

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Audit-Finance Committee Meeting
September 17, 2024

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Tuesday, September 17, 2024.

The hybrid meeting was called to order by Mr. Peter W. Lisi, Board Chair, at 12:00 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Michael Angelini
Lawrence Davis
Peter W. Lisi, Board Chair
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)

ABSENT: Susan Martin, Committee Chair
Mark Varholak

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Charles Bodie, Managing Director of Finance and Operations
Rebecca Hrdlicka, Sr. Administrative Services Assistant
Andrew Kwashnak, Sr. Data & Systems Analyst
Carlee Levin, Sr. Accountant II¹
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Julia Pollano, Operations Reporting Analyst²
Kara Stuart, Manager of Administrative Services
of the Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Katharine Balukas, Senior Manager, BerryDunn³
Thomas Goldfuss, Partner, Whittlesey
Alan Goodwin, Manager, BerryDunn⁴
Nicole Pelletier, Manager, Whittlesey

¹ Carlee Levin participated in the meeting via teleconference that permitted all parties to hear each other.

² Julia Pollano participated in the meeting via teleconference that permitted all parties to hear each other.

³ Katherine Balukas participated in the meeting via teleconference that permitted all parties to hear each other.

⁴ Alan Goodwin participated in the meeting via teleconference that permitted all parties to hear each other.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the June 18, 2024 meeting of the Audit-Finance Committee. Mr. Angelini moved for approval of the minutes, which was seconded by Ms. Sanders.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Michael Angelini
Peter W. Lisi
Sarah Sanders

NAYS

None

ABSTENTIONS

Lawrence Davis⁵

INTERNAL AUDIT UPDATE

Mr. Bodie introduced Ms. Katharine Balukas and Mr. Alan Goodwin of BerryDunn. Ms. Balukas and Mr. Goodwin gave a presentation on the Annual Risk Assessment Review Internal Audit Services, which included an overview on the following topics:

- Annual Risk Assessment Activities
- Changes to Internal Audit Schedule

The floor was opened to questions and a brief discussion ensued regarding the new items added to the area list and the shifted timeline to the audit universe areas.

Mr. Lisi thanked BerryDunn for their efforts and report, and Mr. Bodie commented that the full risk assessment has been provided to the Board. Ms. Balukas and Mr. Goodwin left the hybrid meeting at 12:11 p.m.

INDEPENDENT AUDIT PRESENTATION

Mr. Bodie thanked Staff and auditors for their hard work with the Independent Audit.

Ms. Mackewicz provided a brief summary of the financial highlights for the fiscal year (FY) ending June 30, 2024. Ms. Mackewicz reported that, year over year, there was a slight increase in operating revenues and in operating expenses. Operating revenues remained level, year over year, at \$7.7 million; 98% of revenues were generated from administrative fees. Ms. Mackewicz reported that in FY 2024, CHEFA closed 12 bond offerings totaling approximately \$298 million, compared to \$289 million in FY 2023. Ms. Mackewicz reported that 80% of new issuances were new money. Ms. Mackewicz also stated that CHEFA issued 2 new revolving loans, totaling \$229,000 at 3.75% interest. Total loans issued since the Revolving Loan Program inception in 2021 equal \$1,029,000 and \$386,000 remains outstanding as of June 30th. Total loan interest yielded \$3,000.

Ms. Mackewicz reported that operating expenses increased, year over year, by \$300,000 to total \$4.3 million, but remained under budget by \$300,000. Operating expenses included \$70,000 of move-related expenses, which were budgeted at \$71,000. The total operating income decreased from \$3.7 million (in FY 2023) to \$3.4 million (for FY 2024), and non-operating income increased by \$300,000 due to the sustained high interest rate on investments throughout the fiscal year and a slight decrease in grants. The total operating income, year over year, is a net gain of \$1.2 million.

A brief discussion ensued.

⁵ Mr. Davis abstained from voting as he did not attend the Audit-Finance Committee Meeting held on June 18, 2024.

Ms. Mackewicz stated that the administrative fee receivables increased by \$1 million, year over year, which was due to the timing of the bills sent in June and the payments received after June 30th. Ms. Mackewicz reported that \$368 million of current restricted assets represents CHEFA’s construction funds held on behalf of the Institutions and represents a decrease of \$123 million from FY 2023. Ms. Mackewicz also reported on the right of use and capital assets. Ms. Mackewicz stated that the total net position for CHEFA, as of June 30, 2024, is \$17.6 million.

Ms. Mackewicz thanked Mr. Goldfuss, Ms. Pelletier, and the Whittlesey team for their efforts with the audit.

The floor was opened to questions and a brief discussion ensued regarding invoice payments via ACH or physical checks.

Mr. Bodie then presented a brief overview of the restricted and unrestricted investments, reserves, and contingencies for FY 2025.

Mr. Goldfuss introduced himself and Ms. Pelletier, who presented on the Independent Audit Report. The presentation provided an overview on the following topics:

- Audit Objectives and Planning the Audit
- Overview of Audit Results
- Required Communications
- Significant Audit Areas and Transactions
- Significant Accounting Estimates
- Current and Emerging Accounting Issues

During the presentation, the floor was opened to questions and a brief discussion ensued regarding the accounting estimates, Form 990 filing for CSLF, and timing of the annual federal Department of Education filing for CSLF.

EXECUTIVE SESSION WITH INDEPEPENTENT AUDITORS

Mr. Lisi requested a motion to go into Executive Session at 12:40 p.m. to review management’s performance in connection with the Independent Audit. Mr. Angelini moved to go into Executive Session and Mr. Davis seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		
Sarah Sanders		

At 12:41 p.m., all Staff members and meeting attendees left the hybrid meeting so that only those invited to the Executive Session (all Board members, Mr. Goldfuss, and Ms. Pelletier) were present.

At 1:03 p.m., Mr. Bodie and Ms. Weldon were invited to join the Executive Session.

All Staff members and meeting attendees returned to the hybrid meeting at 1:13 p.m. No votes were taken during Executive Session.

Mr. Lisi requested a motion to accept the Independent Audit for FY 2024. Mr. Davis moved for approval and Mr. Angelini seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		
Sarah Sanders		

REVIEW OF AUDIT-FINANCE COMMITTEE CHARTER

Mr. Bodie presented the updated Audit-Finance Committee Charter, which contained the following changes:

- Update of vendor RFPs that the Audit-Finance Committee can recommend for approval to only include Independent Audit and Internal Audit
- Update that vendor RFPs recommended for approval by the Audit-Finance Committee are subject to the Board of Directors approval
- Clarify responsibilities around selection (or termination) of the Audit-Finance Committee concerning the independent and internal auditors

Mr. Lisi requested a motion to accept the Audit-Finance Committee Charter as presented. Ms. Sanders moved for approval and Mr. Davis seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		
Sarah Sanders		

OTHER BUSINESS

Mr. Bodie commented that there will be a Request for Proposal (RFP) to engage an independent auditing firm. Mr. Bodie reported that an RFP must be issued every 3 years, and a firm can serve for no more than 6 years. Mr. Bodie stated that the RFP will be issued in November and a selection will be made by the Committee in February 2025.

ADJOURNMENT

There being no further business, Mr. Angelini moved to adjourn the hybrid meeting and Mr. Davis seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		
Sarah Sanders		

The hybrid meeting adjourned at 1:18 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jeanette W. Weldon". The signature is fluid and cursive, with a large initial "J" and "W".

Jeanette W. Weldon
Executive Director