

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Audit-Finance Committee Meeting Minutes
September 16, 2020

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a telephonic meeting at 12:30 p.m. on Wednesday, September 16, 2020.¹

The telephonic meeting was called to order by Mr. Mark Varholak, Committee Chair, at 12:30 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Peter W. Lisi, Board Chair
Mark Varholak, Committee Chair
Michael Angelini
Lawrence Davis
Darrell V. Hill

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Debrah Galli, Manager, Administrative Services
Carlee Levin, Senior Accountant
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director
Cynthia D. Peoples-H, Managing Director
Kara Stuart, Administrative Services Assistant of the Connecticut Health and Educational Facilities Authority

GUESTS: Kristen Brown, CPA, Director, CohnReznick
Melissa Ferrucci, CPA, Partner, CohnReznick
Josh Labonte, CPA, Senior Associate, CohnReznick

APPROVAL OF MINUTES

Mr. Varholak requested a motion to approve the minutes of the July 22, 2020 special meeting of the Audit-Finance Committee. Mr. Hill moved for approval of the minutes, which was seconded by Mr. Angelini.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Lawrence Davis	None	None

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

Darrell V. Hill
Peter W. Lisi
Mark Varholak

Ms. Peoples introduced guests Melissa Ferrucci, Kristen Brown and Josh Labonte of CohnReznick.

Ms. Mackewicz reported a year over year decrease in operating revenue and a slight increase in operating expenses. The operating revenue was \$5.6 million as compared to \$7.5 million the prior year and was budgeted at \$7.9 million. Ms. Mackewicz stated 96% of revenues are generated from administrative fees assessed to the institution, with \$1.8 million waived as part of the COVID-19 mitigation initiatives. In fiscal year 2020, 19 bond offerings were closed at \$1.1 billion and 62% of the new issuances were re-financings. Ms. Mackewicz reported operating expenses year over year increased by \$93,000 and were \$304,000 under budget. Total net operating income decreased to \$1.9 million compared to \$4 million in the prior year. Change in net position for fiscal year 2020 after grant funding was a net loss of \$0.9 million as compared to a net income of \$0.5 million in the prior year.

Ms. Mackewicz stated some notable items on the balance sheet:

- Administrative fee receivables increased by \$1.9 million reflecting the delay in the early fees for January to March 2020, billed in September 2020.
- Due from CHEFA CDC increased by \$137,000.
- \$305 million on the balance sheet of current restricted assets are construction funds held on behalf of the institution.
- CHEFA's total net position is \$13.8 million.

PRESENTATION OF FY 2020 DRAFT AUDITED FINANCIAL STATEMENTS

Ms. Melissa Ferrucci of CohnReznick thanked CHEFA's staff for their hard work during this year's virtual audit process.

Ms. Ferrucci reported the following notable items:

- Issued an unmodified or clean opinion in accordance with generally accepted government auditing standards.

- Performed an agreed upon procedures report for CSLF and prepared a CSLF tax return.
- Tax return for CHEFA CDC is a 990N, or postcard version.
- Reported no findings or no management recommendations.

Regarding required communications, Ms. Ferrucci reported the following:

- No major presentation changes year over year in the audited statements for CHEFA.
- Significant estimates that management has reported are the allowance for doubtful accounts over accounts receivable and fair value of investments reporting.
- No significant audit adjustments, no significant unusual transactions noted, no disagreements with management or any major issues, have not consulted with any other accountants, no difficulties in performing the audit, have not been aware of any instances of fraud, and no matters have come to their attention in that regard.

Ms. Ferrucci then reported the following information regarding CHEFA:

- CHEFA is a blended component unit with CHEFA CDC.
- Current assets are greater than current liabilities by \$8.7 million with a restricted net position of \$4.4 million.
- Operating income of \$1.9 million and nonoperating expenses of \$2.8 million with an overall decrease in net position of \$922,000.
- Operating activities resulted in \$607,000 of cash flow and noncapital financing activities resulted in \$91 million of cash flow.
- Utilized \$86,000 of cash to purchase capital assets and utilized \$93 million of cash to purchase investments.
- Overall decrease in cash of \$2 million.
- No new guidance required to be implemented.

Ms. Ferrucci turned the floor over to Ms. Kristen Brown to report on CHESLA and CSLF.

Ms. Brown reported the following information regarding CHESLA:

- Operating loss of \$1.4 million with an increase in net position by \$451,000.
- Increase in allowance on loans receivable of \$188,000. Ms. Brown noted that the allowances were looked at with COVID-19 as a consideration, due to the possibility of more risk for collection from CHESLA customers.
- Additional \$500,000 in funds transferred from CSLF for scholarships.

- Overall increase in cash of \$8.3 million.
- Restricted net position \$26.5 million out of \$33.3 million of net position.

Ms. Brown stated that it is auditing standards to look at going concerns for organizations. She said that due to COVID-19 a more in-depth look was taken, and they concur with management's response that there is no issue of a going concern with the organizations.

Ms. Brown reported that in the past, management has made an estimate of the current portion of the loans based on the cash receipts that have been received in the current year. This was due to Firstmark not being able to provide a report to predict the current portion of the loans. Ms. Brown stated that CHESLA is utilizing UAS instead of Firstmark this year, but the reports UAS provided were not sufficient so management is working with UAS to get better reports. Ms. Brown said in this case, the same methodology was used for the estimate of the current portion of the loans since it is reasonable and consistent with the reporting.

Ms. Brown noted that for the CHESLA operating loss of \$1.4 million, all of it was generated from the bonds and trusts. The operations themselves had an increase of \$229,000 and other programs had an increase of \$49,000.

Ms. Brown then reported the following information regarding CSLF:

- Operating income of \$1.7 million with an increase in net position by \$1.3 million.
- Transferred \$500,000 to CHESLA for scholarships.
- Overall increase in cash of \$283,000.
- Restricted net position \$4 million out of \$23 million.
- Decrease in loan loss reserves of \$60,000 with a reminder that receivables will be continuously decreasing due to no more issuing of loans.

Ms. Brown stated that they reviewed the required compliance and found no issues and have prepared the tax return that management has reviewed.

Mr. Varholak opened the floor up to questions and a brief discussion ensued.

EXECUTIVE SESSION WITH INDEPENDENT AUDITORS - MANAGEMENT'S PERFORMANCE FY 2020 AUDITED FINANCIAL STATEMENTS

Mr. Varholak requested a motion to go into Executive Session at 12:52 p.m. to discuss Management's Performance FY 2020 Audited Financial Statements. Mr. Lisi moved to go into Executive Session 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 Lawrence Davis Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

At 12:53 p.m. all Board members left the telephonic meeting to attend the Executive Session via a separate telephonic meeting room.

All Board members returned to the telephonic meeting at 1:23 p.m. and the meeting reconvened.

Mr. Varholak requested a motion to approve Management's Performance FY 2020 Audited Financial Statements. Mr. Lisi 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 Lawrence Davis Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

ADJOURNMENT

There being no further business, at 1:26 p.m., Mr. Lisi moved to adjourn the meeting and Mr. Angelini seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Darrell V. Hill
Peter W. Lisi
Mark Varholak

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director