CHEFA Community Development Corporation

10 Columbus Blvd
Hartford, CT 06106
(860)520-4700
CHEFA.com/CDC

September 24, 2021

Governor Ned Lamont
State of Connecticut
State Capitol
Hartford, CT 06106

Dear Governor Lamont:

In accordance with the reporting requirements of Connecticut General Statutes §1-123, the CHEFA Community Development Corporation (CHEFA CDC) is pleased to submit its Annual Report for the Fiscal Year Ending June 30, 2021.

If you have any questions or need further information, please call me at 860-761-8453.

Sincerely,

Jeanette W. Weldon

Jeanette W. Weldon
Executive Director

cc: John C. Geragosian
Clark J. Chapin
Auditors of Public Accounts (2 copies)

Annual Report

Fiscal Year Ending June 30, 2021

Contents

Exhibits

CHEFA Community Development Corporation

I. About CHEFA Community Development Corporation

On January 16, 2019, the Board of Directors of the Connecticut Health and Educational Facilities Authority ("CHEFA" or the "Authority") authorized the formation of a subsidiary, a Connecticut non-stock corporation of the Authority for purposes of providing financial assistance to Institutions by facilitating and attracting investments in qualified projects in Connecticut's low-income communities, for the benefit of the people of the State of Connecticut.

CHEFA Community Development Corporation ("CHEFA CDC" or the "Corporation") was incorporated on February 20, 2019. CHEFA CDC's primary activity, acting as a certified Community Development Entity, involves the distribution of awarded tax credits to non-profits in accordance with the federal government's New Markets Tax Credit Program. It is the first federally certified Community Development Entity headquartered in Connecticut that focuses exclusively on the state's non-profit sector.

The federal New Markets Tax Credit Program awards tax credits through a competitive application process. CHEFA CDC will apply for an allocation of tax credits and will utilize awarded tax credits to assist non-profits that have a significant impact on Connecticut's low-income communities. Non-profits will be able to use the tax credits to attract private investment in their capital projects.

CHEFA CDC's Mission:

To provide financial assistance by serving and/or providing investment capital to institutions for higher education, health care institutions, nursing homes, and qualified nonprofit organizations, as defined in C.G.S. § 10a-178 (e), (g), (h), and (n) ("Institutions") in low-income communities located in the State of Connecticut, as a Certified Community Development Entity within the meaning of Code Section 45D, and to otherwise engage in any lawful act or activity consistent with the forgoing for which corporations may be formed under the Nonstock Act. The Corporation will (i) direct at least 60% of its activities to low-income communities including making Qualified Low-Income Community Investments within the meaning of Code Section 45D, in eligible Projects as defined in C.G.S. §10a-178(b), of Connecticut institutions for higher education, health care institutions, nursing homes, and qualified nonprofit organizations, as defined in C.G.S. §10a-178, (ii) remain accountable to the residents of the low-income communities it serves, and (iii) sub-allocate the entire allocation of any New Markets Tax Credits it receives to appropriate entities that are Certified Community Development Entities.

II. Organization Overview

CHEFA CDC was formed as a subsidiary of CHEFA, to carry out CHEFA's public purpose. CHEFA CDC is a Connecticut nonstock corporation and shall be operated exclusively for charitable purposes within the meaning of Code Section 501(c)(3). CHEFA is the sole member of the Corporation. CHEFA CDC is managed by a Board of Directors, who are responsible for the general management and control of the business and legal affairs of the Corporation. The Executive Director is responsible for administration of the business and affairs of the Corporation, and the execution of any orders of the Board of Directors. As a requirement of being a certified Community Development Entity, CHEFA CDC must be accountable to the residents it serves. The Corporation satisfies this requirement by maintaining an Advisory Board.

Subsidiary of CHEFA

CHEFA CDC is a subsidiary of CHEFA, in accordance with C.G.S § 10-a179(k). The Corporation is deemed a quasi-public agency for purposes of Chapter 12 of the Connecticut General Statutes and has all the privileges, immunities, tax exemptions and other exemptions of CHEFA.

Board of Directors

As required by C.G.S § 10-a179(k)(2), at least one-half of the CHEFA CDC Board of Directors shall be members of the Board of Directors of the Authority. CHEFA CDC's Board of Directors are appointed by CHEFA at the annual meeting of CHEFA's Directors. Directors are appointed for a one-year term of office, or until their successor is appointed.

CHEFA CDC's Board of Directors

- **Peter W. Lisi, Chairperson**
  Retired
- **Michael Angelini, Vice-Chairperson**,
  Vice President for Treasury
  Yale New Haven Health System
- **Lawrence M. Davis**, Senior Vice President,
  Client Manager
  Webster Bank, N.A.
- **Steven L. Elbaum,** Partner
  Robinson + Cole LLP
- **Darrell V. Hill**, Deputy Treasurer, State of Connecticut, Office of the Treasurer
- **Kimberly Kennison**, Executive financial Officer, State of Connecticut

- **Dr. Estela R. Lopez**
  Retired
- **Susan M. Martin**, Chief Financial Officer &
  Vice President, Finance
  Middlesex Hospital
- **Alan Mattamana**, Partner
  Fairview Capital
- **Mark Varholak**, Vice President for Finance
  Quinnipiac University

Workforce

CHEFA CDC currently does not have any employees. CHEFA provides support services to the corporation. The daily operations of CHEFA CDC are performed by employees of CHEFA.

Advisory Board

As a certified Community Development Entity. CHEFA CDC must maintain accountability to residents of the low-income communities it serves, as set forth in Section 45D of the Internal Revenue Code. To satisfy this requirement, CHEFA CDC maintains an Advisory Board to advise the Board of Directors with respect to strategies to achieve CHEFA CDC's purpose and make recommendations to the Board with respect to projects to be undertaken by CHEFA CDC. The Advisory Board shall serve solely in an advisory capacity and have no authority to take any action by or on behalf of the Corporation.

Initial members of the Advisory Board were appointed by the Board of Directors of CHEFA CDC. Following the appointment of the initial Advisory Board members, the Board Chairperson may appoint Advisory Board members either to fill vacant positions or increase the number of Advisory Board members.

III. FY 2021 Update on Activities

- Developed a legislative initiative to create a State New Markets Tax Credit Pilot Program, and formed a coalition of supporting entities
- Met with several State Legislators and Commissioners, nonprofit organizations and community partners, educating them on the impact of the New Markets Tax Credit Program

IV. FY 2022 Description of Planned Activities

- Continue efforts to advocate for legislation to create a State New Markets Tax Credit Pilot Program
- Develop a project pipeline of potential eligible NMTC projects
- Prepare to submit an application to the CDFI Fund for an allocation of federal New Markets Tax Credits for the Calendar Year 2022 Round
- Identify additional resources to provide financial assistance to qualified organizations serving low-income communities

CHEFA Community Development Corporation

Proposed Operating Budget for the Twelve Months Ending June 30, 2022

	Budget FY 2019	Actual FY 2019	Budget FY 2020	Actual FY 2020	Budget FY 2021	Projected Actual FY 2021	Budget FY 2022
Leveraged Tax Credits Allocated:					31,500,000	0	
Loan Fund Tax Credits Allocated:					3,500,000	0	
Tax Credits Unwound:							
Total Tax Credits Allocation Outstanding:					35,000,000	0	0
Operating Revenues							
Leveraged NMTC Transaction							
Allocation Fee (1.75% Fee)					551,250		0
BackEnd Fee (0.50%)					0		0
Community Reinvestment Fee (1.0%) (Restricted FUND)					315,000		0
CCDC Asset Management Fee - (0.5% Yearly Fee)					157,500		0
NMTC Loan Fund Transaction							
Allocation Fee (1.75% Fee)					61,250		0
Origination Fee (1.0% set by investor) (returned to Invest-See below)					35,000		0
Expenses Reimbursement (Est. 0.5% Yearly Fee)					17,500		0
Total Operating Revenues	0	0	0	0	1,137,500	0	0
Operating Expenses							
Support Services	86,500	15,003	67,239	46,042	68,179	40,300	43,000
General and Administrative							
Lease							
Business Insurance	0	0	0	0	10,000	0	0
Office Supplies & Non-cap Equipment	250	37	253	107	253	82	100
Postage	50		51	100	150	100	100
Legal Fees	45,000	45,335	50,000	39,019	20,000	0	10,000
Loan Origination Fee (from Above back to Investor immediately)	0	0	0	0	35,000	0	0
Marketing	25,000	28,860	15,000	355	2,000	0	500
Conferences, Travel	3,000	0	6,000	497	4,000	199	3,000
Membership					3,625		0
Miscellaneous Expenses	5,000	25	5,000	283	4,700	50	4,300
Contracted services							
CDE Consultant	68,000	18,000	118,000	50,000	430,000	0	30,000
Independent Auditors	1,000	0	1,000	0	1,000	0	1,000
NMTC Compliance Consultant	0	0	0	0	8,500	0	0
Total Operating Expenses	234,800	107,260	262,543	136,403	599,532	40,731	92,000
Operating Income (Loss)	(234,800)	(107,260)	(262,543)	(136,403)	537,968	(40,731)	(92,000)
Non Operating Income (Expense)							
Investment Income		0		0	0	0	0
Change in net position	(234,800)	(107,260)	(262,543)	(136,403)	537,968	(40,731)	(92,000)
Net position, beginning of year	0	0	(107,260)	(107,260)	(243,663)	(243,663)	(284,394)
Net position, end of year	(234,800)	(107,260)	(369,803)	(243,663)	294,305	(284,394)	(376,394)

CHEFA Community Development Corporation
Loans, Grants or Services in excess of $5,000
General Account Disbursements
Fiscal Year Ending June 30, 2021

Vendor

CHEFA
Community
Development
Corporation

10 Columbus Blvd
Hartford, CT 06106
(860)520-4700
CHEFA.com/CDC

CHEFA Community Development Corporation

Affirmative Action Policy Statement for 2021

The Corporation recognizes the need for an affirmative action policy, the purpose of which is to provide equal employment opportunity. Affirmative action is a positive action to overcome the present effects of past practices, policies or other barriers to equal employment opportunity and to achieve the full and fair participation of any protected group found to be underutilized in the work force or affected by policies and practices having an adverse effect. Equal employment opportunity is the employment of individuals without consideration of race, color, religious creed, marital or partnership status, sex, sexual orientation, gender identity or expression, transgender status, national origin, ancestry, status as a veteran, pregnancy, workplace hazards to reproductive systems, age, present or past history of mental, intellectual, learning, or physical disability, genetic information, veteran's status, prior conviction of a crime, or any other reason prohibited by any applicable law or regulation, unless there is a bona fide occupational qualification excluding persons in one of the above protected groups or the provisions of C.G.S. § 46a-80(b) apply. The Corporation shall endeavor to hire and promote members of protected groups found to be underutilized in the work force or affected by policies and practices having an adverse effect.

The Executive Director shall be responsible for the implementation of the Corporation's affirmative action policy.

CHEFA Community Development Corporation

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CHEFA Community Development Corporation

Audited Financial Statements for the Fiscal Year Ending June 30, 2021

CHEFA Community Development Corporation ("CHEFA CDC") is a component unit of the Connecticut Health and Educational Facilities Authority ("CHEFA"), the Audited Financial Statements of CHEFA CDC are combined with CHEFA. Schedule 1 and Schedule 2 of CHEFA's Audited Financial Statements shows the combined Balance Sheet and Profit & Loss Statement, which includes CHEFA CDC.

Attachment:

- **Connecticut Health and Educational Facility Authority Audited Financial Statements for the Fiscal Year Ending June 30, 2021**

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports

June 30, 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Table of Contents

<u>Compliance</u>

Financial Section

Independent Auditor's Report

To the Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 20, 2021, on our consideration of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
September 20, 2021

CHEFA

Connecticut Health & Educational Facilities Authority

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(In Thousands)

As management of Connecticut Health and Educational Facilities Authority ("CHEFA"), we offer readers of CHEFA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. This Management's Discussion and Analysis presents a separate discussion for the primary government (CHEFA), which includes the blended component unit CHEFA Community Development Corporation ("CCDC"), and each of the discretely presented component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and independent schools, childcare facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions pursuant to Connecticut General Statutes Chapter 187, Sections 10a-176 through 10a-198. These tax-exempt bonds are financial obligations of the underlying obligor on whose behalf CHEFA issues the bonds. The issuance of tax-exempt bonds can provide funds for construction and renovation projects, the refinancing of eligible existing debt, funding of Debt Service Reserve Funds (if applicable), and funding of issuance costs.

CHESLA, a subsidiary of CHEFA, issues tax-exempt bonds to fund student loans for post-secondary education of students in or from the State of Connecticut. CHESLA's bonds are repaid from student loan repayments and are further supported by a Special Capital Reserve Fund, the replenishment of which is deemed appropriated by the State of Connecticut.

CSLF is a Connecticut State-chartered non-profit corporation established pursuant to State of Connecticut General Statutes Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. Generally, CSLF is empowered to achieve this purpose by originating and acquiring student loans and providing appropriate services incident to the administration of programs which are established to improve educational opportunities. CSLF no longer originates or acquires student loans or serves as administrator of the federal guarantee.

CCDC, a non-profit subsidiary of CHEFA, was created in February 2019 to operate as a Certified Community Development Entity ("CDE") within the meaning of Section 45D of the Internal Revenue Code of 1986, as amended (the "Code") to provide financial assistance by serving and/or providing investment capital to institutions for higher education, healthcare institutions, nursing homes, and qualified nonprofit organizations, as defined in C.G.S. § 10a-178 (e), (g), (h), and (n), ("Institutions") in low-income communities located in the State of Connecticut. CCDC's primary activity will be the distribution of awarded tax credits in accordance with the Federal Government's New Markets Tax Credit Program.

Financial Highlights

- CHEFA's net position (which recognizes the CCDC loss of $39) increased $797 for the fiscal year resulting from operating income of $3,848 net of nonoperating expenses (including grants and childcare expenses) of $3,079 offset by investment income of $28.

- CHESLA's net position decreased by $840 for the fiscal year resulting from operating revenues of $8,763 net of operating expenses of $9,672, offset by investment income of $69.
- CSLF's net position increased $1,126 for the fiscal year, resulting from operating income of $1,623 and nonoperating expenses of $500 in contributions to CHESLA, offset by investment income of $3.
- During fiscal year 2021, CHEFA disbursed three revolving loans totaling $150. Principal repayment and interest on the loans are received quarterly. Loan receivable (net allowance for loan loss) for the fiscal year is $100.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $18,499 for both the in-school loan and Refi CT programs. Payments received totaled $25,958, net of adjustments for both programs.
- CSLF received loan payments of $23,394 during the fiscal year.
- CHESLA issued debt of $34,255 to be used for in-school loans and refinancing of prior bonds.
- CSLF's bonds payable decreased by $22,000 from voluntary redemptions made during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CHEFA's basic financial statements. CHEFA's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. Separate financial statements are presented for CHEFA (primary government), which includes CCDC, and the two discretely presented component units CHESLA and CSLF.

Financial statements. The financial statements are designed to provide readers with a broad overview of CHEFA's finances, in a manner similar to a private-sector business. CHEFA's operations are reported as business-type activities.

The *statement of net position* presents information on all CHEFA's assets, liabilities, and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CHEFA is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how CHEFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected loans and earned but unused vacation leave).

The *statement of cash flows* presents the cash flow by each type of activity.

The financial statements can be found in Exhibits A, B and C.

CHEFA
Connecticut Health & Educational Facilities Authority

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to financial statements can be found in Exhibit D.

Connecticut Health and Educational Facilities Authority (CHEFA) (including CCDC)

Financial Analysis

Assets exceeded liabilities at June 30, 2021. Net position may serve over time as a useful indicator of financial position. The restricted portion of net position for CHEFA at fiscal year-end was 31%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (67%) is unrestricted.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2021	**2020**
Current assets	$ 306,509	$ 313,707
Capital assets (net)	277	245
Other noncurrent assets	6,693	6,689
Total assets	313,479	320,641
Assets held on behalf of the State of CT	2,161	2,163
Other liabilities	296,955	304,937
Total liabilities	299,116	307,100
Unearned revenue	25	-
Net investment in capital assets	277	245
Restricted	4,388	4,448
Unrestricted	9,673	8,848
Total net position	$ 14,338	$ 13,541

At June 30, 2021, CCDC maintained $283 in current liabilities (Due to CHEFA) and an unrestricted net position of ($283), included above.

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position increased $797 (a gain of $836 for CHEFA offset by a $39 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2021	**2020**
Operating revenues:		
Administrative fees	$ 7,388	$ 5,605
Supporting services fees	148	146
Bond issuance fees	90	65
Interest income on loans receivable	2	-
Total operating revenues	7,628	5,816
Operating expenses:		
Salaries and related expenses	2,977	3,018
General and administrative	548	535
Contracted services	255	322
Total operating expenses	3,780	3,875
Operating income	3,848	1,941
Nonoperating income (expenses):		
Investment income	28	195
Grants and childcare subsidy expense	(3,079)	(3,058)
Total nonoperating expenses	(3,051)	(2,863)
Change in net position	797	(922)
Net position, July 1, 2020	13,541	14,463
Net position, June 30, 2021	$ 14,338	$ 13,541

At June 30, 2021, CCDC expenses included above total $39 in contracted services, for a total change in unrestricted net position of ($39).

Revenues

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and independent schools, childcare facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions. CHEFA charges the borrower for administration and application fees.

The fee charged is a Board approved administrative fee of 9 basis points (.0009) annually on the outstanding balance of bonds issued on a tax-exempt basis. Commencing July 1, 2021, the administrative fee for taxable bonds issued will be 3 basis points (.0003).

Revenues totaled $7,628 for fiscal year 2021. Administrative fees are the largest revenue source and represent 97% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled $148, representing 2% of revenues for the year. The balance includes application fees for the conduit debt issued and interest income on loans receivable at 1%.

Significant changes from the prior year for revenues are as follows:

- Administrative fees totaled $7,388 for fiscal year 2021. During fiscal year 2020, CHEFA waived 25% of annual Administrative fees and deferred another 25% of the fees to September 2020 in response to the COVID-19 pandemic. The change in Administrative fees for fiscal year 2021 is a result of the end of the COVID-19 initiative and the change in the par value of loans outstanding at June 30, 2021. Administrative fees totaled $5,605 for the fiscal year ended June 30, 2020 and $7,488 for the fiscal year ended June 30, 2019. Fees are calculated on the total par amount outstanding in any given year.

  The balance of the par value of debt outstanding at June 30, 2021 was $8,303,029 compared to $8,136,047 at June 30, 2020 and $8,408,386 at June 30, 2019.

  During the year, CHEFA issued new conduit debt totaling $743,006 in par value of which 47% was the refinancing of pre-existing debt.

- Nonoperating investment income decreased by $167 to $28 from $195 recognized in fiscal year 2020. This is a result of changes in cash flow due to pandemic initiatives and continued interest rate decreases during the fiscal year.

CHEFA
Connecticut Health & Educational Facilities Authority

Expenses

Expenses totaled $3,780 for the fiscal year. Of the expenses, 79% or $2,977 was for salaries and related expenses. General and administrative expenses amounted to $548, or 14%, while contracted services amounted to $255 or 7%.

Significant changes from the prior year are as follows:

- Salaries and related expenses decreased by $41 from fiscal year 2020 to $2,977 in fiscal year 2021.
- General and administrative expenses increased by $13 from fiscal year 2020 to $548 in fiscal year 2021.
- Contracted services decreased by $67 from fiscal year 2020 to $255 in fiscal year 2021.

Capital Assets

At June 30, 2021, CHEFA's capital assets amounted to $277, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $32 due to capital asset additions of $103, offset by depreciation of $71. Capital asset purchases during the year included network, website and system implementations.

Additional information on capital assets can be found in Exhibit D (II) C.

Economic Factors

The significant factors impacting CHEFA include the interest rate environment and potential tax reform as both may impact borrower issuance and/or refinancing options.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2021. Due to the nature of operations, a significant portion of net position is subject to bond resolution restrictions. The restricted net position for CHESLA at fiscal year-end was 82%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (18%) is unrestricted.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2021	**2020**
Current and other assets	$ 210,149	$ 228,131
Capital assets, net	3	3
Total assets	210,152	228,134
Long-term liabilities outstanding	175,447	193,048
Other liabilities	1,158	1,240
Total liabilities	176,605	194,288
Deferred inflows of resources	1,048	507
Net investment in capital assets	3	3
Restricted	26,574	26,553
Unrestricted	5,922	6,783
Total net position	$ 32,499	$ 33,339

CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2021, CHESLA funded new loans, net of returns, of $17,236 of in-school loans and $1,263 in Refi CT loans, compared to $23,350 and $2,256 respectively, in fiscal year 2020. This resulted in a decrease of 26.3% for in-school and a decrease of 44% for Refi CT over fiscal year 2020.

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position decreased $840.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA 2021	CHESLA 2020
Operating revenues:		
Interest income on loans receivable	$ 7,755	$ 7,192
Administrative fees	516	710
Contributions from CSLF	490	1,500
Other revenues	2	-
Total operating revenues	8,763	9,402
Operating expenses:		
Interest expense	6,230	6,359
Salaries and related expenses	298	258
General and administrative	562	523
Refinance program	-	35
Scholarships	490	1,500
Loan service fees	735	1,029
Contracted services	47	75
Bond issuance costs	656	429
Provision for loan losses	654	598
Total operating expenses	9,672	10,806
Operating income (loss)	(909)	(1,404)
Nonoperating income:		
Investment income	69	1,855
Change in net position	(840)	451
Net position, July 1, 2020	33,339	32,888
Net position, June 30, 2021	$ 32,499	$ 33,339

The decrease in net position for fiscal year 2021 reflects an increase in bond issuance costs and provision for loan losses, as well as a significant decrease in investment income.

Revenues

CHESLA provides financial assistance in the form of education loans and scholarships to students in or from the State of Connecticut. Refi CT is available to Connecticut residents or to non-residents who are refinancing a CHESLA loan. CHESLA is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to students meeting certain eligibility requirements or refinance existing debt. The repayments of such loans service the debt on CHESLA bonds. Revenues include administrative fees, origination fees and the interest charged on the loans.

Significant changes from the prior year for revenues are as follows:

- Interest income on loans receivable increased by $563 to $7,755 from $7,192 in the prior year.
- Origination fees, reported as administrative fees, decreased by $194 to $516 during the year 2021 compared to $710 in fiscal year 2020. This is due to the decrease in the funding of new in-school loans, resulting in a decrease in fees received.
- Contributions from CSLF totaled $500 in fiscal year 2021 and $1,500 in fiscal year 2020. Transfers approved by the CSLF Board are recorded as deferred inflows of resources with revenues being recognized when funds are disbursed in subsequent fiscal year(s):
    - The Scholarship Fund disbursed approximately $490 in fiscal year 2021.
- Nonoperating investment income decreased by $1,786 in fiscal year 2021, primarily due to the market value of the Treasury notes held in the Special Capital Reserve Fund ("SCRF") investment accounts of the 2020C and 2020D Bond issues in addition to a decrease in interest rates.

Expenses

Expenses totaled $9,672 for the fiscal year. The largest expense representing 64% or $6,230 of total expenses was for interest payments on debt. This is an increase of 5% from 59% in fiscal year 2020. Loan servicing fees totaled $735 or 8%. Bond issuance costs totaled $656 or 7%. Provision for loan losses totaled $654 or 7% and general and administrative expenses amounted to $562 or 6% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense decreased by $129 as compared to fiscal year 2020 resulting from the change in the principal balance of outstanding debt net of the issuance of new bonds.
- Salaries and related expenses increased by $40.
- General and administrative expenses increased by $39 primarily due to an increase in marketing costs and other expenses.

- Bond issuance costs increased by $227. Two bond series closed in fiscal year 2021. The 2020 Series D which closed August 18, 2020 was a refunding issue of $16,740. The 2021 Series B closed June 23, 2021 was a new money issue for $17,515.
- Provision for loan losses increased by $56 resulting from a decrease in loan loss recovery, net of expense, of $309 and an increase in student write offs, net of recoveries, of $365.

Capital assets

At June 30, 2021, CHESLA's capital assets remained level at $3.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable
(in thousands)

	CHESLA	
	2021	**2020**
Revenue bonds	$ 166,740	$ 186,345
Premiums/discounts	8,707	6,703
Total long-term liabilities	$ 175,447	$ 193,048

CHESLA's increase in the principal revenue bonds outstanding is a result of new issuances totaling $34,255, redemptions of $27,760 and refundings of $26,100.

CHESLA maintains an "AA-" rating from Fitch Ratings and an Aa3 rating from Moody's Investors Service for its state supported revenue bonds.

Additional information on long-term debt can be found in Exhibit D (II) D.

Economic Factors

The economic conditions and unemployment rates affect CHESLA as they may impact the ability of individuals to repay their loans and the rate of loan origination.

CHESLA's in-school loan program offers a Natural Disaster Forbearance which was utilized by some borrowers in connection with the COVID-19 pandemic. In addition, in March 2020 CHESLA suspended the referral of borrowers to collections and instructed its collection company to suspend affirmative collection efforts until September 30, 2020.

CHEFA
Connecticut Health & Educational Facilities Authority

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2021. Due to the nature of CSLF's operations, a portion of net position is subject to bond resolution restrictions. At fiscal year-end, the restricted net position was 14% or $3,418. The remaining portion of net position is unrestricted and represents 86% of the total net position.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CSLF	
	2021	**2020**
Current and other assets	$ 146,982	$ 167,604
Total assets	146,982	167,604
Long-term liabilities outstanding	121,624	143,571
Other liabilities	1,155	956
Total liabilities	122,779	144,527
Restricted	3,418	4,024
Unrestricted	20,785	19,053
Total net position	$ 24,203	$ 23,077

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position increased by $1,126.

A statement of changes in net position follows:

CHEFA
Connecticut Health & Educational Facilities Authority

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2021	**2020**
Operating revenues:		
Interest income on loans receivable	$ 5,052	$ 8,022
Other revenues	97	53
Total operating revenues	5,149	8,075
Operating expenses:		
Interest expense	1,756	4,125
General and administrative	130	168
Loan service fees	448	649
Consolidation rebate fees	990	1,129
Contracted services	202	193
Provision for loan losses	-	79
Total operating expenses	3,526	6,343
Operating income	1,623	1,732
Nonoperating income (expenses):		
Investment income	3	89
Contribution expense	(500)	(500)
Total nonoperating expenses	(497)	(411)
Change in net position	1,126	1,321
Net position, July 1, 2020	23,077	21,756
Net position, June 30, 2021	$ 24,203	$ 23,077

Revenues

CSLF is not issuing new loans. It is administering its existing loan portfolio which consists primarily of federally guaranteed loans. Its purpose was to improve educational opportunity by originating and acquiring student loans and providing related services. CSLF also participated in the not-for-profit servicer program which terminated September 30, 2019.

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2021 totaled $5,052 (98%) compared to $8,022 for fiscal year ended June 30, 2020. These revenue sources are variable in nature and are a direct function of market conditions. Interest rates for student borrowers in the CSLF portfolio have been fixed. The net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue, on loans originated before April 1, 2006, calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year 2021, CSLF paid $2,894 to the US Department of Education compared to $2,142 paid during fiscal year 2020.

Significant change from the prior year for revenues is as follows:

- Interest income on loans receivable is the largest component of operating revenues totaling $5,052, a decrease of $2,970 from the prior year amount of $8,022 as a result of decreasing loan balances outstanding.

Expenses

Expenses totaled $3,526 for the fiscal year. The largest of which was interest expense on the Auction Rate Certificates ("ARCs") issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auctions, all investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled $1,756 or 50% of total expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled $990 or 28% of total expenses and loan servicing fees totaled $448 or 13% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense decreased in 2021 by $2,369. The decrease is due to the decreasing interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $201 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by $139 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- Performance of the federal loans in the portfolio of the Connecticut Student Loan Foundation stabilized in the latter half of 2020 following a sharp increase in forbearance levels in Q2 2020. The increase in forbearance levels was accompanied by a corresponding drop in delinquency rates. Borrowers are typically granted forbearance for periods of 3-6 months, with the potential to renew if necessary. The utilization of forbearance and lower delinquency rates continues to have a positive impact on loss rates in the near term but will likely result in elevated losses once these borrowers exhaust their natural disaster forbearance and migrate into repayment. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss

reserve of $28. The revised projections of the private student loan portfolio results in a decrease (release) of the private loan loss reserve of $115.

- Nonoperating expense of $500, represents the Board authorized contribution to CHESLA of $500 for the scholarship program for fiscal year 2021.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable (in thousands)

	CSLF	
	2021	**2020**
Revenue bonds	$ 121,825	$ 143,825
Premiums/discounts	(201)	(254)
Total long-term liabilities	$ 121,624	$ 143,571

CSLF's decrease in long-term debt was due to the redemption of $22,000 of bonds during the fiscal year.

CSLF maintains a AAA (senior debt) and AA+ (subordinate debt) rating from Standard & Poor's. CSLF maintains a AAA (senior debt) and AA (subordinate debt) rating from Fitch Ratings.

Additional information on long-term debt can be found in Exhibit D (II) D.

Economic Factors

General economic conditions have a smaller impact on CSLF. Due to the guarantee by the U.S. Department of Education (generally at 98% of principal and interest), CSLF does not experience significant loan losses in an economic downturn. Loan defaults and the resulting claim payments will accelerate repayment of the loan portfolio. In addition, interest rate risk is minimized as both the loan portfolio and the outstanding bonds have variable interest rates tied to market rates.

Requests for Information

This financial report is designed to familiarize our stakeholders and customers with CHEFA's finances and to demonstrate CHEFA's fiscal accountability for its operations. Questions concerning this report, or request for additional financial information, should be directed to Connecticut Health and Educational Facilities Authority at 10 Columbus Boulevard, Hartford, Connecticut 06106-1978.

Basic Financial Statements

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Statement of Net Position
June 30, 2021
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 416	$ 55	$ 816	$ 1,287
Investments	8,586	6,946	-	15,532
Receivables				
Accounts (net of allowance for uncollectibles of $168)	752	-	-	752
Current portion of loans receivable	49	74	-	123
Loan interest receivable	-	3	-	3
Related parties	17	-	-	17
Prepaid expenses and other assets	137	34	4	175
Total unrestricted assets	9,957	7,112	820	17,889
Restricted assets				
Cash	435	26	-	461
Investments				
Institutions	296,117	-	-	296,117
Bond indenture trusts	-	47,053	5,386	52,439
Current portion of loans receivable	-	26,091	6,247	32,338
Interest receivable on investments	-	68	-	68
Loan interest receivable	-	792	7,077	7,869
Total restricted assets	296,552	74,030	18,710	389,292
Total current assets	306,509	81,142	19,530	407,181
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	277	3	-	280
Loans receivable (net of allowance for uncollectibles)	51	405	-	456
Restricted assets				
Investments	6,642	27,677	-	34,319
Loans receivable (net of allowance for uncollectibles)	-	100,925	127,452	228,377
Total noncurrent assets	6,970	129,010	127,452	263,432
Total assets	$ 313,479	$ 210,152	$ 146,982	$ 670,613

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Statement of Net Position
June 30, 2021
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 13	$ 45	$ 8	$ 66
Accrued expenses	411	308	115	834
Amounts held for institutions	296,531	-	-	296,531
Accrued interest payable	-	805	-	805
U.S. Department of Education payable	-	-	831	831
Trust Estate payable	-	-	201	201
Current portion of bonds payable	-	14,040	-	14,040
Total current liabilities	296,955	15,198	1,155	313,308
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	161,407	121,624	283,031
Amount held for the State of Connecticut	2,161	-	-	2,161
Total noncurrent liabilities	2,161	161,407	121,624	285,192
Total liabilities	299,116	176,605	122,779	598,500
Deferred Inflows of Resources				
Unearned revenue	25	518	-	543
Deferred charge on refunding	-	530	-	530
Total deferred inflows of resources	25	1,048	-	1,073
Net Position				
Net investment in capital assets	277	3	-	280
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	68	-	-	68
Bond funds	-	26,574	-	26,574
Trust Estate	-	-	3,418	3,418
Total restricted	4,388	26,574	3,418	34,380
Unrestricted	9,673	5,922	20,785	36,380
Total net position	14,338	32,499	24,203	71,040
Total liabilities, deferred inflows of resources and net position	$ 313,479	$ 210,152	$ 146,982	$ 670,613

See Notes to Financial Statements.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021
(In Thousands)

	Primary Government	Component Units		
	CHEFA	**CHESLA**	**CSLF**	**Total**
Operating revenues				
Interest income on loans receivable	$ 2	$ 7,755	$ 5,052	$ 12,809
Administrative fees	7,388	516	-	7,904
Supporting services fees	148	-	-	148
Contributions from CSLF (scholarships and Refi Program)	-	490	-	490
Bond issuance fees	90	-	-	90
Other revenues	-	2	97	99
Total operating revenues	7,628	8,763	5,149	21,540
Operating expenses				
Interest expense	-	6,230	1,756	7,986
Salaries and related expenses	2,977	298	-	3,275
General and administrative	548	562	130	1,240
Scholarships	-	490	-	490
Loan service fees	-	735	448	1,183
Consolidation rebate fees	-	-	990	990
Contracted services	255	47	202	504
Bond issuance costs	-	656	-	656
Provision for loan losses	-	654	-	654
Total operating expenses	3,780	9,672	3,526	16,978
Operating income (loss)	3,848	(909)	1,623	4,562
Nonoperating income (expenses)				
Investment income	28	69	3	100
Grants and child care subsidy expense	(3,079)	-	-	(3,079)
Contributions to CHESLA	-	-	(500)	(500)
Total nonoperating income (expenses)	(3,051)	69	(497)	(3,479)
Change in net position	797	(840)	1,126	1,083
Net position, July 1, 2020	13,541	33,339	23,077	69,957
Net position, June 30, 2021	$ 14,338	$ 32,499	$ 24,203	$ 71,040

See Notes to Financial Statements.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Statement of Cash Flows
For the Year Ended June 30, 2021
(In Thousands)

	Primary Government	Component Units	
	CHEFA	**CHESLA**	**CSLF**
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 25,958	$ 23,394
Interest received on loans	-	7,423	4,684
Contributions received from CSLF	-	500	-
Cash received for administrative fees	8,305	2	-
Cash received for recovery of loans	-	92	-
Cash received for general administrative fees	200	-	-
Cash received for bond issuance fees	90	-	-
Cash payments for employee wages and benefits	(3,117)	(292)	-
Cash payments for interest on bonds	-	(7,748)	(1,756)
Cash payments for excess interest	-	-	(2,894)
Cash payments for loans issued	-	(18,499)	-
Cash payments for loans repurchased	-	-	(210)
Cash payments for loan servicing fees	-	(735)	(448)
Cash payments for consolidation fees	-	-	(990)
Cash payments for contracted services	(255)	(322)	(202)
Cash payments for refinance program	-	-	-
Cash payments for other operating expenses	(236)	(415)	(40)
Cash payments for scholarships	-	(490)	-
Net cash provided by (used in) operating activities	4,987	5,474	21,538
Cash flows from noncapital financing activities			
Proceeds from bond sales	740,919	34,255	-
Proceeds from bond premiums	46,104	3,428	-
Proceeds from institutions	1,523	-	-
Payments to institutions	(59,823)	-	-
Proceeds from investment income for amounts held for others	401	-	-
Releases from amounts held for institutions	(737,201)	-	-
Cash paid to grantees and child care subsidy	(3,114)	-	-
Payments of bond principal	-	(53,860)	(22,000)
Contributions to CHESLA	-	-	(500)
Net cash provided by (used in) noncapital financing activities	(11,191)	(16,177)	(22,500)

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Statement of Cash Flows
For the Year Ended June 30, 2021
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	$ (103)	$ -	$ -
Cash flows from investing activities			
Proceeds from sale of investments	253,369	77,632	32,840
Purchase of investments	(246,543)	(75,731)	(31,752)
Investment income	28	88	3
Net cash provided by (used in) investing activities	6,854	1,989	1,091
Net increase (decrease) in cash	547	(8,714)	129
Cash (including restricted cash), July 1, 2020	304	8,795	687
Cash (including restricted cash), June 30, 2021	$ 851	$ 81	$ 816
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 3,848	$ (909)	$ 1,623
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	71	-	-
Bond discount/premium amortization	-	(1,424)	-
Provision for loan losses	-	330	-
Interest on loans paid through loan advances	-	-	(2,882)
Loan advances to capitalize interest to loans	-	-	2,882
(Increase) decrease in:			
Accounts receivable	917	-	-
Accounts receivable - related party	52	-	-
Prepaid expenses and other assets	(29)	(8)	(2)
Loans receivable	-	7,870	20,302
Loan interest receivable	-	(332)	(584)
Increase (decrease) in:			
Accounts payable	(22)	(279)	(55)
Accrued expenses	150	(221)	50
Accrued interest payable	-	(94)	-
U.S. Department of Education payable	-	-	165
Trust Estate payable	-	-	39
Unearned revenue	-	541	-
Net adjustments to operating income (loss)	1,139	6,383	19,915
Net cash provided by (used in) operating activities	$ 4,987	$ 5,474	$ 21,538

See Notes to Financial Statements.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2021
(In Thousands)

History and organization

The Connecticut Health and Educational Facilities Authority ("CHEFA" or the "Authority") - CHEFA is a quasi-public agency and component unit of the State of Connecticut (the "State"). CHEFA was established pursuant to Chapter 187 of the General Statutes of Connecticut, Revision of 1958, as amended by Public Acts 93-102, 93-262 and 97-259 (the "Act"). CHEFA is constituted as a public instrumentality and political subdivision of the State whose board of directors is appointed by the Governor of the State of Connecticut. The purpose of CHEFA, as stated in the Act, is to assist certain health care institutions, institutions of higher education and qualified not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to the programs for these institutions. Debt issued by CHEFA is payable from the revenues of the institutions and is not an obligation of CHEFA or the State of Connecticut. Neither the State nor CHEFA is obligated for such debt except for loans or bonds issued under the Child Care Facilities Loan Program, as discussed in Note II.F, and the Special Capital Reserve Fund Program. Under the Special Capital Reserve Fund Program, the State is obligated for replenishment of debt service reserve funds. The financial statements include Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF") as component units.

Reporting entity

CHESLA is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund, bond funds, and other programs. The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which bonds were issued prior to 2003 and after 2007. The 2019 Bond Fund is governed by the 2019 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which bonds were issued during 2019, 2020 and 2021.

Public Act 12-149 statutorily consolidated CHESLA with CHEFA by making CHESLA a subsidiary of CHEFA. As a subsidiary of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. Separate financial statements are not prepared for CHESLA.

Public Act No. 14-217 statutorily consolidated CSLF with CHEFA by making CSLF a subsidiary of CHEFA. As a subsidiary of CHEFA, CSLF retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. Separate financial statements are not prepared for CSLF.

CSLF was originally established as a Connecticut State chartered non-profit 501(c)3 corporation established pursuant to State of Connecticut Statute Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. CSLF no longer originates or acquires student loans but continues to provide appropriate services incident to the administration of programs, which are established to improve educational opportunities.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2021
(In Thousands)

Reporting entity
In February 2019, CHEFA created a new subsidiary, the CHEFA Community Development Corporation ("CCDC"). As a subsidiary of CHEFA, CCDC retains it legal identity as a non-profit 501(c)3 entity as defined by the Internal Revenue Service and is subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. CCDC was established to offer financing programs utilizing available federal tax credits to fund projects for non-profit organizations serving low-income Connecticut communities. Separate financial statements are not prepared for CCDC.

I. Summary of significant accounting policies

A. Financial statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in fund net position, and statement of cash flows) report information on all of the Authority's activities. The Authority relies to a significant extent on fees and charges for support.

As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial statements of the reporting entity, CHEFA, include those of CHEFA (the primary government) and its component units (CHESLA and CSLF). In accordance with GAAP, the financial statements of the component units have been included in the financial reporting entity through a discrete presentation.

Discretely Presented Component Units - CHESLA and CSLF meet the criteria for discrete presentation and are presented separately from CHEFA in separate columns within these financial statements to clearly distinguish their balances and transactions from the primary government, CHEFA. CHEFA and its component units, CHESLA and CSLF, are referred to together as the "Authority" throughout these financial statements when a common disclosure applies.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GAAP, transactions between a primary government and discretely presented component units are not eliminated from the financial statements. The fees charged by CHEFA to CHESLA and CSLF for administrative support and transfers of funds between entities are recorded in the same manner as unrelated entity transactions. Interfund activity between the funds reported in the supplemental schedules has been eliminated.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2021
(In Thousands)

I. Summary of significant accounting policies

B. Measurement focus, basis of accounting and financial statement presentation

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for administrative fees and interest on loan repayments. Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

<u>Administrative fees</u>
CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. All issues are charged an annual fee of nine basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds. Beginning on July 1, 2021, the administrative fee on taxable transactions changed to 3 basis points.

<u>Loan reserve fee revenue</u>
CHESLA charged a 3% reserve fee on loans governed by the 1990 and 2019 Revenue Bond Resolutions for applications submitted on June 23, 2021 or before. This fee was recognized as an origination fee to the loans and was included in administrative fees on loans receivable on the statement of revenues, expenses and changes in fund net position. Applications submitted on or after June 24, 2021 are not charged an origination fee.

<u>Interest income on loans</u>
For CHEFA, CHESLA and CSLF, interest income on loans is recognized based on the rates applied to principal amounts outstanding. For CHESLA, the accrual of interest income is generally discontinued when a loan is classified as nonperforming. Loans are currently considered nonperforming by management when the borrower has not made payments for the most recent 120 days. For CSLF, the accrual of interest income generally is discontinued when a claim is paid on a Federal Family Education Loan Program loan, or for alternative loans, when a loan is delinquent for 120 days.

<u>Nonoperating activity</u>
Activities not related to CHEFA's primary purpose are considered nonoperating. Nonoperating activities consist primarily of income on investments and expenses related to CHEFA's grant program. All of CHESLA's revenues and expenses are considered operating, except for income on investments. CSLF's nonoperating activities consist of income on investments and expenses related to contributions to CHESLA as authorized by the Board of Directors.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2021
(In Thousands)

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

1. Deposits and investments

Deposits - The Authority's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The eligible investments are governed by each entity's enabling legislation (Connecticut Statutes) as follows:

CHEFA
State of Connecticut Statutes allows CHEFA to invest any funds not needed for immediate use or disbursement, including reserve funds, in obligations issued or guaranteed by the United States of America or the State of Connecticut, including the State's Short-Term or Long-Term Investment Fund, and in other securities or obligations which are legal investments for banks in this state, or in investment agreements with financial institutions whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States or in securities or obligations which are legal investments for savings banks in this state, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided that the Authority shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, effective at the time of such agreement, as prepared by the Federal Reserve Bank of New York, provided the investment of escrowed proceeds of refunding bonds shall be governed by section 10a-192, and further provided nothing in this subsection shall limit the investment of reserve funds of the Authority, or of any moneys held in trust or otherwise for the payment of bonds or notes of the Authority, pursuant to section 10a-190a.

Connecticut Health and Educational Facilities Authority
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I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

CHESLA

CHESLA may invest any funds in (1) direct obligations of the United States or the State of Connecticut, (2) obligations as to which the timely payment of principal and interest is fully guaranteed by the United States or the State of Connecticut, and Connecticut's Short-Term Investment Fund, (3) obligations of the United States Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, United States Maritime Administration, United States Department of Housing and Urban Development, Farm Credit System, Resolution Funding Corporation, federal intermediate credit banks, federal banks for cooperatives, federal land bank, federal home loan banks, Federal National Mortgage Association, Government National Mortgage Association and the Student Loan Marketing Association, (4) certificates of deposit or time deposits constituting direct obligations of any bank in the State, provided that investments may be made only in those certificates of deposit or time deposits in banks which are insured by the Federal Deposit Insurance Corporation ("FDIC") if then in existence, (5) withdrawable capital accounts or deposits of federal chartered savings and loan associations which are insured by the Federal Savings and Loan Insurance Corporation, (6) other obligations which are legal investments for savings banks in the State, (7) investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States, and (8) securities or obligations which are legal investments for savings banks in Connecticut, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided CHESLA shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, as prepared by the Federal Reserve Bank of New York, effective at the time of the agreement. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of CHESLA, the funds so invested will be required for expenditure. The express judgment of CHESLA as to the time when any funds shall be required for expenditure or be redeemable is final and conclusive.

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I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

CSLF

The State of Connecticut Statutes allows CSLF to invest all moneys received by or on behalf of the entity or by or on behalf of a subsidiary created pursuant to subdivision (5) of section 10a-204, as applicable, pursuant to or subject to the pledge of any resolution or trust agreement authorized by this section, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in such resolution or trust agreement. Subject to the provisions of any resolution authorizing the issuance of bonds, notes or other obligations, any such moneys may be invested in the Connecticut Short-Term Investment Fund and in such other investments and investment agreements as may be approved by resolution of the issuer. In connection with, or incidental to, the issuance or carrying of bonds, notes or other obligations, or acquisition or carrying of any investment or program of investment, the entity or any subsidiary created pursuant to subdivision (5) of section 10a-204 may enter into any contract with any financial institution having a rating of at least "A" or into any contract secured by security so rated, which the issuer determines to be necessary or appropriate to place the obligation or investment of the issuer, as represented by the bonds, notes or other obligations, investment or program of investment and the contract or contracts, in whole or in part, on the interest rate cash flow or other basis desired by the issuer.

Investment policies

CHEFA's investment policy provides that the investment portfolio for its unrestricted investments be designed with the objective of regularly exceeding the average return of 90-day U.S. Treasury Bills. The investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut State law. Whenever possible, restricted investments are to be held to maturity and invested in an appropriate manner so as to ensure the availability for specified payment dates, planned construction draws and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield for long-term funds, all with minimal risk to capital.

CHESLA and CSLF's specific investment policy complies with the underlying bond resolution requirements. In addition, to minimize interest rate risk, the structuring of the investment portfolios is done so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity. Operating funds are primarily invested in shorter-term securities, money market mutual funds or similar investment pools.

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Concentrations of credit risk

CHEFA, for unrestricted investments, places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut Short-Term Investment Fund shall constitute greater than 15% of unrestricted investments, except for qualified money market or bond funds, none of which shall constitute greater than 50% of unrestricted investments.

CHESLA and CSLF do not have a formalized investment policy that restricts investment in any one issuer that is in excess of 5% of total investments. The deposit and investment policies comply with the underlying bond resolution requirements as previously described.

Investment income is recorded in the fund in which it was earned.

Method used to value investments

Investments for the Authority are reported at fair value. Connecticut Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27a - 3-27c. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Authority presents all investments at fair value, except for non-participating investment contracts, which are recorded at cost.

2. Fees and loan receivables

All receivables are shown net of an allowance for uncollectibles. The allowance is based upon a review of the outstanding receivables and past collection history.

3. Restricted assets

Restricted assets are maintained under trust agreements in separate sub-funds for each debt issue in accordance with the requirements of the underlying bond issue documents.

CHEFA's restricted assets include assets held in construction and project funds for which CHEFA has fiduciary responsibility. Construction and project funds reflect the receipt of bond proceeds, costs of issuance and disbursement of monies for the payment of construction or renovation projects and equipment for the institutions.

The interest earned on restricted assets held for institutions is not reflected in the statement of revenues, expenses and changes in fund net position, as such income accrues to the benefit of the institutions.

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C. Assets, liabilities, deferred inflows of resources and net position

The restricted cash, classified as current, and investments, classified as noncurrent, include funds held by CHEFA as a result of its partnership with the State of Connecticut Office of Early Childhood ("OEC"), the Office of the State Treasurer, and banking institutions to provide childcare providers with access to financing under the following loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program.

The State of Connecticut is responsible for paying the debt service on the Child Care Facilities Program bonds and all of the debt service on the State Supported Child Care Revenue Bonds, subject to available appropriations and pursuant to a Memorandum of Understanding.

Guaranteed Loan Fund Program - The purpose of the Guaranteed Loan Fund Program is to guarantee loans for the expansion or development of childcare and child development centers in the State. CHEFA is responsible for guaranteeing 20% to 50% of each loan outstanding.

The DSS contributions to the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program, net of payouts and accrued expense, along with the amount of CHEFA's support to the Guaranteed Loan Fund Program, are recorded within restricted investments.

Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan.

CHESLA's restricted assets include assets held by the individual bond funds as governed by the bond resolutions as previously described. Under the provisions of the bond resolutions, certain assets are restricted for the repayment of bond principal and interest and for the issuance of student loans. In accordance with the bond resolutions, each bond issue has separate accounts which include individual funds as defined by each bond resolution, including but not limited to combinations of some of the following: the Loan Fund, Revenue Fund, Debt Service Fund and Special Capital Reserve Fund.

The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009, 2010, 2013, 2014, 2015, 2016, 2017 Series A bonds, 2017 Series B bonds, 2017 Series C bonds and 2018 bonds. The 2019 Bond Fund is governed by the 2019 Revenue Bond Resolution pursuant to which the 2019 series, 2020 and 2021 series bonds were issued.

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

CHESLA's restricted investments classified as current include the fund investments held by CHESLA pursuant to the bond resolutions in the individual Loan Fund, Revenue Fund and Debt Service Funds.

CHESLA's restricted investments classified as noncurrent include funds held by CHESLA pursuant to the bond resolutions in individual Special Capital Reserve Funds.

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2021, the State has not made nor was it required to make any such deposit.

CHESLA's interest on loans receivable is accrued and credited to operations based upon the principal amount outstanding. Loans are placed on nonaccrual status when management believes principal or interest on such loans may not be collected in the normal course of business. The allowance for loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio and maintained at a level believed adequate to absorb potential losses in the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) in the period in which the loans become nonperforming and no payments have been made for 12 consecutive months. However, a loan may be written off at any time management believes the repayment of such loan is doubtful. Collections of loans previously written off are pursued until management believes that further recoveries are doubtful.

CSLF's restricted assets include the Trust Estate net position, as follows:

Trust Estate - Includes assets and liabilities associated with the bond offerings as detailed in the Bond Indenture:

- Trust cash and investment accounts - The indenture created special trust accounts to be held by the Trustee to be used for recordkeeping and reporting purposes as defined by the indenture.
- The bonds included in the Trust Estate are special and limited obligations of CSLF, secured by and payable from the Trust Estate held under the indenture, without recourse to any other assets of CSLF. The bonds are secured by eligible student loans as identified in the indenture.

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

- Release of amounts from the Trust Estate - The indenture provides that CSLF may withdraw amounts from the Trust Estate under certain limited circumstances as defined in the indenture.

- Redemption and acceleration provisions - The indenture sets forth provisions for the redemption and acceleration of the bonds prior to maturity under certain circumstances.

Loans and loan interest receivable: The allowance for Federal Education Loan Program loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) at the point in which the guarantee has been paid and CSLF has a risk sharing component or it is determined that all recovery options have been exhausted and the loans have lost their federal guarantee and are no longer eligible for reinstatement. Federal guarantees are reinstated if the lender or servicer successfully performs certain federally prescribed "cure" procedures. In general, the lender has three years from the initial claim rejection date or the latest timely filing date if a claim has not been filed to cure a loan.

For alternative loans, periodic monitoring of loan performance has been established to ensure the adequacy of the reserve allowance. Loans are typically written off against the allowance for loan losses (net of recoveries) at 150 days delinquent.

Nonperforming loans
CHESLA currently defines nonperforming loans as defaulted loans in collections, whereby no payment has been made for 120 days, but have not been written off.

4. Capital assets
Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 (not in thousands) for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold improvements	5 years
Computer equipment	3-5 years
Furniture and fixtures	10 years
Office equipment	3-6 years
Domain name	15 years

5. Amounts held for institutions

Amounts held for institutions represent amounts payable to institutions, bondholders and others from CHEFA's restricted assets.

6. Amounts held on behalf of the State of Connecticut

Amounts held on behalf of the State of Connecticut represent funds transferred to CHEFA under its agency relationship with OEC related to the childcare program pursuant to Public Act 97-259.

7. Arbitrage rebate and excess loan yield liability

Under the Internal Revenue Code of 1986 (the "Code"), CHESLA is required to rebate to the federal government certain excess earnings on investments from funds obtained with its tax-exempt bonds, as defined by the Code, or reduce its excess loan yield on student loans financed with tax-exempt bonds.

8. Compensated absences

Employees of the Authority earn sick leave, which can accumulate, and vacation leave based on the provisions of personnel policies. Vacation leave vests with the employee and is payable upon termination of employment.

9. Long-term obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

10. Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year and deferred charges on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt.

11. Net position flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. Fund equity and net position

In the fund financial statements, net position is classified into the following categories:

<u>Net Investment in Capital Assets</u>

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded.

<u>Restricted Net Position</u>

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

<u>Unrestricted Net Position</u>

This category presents the net position of the Authority, which is not restricted.

13. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues and expenses during the fiscal year. Accordingly, actual results could differ from those estimates.

Connecticut Health and Educational Facilities Authority
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II. Detailed notes

A. Cash and investments

Deposits - Custodial Credit Risk - Custodial credit risk is risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

CHEFA

As of June 30, 2021, $571 of CHEFA's bank balance of $821 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 489
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	82
Total amount subject to custodial credit risk	$ 571

CHESLA

As of June 30, 2021, $0 of CHESLA's bank balance of $84 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	-
Total amount subject to custodial credit risk	$ -

CSLF

As of June 30, 2021, $566 of CSLF's bank balance of $816 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 484
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	82
Total amount subject to custodial credit risk	$ 566

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II. Detailed notes

A. Cash and investments

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist primarily of cash. From time-to-time, the Authority's cash account balances exceed the FDIC limit. The Authority reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

CHEFA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	$ 296,474	$ 296,474	$ -	$ -	$ -
Money Market Funds	1,151	1,151	-	-	-
Pooled Fixed Income	10,380	10,380	-	-	-
Corporate Bonds	2,943	1,156	1,787	-	-
Repurchase Agreement	397	397	-	-	-
Total	$ 311,345	$ 309,558	$ 1,787	$ -	$ -

CHESLA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Bond	$ 2	$ -	$ -	$ -	$ 2
Bank Money Market Funds	9	9	-	-	-
Pooled Fixed Income	71,159	71,159	-	-	-
U.S. Government Securities	6,799	-	-	6,799	-
Guaranteed Investment Contracts	3,707	-	3,707	-	-
Total	$ 81,676	$ 71,168	$ 3,707	$ 6,799	$ 2

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II. Detailed notes
A. Cash and investments

CSLF's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Less Than 1
Mutual Funds:		
Government Agency Funds	$ 4,467	$ 4,467
Pooled Fixed Income	919	919
Total	$ 5,386	$ 5,386

Fair value of investments

The Authority measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

CHEFA had the following recurring fair value measurements:

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 296,474	$ 296,474	$ -	$ -
Money Market Mutual Funds	1,151	1,151	-	-
Corporate Bonds	2,943	2,943	-	-
Repurchase Agreement	397	397	-	-
Total investments by fair value level	300,965	$ 300,965	$ -	$ -
Other Investments				
Pooled Fixed Income	10,380			
Total Investments	$ 311,345			

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II. Detailed notes

A. Cash and investments

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Bond Mutual Funds	$ 2	$ 2	$ -	$ -
U.S. Government Securities	6,799	-	6,799	-
Total investments by fair value level	6,801	$ 2	$ 6,799	$ -
Other Investments				
Money Market (bank)	9			
Guaranteed Investment Contracts	3,707			
Pooled Fixed Income	71,159			
Total other investments	74,875			
Total Investments	$ 81,676			

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 4,467	$ 4,467	$ -	$ -
Other Investments				
Pooled Fixed Income	919			
Total Investments	$ 5,386			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using the following approaches:

- U.S. government securities: quoted prices for identical securities in markets that are not active.

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A. Cash and investments

Interest rate risk

To minimize interest rate risk, CHEFA, CHESLA and CSLF's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market mutual funds or similar investment pools.

Credit risk

CHEFA has an investment policy that would further limit its investment choices beyond those limited by Connecticut State Statutes for both unrestricted and restricted investments. Investments that may be purchased with the written approval of an officer, provided the instrument has a maturity date of 365 days or less from the date of purchase, are as follows: obligations issued or guaranteed by the U.S. Government, including the FDIC; qualified money market funds or institutional money market funds investing in short-term securities as permitted by enabling legislation; the Connecticut Short-Term Investment Fund provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government. With approval of an Authorized Officer, the following unrestricted investments are also permissible: any otherwise permitted investment with a maturity greater than 365 days from purchase; obligations issued or guaranteed by the State of Connecticut, including the State's medium-term or long-term investment fund; other debt obligations which are statutorily permissible; and qualified guaranteed investment contracts complying with Connecticut General State Statutes 10a-180(s), Authority guidelines and applicable trust indentures.

CHESLA and CSLF follow Section 10a-238 of the Connecticut General Statutes for its investment policy, which allows investments as follows: obligations issued or guaranteed by the U.S. Government or the State of Connecticut; obligations which are legal investments for savings banks in the State of Connecticut including deposits which are insured by the FDIC; deposits with federal chartered savings and loan association which are insured by the Federal Savings and Loan Insurance Corporation; investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States; and securities or obligations which are legal investments for savings banks in Connecticut, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the market place, provided the Authority shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, as prepared by the Federal Reserve Bank of New York, effective at the time of the agreement.

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II. Detailed notes

A. Cash and investments

CHEFA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Corporate Bonds	Government Agency Mutual Funds	Money Market Mutual Funds
AAA	$ 10,380	$ -	$ 296,474	$ 1,151
A	-	1,411	-	-
BBB	-	1,532	-	-
Total	$ 10,380	$ 2,943	$ 296,474	$ 1,151

CHESLA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Guaranteed Investment Contracts	Bond Mutual Funds	U.S. Government Securities
AAA	$ 71,159	$ 3,707	$ 2	$ 6,799

CSLF's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Government Agency Mutual Funds
AAA	$ 919	$ 4,467

Custodial credit risk - custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to $500,000, including $250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

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II. Detailed notes

A. Cash and investments

The following investments are held by the counterparty's trust department or agent but not in the entity's name and, therefore, are subject to custodial credit risk as follows:

CHEFA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Corporate Bonds	$ 2,943	$ 500	$ 2,443

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 6,799	$ 500	$ 6,299

CSLF

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Agency Securities	$ -	$ -	$ -

Concentrations of credit risk - For unrestricted investments, CHEFA places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut Short-Term Investment Fund shall constitute greater than 15% of unrestricted investments, except for qualified money market or bond mutual funds, none of which shall constitute greater than 50% of unrestricted investments. CHEFA places no limit on the amount of investment in any one issuer for restricted investments.

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II. Detailed notes

B. Receivables

Receivables as of June 30, 2021 for the Authority's financial statements by type are as follows:

CHEFA makes loans to clients who meet certain criteria for purposes of providing financial assistance for working capital expenses or any other purpose as may be approved from time to time under the CHEFA Revolving Loan Fund Program. During fiscal year 2021, clients applied to receive financing between $5 and $100 at 1.5% interest rate. Beginning July 21, 2021, clients can apply for financing between $5 and $75 for up to 36 months at a 0% interest rate. There are no underwriting criteria for these loans. Loans are approved on a rolling first come-first serve basis. Loans receivable as of June 30, 2021 are as follows:

Current portion	$	49
Long-term portion		73
Less allowance		(22)
Net long-term portion		51
Total net receivables	$	100

Future maturities on loans issued under the CHEFA Revolving Loan Fund Program are summarized as follows:

June 30, 2022	$	49
2023		50
2024		14
2025		9
Total	$	122

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II. Detailed notes

B. Receivables

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2021 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 26,165	$ -	$ 26,165
Long-term portion	102,612	2,118	104,730
Less allowance	(2,890)	(510)	(3,400)
Net long-term portion	99,722	1,608	101,330
Total net receivables	$ 125,887	$ 1,608	$ 127,495

Student loans are repaid by borrowers on a monthly basis on a 0- to 140-month repayment term after the in-school and 6-month grace period ends. The interest rate on these loans ranges from approximately 4.85% to 6.99%.

Refi CT, CHESLA's loan refinance product, loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 4.5% to 7.0% depending on the term of the loan and the Fair Isaac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.75% - 5.99%.

During the fiscal year, CHESLA wrote off loans receivable of $868, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $94 in loans receivable and other credits that were written off in previous years.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2021
(In Thousands)

II. Detailed notes

B. Receivables

CSLF, up until 2010, made or acquired loans to students from the proceeds of bond issues.

	FFELP	Alternative	Total
Current portion	$ 6,055	$ 192	$ 6,247
Long-term portion	126,175	2,051	128,226
Less allowance	(558)	(216)	(774)
Net long-term portion	125,617	1,835	127,452
Total net receivables	$ 131,672	$ 2,027	$ 133,699

During the fiscal year, CSLF wrote off federal loans receivable of $92 (CSLF risk share only), and $75 of private loans, which is net of $48 in recoveries, which had previously been provided for through the allowance for loan losses.

Federal Family Education Loan Program ("FFELP") loans are student loans insured by the U.S. Department of Education. FFELP loans are repaid by borrowers on a monthly basis for a term of up to 30 years. The interest rate on these loans varies and ranges from approximately 2.43% to 12%.

Alternative loans are student loans that are not insured by the U.S. Department of Education. Alternative loans are repaid monthly over a period of years ranging from 10 to 30 years. For loan applications received prior to April 1, 2008, the interest rate is variable, calculated to equal prime plus 2% with a 10% cap. Borrowers were charged a fixed non-refundable origination fee of $150 and a 2% reserve fee. For loan applications received on or after April 1, 2008, the interest rate and reserve fee varied depending on the borrower's credit score. Interest rates range between prime and prime plus 4% with no cap and the reserve fee ranged from 2% to 6%. Interest rates on all Alternative loans are reset quarterly and origination fees, where applicable, were withheld from loan proceeds.

Student loans are classified as being "In-school" status during the period from the date the loan is made until a student graduates or leaves school. Loans are classified as being "In-grace" status from the time the student leaves school until repayment begins six months later. Subsequent to this period, student loans are classified as being in "repayment" status. "Deferral" and "forbearance" status are periods during the life of the loan where repayment is suspended for authorized purposes.

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II. Detailed notes
B. Receivables

CSLF Loan portfolio assets' scheduled maturities are summarized as follows:

June 30, 2022	$	6,247
2023		6,647
2024		7,074
2025		7,528
2026		8,011
2027-2031		48,307
2032-2036		45,776
2037		4,883
Total	$	134,473

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July, 1 2020	Increases	Decreases	Balance June 30, 2021
Capital assets being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	343	46	-	389
Furniture and fixtures	256	-	-	256
Office equipment	617	57	-	674
Total capital assets being depreciated	1,373	103	-	1,476
Less accumulated depreciation for:				
Leasehold improvements	157	-	-	157
Computer equipment	265	9	-	274
Furniture and fixtures	250	2	-	252
Office equipment	456	60	-	516
Total accumulated depreciation	1,128	71	-	1,199
Total capital assets being depreciated, net	$ 245	$ 32	$ -	$ 277

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2021
(In Thousands)

II. Detailed notes

C. Capital assets

CHESLA capital asset activity for the year ended June 30, 2021 was as follows:

CHESLA	Balance July, 1 2020	Increases	Decreases	Balance June 30, 2021
Capital asset being depreciated:				
Domain name	$ 3	$ -	$ -	$ 3
Less accumulated depreciation for:				
Domain name	$ -	$ -	$ -	$ -
Total capital asset being depreciated, net	$ 3	$ -	$ -	$ 3

D. Changes in long-term obligations

1. Summary of changes

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

CHEFA

Description	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,163	$ 2	$ 4	$ 2,161	$ -

Connecticut Health and Educational Facilities Authority
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(In Thousands)

II. Detailed notes
D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Date of Maturity	Interest Rate	Balance 7/1/2020	Additions	Deductions	Amount Refunded	Balance 6/30/2021	Current Portion
Bond 2009 A	$ 30,000	8/6/2009	11/15/2027	1.9 - 5.05%	$ 8,690	$ -	$ -	$ 8,690	$ -	$ -
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	19,910	-	2,500	17,410	-	-
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	12,350	-	3,510	-	8,840	1,060
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	15,500	-	3,900	-	11,600	1,500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	8,170	-	2,655	-	5,515	1,900
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	13,085	-	2,350	-	10,735	1,020
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	23,640	-	5,550	-	18,090	2,100
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0- 5.0%	6,755	-	1,250	-	5,505	1,200
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	10,920	-	1,070	-	9,850	620
Bond 2018	10,000	9/17/2018	11/15/2034	3.5 - 5.0%	9,820	-	960	-	8,860	500
Bond 2019 A	5,000	5/22/2019	11/15/2035	3.95%	5,000	-	-	-	5,000	415
Bond 2019 B	25,550	5/22/2019	11/15/2035	3.25 - 5.0%	25,550	-	3,000	-	22,550	325
Bond 2020 B	19,000	6/11/2020	11/15/2036	3.25 - 5.0%	19,000	-	-	-	19,000	-
Bond 2020 C	7,955	6/11/2020	11/15/2027	5.0%	7,955	-	1,015	-	6,940	1,025
Bond 2020 D	16,740	8/18/2020	11/15/2035	3.0 - 5.0%	-	16,740	-	-	16,740	2,375
Bond 2021 B	17,515	6/23/2021	11/15/2037	2.25 - 5.0%	-	17,515	-	-	17,515	-
Total CHESLA					186,345	34,255	27,760	26,100	166,740	14,040
Premiums					6,722	3,428	1,426	-	8,724	-
Discounts					(19)	-	(2)	-	(17)	-
Total Bonds and related liabilities					$ 193,048	$ 37,683	$ 29,184	$ 26,100	$ 175,447	$ 14,040

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion
Bond 06 A-1	$ 80,000	7/27/2006	6/1/2046	0.066 - 1.633%	$ 57,375	$ -	$ 10,200	$ 47,175	$ -
Bond 06 A-2	100,000	12/14/2006	6/1/2046	0.066 - 1.645%	66,475	-	11,800	54,675	-
Bond 06 B	20,000	7/27/2006	6/1/2046	0.010 - 1.655%	19,975	-	-	19,975	-
Total Bonds					143,825	-	22,000	121,825	-
Discounts					(254)	-	(54)	(201)	-
Total bonds and related amounts					$ 143,571	$ -	$ 21,946	$ 121,624	$ -

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II. Detailed notes

D. Changes in long-term obligations

The annual requirements to amortize bonds payable at June 30, 2021, are as follows:

CHESLA

Fiscal Year Ended	Principal	Interest
2022	$ 14,040	$ 6,478
2023	15,210	5,882
2024	16,215	5,148
2025	14,360	4,430
2026	14,515	3,756
2027-2031	55,370	11,197
2032-2036	34,210	2,811
2037-2038	2,820	52
Total	$ 166,740	$ 39,754

The 1990 Resolution bonds are secured by all revenues, education loans, proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund. The 2019 Resolution bonds are secured by all revenues, loans, proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund and the purchase fund, and any and all other property.

CHESLA's debt is secured by a State of Connecticut supported Special Capital Reserve Fund ("SCRF").

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

CSLF

The approximate future annual principal and interest payments are due as follows:

Fiscal Year Ended	Principal	Interest
2022	$ -	$ 1,641
2023	-	1,641
2024	-	1,641
2025	-	1,641
2026	-	1,641
2027-2031	-	8,205
2032-2036	-	8,205
2037-2041	-	8,205
2042-2046	121,825	8,205
	$ 121,825	$ 41,025

The interest rate payable to the bondholders for these issues are variable auction rate certificates ("ARCs"), which generally have interest rate reset periods of 28 days. The interest rates associated with the various bond issues at the last reset period prior to the June 30, 2021 year-end ranged from 0.010% to 1.655%.

The maximum rate on the ARCs is defined in each bond prospectus and is based on one of the following:

- The average of the 91-day United States Treasury Bill rate plus 1.2% or 1.5% or the LIBOR rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans continue to experience disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bondholders prior to the auction.

Approximate future interest payments were estimated based on an average of the interest rates applicable during the most recent fiscal year.

The bonds are secured by proceeds of the bonds and amounts deposited in the funds and accounts other than the rebate fund, all loans and institution loans, all guarantee or insurance payments with respect to the loans, all other revenues, all rights under swap agreements and any assets or revenues as may be assigned and pledged by a supplemental indenture.

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

All outstanding notes contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if CSLF is unable to make payment.

2. Conduit debt

As of June 30, 2021, CHEFA had total outstanding principal balances of special obligation bonds of $8,303,029. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, not reported within the statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows:

Bonds Outstanding by Sector	
Childcare	$ 40,824
Connecticut State University System – Special Capital Reserve Fund	319,810
Higher Education	4,422,087
Hospitals	2,153,157
Social and other	225,275
Independent Schools	737,219
Senior Living	404,657
Total	$ 8,303,029

Under terms of the agreement between the Authority and its borrowers, any costs associated with litigation related to bond issuance are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements.

CHEFA had a total of $15,751 of principal balances outstanding in relation to the EZ Loan program. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, are not reported within the statement of net position.

Loans Outstanding by Sector	
Higher Education	$ 2,225
Hospitals	12,695
Social and other	831
Total	$ 15,751

3. Authorized/unissued debt

At June 30, 2021, there was no authorized unissued debt for CHESLA.

Connecticut Health and Educational Facilities Authority
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(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

4. Advanced refunding

In June 2020, CHESLA issued $7,955 of 2020 Series C revenue bonds with an interest rate of 5%. These bonds were issued to defease bonds issued in August 2009. The balance of the bonds to be defeased was $8,690 at June 30, 2020. The refunding of these bonds occurred in July 2020 and resulted in an economic gain of $804.

On August 18, 2020, CHESLA issued $16,740 of 2020 Series D revenue bonds with an interest rate of 3% to 5%. The bond will mature in 2035. This bond was used to refund the 2010 Series A bond issued in October 2010. The economic gain was $1,010. The combined cost savings resulting from the issuance of the Series C and Series D bonds was $2,106.

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $4,388 for CHEFA.

F. Net position classification

A summary of the components of net position is as follows:

	CHEFA	CHESLA	CSLF
Net investment in capital assets	$ 277	$ 3	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	68	-	-
Bond funds	-	26,574	-
Trust Estate	-	-	3,418
Total restricted	4,388	26,574	3,418
Unrestricted	9,673	5,922	20,785
Total net position	$ 14,338	$ 32,499	$ 24,203

Child Care Facilities Loan Program - CHEFA's net position is restricted to be used for loan guarantees under this program, if borrowers default on their loans. As of June 30, 2021, outstanding loan balances totaled $3,718.

CHEFA is under no obligation to provide additional funds for loan guarantees.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2021
(In Thousands)

II. Detailed notes

F. Net position classification

Student Loan Programs - Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The current amount of the guarantee is $68.

Bond Funds - For CHESLA, the restricted net position includes amounts governed by the bond resolutions. Under the provisions of the resolutions, earnings from the bond programs are restricted for the repayment of bond principal and interest and for the issuance of student loans.

Trust Estate - For CSLF, the Bond Indenture requires that CSLF maintain a parity of 102.5% (Trust Estate asset to Trust Estate liability ratio), which represents its restricted net position. If parity exceeds 102.5%, CSLF is able, but not required, to transfer funds above the parity ratio to operations. At June 30, 2021, the ratio was 118.85%. During the year ended June 30, 2021, the Board authorized a transfer of $500 to CHESLA for the scholarship program. At June 30, 2021, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is $18,245.

Both CHEFA and CHESLA Board of Directors have designated internal amounts for operations and the remainder for programs that are part of each entity's mission and purpose, as well as for contingencies.

G. Condensed component unit information

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2021, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	$ 283
Net position	$ (283)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating expenses	$ 39
Change in net position	(39)
Net position, July 1, 2020	(244)
Net position, June 30, 2021	$ (283)

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2021
(In Thousands)

III. Other information

A. Risk management

The Authority is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disaster; and officer and director liability. The Authority generally obtains commercial insurance for these risks. The Authority has not had any claims against its commercial insurance in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The extent to which COVID-19 impacts CHESLA and CSLF depends on the rate with which their borrowers avail themselves of relief programs as well as future developments, which cannot be predicted with confidence. The Authority is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Authority's operations continue for an extended period of time, there could be additional loss of revenue and other material adverse effects to the Authority's financial position, results of operations, and cash flows.

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $132 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $16 for providing management, accounting, legal and other services. In addition, CHESLA and CSLF reimbursed CHEFA directly for specific general and administrative expenses incurred. The amount due from CHESLA and CSLF at year-end was $9 and $8, respectively. The $500 contribution for the scholarship program from CSLF to CHESLA was not spent and is recorded as a deferred inflow.

C. Operating leases

CHEFA leases office space and other office equipment for use in operations. Lease expense was $264. As of June 30, 2021, minimum future rental commitments of the leases are as follows:

2022	$	267
2023		272
2024		137

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2021
(In Thousands)

III. Other information

D. Pension plan

The Authority administers a single employer defined contribution plan, which covers certain employees of the Authority. The Board of Directors approved and adopted this plan on January 1, 1971, and they have the authority to make any subsequent amendments.

CHEFA maintains a defined contribution money purchase plan, the State of Connecticut Health & Educational Facilities Authority Money Purchase Pension Plan (the "Plan"), covering all employees with three months of continuous service and 1,000 anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by designated authorized officers. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. Forfeitures may be used to pay plan expenses. Any forfeitures left after paying plan expenses are used to offset future contributions. For the year ended June 30, 2021, there were no forfeitures and retirement plan expense was $239.

There were 21 employees covered under the Plan. All employees can participate in the Plan after three months of service. A participant's employer contribution account fully vests after four years of service. At age 65, participants are entitled to begin receiving benefits based upon the option selected.

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA and CHESLA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to $1.50 of employee contributions. For the year ended June 30, 2021, the plan expense was $31.

Supplemental Schedules

Connecticut Health and Educational Facilities Authority
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Combining Schedule of Net Position - Connecticut Health and Educational Facilities Authority
June 30, 2021
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 416	$ -	$ -	$ 416
Investments	8,586	-	-	8,586
Receivables				
Accounts (net of allowance for uncollectibles of $168)	752	-	-	752
Related parties	300	-	(283)	17
Current portion of loans receivable	49	-	-	49
Prepaid expenses and other assets	137	-	-	137
Total unrestricted assets	10,240	-	(283)	9,957
Restricted assets				
Cash	435	-	-	435
Investments				
Institutions	296,117	-	-	296,117
Total current assets	306,792	-	(283)	306,509
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	277	-	-	277
Loans receivable, net of current portion and allowance	51	-	-	51
Restricted assets				
Investments	6,642	-	-	6,642
Total noncurrent assets	6,970	-	-	6,970
Total assets	$ 313,762	$ -	$ (283)	$ 313,479
Liabilities				
Current liabilities				
Accounts payable	$ 13	$ 283	$ (283)	$ 13
Accrued expenses	411	-	-	411
Amounts held for institutions	296,531	-	-	296,531
Total current liabilities	296,955	283	(283)	296,955
Noncurrent liabilities				
Amount held for the State of Connecticut	2,161	-	-	2,161
Total liabilities	299,116	283	(283)	299,116
Deferred Inflows of Resources				
Unearned revenue	25	-	-	25
Net Position				
Net investment in capital assets	277	-	-	277
Restricted	4,388	-	-	4,388
Unrestricted	9,956	(283)	-	9,673
Total net position	14,621	(283)	-	14,338
Total liabilities, deferred inflows of resources and net position	$ 313,762	$ -	$ (283)	$ 313,479

Connecticut Health and Educational Facilities Authority
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Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Health and Educational Facilities Authority
For the Year Ended June 30, 2021
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Operating revenues				
Administrative fees	$ 7,388	$ -	$ -	$ 7,388
Supporting services fees	187	-	(39)	148
Bond issuance fees	90	-	-	90
Interest income on loans receivable	2	-	-	2
Total operating revenues	7,667	-	(39)	7,628
Operating expenses				
Salaries and related expenses	2,977	-	-	2,977
General and administrative	548	-	-	548
Contracted services	255	39	(39)	255
Total operating expenses	3,780	39	(39)	3,780
Operating income (loss)	3,887	(39)	-	3,848
Nonoperating income (expenses)				
Investment income	28	-	-	28
Grants and child care subsidy expense	(3,079)	-	-	(3,079)
Total nonoperating expenses	(3,051)	-	-	(3,051)
Change in net position	836	(39)	-	797
Net position, July 1, 2020	13,785	(244)	-	13,541
Net position, June 30, 2021	$ 14,621	$ (283)	$ -	$ 14,338

Connecticut Health and Educational Facilities Authority
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Combining Schedule of Net Position - Connecticut Higher Education Supplemental Loan Authority
June 30, 2021
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2019 resolution	Eliminations	Total CHESLA
Assets						
Current assets						
Unrestricted assets						
Cash	$ 55	$ -	$ -	$ -	$ -	$ 55
Investments	4,013	2,924	9	-	-	6,946
Due from other funds	-	-	-	1,000	(1,000)	-
Current portion of loans receivable	-	74	-	-	-	74
Loan interest receivable	-	3	-	-	-	3
Prepaid expenses and other assets	34	-	-	-	-	34
Total unrestricted assets	4,102	3,001	9	1,000	(1,000)	7,112
Restricted assets						
Cash	-	-	-	26	-	26
Investments						
Bond indenture trusts	-	-	20,659	26,394	-	47,053
Current portion of loans receivable	-	-	16,805	9,286	-	26,091
Interest receivable on investments	-	-	67	1	-	68
Loan interest receivable	-	-	507	285	-	792
Total restricted assets	-	-	38,038	35,992	-	74,030
Total current assets	4,102	3,001	38,047	36,992	(1,000)	81,142
Noncurrent assets						
Unrestricted assets						
Capital assets	3	-	-	-	-	3
Loans receivable, net of current portion and allowance	-	405	-	-	-	405
Restricted assets						
Investments	-	-	21,076	6,601	-	27,677
Loans receivable, net of current portion and allowance	-	-	69,272	31,653	-	100,925
Total noncurrent assets	3	405	90,348	38,254	-	129,010
Total assets	$ 4,105	$ 3,406	$ 128,395	$ 75,246	$ (1,000)	$ 210,152
Liabilities						
Current liabilities						
Accounts payable	$ 45	$ -	$ -	$ -	$ -	$ 45
Due to other funds	1,000	-	-	-	(1,000)	-
Accrued expenses	23	-	29	256	-	308
Accrued interest payable	-	-	554	251	-	805
Current portion of bonds payable	-	-	13,300	740	-	14,040
Total current liabilities	1,068	-	13,883	1,247	(1,000)	15,198
Noncurrent liabilities						
Bonds payable, net of current portion	-	-	93,784	67,623	-	161,407
Total liabilities	1,068	-	107,667	68,870	(1,000)	176,605
Deferred Inflows of Resources						
Unearned revenue	-	518	-	-	-	518
Deferred charge on refunding	-	-	530	-	-	530
Total deferred inflows of resources	-	518	530	-	-	1,048
Net Position						
Net investment in capital assets	3	-	-	-	-	3
Restricted	-	-	20,198	6,376	-	26,574
Unrestricted	3,034	2,888	-	-	-	5,922
Total net position	3,037	2,888	20,198	6,376	-	32,499
Total liabilities, deferred inflows of resources and net position	$ 4,105	$ 3,406	$ 128,395	$ 75,246	$ (1,000)	$ 210,152

Schedule 4

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Higher Education Supplemental Loan Authority
For the Year Ended June 30, 2021
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2019 resolution	Eliminations	Total CHESLA
Operating revenues						
Interest income on loans receivable	$ -	$ 38	$ 5,696	$ 2,021	$ -	$ 7,755
Administrative fees	949	-	-	516	(949)	516
Contributions from CSLF	-	490	-	-	-	490
Other revenues	-	-	2	-	-	2
Total operating revenues	949	528	5,698	2,537	(949)	8,763
Operating expenses						
Interest expense	-	-	4,406	1,824	-	6,230
Salaries and related expenses	298	-	-	-	-	298
General and administrative	405	11	781	314	(949)	562
Refinance program	-	-	-	-	-	-
Scholarships	-	490	-	-	-	490
Loan service fees	-	1	439	295	-	735
Contracted services	47	-	-	-	-	47
Bond issuance costs	-	-	241	415	-	656
Provision for loan losses (net of recoveries)	-	93	178	383	-	654
Total operating expenses	750	595	6,045	3,231	(949)	9,672
Operating income (loss)	199	(67)	(347)	(694)	-	(909)
Nonoperating income						
Investment income	4	3	36	26	-	69
Total nonoperating income	4	3	36	26		69
Change in net position	203	(64)	(311)	(668)	-	(840)
Transfers	(1,000)	-	-	1,000	-	-
Net position, July 1, 2020	3,834	2,952	20,509	6,044	-	33,339
Net position, June 30, 2021	$ 3,037	$ 2,888	$ 20,198	$ 6,376	$ -	$ 32,499

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Combining Schedule of Net Position - Connecticut Student Loan Foundation
June 30, 2021
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ -	$ 816	$ -	$ 816
Prepaid expenses and other assets	-	4	-	4
Total unrestricted assets	-	820	-	820
Restricted assets				
Investments				
Bond indenture trusts	5,386	-	-	5,386
Current portion of loans receivable	6,247	-	-	6,247
Loan interest receivable	7,077	-	-	7,077
Total restricted assets	18,710	-	-	18,710
Total current assets	18,710	820	-	19,530
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	127,452	-	-	127,452
Total assets	$ 146,162	$ 820	$ -	$ 146,982
Liabilities				
Current liabilities				
Accounts payable	$ -	$ 8	$ -	$ 8
Accrued expenses	-	115	-	115
U.S. Department of Education payable	831	-	-	831
Trust Estate payable	201	-	-	201
Total current liabilities	1,032	123	-	1,155
Noncurrent liabilities				
Bonds payable and related liabilities	121,624	-	-	121,624
Total liabilities	122,656	123	-	122,779
Net Position				
Restricted	3,418	-	-	3,418
Unrestricted	20,088	697	-	20,785
Total net position	23,506	697	-	24,203
Total liabilities and net position	$ 146,162	$ 820	$ -	$ 146,982

Schedule 6

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Student Loan Foundation
For the Year Ended June 30, 2021
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ 5,052	$ -	$ -	$ 5,052
Administration fee	-	378	(378)	-
Other revenues	97	-	-	97
Total operating revenues	5,149	378	(378)	5,149
Operating expenses				
Interest expense	1,756	-	-	1,756
General and administrative	90	40	-	130
Loan service fees	448	-	-	448
Administration fee	378	-	(378)	-
Consolidation rebate fees	990	-	-	990
Contracted services	-	202	-	202
Total operating expenses	3,662	242	(378)	3,526
Operating income	1,487	136	-	1,623
Nonoperating income (expenses)				
Investment income	3	-	-	3
Contributions to CHESLA	(500)	-	-	(500)
Total nonoperating expenses	(497)	-	-	(497)
Change in net position	990	136	-	1,126
Net position, July 1, 2020	22,516	561	-	23,077
Net position, June 30, 2021	$ 23,506	$ 697	$ -	$ 24,203

Compliance

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority ("Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
September 20, 2021

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