

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING**

February 09, 2015
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum.

The Chairman, Mr. Buwa Binitie, called the meeting to order at 5:37 p.m. and asked the Interim Secretary to the Board of Directors, Ms. Maria K. Day-Marshall, to verify a quorum. With three members present, the Board of Directors (the “Board”) had a quorum, and the meeting continued. The members present included Mr. Binitie, Mr. Stephen M. Green, and Mr. Bryan Scottie Irving.

II. Approval of minutes from the January 26, 2016 board meeting.

Chairman Binitie asked the Board if they had any comments to the January 26, 2016 Board Meeting minutes. A motion to approve the minutes as presented was made by Mr. Green and seconded by Mr. Irving. The minutes were approved by a chorus of ayes.

III. Presentation by CohnReznick to the Board regarding the Agency’s Fiscal Year 2015 audit report.

Ms. Day-Marshall introduced Mr. Dan Kenney, Partner at CohnReznick, who would be presenting the independent auditor’s report of the Fiscal Year 2015 Financial Statement (the “Financial Statement”). Mr. Kenney then introduced Mr. Bryan Benson from CohnReznick, who would address the Financial Statements and the information therein and Mr. Ronald Walker from Walker & Company, LLP, who would explain the contents of CohnReznick’s Management Letter (the “Management Letter”).

Mr. Kenney informed the Board that the Agency, for the year ended September 30, 2015, received an unqualified opinion. Such an opinion is given by CohnReznick without any disclaimer or adverse findings.

Mr. Benson went through the key highlights within the Financial Statement. Vice Chairman Green asked Mr. Benson where the \$40 million in unrestricted funds was being held. Mr. Benson explained that the unrestricted funds were held in various cash, cash equivalent and other investment accounts within the general fund. Chairman Binitie asked whether the Agency was required to include conduit funding in its Financial Statement. Mr. Benson responded that it was

up to the discretion of the Agency whether or not they chose to include conduit funding. He noted, however, that the Agency had always chosen to include the conduit funding in the past. Vice Chairman Green asked about the \$4.988 million in mortgage and construction loan receivables. Mr. Yong Ki Kim, Accounting Manager, explained that those were in reference to the Agency's single-family loans. Chairman Binitie asked where the McKinney Act funds were being held. Mr. Benson informed him that McKinney Act funds were held in the general fund as restricted assets.

Board Member Irving asked what was the purpose of the \$9 million PNC Line of Credit. Ms. Day-Marshall explained that during the New Issue Bond Program ("NIBP") in 2010, the Agency had \$25 million in excess NIBP funds. The Agency combined the excess NIBP funds and the PNC Line of Credit proceeds to offer lower interest rates on the Agency's single-family mortgage loans. Later it was clarified by Ms. Day-Marshall that the reason the Agency used the PNC Line of Credit proceeds instead of general fund money is that the Agency was earning more on investments of general fund money than the interest rate being charged by PNC on the line of credit, thus, producing positive arbitrage. This was a cash management tool being used by the Agency to maximize interest earnings. Mr. Benson further explained that the Agency has \$42 million in unrestricted assets and about \$11 million in noncurrent unrestricted assets against \$15.5 million in liabilities that include the \$9 million PNC line of credit.

The Board congratulated the staff for having their best year in terms of change in net position as well as for receiving an unqualified audit opinion. Chairman Binitie then inquired if the Financial Statement posted on the Agency's website could be presented in such a way that separated the conduit funds from the rest of the Financial Statement. Ms. Day-Marshall said that the staff could present the board with internal financials in such a manner, however, she cautioned against changing the way the Agency's financial statements are presented to the public as rating agencies and other interested parties were used to seeing the Agency's financial statements in a certain format.

Mr. Walker then explained the contents of the Management Letter. He explained that the Management Letter stated there were no significant deficiencies or material weaknesses in the Agency's overall system of internal control, particularly, financial controls over financial reporting. Additionally, there were no significant deficiencies or weaknesses in CohnReznick's reliance on the Agency's accounting or other related functions. He noted that there was an observation that the Agency had addressed all comments from the prior year. There was an additional comment, which said that the Agency expected to implement vendor software to, among other things, streamline and automate its financial processes.

Finally, Mr. Kenny presented the Board with the 114 letter which stated that CohnReznick found no corrected or uncorrected misstatements, no disagreements with management, no consultation with independent auditors and no other audit findings or issues.

IV. Interim Executive Director's Report.

- On February 4, 2016, the Agency hosted a lunch and learn for the small buildings, small sponsor program it is attempting to launch. Numerous lenders attended the event. The Agency will hold more meetings in the future in order to bring this critical tool to the city.
- On February 08, 2016, the Agency launched its employee retirement plan. The plan will include an Agency match for the first time in Agency history.
- The Agency expects to close the St. Stephens transaction tomorrow.
- The Agency is preparing responses to Standard & Poor's rating review and expects to send the responses by early next week.
- The Washington Blade published an article regarding the Agency's DC Open Doors program.

V. Presentation on general government ethics issues and standards by Mr. Thorn Pozen.

Mr. Pozen presented a memorandum he had drafted regarding government ethics issues and standards. He highlighted that the Board has passed its own rules regarding conflicts of interest and that generally those rules match the rules passed by the District of Columbia Government. He said that to the extent there are any differences between the two, the Board of Ethics and Government Accountability ("BEGA") would need to address the issue. The Board will also be required to submit annual financial disclosure forms to BEGA in March.

The meeting was adjourned at 6:57 p.m.

Submitted by Maria K. Day-Marshall, Esq., Interim Secretary to the Board of Directors on March 18, 2016.

Approved by the Board of Directors on March 23, 2016.