

The Dormitory Authority of the State of New York Audit Committee Meeting was held by videoconference technology among DASNY's Offices in New York City, 28 Liberty Plaza, New York, New York; 515 Broadway, Albany, New York; and 6047 Transit Road, East Amherst, New York at 9:30 a.m. Wednesday, June 21, 2023.

CALL TO ORDER/ROLL CALL

The following Board Members and Staff were present:

Audit Committee Members Present

Joan Sullivan, Audit Committee Chair (Albany)
Beryl Snyder, Esq., Committee Member (NYC)
Lisa Gomez, Committee Member, DASNY Board Chair (NYC)

Other Board Members Present

Gerard Ronski, Esq. – Board Member (NYC)
Hon. Robert Rodriguez, Board Member (Albany)
Alfonso Carney, Board Member (NYC)
Wellington Chen—Board Member (NYC)
Ken Evans--- Designated representative of the Commissioner of Health, Board Member (ex officio) (Albany)

Staff Members Present

Reuben R. McDaniel, III, President and Chief Executive Officer
Paul G. Koopman, Vice President
Stephen Curro, Managing Director of Construction
Kimberly A. Ellis, Chief Financial Officer
Nadine Fontaine, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Sara Potter Richards, Chief of Staff
Ricardo Salaman, Esq., Deputy General Counsel
Jenilee M. Flinton, Director, Internal Audit
Nicholas Palas, Assistant Director, Internal Audit
Matthew Bergin, Director, Public Finance
Gregory Maisenbacher, Senior Internal Auditor
Jia Wu, Senior Internal Auditor
Mamadou Barry, Internal Auditor
Karen Ehlinger, Manager, Internal Controls Analysis
Amanda Nazario, Confidential Legal Assistant
Lori Huelle, Executive Assistant
Dave Byam, Senior Systems Specialist

Others Present

Jeff Koch, KPMG
Ryan Kenyon, KPMG

Several members of the public also joined the meeting via Zoom.

PUBLIC SESSION

Audit Committee Chair Sullivan welcomed the Members and staff to the Audit Committee meeting and a quorum was declared present. Upon a motion from Ms. Snyder and a second from Ms. Gomez, the minutes from the April 2023 Audit Committee meeting were unanimously approved.

The Financial Statements – Review

Chair Sullivan asked Ms. Ellis to review the financial statements for the year ending March 31, 2023. She thanked Ms. Ellis, Ms. Flinton, and their respective staffs for their hard work in connection with the annual audit, especially given the challenging timeframe.

Ms. Ellis summarized the results of the annual audit. She stated that KPMG expects to issue three unmodified opinions on DASNY's financials, the supplementary information included with the financials, DASNY's compliance with the State Comptroller's investment guidelines and DASNY's investment policy and guidelines. KPMG did not identify any significant deficiencies or material weaknesses in DASNY's internal controls; therefore, there will be no management letter issued.

Jeff Koch, Audit Managing Director, addressed the Members. He thanked Ms. Ellis and Ms. Flinton and their teams for their assistance with the annual audit. He informed the Committee Members that the presentation of the financial statements will be similar to prior years. Mr. Koch stated that, as discussed at the Audit Committee Meeting last fall, GASB 91 was adopted and as a result, certain activity was required to be removed from DASNY's balance sheet as well as net positions. He further stated that KPMG evaluated the adoption of that pronouncement and concluded that DASNY appropriately implemented the pronouncement.

Mr. Koch confirmed that KPMG will issue an unmodified opinion over the auditor's report, in addition to a report on internal controls over financial reporting and compliance with other matters, based upon the audit of the financial statements performed in accordance with GAAP. Mr. Koch stated that the report will note that no significant deficiencies or material weaknesses were found. He informed the Committee Members that KPMG will also issue a clean report for the supplementary information as well as a report regarding investment compliance examination. Finally, KPMG will also provide an unmodified opinion on DASNY's compliance with section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York.

Mr. Koch stated that DASNY also adopted GASB 87, pertaining to leases, and GASB 96, which relates to Subscription Based and IT-Based Arrangements (SBITA). He explained that these new pronouncements require certain assets and liabilities to be reflected on the books of DASNY, such as assets DASNY has acquired over time, and operating leases. Mr. Koch stated that prior

to the enactment of the pronouncement, these assets and leases would merely have been disclosed, and not reflected as a present value asset on DASNY's balance sheet.

Mr. Koch directed the Members' attention to the presentation included with the Board Materials and summarized the audit results relating to required communications and other matters. He stated that there are no matters of concern in this area, which would include things such as disagreements with management or other difficulties encountered during the course of the audit.

Mr. Koch informed the Committee Members that the auditors did not find any actual or suspected fraud or other illegal acts involving management, employees with significant roles in internal control, or where fraud would result in a material misstatement in the financial statements. He confirmed that KPMG is an independent accounting firm with respect to DASNY under all relevant professional and regulatory standards, and that all required inquiries have been performed to date and there are no matters to report.

Mr. Koch stated that the auditors have discussed with Management a financial statement misstatement related to DASNY's non-GAAP policy for accruing payables subsequent to year end that was not corrected in the year end financials. He reported that Management evaluated this difference and concluded it was not material. KPMG concurred with Management's conclusion and Mr. Koch stated that this does not impact the overall audit opinion.

Mr. Koch stated that this year's audit report will include an "emphasis of matter" paragraph, which alerts the reader to certain items in the financial statements that are not typically there. He explained that this year, an emphasis of matter paragraph will be included to address the adoption of the new accounting pronouncements adopted by DASNY in 2023.

Significant Accounting Policies and Practices

Ryan Kenyon, Audit Manager, then discussed the significant policies and practices of DASNY, which are described in note 2 to the basic financial statements and were performed in accordance with GAAP. He stated that during fiscal year 2023, there were no significant transactions recorded that they were aware of which lacked authoritative guidance or consensus. Mr. Kenyon summarized the procedures performed by KPMG with respect to the new GASB pronouncements (GASB No. 91, 87 and 96), which did not result in any audit differences.

Mr. Kenyon reported that, as in prior years, there were two significant accounting estimates identified in the audit. He stated that the engagement team reviewed the underlying assumptions and inputs with respect to the first significant accounting estimate for total OPEB liability and determined that there were no indicators of unusual or inappropriate management bias. Therefore, KPMG determined that the total OPEB liability calculation was performed in accordance with GASB 75.

Mr. Kenyon stated that with respect to consideration of fair value of investments, the auditors determined that there were no indicators of unusual or inappropriate management bias and opined that the fair value of investments calculation was performed in accordance with GASB 72.

Mr. Kenyon stated that as set forth in note 7(d) for conduit debt (significant financial statement disclosures), the auditors sent out third party confirmations and vouched responses to underlying support and documentation related to this disclosure. No matters or issues were identified in this area. He reported that KPMG applied certain limited procedures to the required supplementary information in accordance with GAAP and there were no material inconsistencies identified.

Mr. Koch summarized the type of inquiries KPMG asked throughout the audit process; the platform KPMG utilizes in undertaking the audit; and KPMG's published reports, which provide insight into policies and philosophies of the firm.

Financial Statements

Ms. Ellis thanked the KPMG Team and provided a summary of DASNY's financial results for the year. She stated that all debt issuance activities were conduit debt borrowings totaling approximately \$3 billion in debt. Ms. Ellis noted that DASNY did not issue any bonds on behalf of the State this past year. She reported that on the construction management side, DASNY continued work on several major capital projects including the new academic building at FIT, the new school of nursing at Lehman College and Awosting Hall at SUNY New Paltz. She stated that construction work commenced at the WNY Psychiatric Center.

Ms. Ellis informed the Committee Members that from an accounting standpoint, DASNY adopted GASB Statement No. 91, which relates to Conduit Debt Obligations. She explained that this pronouncement clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. As such, all debt deemed to be conduit has been removed from DASNY's basic financial statements. Ms. Ellis stated that as a result of adopting this pronouncement, DASNY restated its beginning net position by a reduction of \$37.4 million as of April 1, 2022.

Ms. Ellis stated that DASNY also adopted GASB Statement No. 87, pertaining to leases. She explained that this pronouncement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, as lessee, DASNY is required to recognize a lease liability and an intangible right to use lease asset. In addition, as a lessor, DASNY is required to recognize a lease receivable as a deferred inflow of resources, which is intended to enhance the relevancy and consistency of information about DASNY's leasing activities. Ms. Ellis informed the Committee Members that the impact of adopting GASB 87 was recognition of a Right of Use (ROU) asset and a corresponding lease liability of \$38.9 million, and Lease receivable and deferred inflows of resources in the amount of \$2.4 million at April 1, 2022.

Ms. Ellis reported that DASNY adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). She explained that similar to GASB 87, GASB 96 establishes that a SBITA results in an intangible right to use a subscription asset and a corresponding subscription liability. Ms. Ellis further explained that the impact of adopting GASB 96 was a recognition of ROU subscription assets and corresponding subscription liability of \$0.7 million (\$700K) at April 1, 2022.

Ms. Ellis stated that the Financial Statements reflect an increase in DASNY's Net Financial Position of \$76 million, the majority of which is activity in our Restricted Funds. She further stated that DASNY's operations showed a surplus of \$2.5 million, reflecting a \$.4 million surplus on the public side and a \$2 million surplus on the private institution side, primarily due to a \$1.8 million surplus for financing and bond administration, and a credit or reduced allocation of OPEB expense due to improved discount rates.

Ms. Ellis reported that DASNY had \$6.3 billion in bond retirements for the year, with approximately 81% coming from defeasances and early redemptions, with the remaining 19% from scheduled redemptions. She stated that the majority of bond retirements were the result of large prepayments provided by the State at the end of 2022. Ms. Ellis informed the Committee Members that DASNY ended the year with \$54 billion in outstanding bonds, a decrease of \$5.2 billion from 2022. She noted that the split between state institution and conduit bonds shifted slightly to 61% and 39% in 2023 compared to 67% and 33% in 2022, respectively, primarily due to large prepayments and no issuance activity in 2023 on behalf of state institutions.

Ms. Ellis stated that in terms of DASNY's Construction Management line of business, total construction and loan disbursements increased by approximately \$300 million in 2023. She further stated that increased disbursements for DASNY-Managed projects were largely driven by increased project activity in the SUNY program. Ms. Ellis reported that DASNY's Statement of Net Position increased \$76 million in 2023 compared to 2022, as restated, primarily due to improvement in short term interest rates. Decreases of approximately \$6.9 billion in assets and liabilities were largely driven by the net decrease in bonds outstanding, the related Loans receivable, and Cash and Cash Equivalents. She stated that DASNY's Restricted Net Position increased by \$69 million primarily due to increased investment income, and net investment in capital assets increased primarily due to the implementation of GASBs 87 and 96 and the recording of a right-to-use lease asset and subscription IT asset.

Ms. Ellis stated that the total investment balance of \$6.4 billion reflects an increase of approximately \$2 billion, primarily due to prepayment of debt service obligations by the State, offset by disbursements for construction projects and grant programs with no corresponding deposit of new proceeds from bond issuance activity. She further stated that money market funds saw a \$5.4 billion decrease from the prior year, largely due to improvement in short term treasury rates. Ms. Ellis reported that DASNY's total investment portfolio decreased to approximately \$6.7 billion.

Ms. Ellis directed the Members' attention to the supplementary information provided with the Board Materials, including schedules that break out the information in the Financial Statements by program type and DASNY's operations; DASNY's budget and actual expenses for its operations; and a schedule of outstanding bonds and notes. She reminded the Members that DASNY is required to submit the Auditor's Report and Basic Financial Statements to the Office of the State Comptroller by June 30. Ms. Ellis stated that during today'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, 2023.

Ms. Ellis thanked the people who worked hard to achieve these audit results. She stated that, in addition to the usual tight deadlines related to the audit, staff were charged with implementing 3 new GASB pronouncements, all of which impacted the financial statements in addition to the additional footnote disclosures. Ms. Ellis further stated that they worked diligently to ensure the proper coding changes were made to the system, identified all leases and IT subscriptions to be considered for GASB 87 and 96, and performed the necessary calculations to determine DASNY's lease/subscription liabilities and assets. She informed the Committee Members that she relies on the experience, knowledge and dedication of the Finance staff to maintain accurate books and records; provide necessary support to the independent auditors; and file the Financial Statements with the State in a timely manner. Ms. Ellis provided a special acknowledgement and thanks to Li Xu, Assistant Director of Accounting, who, in addition to overseeing this year's audit, is preparing her family to relocate out of state, effective next week. She explained that due to family commitments, Ms. Xu will be leaving DASNY effective next Monday, but will be available to assist in transition efforts with her replacement. Ms. Ellis also thanked Steve Winters-Bona, Assistant Director of the Debt Unit; Stanley Reed, Assistant Director of Investments; Geoff Arnold, Director of Budget & Operations; Kelly Ray, Manager of Accounts Payable; Antoinette Tomlin, Senior Financial Analyst in the Debt unit; and their respective teams. Ms. Ellis stated that without the dedication and oversight of these teams, today's audit results would not be possible. She also thanked Jia Wu from DASNY's Internal Audit team who supported KPMG during the audit process. Ms. Ellis extended her appreciation to KPMG for their support and role in making the audit run smoothly.

Chair Sullivan thanked Ms. Ellis, the Finance Team, and KPMG for their work in connection with the Audit. She emphasized the number of staff hours that are involved in the preparation of the financial statements and the relatively short time frame for the Annual Audit to be completed. Ms. Sullivan stated that DASNY is one of the most complicated State Authorities and expressed her appreciation for the hard work and dedication of all involved.

Upon a motion by Ms. Snyder and a second by Ms. Gomez, the Audit Committee Members decided unanimously to recommend approval of the Annual Audited Financial Statements for the fiscal year ending March 31, 2023 to the full Board.

Annual Investment Report

Ms. Ellis presented the Annual Investment Report, which DASNY is also required to file with the Office of the State Comptroller. She noted that the report includes DASNY's Investment Policy and Guidelines, and summaries of investment income earned and fees paid for the year. Ms. Ellis stated that a copy of DASNY's Financial Statements will also be filed with the report.

Ms. Ellis informed the Committee Members that there was one exception to the Investment Policy and Guidelines approved at the August 10, 2023 Board meeting, which was to allow for the investment of up to \$50 million in a private credit fund. She stated that there were no other changes to DASNY's Investment Policy and Guidelines during the year.

Ms. Ellis reported that Investment income totaled \$112 million for the year, \$1.4 million of which was earned from construction funds, with the remaining \$110 million from all other funds. She

stated that an additional \$43.3 million was earned on the investment of conduit debt-related bond and note issue proceeds, along with the reinvestment of existing funds related to conduit debt, which is not reported in the basic financial statements. Ms. Ellis reported that during 2023, DASNY paid approximately \$799,000 for trustee and custodial services.

Upon a motion from Ms. Snyder and a second by Ms. Gomez, the Audit Committee Members decided unanimously to recommend approval of the Annual Investment Report for the fiscal year ending March 31, 2023 to the full Board.

Public Authorities Accountability Act Annual Report

President McDaniel stated that the Public Authorities Accountability Act also requires the submission of an Annual Report, which is included in the Board materials. He thanked Mr. Gordon and the Communications & Marketing team for their work on the Annual Report.

Upon a motion from Ms. Snyder and a second by Ms. Gomez, the Audit Committee Members decided unanimously to recommend approval of the Public Authorities Accountability Act Annual Report to the full Board.

EXECUTIVE SESSION

Ms. Gomez moved that the Committee Members go into Executive Session to discuss the financial history of a particular corporation and matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or Corporation. Ms. Snyder seconded the motion and the Members went into Executive Session.

No action was taken in Executive Session, other than to return to the Public Session.

PUBLIC SESSION

Ms. Snyder moved to adjourn the meeting, Ms. Snyder seconded the motion, and the meeting was adjourned at 10:10 a.m.

Respectfully submitted,

Sara P. Richards
Assistant Secretary