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.