

Jonathan Gardner, Audit Committee Chair: Good afternoon. Welcome to the June meeting of the DASNY Audit Committee. I would like to start by turning this over to Mike Cusack to read the legal notification.

Michael E. Cusack, Esq. – General Counsel –Thank you Chair Gardner. On March 7, 2020, Governor Cuomo declared a disaster emergency in the State of New York due to the outbreak of the novel coronavirus, or COVID-19. Pursuant to Governor Cuomo’s subsequent Executive Order 202.1 dated March 12, 2020, as extended by Executive Orders 202.14 dated April 7, 2020, Executive Order 202.28 dated May 7, 2020, and Executive Order 202.38 dated June 6, 2020, today’s regular meeting of the Audit Committee of the Dormitory Authority of the State of New York, or DASNY, is being conducted telephonically and/or by video conference.

Executive Order 202.1, as extended, provides in relevant part, that Article 7 of the Public Officers Law, known as the Open Meetings Law, is suspended through July 7, 2020 to the extent necessary to permit any public body to meet and take such actions authorized by the law without permitting in public in-person access to meetings and authorizing such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed.

The location of today’s Conference Call and Video Conference Meeting is designated as the DASNY Headquarters, 515 Broadway, in Albany, New York, where I am located. Notice of this meeting has been posted in the standard locations that are publicly accessible. Notice has also been posted prominently on the DASNY.org public website. In accordance with EO 202.1 (as extended) and the DASNY Bylaws, a video and audio recording of the Meeting will be accessible from DASNY’s website (www.dasny.org) not later than two business days after the close of the meeting, and today’s proceedings will also be transcribed and posted as soon thereafter as is reasonable and practicable under the circumstances. Thank you, Mr. Chair.

Mr. Gardner: Thank you Mike. Kim?

Kimberly J. Nadeau – Chief Financial Officer: Thank you Jon. In attendance this afternoon we have:

Audit Committee Members:

Jonathan H. Gardner, Esq., Committee Chair - Present
John B. Johnson, Jr., Committee Member - Present
Beryl L. Snyder, Esq., Committee Member - Present
Joan M. Sullivan, Committee Member - Present

Other Board Members in attendance in addition to the Audit Committee Members:

Alfonso L. Carney, Esq., Jr., Chair to the DASNY Board - Present
Tracy Raleigh, Designated Representative DOH, Board Member (ex officio) - Present

Mr. Gardner: Excellent. Behind Tab 5 of the Board Book that each of you should have are the minutes from our last meeting of May 6, 2020. If anyone has any comments or changes to those minutes, I would ask you to make those comments now. Hearing none, I would ask for a motion to approve the minutes.

Joan M. Sullivan, Committee Member: This is Joan Sullivan, I make a motion to approve the transcript.

Mr. Gardner: Thank you Joan. Beryl? I think your mic may be off Beryl, but I saw you raise your hand. I can't hear you, but I think Beryl has seconded visually.

Johnson B. Johnson, Jr., Committee Member: If not, John Johnson seconds.

Mr. Gardner: Beryl is in there. All in favor say aye, and Beryl raise your hand. Any opposed? Hearing none, the minutes have been adopted.

EXECUTIVE SESSION

I would like to request a motion to go into Executive Session to discuss the financial history of a particular corporation and matters leading to the appointment, employment, promotion, demotion, discipline, suspension or removal of a particular person or corporation. May I have such motion?

Ms. Sullivan: Joan Sullivan, I make that motion.

Mr. Gardner: Thank you Joan. Can I have a second please?

Ms. Snyder: Indicates she seconds visually by raising her hand.

Mr. Gardner: And I have a second, thank you Beryl. Kim is going to help us go into executive session.

Mr. Gardner: We are back from Executive Session. I'd like to note that having concluded the Executive Session, no action was taken in Executive Session other than to return to the public session. And with that, I would like to turn it over to Kim to talk about the Basic Financial Statements as of the year ended March 31, 2020.

BASIC FINANCIAL STATEMENTS (March 31, 2020)

Ms. Nadeau: Thank you Jon, good afternoon everyone. Before we move into the details, here is a quick summary of the highlights of this year's audit results. KPMG expects to issue three (3) unmodified opinions, on DASNY's financials, the supplementary information included with the financials, and DASNY's compliance with the State Comptroller's investment guidelines and DASNY's internal investment policies and guidelines. KPMG did not identify any significant deficiencies or material weaknesses in our internal controls. Therefore, they won't be issuing a

management letter. Unless there are any questions, I'll turn the discussion over to KPMG to review their required communications. Thank you. Marie?

Marie Zimmerman, Lead Audit Partner, KPMG: Thank you Kim. I'm pleased to have the opportunity today to present to you, the Audit Committee, Mr. Chairman, and members of management. This is a real testament to Kim and members of management to be able to proactively identify issues and embrace technology, while ensuring the integrity of DASNY's data. We coordinated collaboratively with management throughout the audit, and as Kim noted, we are happy to present today a clean opinion.

For the record. I am Marie Zimmerman, the lead audit partner, and with me today is Jeff Koch, a Senior Manager and Dave Kovalefsky, a Manager on the engagement. With respect to the table of contents in our presentation, I'm going to briefly go over the audit team, Jeff Koch will go over the scope and deliverables and our summary of results, and then I will go through upcoming accounting pronouncements. Included for your reference within our appendices is details of our areas of focus during the audit, KPMG's consideration of fraud during our audit, and then a summary of KPMG's, management's and the Audit Committee's roles and responsibilities in accordance with auditing standards. And lastly, in Appendix D is KPMG's Enhancing Audit Quality and Transparency reports.

With that, I'll move right to slide five of our presentation. Client service in audit quality continues to be KPMG's top priority, and as we utilize the team presented here on this slide, we not only had extensive knowledge of government accounting, but also of DASNY itself. We were able to bring on a new MWBE firm despite the pandemic. We worked with Long Island Financial Management, and we felt confident in their qualifications because we work with them on other clients throughout the year.

Not noted on this slide was Internal Audit, who were utilized in direct assistance. Their assistance this year was instrumental in our being able to perform the audit during the shutdown, as they were able to obtain information on our behalf. With that, I'll turn it over to Jeff Koch to take us through the scope and deliverables.

Jeff Koch, Senior Manager, KPMG: Thanks Marie, and good afternoon everybody. I'm on page seven of the handout that we have provided. Our scope and the objective of the audit of the Financial Statements is to enable the auditor to express an opinion about whether the Basic Financial Statements that have been prepared by management with the oversight of the Audit Committee and are presented fairly in all material aspects in conformity with Generally Accepted Accounting Principles ("GAAP").

We planned to perform the audit to obtain reasonable assurance about whether the Financial Statements, taken as a whole, are free from material misstatement whether due to error or fraud. Although not absolute assurance, reasonable assurance is the highest level of assurance that we can give as we will be providing an unmodified opinion on the Financial Statements. Our audit included performing test of the accounting records and other such procedures as we considered necessary in the circumstances, based on our judgment, including the assessment of risk of material misstatement, to provide a reasonable basis for our opinion, and evaluating the appropriateness of

the accounting policies used and the reasonableness of significant accounting estimates made by management in evaluating the overall Basic Financial Statement presentation. So typically, that's the audit that we would typically perform on an annual basis.

We do have five deliverables:

- The audit report on the Basic Financial Statements with the accompanying required supplementary information as required by GASB, which will be dated June 24, 2020;
- Our audit report on the supplementary information that DASNY prepares;
- Our report on *Internal Control Over Financial Reporting and Compliance and Other Matters, Based on the Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, typically referred to as the Yellow Book Report;
- Our Report on Compliance with the Requirements of Section 201.3 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York;
- And lastly, our Letter to the Audit Committee communicating matters covered by AUC 260, *The Auditor's Communication with Those Charged With Governance*, which includes our responsibilities under the professional standards, accounting policy and significant management estimates, significant and unusual transactions, and if there were any corrected or uncorrected audit differences.

Moving on to page nine is a summary of our overall audit results. Just to let the Committee know, there are no significant deviations from the audit plan we presented to you on January 7, 2020. As mentioned, we will be issuing unmodified opinion on the Basic Financial Statements. That's the highest opinion that can be provided on a set of financial statements.

There were no transactions identified during our work that were deemed both significant and unusual, or lacked authoritative guidance. We evaluated management's judgment and assumptions relative to accounting estimates. This included areas such as the total OPEB liabilities, as well as the valuation assertions associated to your leases and loans receivable. As mentioned, there were no proposed corrected or uncorrected audit adjustments identified. We had no material weaknesses or significant deficiencies in internal controls over financial reporting. There was no actual or suspected fraud involving management, employees with significant roles and internal control, or instances where fraud resulted in a material misstatement in the Basic Financial Statements that were identified as part of our procedures. And there were no disagreements with management.

At the top of the second column, the one I really want to highlight is that there were no significant difficulties encountered while we completed our audit. Given the COVID-19 pandemic, this was a unique year related to the audit, where we did have to do our work 100% remotely. We did this process by considering that atmosphere, as well as keeping our professional skepticism and continuing to evaluate our risk assessments to make sure that the audit procedures we performed and the results we obtained were sufficient in the unique circumstances to provide this opinion, and had no concerns with any of the information that management have provided to us.

Management did disclose in their Financial Statements -- and we do agree with them -- that there are no additional risks that have been identified related to COVID-19, and that'll be in Note 10[d].

And lastly, we just want to confirm to the Audit Committee that we are independent accountants with respect to DASNY under relevant professional standards and regulations.

Moving over to page 11, just a few other things to highlight. We did have some of our specialists involved in the audit. The first was within our Information Risk Management group, who tested the information technology general controls and certain application controls related to your JD Edwards and SunGard systems. There were no issues, we were able to rely on those controls throughout our audit.

We do have a tax specialist who does review DASNY's tax-exempt status as a governmental entity, and no issues were identified.

We do involve an actuary specifically related to the GASB 75 disclosures and valuation of the total OPEB liability, and deemed all the assumptions utilized reasonable, as well as the estimate of the OPEB liability and total annual costs to be appropriate, and noted that all required supplemental information was appropriately disclosed.

Related to valuation, as we have done in the past related to our investment pricing, we do price 100% of the marketable securities, and noted them all to be in agreement with the SunGard pricing, as well as through a couple other independent pricing sources. So overall, we found the pricing to be reasonable.

And we do have a second engagement partner who does participate in the engagement, as Marie mentioned a few minutes ago, who participates in our planning discussion, reviews significant areas to DASNY, as well as the overall Financial Statements.

We do have a couple of remaining items. We have the written representation from management prior to the issuance of the report, which is being provided. Over the summer, we will issue reports on the 22 individual financial statements that we typically do on an annual basis. And lastly, when the DASNY's Annual Report becomes available, we will review that in relation to our Basic Financial Statements to make sure that it's in conformity. With that, I'll turn it back over to Marie Zimmerman.

Ms. Zimmerman: Thank you, Jeff. GASB, in recognition of the pandemic, did pass GASB 95 which postpones the effective date of certain authoritative guidance. They passed that in May, and therefore, this year, there was no new accounting pronouncements that were implemented by DASNY. The postponement was not necessarily a blanket one year. GASB postponed their leasing standards (GASB 87) by two years, so it won't be applicable to be implemented by DASNY until March 31, 2023. They did postpone GASB 88, which requires certain disclosures of related debt, including direct borrowing and direct placement, by one year. That would be applicable to DASNY for March 31, 2021.

And then lastly, the big GASB that's related to DASNY is the conduit debt obligation (GASB 91). That was postponed by one year, which would be applicable now for DASNY's March 31, 2023 year end. It may be beneficial to DASNY to have the leasing standards and the conduit standards being implemented the same year, as there may be some leverage there.

That concludes our presentation for today. Does anyone have any questions?

Alfonso L. Carney, Esq., Jr., Board Chair: None here Marie, it's Al Carney.

Ms. Sullivan: I have none – it's Joan Sullivan.

Mr. Gardner: Marie, when you say that the standards were postponed, that means that the mandatory implementation is postponed?

Ms. Zimmerman: Correct. You could early implement standards if you'd like, but DASNY took the option to accept the delay on GASB 95 that was offered.

Mr. Johnson: John Johnson, I have no questions.

Mr. Gardner: Kim or Marie, are you done?

Ms. Zimmerman: That concludes our presentation if there are no questions. I'd like to thank management for their assistance throughout the audit, and I'll turn it back over to Kim.

Mr. Gardner: Yes, I think Kim is going to do the MD&A review.

Ms. Nadeau: Thank you Marie, thank you Jon. Turning back to the Financial Statements included in the Supplemental Mailing tab of your materials, I'd like to review some of the more significant items that were included in this year's Financial Statements, and provide you with highlights of DASNY's financial results for the year.

Beginning with the Executive Summary on Page 5, some of the highlights for our lines of businesses included another record-breaking year for our debt issuance activities, issuing \$9.7 billion in debt. In our construction management line of business, the new 262-bed residential building for OMH's South Beach Psychiatric Center is near substantial completion. We completed a relocation of SUNY Albany's state-of-the-art Health & Counseling Services Center into an on-campus location. We began construction of a new 257-bed zero-net carbon-certified residence hall at SUNY Poly's Utica campus.

As Marie mentions, from an accounting standpoint, we did not have any new accounting pronouncements to implement. The one standard that would have been implemented this year we did defer until next year.

Turning to our financial results, overall the Financial Statements reflect a decrease in our Net Financial Position of \$67 million, the majority of which is activity in our Restricted Funds, with DASNY's operations showing a loss of \$2.3 million. The loss reflects essentially breakeven results for Construction (\$400K) and a loss of approximately \$2 million for Financing & Grants primarily driven by a continued reduction in the number of outstanding bond issuances with higher bond administration fees.

In terms of debt issuances, those are shown on pages 8-9. As I noted earlier, we had over \$9.7 billion of issuances. Nearly 95% of that came from refundings and new money, with over 1/3 coming from new money issued to our public clients. In terms of customer distribution, while we continue to see the majority of the issuances coming from our public clients, their share decreased in the current year to 65% from last year's 71%. This was primarily due to an increase in new money and refunding issuances for our private clients in conjunction with issuances for public clients remaining largely unchanged from last year.

Moving to pages 10-12, we had \$6.4 billion in retirements for the year. Over half of that came from bonds that were refunded by new DASNY bonds and nearly 40% came from scheduled redemptions. In terms of customer type, we saw a decrease this year in the percentage coming from our public clients, going down from 71% of our retirements in 2019 to 62% in 2020. That decrease was primarily driven by an increase in refundings by our private clients.

On pages 12-14, you can see that we ended the year with nearly \$58 billion in outstanding bonds, an increase of \$3.3 billion from 2019 primarily due to the increase in net new money issuances. Despite the increase, the split between our public and private clients remained at approximately 70% public and 30% private.

In terms of our Construction Management line of business on pages 15-17, our total construction and loan disbursements decreased approximately \$1.1 billion in 2020. Our Certified Disbursements - reimbursements to our clients that manage their own projects - drove the decrease with \$1 billion less in disbursement requests. In terms of client distribution, the overall portion attributed to our public clients decreased to 78% from 86% in 2019 due to approximately \$1.4 billion less in reimbursements to our public clients.

Turning to page 19, DASNY's Statement of Net Position decreased \$67 million in 2020 primarily due to bond interest expense paid using prior year debt service payments and interest income combined with lower financing income from independent institutions due to the timing of debt service payments on outstanding debt. Increases of ~\$3.3 billion each in our assets and liabilities were driven by net increases in bonds outstanding and the related leases and loans receivable.

On page 20 you can see that the total investment balance of \$4.1 billion reflects a decrease of approximately \$800 million from last year primarily due to a lower level of prepayments of debt service obligations by the state.

Beginning on page 70, we have the supplementary information that is provided with the financials. Those include schedules that break out our Financial Statements between public and private clients and DASNY's operations, DASNY's budget and actual expenses for its operations, and a schedule of outstanding bonds and notes. We are required to submit the Auditor's Report and Basic Financial Statements to the Office of the State Comptroller by June 30th. During tomorrow's Board Meeting, there will be a resolution for the Board to approve adoption of the Basic Financial Statements as of and for the year ended March 31, 2020.

Are there any questions on the Financial Statements before I move on to a discussion of the balance of the materials?

Ms. Nadeau: Joan, did you have a question?

Ms. Sullivan: I have none.

Ms. Nadeau: Al, did you have a question?

Mr. Carney: Thank you. Kimberly. No, I do not.

ANNUAL INVESTMENT REPORT

Ms. Nadeau: Thank you. The next report is the Annual Investment Report which DASNY is also required to file with the Office of the State Comptroller. The report includes our Investment Policy and Guidelines and summaries of investment income earned and fees paid for the year. A copy of DASNY's Financial Statements will also be filed with the Investment Report.

There was one change in our Investment Guidelines during the year. In May 2020, the Board approved the removal of the requirement that a maximum of approximately 50% of all investments may be held in a single bank. This change was effective April 1, 2019 for the fiscal year ended March 31, 2020.

Investment income totaled \$142 million for the year, \$41 million of which was earned from construction funds, with the remaining \$101 million from all other funds. During 2020, DASNY paid approximately \$809,000 for trustee and custodial services.

Are there any questions on the Investment Report?

Hearing none, then before I conclude, I would like to take a moment to thank the people that made the receipt of these results possible. Under ordinary circumstances, while on the surface the Financial Statements may appear very straightforward, the underlying financial records are extremely voluminous and complicated. As you are all aware, this year's audit was conducted under significantly unusual circumstances as we worked remotely. Despite the many challenges the team faced, they continued to maintain the accuracy of our financial records and provide outstanding support to KPMG both of which were critical to achieving these results.

DASNY and I rely heavily on the experience, knowledge and dedication of the Finance staff to maintain our books and records accurately, to provide the necessary support to our independent auditors to ensure that we continue to receive unmodified opinions, and to ensure that our Financial Statements are filed with the State in a timely manner.

In particular I would like to thank our Assistant Directors: Karen Seiter - Accounting and Financial Reporting, who led the team through this audit; Karma Sees and Steve Winters-Bona – Debt; Stanley Reed – Investments; Heidi Lenge – Account Payable; Li Xu, our Manager of Accounting and Financial Reporting who was Karen's right hand person; Tonette Tomlin, Senior Financial Analyst – Debt; Sophy Lai our Director of Financial Management; Jia Wu, Senior Internal Auditor who coordinated the gathering of hard copy documentation from our various internal teams to

provide electronic versions to KPMG; and Kim Ellis and Geoff Arnold who, despite taking on significant new roles as we were beginning our year-end work, continued to fully support the audit. Without their dedication, support and oversight of their teams, the information and audit results that I just reviewed with you today would not be possible.

I would also like to thank KPMG for their support and role in making the audit run so smoothly. I personally couldn't image a few months ago that we could accomplish this with the ease that occurred. It wasn't easy for them, but they made it look easy. The results were stellar as they have been for the several years that I have been with DASNY and for many years prior to my arrival. Thank you to all. And that concludes my remarks to the Committee. Are there any questions?

Mr. Gardner: Thank you, Kim, and thank you to everyone on the team.

At this point, if there are no questions, I'm going to ask for a motion that we recommend to the full board the Basic Financial Statements and the Annual Investment Report just delivered. Mike, can I do that in one motion, or do we need two?

Mr. Cusack: You can do it in one, and you are recommending to the full Board that the resolutions be approved.

Mr. Gardner: Yes, I am. Can I have a motion?

Ms. Sullivan: This is Joan Sullivan, I move the motion.

Mr. Gardner: Motion by Joan. Thank you. And Beryl is seconding. All in favor please indicate with Aye? Any opposed? Hearing none, the motion passes unanimously.

Reuben?

PUBLIC AUTHORITIES ACCOUNTABILITY ACT ANNUAL REPORT

Reuben McDaniel, III, President: I want to also share my thanks and congratulations to the financial team at DASNY as well as KPMG, we appreciate the good work there. One unsung hero group is our Building Maintenance and Management team, they made sure that during the time they needed records and files, that the building was maintained and safe. They don't get much recognition, so I just wanted to say they also pitched in during this period of time. With that, we will move on to Agenda item number four, which is the ABO report. With the Board's approval, we will be submitting our annual report of Operations and Accomplishments to the Authorities Budget Office as required by law. We have sent you a draft and just want to provide a few highlights.

We certainly entered 2019-20 in a strong financial position, and throughout the year we certainly had a good year, although not nearly as good as the fourth quarter when I came on board. On the public finance side, we did 25 financings totaling about \$9.8 billion, as compared to \$8.7 billion the year before. On TELP, we did \$57 million in TELP financings as compared to \$22 million the year before. And on the private client business side, we have \$3.5 billion for 20 different

financings as compared to the year before, \$2.5 billion in six financings. So I'm glad to see all that good work in the public finance business moving forward. Some of our larger private client financings included our NYU Langone Hospitals for \$466 million, Rochester Institute of Technology for \$346 million, and Montefiore for \$356 million.

On the challenges side, we continue to have challenges from other conduit issuers of tax-exempt debt. There's also been a compression in the marketplace between taxable and tax-exempt rates, and so some of our private clients, particularly in the healthcare space, have chosen to go taxable on some financings outside of DASNY. However, having said that, we've certainly started off with a good year this year.

On the construction side, we have continued to do a lot of work, really yeoman's work if you've listened to the numbers. At the close of 2019-20, we had 1,084 full and modified service projects valued at more than \$7.75 billion of which 161 were greater than \$5 million. The South Beach project for \$285 million, as well as renovations to the Dutch Quad at SUNY Albany for \$33 million, were just a couple of the signature projects that we managed during the fiscal year.

On a spending level, we spent on projects approximately \$733 million, which is an increase of about 3.8% over FY 2018-19. Challenges, one of the real challenges we have is that the profile of work continues to shift to a high number of smaller projects, and these projects continue to take significant resources. So we are working on managing those projects more efficiently. We also did a lot of work this year on some interior design for SUNY, which is new for us, and a good piece of business.

On the procurement side, we had procurement activity of nearly \$539 million in comparison to \$462 million a year before. And you'll hear more about this tomorrow in the Procurement Report.

On the diversity and inclusion side, which we always are mindful of, and it's important to DASNY as an institution, we exceeded \$184 million of contract expenditures with MWBE firms with 31% of our total, which was an increase of \$44.4 million over the year before.

We also worked very hard with the State and led the small business minority- and women-owned business enterprise pilot program. That program has now kicked off statewide and DASNY is certainly an integral part of that. All in all, a very successful year, and the ABO report, I believe, will be well received by the office. That concludes my summary and I welcome any comments, questions for me or the rest of the team is on the call.

Mr. Carney: Thank you, Mr. President. It's a glowing report, I think far more detail in this year's report that we had last year. I thought I had some comments, but I don't. Congratulations on what was a very successful period.

Ms. McDaniel: Thank you.

Mr. Gardner: Any other questions or comments? Terrific report.

Mr. McDaniel: Thank you Jon.

Mr. Gardner: If there are no further questions or comments, I'm going to ask for a motion that we recommend to the Board approval of the Public Authorities Accountability Act Annual Report as just summarized. Could I have a motion?

Ms. Snyder: Moved.

Mr. Gardner: Beryl, thank you. Is there a second?

Ms. Sullivan: Second, this is Joan.

Mr. Gardner: Joan, thank you. All in favor please indicate with Aye. Any opposed? Hearing none, the motion unanimously passes.

That is what's on our Agenda for today. Unless there is some new business to come before the Committee? Hearing none, could I call for a motion to adjourn?

Ms. Snyder: Moved.

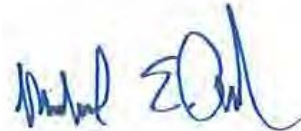
Mr. Gardner: Thank you Beryl. Can I have a second?

Ms. Sullivan: Second.

Mr. Gardner: Thank you. All in favor please indicate with Aye. We are adjourned. Thank you very much.

The Audit Committee Meeting adjourned at 4:50 p.m.

Respectfully submitted,



Michael E. Cusack
Assistant Secretary