

THE TRUST FOR CULTURAL RESOURCES  
OF THE CITY OF NEW YORK

MINUTES OF MEETING  
OF THE AUDIT COMMITTEE

March 26, 2019

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A meeting of the Audit Committee of The Trust for Cultural Resources of The City of New York (the "Trust") was held on March 26, 2019 at 3:00 p.m. at the offices of Orrick, Herrington & Sutcliffe, LLP, 51 West 52<sup>nd</sup> Street, New York, New York.

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

In addition, the following persons were also present:

Jen Katz	RSM US LLP
Melissa Quinn	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
Eileen B. Heitzler	Orrick, Herrington & Sutcliffe, LLP
Anne Adams Rabbino	Secretary of the Board of Trustees

The meeting was called to order at 3:05 p.m. by Ms. Sagalyn.

Mr. D'Ascoli asked Ms. Chan to make a presentation on behalf of management regarding the Draft Financial Statements and Supplementary Information as of December 31, 2018. Ms. Chan stated that RSM's opinion is an un-modified opinion. Because most of the debt issued by the Trust is conduit debt that does not appear in the Trust's financial statements but is reported in the notes to the financial statements in accordance with generally accepted accounting principles, the conduit debt does not impact the net position of the Trust. The only debt of the Trust that is reported in the financial statements is the debt that the Trust pays with a portion of the tax equivalency payments, or TEPs, collected by the Trust from the owners of condominium units in the Museum Tower, which is part of the "combined-use facility" developed by the Trust and which included an expansion of The Museum of Modern Art ("MoMA") on the floors beneath the Museum Tower. With the exception of the general and administrative operating expenses shown on the Statements of Revenues, Expenses and Changes in Net Position (Deficit), all of the assets, liabilities, revenues and expenses of the Trust pertain to MoMA and the "combined-use facility". The Trust's bonds that are publicly held and supported by TEPs are in the process of being fully amortized. On December 31, 2018, the outstanding principal balance was \$19,485,000, and the final payment on those bonds is due in 2023.

Ms. Chan noted that the net position of the Trust decreased by approximately \$300,000 in 2018 due to the increase in the rate of interest owed on the Trust's payable to MoMA from 1.6% to 2.65%. However, because the Trust is liable to MoMA for this obligation only to the extent that TEPs are available for the purpose of satisfying such obligation, this decrease is not a concern for the Trust. Ms. Chan also referred to the subsequent event on January 1, 2019, when the Trust's Revenue Bonds, Series 2009A (The Juilliard School) were refunded from monies deposited by The Juilliard School, together with proceeds from the issuance of the Trust's Refunding Revenue Bonds, Series 2018A (The Juilliard School).

Ms. Quinn addressed the financial review carried out by RSM and the required communications in accordance with generally accepted auditing standards and pursuant to AU-C 260, The Auditor's Communication With Those Charged With Governance. She noted that the Trust did not adopt any significant new accounting policies and that there have been no changes in existing significant accounting policies with respect to the 2018 financial statements. RSM did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Ms. Quinn stated that the Trust's estimates, which are an integral part of the preparation of financial statements and are based upon management's current judgment, do not, in RSM's opinion, involve a high degree of estimation uncertainty and were not considered a significant risk for audit purposes. She also noted that no audit adjustments were made to the original trial balance presented to RSM to begin the audit, that no misstatements other than those that are clearly trivial were discovered, and no disagreements with management occurred. RSM is not aware of any consultations management had with other accountants about accounting or auditing matters, and no significant issues arising from the audit were discussed with or were the subject of correspondence with management. RSM encountered no significant difficulties in dealing with management during the audit.

Ms. Katz stated that all opinions given by RSM are un-qualified opinions and that the records maintained by EDC are good records. RSM's report on internal controls identified no matters of concern. The Reports on Compliance with Contractual Provisions of Debt Agreements are all un-qualified. The Agreed Upon Procedures are attestation reports, not audits, which confirm the cash amounts held; no opinions are given about these reports.

The Committee discussed the number of accounts that could be closed by the trustee for some bond issues and the likelihood that many borrowers may be un-aware of cash balances in some of their accounts. Ms. Heitzler agreed to lead the follow up with both borrowers and trustees and to attempt to resolve these matters in 2019.

Ms. Katz referred to the new rules pertaining to leases under GASB 87. Because the Trust is not a party to any transaction that falls within the applicable definition of a lease, she does not anticipate any impact on the Trust. She reported that the new GASB rules on conduit debt are still evolving. While the outcome is still un-clear, she expects the new standard to be announced in April or May. The result may lead to moving the information on the Trust's

conduit debt from the Notes to the financial statements to an un-audited supplement to the financial statements.

The following resolutions were then made, seconded and unanimously adopted:

**RESOLVED**, that the Audit Committee of the Trust hereby approves the Independent Auditors' Report on the Trust's Basic Financial Statements for the years ended December 31, 2018 and 2017 prepared by RSM US LLP, and recommends the approval thereof by the Board of Trustees of the Trust; and be it further

**RESOLVED**, that the Audit Committee of the Trust hereby approves the Reports on Compliance with Contractual Provisions of Debt Agreements for the year ended December 31, 2018, prepared by RSM US LLP and recommends the approval thereof by the Board of Trustees of the Trust; and be it further

**RESOLVED**, that the Audit Committee of the Trust hereby approves the Agreed-Upon Procedures for the year ended December 31, 2018, prepared by RSM US LLP and recommends the approval thereof by the Board of Trustees of the Trust.

Mr. D'Ascoli reported that David Price, who served until recently as the head of the Internal Audit Department at EDC, has resigned. However, the Internal Controls Report as of December 31, 2018, prepared by the Internal Audit Department of EDC, was completed prior to Mr. Price's resignation. Mr. D'Ascoli explained the internal audit examines the environment in which the financial reports are created to determine whether there are any inadequacies in the controls. All of the processes and controls were found to be effective. The Internal Audit Department also found that sound practices are observed, that a proper control environment is maintained, and that the processes and controls comply with the applicable statutory requirements of the Public Authorities Law.

The following resolution was then made, seconded and unanimously adopted:

**RESOLVED**, that the Audit Committee of the Trust hereby accepts the Internal Audit Report as of February 25, 2019, prepared by the Internal Audit Department of the New York City Economic Development Corporation and recommends the acceptance thereof by the Board of Trustees of the Trust.

There being no further business to come before the meeting, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

*Anne Adams Rabbino*

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Secretary