

**MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES
AUTHORITY**

AUDIT COMMITTEE

An open meeting of the Audit Committee of the Maryland Health and Higher Educational Facilities Authority (“the Authority”) was convened at 10:00 a.m., Tuesday, September 6, 2022 via teleconference with Mr. Frederick Meier, Chairman, presiding.

Present: Frederick Meier, Chairman
Arnold Williams, Member
Mamie Perkins, Member
Bonnie Phipps, Member
Sheila Riggs, Member
Jonathan Martin as representative of Treasurer Dereck Davis, ex-officio
Barlow T. Savidge, Executive Director
Lynn Gorman-Lepson, Chief Financial Officer
William Taylor IV, Bond Counsel
Daniel Kenney, CohnReznick LLP
Amy Higgins, CohnReznick LLP
Alicia Dennis, CohnReznick LLP
Dean Willey, CohnReznick LLP

Absent: Dan White, Member

1. The minutes of the May 3, 2022 meeting of the Audit Committee were unanimously approved.
2. Representatives of CohnReznick were in attendance to present the final draft of the audited financial statements and the agreed upon procedures report for the 2022 fiscal year.
 - Mr. Kenney described the materials provided to the Committee and reviewed the agenda for the presentation.
 - Mr. Kenney reviewed the auditor’s responsibility with respect to the audit and additional information and referred to the sections of the Independent Auditor’s Report that articulated these responsibilities. He highlighted several changes that were made to the Independent Auditor’s Report, including moving the opinion section to the beginning of the report and expanding on the language included in the sections describing the responsibilities of management and the auditor. Mr. Kenney stated that there were no changes in the scope of work that was performed. He then stated that there had been no significant audit findings and that the opinion of CohnReznick LLP with respect to the Authority’s financial statements for the fiscal year ended June

30, 2022 is unmodified. Mr. Kenney stated that unmodified is the new term used for unqualified.

- Mr. Kenney discussed the audit approach employed during the audit and provided examples of procedures performed.
- Mr. Kenney reviewed the comparative Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position. Mr. Kenney highlighted and explained several changes to the Annual Report that were made in Fiscal Year 2022 due to the adoption of GASB 87 relating to the accounting for Leases. These changes included the restatement of FY 2020 and FY 2021 balances, the addition and deletion of various line items in each of the statements and additional information included in Note disclosures 1, 4, 5 and 6. Mr. Kenney stated that there was a reclassification on the Statement of Revenues, Expenses and Changed in Net Position to create a separate line for Pension Expense due to the volatility of this balance in the past two years.
- Mr. Kenney reviewed the disclosures included in Note 1 to the financial statements noting the new policy relating to the calculation of net investments in capital assets and the additional information included in Note 1 due to the implementation of GASB 87 and the restatement of FY 2021 balances.
- Mr. Kenney reviewed the disclosures included in Notes 2 - 6 to the financial statements highlighting the new detail included in Notes 4, 5 and 6 due to the implementation of GASB 87.
- Mr. Kenney reviewed the disclosures included in Note 7 to the financial statements relating to the Pension Plan. He explained that MHHEFA's proportionate share of the net pension liability decreased by \$325,000 in FY 2022. This decrease, combined with the amortization of the various pension related deferred inflows and outflows, resulted in a net gain of \$97,000.
- Mr. Kenney reviewed the additional information included in the audit related to funds held by the Authority's third-party trustees and escrow agents. Ms. Gorman-Lepson highlighted the information included in the Balance Sheets and Statement of Changes in Net Position for these conduit debt funds.
- A question was raised relating to the description of the line-item gross proceeds that is included on the Statement of Changes in Net Position of Trusteed Conduit Debt Funds. After discussion, it was determined that this description would more accurately be reflected as proceeds as the discount and premium amounts are already broken out separately on this statement.
- A question was also raised regarding what percentage of the investments held by these conduit debt funds are invested by MHHEFA's direction. Mr. Savidge responded that all of these trustee-held investments are invested in

accordance with the bond documents for each issuance. Several institutions with large construction fund balances work with MHHEFA to engage third-party managers who are also required to follow the requirements and permitted investments of the associated bond documents.

- There was discussion about the opening sentence of the Annual Report which indicates that MHHEFA and its work with healthcare and educational institutions provide the foundation for the state's economy. It was agreed that this sentence was broad and should be removed from the Annual Report.
 - Mr. Kenney reviewed the auditor's management letter stating that there were no deficiencies in internal control considered to be material weaknesses noted during the engagement.
 - Mr. Kenney also reviewed the auditor's letter of communication with those charged with governance and highlighted that MHHEFA changed accounting policies related to lease accounting by adopting GASB 87 – Leases. Accordingly, the accounting change has been retrospectively applied to prior periods presented in the audit. Mr. Kenney also highlighted that there were no passed adjustments or audit adjustments to report.
 - Ms. Higgins reviewed the auditor's report on the agreed upon procedures performed at the request of the Authority with respect to various transactions and documentation for a broad sample of bonds selected by the Authority. Ms. Higgins stated there were no exceptions noted in the testing under Procedures 1 through 6. Ms. Higgins also highlighted that one of the procedures performed directly relates to a question raised earlier in the meeting. This procedure confirms that all investments with conduit debt funds are in accordance with the terms of the associated bond documents.
3. The Audit Committee unanimously accepted the audit, the agreed upon procedures report and the financial statements.
 4. In accordance with best practices for audit committees, after a motion by Mr. Williams and a second by Ms. Phipps, the Audit Committee unanimously voted to go into a closed session and excused the Authority's staff to confer with the representatives of CohnReznick LLP.
 5. After returning to open session, having no other matters coming before the Audit Committee, the meeting was adjourned at approximately 11:00 am.

Approval:



Frederick Meier
Chairman



Lynn Gorman-Lepson
Chief Financial Officer

Date: May 2, 2023