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 5, 2026, with Mr. Frederick Meier, Audit Committee 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, Audit Committee Chairman
Arnold Williams, Member
James Dugan, Member
Granville Templeton III, Member
Art Varnado, Member
Bart Savidge, Executive Director
Lynn Gorman-Lepson, Chief Financial Officer
David Gregory, Bond Counsel
William Taylor, IV, Bond Counsel
Ahamadou Bocar, CohnReznick LLP
Logan Darnell, CohnReznick, LLP
Katia Frock, PFM Asset Management
Kyle Jones, PFM Asset Management

Absent: Rebecca Ruff as representative of Treasurer Dereck Davis, Member

1. The minutes of the September 15, 2025 meeting of the Audit Committee were approved.

2. Representatives of PFM Asset Management (PFMAM) were in attendance to present Investment Strategy Information and proposed changes to the Authority's FY 2027 Investment Policy.

   - Ms. Katia Frock introduced Mr. Kyle Jones as an additional relationship manager for the Authority. Mr. Jones replaced Mr. Brian Sanker.

   - Mr. Jones provided a detailed market update. This included current market themes such as geopolitics, recent actions by the Federal Reserve and information on credit spreads and the Treasury curve. Mr. Jones also presented information on various U.S. growth forecasts.

- Ms. Frock presented an overview of the Authority's investment portfolio including detailed information regarding issuer diversification and the performance of the investment portfolio.

- Ms. Frock presented the Authority's Investment Policy and noted that there were no major changes proposed for FY 2027. She stated that PFMAM reviewed and compared the Authority's current policy to the Investment Policy Statement adopted by the State of Maryland.

- Initiated by Committee Member Mr. James Dugan, there was some discussion on the allocation percentage for U.S. Treasury and Federal Agency sectors in the portfolio as well as the minimum ratings requirement for Agency Mortgage-Backed Securities (Agency MBS). It was concluded that the Authority's investment policy would be revised and include a minimum allocation to U.S. Treasury and Federal Agency sectors of 25% combined. Additionally, the minimum ratings requirement for Agency MBS would be revised to align with the N/A rating for Agencies and the maximum average life for GNMA securities (5 years). The Audit Committee asked Mr. Savidge to review these revisions with the Treasurer's Office.

- The Audit Committee unanimously approved that the Proposed FY2027 Investment Policy with the recommended changes be presented to the Board for approval.

3. Ms. Gorman-Lepson provided an overview of the FY 2027 Operating and Capital Budget.

    - Ms. Gorman-Lepson reported that FY 2026 annual administrative fees exceeded the FY 2026 Budget due to an uptick in FY 2026 bond issuances. Ms. Gorman-Lepson reported that, to date, the Authority has issued $1.9 billion in FY 2026. Ms. Gorman-Lepson stated that FY 2027 budgeted administrative fees increased over FY 2026 due to this recent activity and these fees are based on 2.5 basis points. This assumes 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 $1.55 million for FY 2027 based on PFMAM's 5-year earnings projection.

    - Ms. Gorman-Lepson stated that there was a new non-operating revenue line-item in the FY 2027 budget relating to Note Receivable Income. This relates to the Authority's $500,000 participation in NIIF's $1.362MM term loan for the Park West Health System capital expansion project as part of the Authority's Community Outreach Initiative. Ms. Gorman-Lepson described the reporting requirements relating to this Note Receivable and the assumptions used to calculate the budgeted non-operating income for FY 2027.

- Ms. Gorman-Lepson stated that budgeted 2027 salaries expense was based on a 4% increase to account for inflationary factors as well as modest step increases for staff.

- Ms. Gorman-Lepson stated that budgeted Pension expense for FY 2027 is $158,000. She reported that the Authority had a cash outlay of $136K this fiscal year and that this budget item does not project various non-cash changes.

- Ms. Gorman-Lepson highlighted that the budgeted insurance expense line item remained stable for FY 2027 due to consistent renewal premiums for its Commercials, Cyber, Crime and D&O insurance policies.

- The Audit Committee unanimously approved the FY 2027 operating and capital budget. This budget will be presented to the entire Board at the next Board meeting.

4. Representatives of CohnReznick were in attendance to present regarding the fiscal year 2026 audit and the agreed upon procedures (AUP) engagement.

    - Mr. Ahamadou Bocar 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. Logan Darnell reviewed the timeline and implementation plan for both engagements and introduced, in general, the required audit procedures.

    - Mr. Darnell provided more details 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. Darnell also described the audit procedures related to financial statement presentation and disclosures.

    - Mr. Bocar reviewed CohnReznick's responsibilities under AU-C-260 - the Auditor's Communication with those Charged with Governance.

    - Mr. Bocar provided details on two new GASB Pronouncements: No. 104, Disclosure of Certain Assets and No. 105, Subsequent Events. It was concluded that neither of these GASB Pronouncements would impact the Authority's FY2026 audit.

    - Mr. Bocar gave an overview of the guidance on agreed upon procedures (AUP's) and reviewed the six procedures 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.

5. Having no other matters coming before the Audit Committee, the meeting was adjourned at approximately 9:35 a.m.

The minutes of the May 5, 2026, Audit Committee are hereby approved.

Approval:

Frederick Meier, Audit Committee Chairman

Lynn Gorman-Lepson
Chief Financial Officer

Date: September 15, 2026