

## **OPTN Finance Committee**

### **Meeting Summary**

**November 28, 2022**

**Webex**

**Brad Kornfeld, Chair**

**Dale Smith, Chief Financial Officer**

### **Introduction**

The Finance Committee met via Webex teleconference on 11/28/2022 to discuss the following agenda items:

1. Fiscal Year 2022 Investment Performance Update
2. Financial Statement Review
3. Accounts Receivable Aging
4. OPTN Cash Position
5. Audit Update
6. OPTN Budget and Fee Update

The following is a summary of the Committee's discussion.

Brad Kornfeld, Chair of the Finance Committee, welcomed everyone in attendance and provided an overview of the agenda. Fiscal year 2022 financials are currently undergoing the annual audit so the amounts shown would be unaudited. The OPTN continues to be in a strong financial position. The discussion today about investment performance would be led by Rob Norfleet, Truist Investment Advisor. The OPTN has exceeded \$60 million in expenditures, and patient registrations for the waitlist exceeded 63,000. Mr. Kornfeld emphasized that the OPTN is open to working with everyone in the transplant community to make improvements and then introduced Mr. Norfleet.

#### **1. Fiscal Year 2022 Investment Performance Update**

Mr. Norfleet, Truist Investment Advisor, discussed recent market trends and economic challenges, and commented that they expect inflation to be a present issue for the committee. It is expected that the Federal Reserve will continue to raise interest rates. Mr. Norfleet said that early indications point toward a possible mild recession next year. Due to volatility in the market, Truist shifted the OPTN's portfolio away from equity to cash.

Dale Smith, UNOS Chief Financial Officer, explained current allocations and target ranges and explained reallocating funds in the portfolio. When the investment was created, the committee established ranges for the various asset categories and the Truist investment team has the authorization to reallocate funds as long as they stay within the ranges set by the committee. Mr. Norfleet explained that the portfolio is lower in equities, international equities, and fixed income and more weighted in cash than it has been historically. He explained that his team works solely with non-profits and take a long-term, disciplined approach to investment strategies. Mr. Kornfeld asked Mr. Norfleet his opinion on what the Federal Reserve is looking for in setting interest rates. Mr. Norfleet responded that the Federal Reserve is focused mostly on combatting inflation.

A committee member noted that the allocation was established by the committee during a different market environment and asked whether the committee should revisit the allocation, or whether Truist

has adequate flexibility within the current allocations. Mr. Norfleet replied that the target ranges are still appropriate and Truist still has enough flexibility in the portfolio. A representative from HRSA stated that Mr. Norfleet had mentioned that the Truist investment management team only managed portfolios for non-profits. They commented that the OPTN is very unique from normal non-profits and asked how the target allocations compared to the ranges of other groups Truist manages. Truist commented that compared to similar nonprofits, the OPTN's portfolio allocations is appropriate. They explained that the main driver of portfolio composition is the liquidity needs of each organization, with some organizations having a smaller exposure to non-liquid alternative investments. Truist recommended the portfolio allocation and policy standards be discussed amongst the committee annually.

## **2. Financial Statement Review**

The committee reviewed the OPTN Statement of Financial Position and discussed how the balances are comparable to last year. The committee was reminded that the September 2022 numbers are currently undergoing an audit.

The committee was also briefed on the statement of activities and discussed that the variance in the budget when wages were down, due to long vacancies in open roles.

Historically, the OPTN has come in under budget for the amount of time that employees bill for OPTN-focused work. For fiscal year 2023, the budget was revised to account for this and reduce the amount of time expected for OPTN-focused tasks.

Multiple parts of the budget came in under budget during fiscal year 2022, including employee benefits, meeting and travel, and indirect expenses. Direct expenses accounts for expenses such as purchased services, legal fees, and litigation expenses. Two members asked for additional information on direct expenses, to which UNOS staff confirmed that this could be provided to the committee.

A committee member asked about the calculation of wages by staff for OPTN work, to which UNOS staff explained that employees are required to submit a weekly timesheet in which they report how they spent their time, down to the quarter-hour. When creating a budget, UNOS staff analyze timesheets from employees over an 18-month window to factor into the strategic decision making on how employees are likely to spend their time in the future.

A committee member asked how the OPTN plans to bring the budget variances back in-line in the future; the OPTN expected 2-3% variance when in reality it came in around 6.5%. UNOS staff explained that when it comes to predictable parts of the budget, they suspect to see a small variance in the budget. What can skew the budget unpredictably are the uncontrollable expenses such as litigation expenses, or meeting and travel costs that were impacted during the pandemic. In the future, the goal is to differentiate where controllable expenses did not meet our budget expectations versus uncontrollable factors that impacted financials.

The committee discussed the scheduled registrations and fees for fiscal year 2023. The committee discussed the revenue process when it comes to OPTN registrations. When OPTN Waitlist registrations are invoiced, this is OPTN funds and they are deposited into the OPTN operating account. The OPTN then submits a voucher to HRSA on a monthly basis with all expenses incurred on behalf of the OPTN that month. A representative from HRSA suggested a detailed explanation of the revenue recognition policy be presented to the committee at a future meeting. UNOS staff agreed to present on the accounting flows of the OPTN in a future meeting. A committee member asked if expenses that are incurred on behalf of the OPTN must be for tasks within the scope of the OPTN Contract. A representative from HRSA explained that HRSA pays the OPTN contractor a federal appropriation

amount that is billed on the voucher and the rest of the OPTN's funding comes from the OPTN Waitlist registration fees.

### **3. Accounts Receivable Aging**

The committee reviewed the accounts receiving aging for October 2022. It was noted that the collections for the receivables aged over 60 days had seen a significant decrease compared to the same time period in the prior year. The committee was also reminded that members are contractually obligated to pay the OPTN Patient Registration fee within 30 days of receiving their invoice and after 30 days, the OPTN has the right to accrue interest on the invoice.

#### Summary of Discussion:

A committee member asked about the distribution of unpaid fees by members, to which UNOS staff explained that a monthly report is created for HRSA to show which members are over 120 days late on payments and owe more than \$10,000. Because the payment of the registration fee is an OPTN policy, then the mechanism for enforcing compliance would be through the MPSC as a policy violation, within a closed session. Committee members asked to be kept informed on accounts receivable aging in future meetings.

### **4. OPTN Cash Position**

The committee reviewed the OPTN's cash position as of October 2022 for the operating and reserve accounts. The reserve balance is currently below the minimum due to market conditions and loss of value in investments.

### **5. Audit Update**

UNOS Chief Financial Officer provided an update to the committee on the ongoing fiscal year 2022 audit. There have been no issues during the audit and the committee expects successful results in early 2023.

### **6. OPTN Budget and Fee Update**

A representative from HRSA responded to the committee's request for more information on budget resubmission. They explained that HRSA is still reviewing the budget, focusing on the Paycheck Protection Program (PPP) Loan.

#### Next Steps:

The fiscal year 2023 committee meeting schedule was outlined and noted that the committee plans to meet in February of 2023.

## Attendance

- **Committee Members**
  - David Mulligan
  - Dianne LaPointe Rudow
  - Irene Kim
  - Jan Finn
  - Jerry McCauley
  - Jim Sharrock
  - Meg Rogers
  - Melissa McQueen
  - Valinda Jones
  - Wendy Garrison
- **HRSA Representatives**
  - Adrienne Goodrich-Doctor
  - Vanessa Arriola
- **UNOS Staff**
  - Anna Messmer
  - Morgan Jupe
  - Susie Sprinson
- **Other Attendees**
  - Rob Norfleet