

THE TRUST FOR CULTURAL RESOURCES
OF THE CITY OF NEW YORK

MINUTES OF MEETING
OF THE AUDIT COMMITTEE

December 3, 2019

A meeting of the Audit Committee of The Trust for Cultural Resources of The City of New York (the "Trust") was held on December 3, 2019 at 4:20 p.m. at the offices of Bryant Rabbino LLP, 650 Fifth Avenue, New York, New York.

Ms. Lynne B. Sagalyn, Ms. Erika Mallin and Ms. Dawanna Williams attended the meeting. Ms. Mallin participated by conference telephone, which permitted her to hear and be heard by those present at the meeting. Ms. Leah C. Johnson was excused. Ms. Sagalyn, Chair of the Audit Committee, presided.

In addition, the following persons were also present:

Jen Katz	RSM US LLP
Fred D'Ascoli	New York City Economic Development Corporation
Amy Chan	New York City Economic Development Corporation
Carol Ann Butler	New York City Economic Development Corporation
Anne Adams Rabbino	Secretary of the Board of Trustees

The meeting was called to order at 4:20 p.m. by Ms. Sagalyn.

Ms. Katz reported that she, as the partner in charge of the engagement, and Melissa Quinn, as the audit manager, will be working again on the Trust's audit, with the independent report reviewer, Mr. Dan Bonnette. She discussed the audit process necessary in order for RSM to express an opinion on financial statements that are reasonably free of material misstatements, the continued importance of effective communication between RSM and the Trust, and the requirements related to the independence of RSM. She stated that, as part of RSM's risk assessment procedures, a possible override of controls by management has been identified as a significant risk for the Trust and that additional significant risks may be identified as RSM performs additional audit procedures.

Ms. Katz also reviewed RSM's assessment of newly issued GASB Statements for their potential impact on the audit for 2019 and on the audits for future years. She discussed the following GASB Statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations, is effective for periods beginning after June 15, 2018 and establishes uniform criteria for governments to recognize and measure legally enforceable liabilities associated with the retirement of any tangible capital asset. Because the Trust has no capital assets, Ms. Katz does not anticipate any issues for the Trust.

- GASB Statement No. 84, Fiduciary Activities, is also not applicable to the Trust's operations as the Trust does not have any employees.
- GASB Statement No. 87, Leases, is effective for periods beginning after December 15, 2019. This Statement requires that a lessee recognize a lease liability and an intangible right-to-use lease asset and that a lessor recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. RSM has analyzed the leases between the Trust and The Museum of Modern Art and concluded that, due to the annual rent of \$1.00, these are not true exchange transactions and accordingly GASB Statement No. 87 will not be applicable to the Trust.
- GASB Statement No. 88, Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements, relates to information disclosed in notes to government financial statements related to debt. This Statement is not expected to impact the Trust's financial statements as the Trust does not have any debt of its own.
- GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, is not applicable to the Trust's operations.
- GASB Statement No. 91, Conduit Debt Obligations, will be applicable beginning with the audit for 2021. This Statement will require a significant reduction in the historical information that the Trust has provided in its financial statements, but no changes are required to be made to the 2019 audit.

GASB Statement No. 91, which was adopted in 2019, also includes requirements that are intended to clarify the definition of a conduit debt obligation, which is a liability of a third-party obligor, not the issuer. Recognition as conduit debt will require an annual evaluation of qualitative factors to determine whether it is "more likely than not" that the issuer will support debt service payments, which means, in the case of the Trust, that there is a greater than 50% chance that the Trust would be required to make a payment on behalf of a third-party obligor. Ms. Rabbino noted that the Trust has no source of funds to support the debt service payments other than the payments received from the cultural institution for which the bonds were issued or from any provider of credit enhancement or liquidity support. The Trust's enabling legislation prohibits the use of funds provided by one third-party obligor to satisfy the obligations of any other obligor.

Ms. Chan presented a proposed schedule of specific milestones that will lead to drafts of the financial statements and the other reports prepared by RSM being distributed to the Audit Committee not later than March 17, 2020. The meeting of the Audit Committee will take place during the week of March 23 and will be followed on the same day by a meeting of the Board of Trustees.

Session with Auditors

It was decided that a session with RSM was not required by the Committee at this

time.

Session with Management

A session with Management was held at this time.

There being no further business to come before the meeting, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Anne Adams Rabbino
Secretary