

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 9:46 a.m. Wednesday, June 18, 2024.

CALL TO ORDER/ROLL CALL

The following Board Members and Staff were present:

Committee Members Present

Joan Sullivan, Audit Committee Chair – (Albany)
Lisa Gomez, Board Chair, Temporary Committee Member – (NYCO)
Alfonso L. Carney, Jr., Committee Member – (NYCO)

Committee Members Absent

Beryl L. Snyder, Committee Member

Other Board Members Present

Gerard Ronski, Vice Chair – (NYCO)
Janice McKinnie, Board Member – (Buffalo)
Kent Syverud, Board Member – (Albany)
Christina Coughlin, Designated Representative of the Commissioner of Education, Board Member (*ex officio*) – (Albany)
Ken Evans, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – (Albany)
Adrian Swierczewski, Designated Representative of the Director of Budget, Board Member (*ex officio*) – (Albany)

Other Board Members Absent

Wellington Chen, Board Member

KPMG Auditors

Jeffrey Koch, Audit Managing Director
Ryan Kenyon, Audit Senior Manager

Senior and Presenting Staff Members

Robert J. Rodriguez, President & CEO
Charlie Williams, Vice President
Stephen Curro, Managing Director, Construction
Kimberly Ellis, Chief Financial Officer

Nadine Fontaine, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Sara Potter Richards, Esq., Managing Director, Executive Direction
Matthew Moore, Deputy General Counsel
Ricardo Salaman, Deputy General Counsel
Matthew Bergin, Director, Public Finance
Geoffrey Arnold, Director, Budget & Operations
Jenilee Flinton, Director, Internal Audit
Craig Schreivogl, Director, Portfolio Monitoring
Gregory Maisenbacher, Manager, Internal Controls Analysis
David Ostrander, Assistant Director, Public Finance
Steven Winters-Bona, Assistant Director, Financial Management
Jia Wu, Senior Internal Auditor
Nicola Zarrelli, Managing Senior Director, Construction Finance & Administration
Kara Mallard, Director, Procurement
Stanley Reed, Assistant Director, Investments
Dianne Topple, Assistant Director, Accounting

PUBLIC SESSION

Board Chair Lisa Gomez appointed herself a temporary Member of the Audit Committee for the meeting.

Approval of the Meeting Minutes from April 9, 2024

Audit Committee Chair Sullivan welcomed the Members and staff to the Audit Committee meeting and a quorum was declared present. Upon a motion from Mr. Carney and a second from Ms. Gomez, the minutes from the April 9, 2024 Audit Committee meeting were unanimously approved.

Basic Financial Statements

Chair Sullivan asked Ms. Ellis to review the financial statements for the year ending March 31, 2024.

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. She asked Jeff Koch, KPMG Audit Managing Director, to discuss the annual audit for the Members.

Mr. Koch confirmed that KPMG expects to issue an unmodified opinion over DASNY's financial statements, which is a clean opinion and the highest-level opinion that can be issued. He noted that there were several uncorrected and corrected misstatements that were considered by the

auditors to be immaterial both individually and in the aggregate and therefore do not impact the overall opinion.

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 (the "yellow book report"). 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 opinion 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 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 throughout the course of the audit, management was transparent, cooperative, deeply involved in the audit process, and fully supportive of the auditors. There are no disagreements 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 either individually or in the aggregate to the basic financial statements taken as a whole. KPMG concurred with Management's conclusion and Mr. Koch stated that this does not impact the overall audit opinion.

In addition, Mr. Koch stated that KPMG discussed with management a financial statement misstatement resulting in an understatement of earned financing income related to state year-end prepayment. He reported that the immaterial adjustment was corrected by management.

Mr. Koch stated that consistent with previous years, this year's audit report will include a "Required Supplementary Information" paragraph. He further stated that KPMG will continue to work with Management over the summer to issue 12 individual financial statements audit reports.

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 2024, there were no significant transactions recorded that they were aware of which lacked authoritative guidance.

Mr. Kenyon reported that, as in prior years, the engagement team reviewed the underlying assumptions and inputs with respect to 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. Similarly, with respect to Management's Discussion and Analysis, no material inconsistencies or material misstatement of facts were identified.

Mr. Kenyon 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.

Ms. Sullivan thanked KPMG and DASNY Staff for their efforts in completing the audit in a very short timeframe.

Financial Statements

Ms. Ellis thanked the KPMG Team and provided a summary of DASNY's financial results for the year. She stated that we issued approximately \$8 billion in debt: \$6 billion for the State institutions of New York and \$2 billion in conduit issuances. Ms. Ellis reported that on the construction management side, DASNY completed several major capital projects including the new school of nursing at Lehman College and Awosting Hall at SUNY New Paltz. She stated that construction work continued on major projects including the new academic building at FIT and the WNY Psychiatric Center. Ms. Ellis further stated that work commenced on the new DOH Life Sciences Consolidated Lab project and the Mid-Hudson Forensic Hospital.

Ms. Ellis stated that the Financial Statements reflect an increase in DASNY's Net Financial Position of \$81 million, the majority of which is activity in DASNY's Restricted Funds. She further stated that DASNY's operations showed a surplus of \$1.9 million, reflecting a \$1 million surplus on the public side and a \$900,000 surplus on the private institution side, primarily due to

a \$1 million surplus for financing and bond administration, and a credit or reduced allocation of OPEB expense due to improved discount rates.

With respect to debt issuances, Ms. Ellis reported that DASNY issued approximately \$6 billion in debt on behalf of State Institutions. She stated that 83% of issuances were issued for new money and refunding purposes, and 64% of issuances were issued on behalf of New York State agencies. Ms. Ellis informed the Members that there were \$5.7 billion in bond retirements over the past year; approximately 53% were defeasances and early redemptions and 37% were refunded by new DASNY bonds. She reported that the majority of bond retirements were the result of a large prepayment provided by the State at the end of 2023. Ms. Ellis informed the Committee Members that DASNY ended the year with \$56 billion in outstanding bonds, an increase of \$1.4 billion from 2023. She noted that the split between state institution and conduit bonds remained the same as last year: 61% and 39% respectively.

Ms. Ellis stated that in terms of DASNY's Construction Management line of business, total construction and loan disbursements decreased approximately \$49 million in 2024, driven by fewer certified disbursement requests, primarily in the SUNY program. She further stated that disbursements for DASNY-Managed programs increased by \$129 million, driven primarily by increased grant disbursements and SESC disbursements related to the cannabis program. Ms. Ellis reported that DASNY's Statement of Net Position increased \$81 million in 2024 compared to 2023, primarily due to an increase in restricted net position related to State prepayments. Increases of approximately \$2.2 billion in assets and liabilities was largely driven by the net increase in bonds outstanding, the related loans receivable, and cash and cash equivalents. She reported that net income and capital assets decreased by approximately \$2 million, primarily due to the depreciation of capital assets and amortization of right to use leased assets and subscription IT assets.

Ms. Ellis informed the Members that DASNY's total investment balance of \$5.7 billion represents a decrease of approximately \$636 million, primarily due to increased holdings in money market mutual funds, which is a component of cash and cash equivalents, offset by new money bond issuance activities net of disbursements for construction projects and grant programs. She stated that money market accounts saw an increase of \$2.1 billion over the prior year, primarily due to the prepayment of debt service by the State. Ms. Ellis further stated that DASNY's total investment portfolio increased to approximately \$8.1 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, 2024.

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 have been working on the replacement of the current financial management system which is expected to be implemented at the beginning of next fiscal year. 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 Dianne Topple, Assistant Director of Accounting who joined DASNY in September. 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, Assistant Director 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 Mamadou Barry 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. Gomez and a second by Mr. Carney, the Audit Committee Members decided unanimously to recommend approval of the Annual Audited Financial Statements for the fiscal year ending March 31, 2024 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, 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 were no changes to DASNY's Investment Policy and Guidelines during the year. Ms. Ellis reported that Investment income totaled \$274 million for the year, \$4.4 million of which was earned from construction funds, with the remaining \$270 million from all other funds. She stated that an additional \$72.5 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 2024, DASNY paid approximately \$994,000 for trustee and custodial services.

Upon a motion from Mr. Carney 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, 2024 to the full Board.

Public Authorities Accountability Act Annual Report

President Rodriguez stated that the Public Authorities Accountability Act Annual Report will be provided to the Board Members and is also included in the Board materials. Upon a motion from Ms. Gomez and a second by Mr. Carney, 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 and credit history of a particular corporation, current or pending litigation, and matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or Corporation. Mr. Carney seconded the motion and the Members went into Executive Session.

PUBLIC SESSION

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

Ms. Gomez moved to adjourn the meeting, Mr. Carney seconded the motion, and the meeting was adjourned at approximately 10:25 a.m.

Respectfully submitted,



Sara P. Richards
Assistant Secretary