

**MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES
AUTHORITY**

AUDIT COMMITTEE

A meeting of the Audit Committee of the Maryland Health and Higher Educational Facilities Authority (the Authority) was convened at 8:30 a.m. Tuesday, May 6, 2025 with Mr. Frederick Meier, Chairman, presiding. This open meeting was held at 401 East Pratt Street (World Trade Center) in a conference room on the 26th Floor. This meeting was open to the public and available to the public remotely via a recorded conference and video line.

Present: Frederick Meier, Chairman
 Arnold Williams, Member
 Mamie Perkins, Member
 Art Varnado, Member
 Dan White, Member
 Bart Savidge, Executive Director
 Lynn Gorman-Lepson, Chief Financial Officer
 David Gregory, Bond Counsel
 William Taylor, IV, Bond Counsel
 Eric Rumberger, CohnReznick LLP
 Sean Wille, CohnReznick, LLP
 Katia Frock, PFM Asset Management
 Brian Sanker, PFM Asset Management

Absent: Jonathan Martin as representative of Treasurer Dereck Davis, Member

1. The minutes of the January 24, 2025 meeting of the Audit Committee were approved.
2. Representatives of CohnReznick were in attendance to present regarding the fiscal year 2025 audit and the agreed upon procedures (AUP) engagement.
 - Mr. Eric Rumberger introduced himself as the returning partner on the engagement and stated that Sean Wille and Logan Darnell will be returning as senior manager and senior associate, respectively, and that James Lyons will be returning as the concurring technical review manager on the engagement.
 - Mr. Sean Wille reviewed the timeline and implementation plan for both engagements and introduced, in general, the required audit procedures.
 - Mr. Wille provided more detail regarding the required audit procedures by discussing the preliminary assessment of potential risk areas, fraud interviews, walk throughs of key control processes, and areas of detailed testing, e.g., journal

entries and administrative fee calculations. Mr. Wille also described the audit procedures related to financial statement presentation and disclosures.

- Mr. Wille discussed the Final Review and Reporting steps and disclosures.
 - Mr. Rumberger reviewed CohnReznick's responsibilities under AU-C-260 - the Auditor's Communication with those Charged with Governance.
 - Mr. Rumberger provided details on four new GASB Pronouncements: No. 101, Compensated Absences, No. 102, Certain Risk Disclosures, No. 103, Financial Reporting Model Improvements and No. 104, Disclosure of Certain Assets. There was some discussion on applicability to the Authority, and it was concluded that GASB No. 101 and 102 do not apply to the Authority. Ms. Gorman-Lepson stated that the Authority would adopt GASB 103 early and include these changes in the FY 2025 MD&A section of the Audit. Ms. Gorman-Lepson also commented that the Authority was already complying with the requirements of GASB 104.
 - Mr. Rumberger gave an overview of the guidance on agreed upon procedures (AUP's) and reviewed the six procedures to be covered by the engagement. He provided details on the purpose and selection criteria for the AUP and highlighted that all bonds were selected by management and all procedures were under the direction of management.
 - There was discussion on the Authority's cyber security risks and its vulnerability to AI generated fraud. It was discussed that the Authority's end point protection (Sophos), utilization of Mimecast to screen emails and conduct PHISHING training were tools to help protect against this type of fraud.
 - There was also discussion on the peer review processes in place by CohnReznick.
3. Representatives of PFM Asset Management (PFMAM) were in attendance to present Investment Strategy Information and proposed changes to the Authority's FY 2026 Investment Policy.
- Ms. Katia Frock and Mr. Brian Sanker introduced themselves as the new relationship managers for the Authority's new Investment Advisor, PFMAM.
 - Ms. Frock presented an overview of the onboarding process with the Authority since PFMAM began its role as Investment Advisor on March 1, 2025.
 - Ms. Frock presented the proposed changes to the Authority's Investment Policy. She stated that PFMAM reviewed and compared the Authority's current policy to the Investment Policy Statement adopted by the State of Maryland. She highlighted that PFMAM expanded permitted investments in the policy to add more diversification and potential yield opportunities, added more clarity in the Authority's investment policy and added controls relating to sector and issuer maximums.

- Ms. Frock presented the benefits of diversification including decreasing the risk and increasing the expected return of the Authority's portfolio. Ms. Frock also reported that PFMAM selected ICE BofA 1-3 Year U.S. Treasury as a performance benchmark for the Authority's portfolio.
 - There was some discussion on the duration of the portfolio and it was concluded that due to the new relationship with PFMAM, a shorter duration performance benchmark would be acceptable. This will be reevaluated in May of 2026 when the Audit Committee annually reviews the Authority's investment policy.
 - The Audit Committee unanimously approved the Proposed FY2026 Investment Policy.
4. Ms. Gorman-Lepson provided an overview of the FY 2026 Operating and Capital Budget.

Ms. Gorman-Lepson stated that operating revenues were stable and consistent and that last year the Audit Committee had decided to reduce the administrative fee billing to 2.5 basis points from the 3 basis points that had been charged since 2007. Ms. Gorman-Lepson reported that 2.5 basis points was used for the FY 2026 Operating Budget assuming the Authority has waived 75% of the maximum 10 basis points they are allowed to charge borrowers.

- Ms. Gorman-Lepson reported that the Authority's investment income was budgeted at \$1.2 million for FY 2026. She highlighted the information that was included in the assumptions and stated that there was only 1 investment security in the amount of \$3.5 million that will mature prior to 6/30/25.
- Ms. Gorman-Lepson stated that operating expenses are fairly predictable and the two major categories of expenses for the Authority are Salaries Expense and Professional Fees. She stated that budgeted 2025 salaries expense was based on a 3.5% increase to account for inflationary factors as well as modest step increases for staff. There was some discussion on the 3.5% increase due to the current economic climate. It was agreed that this increase would be reduced to 2%.
- Ms. Gorman-Lepson stated that budgeted Professional Fees increased approximately \$41,000 in FY 2026 due to the hiring of PFMAM as the new investment advisor for the Authority.
- Ms. Gorman-Lepson highlighted that the budgeted insurance expense line item decreased even though the Authority added cyber and crime insurance policies this year. This is reflective of the reduced premium for the Authority's D&O insurance policy.

- The Audit Committee unanimously approved the FY 2026 operating and capital budget based upon a 2% salary expense increase. This budget will be presented to the entire Board at the next Board meeting.
5. Having no other matters coming before the Audit Committee, the meeting was adjourned at approximately 9:55 a.m.

The minutes of the May 6, 2025, Audit Committee are hereby approved.

Approval:



Frederick Mejer, Chairman



Lynn Gorman-Lepson
Chief Financial Officer

Date: September 15, 2025