.9 million, and a 2.50% reserve would amount to $175.4 million. During FY 2020, the Reserve was funded in the amount of $135 million. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the $25.6 million of guaranty reserves currently cash-funded, HDC Staff recommends that the Reserve should be increased to $140 million at this time.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the counterparty credit risk exposure report. Ms. Hom noted that the report before the Committee is as of October 31, 2020, and the previous report to the Audit Committee was dated September 30, 2020. There were no new additions to the 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 FHLMC and FNMA. Investments rated double-A or higher were 45% of total investments, versus 48% at the last report. Investments rated triple-B or not rated were 29% of total investments, versus 28% 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 was unchanged since the last report.

Mr. Gould then called on Ms. Hom to present the Internal Audit report. Ms. Hom reported that since the last report to the Audit Committee on October 29, 2020, the Petty Cash audit was completed. The primary audit objectives were to determine whether adequate internal controls exist to ensure that: (1) the cash asset was safeguarded and maintained in the proper amount; (2) petty cash disbursements were in compliance with the Corporation's policies and procedures; and (3) the Imprest Fund was properly authorized, processed, and reconciled. Ms. Hom reported that the Corporation's guidelines were found to be effective; no matters were found involving internal controls and their operation that were considered to be material weaknesses. With respect to the specific audit results, Ms. Hom reported 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. The Petty Cash audit was performed virtually, and there were just five transactions during the scope period. Ms. Hom reminded the Committee that this is a required audit which must be performed each year pursuant to the 2003 MOU with DOI. Ms. Scott asked since HDC is working remotely, how did the staff perform the Petty Cash audit? Ms. Hom responded that there were five transactions, and a few were before the shut down, and the few that occurred during the shut down were for Office Services staff who are working in the office. Office Services staff are the custodians of the Petty Cash. Internal Audit contacted them and did a virtual meeting and count of the Petty Cash.

Mr. Gould then asked whether there were significant risks on the few mortgagees that have had some difficulties. Mr. Froehlich responded that there were a few projects that asked for forbearance, but there are no significant risks, and overall the portfolio is performing well. Mr. Enderlin added that due to low interest rates, the Corporation is expected to get some request for refinancing, but this is not a distress situation as much as a "smart" move by borrowers because interest rates are low. There is extra vigilance because income support ends later this month. There is a huge "rent cliff" before us, a significant potential problem, but HDC is hoping it does not happen and that the federal government steps in with relief.

Mr. Gould then called on Ms. Hom to present the Internal Audit Plan for 2021. Ms. Hom reported that after careful performance of the annual risk assessment process (which included individual discussions with Members of the Audit Committee, as well as team discussions with the various departments across the Corporation), Internal Audit has developed a plan that seeks to maximize the areas of risk that will be reviewed during the year. This proposed plan includes a combination of assurance audits which HDC has typically performed, along with the introduction of a couple of new concepts to HDC's Internal Audit department, namely agile auditing and continuous monitoring. Agile audits are shorter, more efficient audits that seek to examine very specific areas of risk that can be quickly examined and reported upon. The concept of continuous monitoring seeks to monitor areas of risk on a continuous basis in real-time without having to perform a fullblown audit every couple of years. The introduction of these two concepts will enhance Internal Audit's ability to assess and monitor more areas of risk throughout the Corporation. The proposed Internal Audit plan for 2021 includes: (1) five assurance audits; (2) the outsourcing of two assurance audits; (3) two advisory engagements; (4) four agile audits; (5) two special projects; and (6) the commencement of continuous monitoring of the HDC investment portfolio. Ms. Hom then thanked the Members as well as the leadership and staff of the Corporation for their input in the creation of this plan. Noting no further questions, Ms. Hom then requested approval of the 2021 Internal Audit Plan, and the Members approved the Plan.

Under other business, Mr. Gould then turned to Mr. Louis Roberts of Ernst & Young (E&Y) to present the status of HDC's fiscal year 2020 audit. Mr. Roberts noted that things are moving quickly with the audit. E&Y completed meetings with management to go through the walkthroughs of the significant processes, keeping a focus on whether there has been any impact on internal controls within the remote environment. There have been no changes, and controls are designed effectively. E&Y received a draft of the financial statements last week, and E&Y is reviewing; they will be providing feedback remotely. E&Y started having video conferences with the HDC Accounting staff to provide weekly updates. Mr. Roberts thanked the Corporation for being able to accommodate that request. Mr. Roberts concluded noting that, as to timing, progress on the audit is consistent with past years.

At 2:00 p.m., with no further business, Mr. Gould moved to dismiss, and the meeting was adjourned.

Respectfully submitted,

Violine Roberty

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

December 2nd, 2020

ATTENDANCE LIST (VIRTUAL MEETING)

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