CHEFA
Community
Development
Corporation

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

September 27, 2022

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, 2022.

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

Sincerely,

Jeanette W. Weldon
Executive Director

cc: John C. Geragosian
Clark J. Chapin

# Annual Report

## Fiscal Year Ending June 30, 2022

### 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 ("NMTC") 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 NMTC 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. There is currently one vacancy on the Board.

**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
- **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 2022 Activities Summary

- Continued efforts to establish a Connecticut NMTC Program. This past legislative session, the proposed legislation was voted out of the Finance, Revenue & Bonding Committee.
- Met with several State Legislators and Commissioners, nonprofit organizations and community partners, providing education on the impact of the state NMTC Program and gained their support for our efforts.
- Worked to develop project pipeline for the federal NMTC program, of quality projects, meeting with Boys & Girls Clubs, YMCAs, Child Care Centers, and a Nonprofit Economic Developer.
- Implemented procedures to collect and measure community impact for the CHEFA Revolving Loan Fund Program, to address issues identifying in previous NMTC Allocation Applications.

## IV. FY 2023 Description of Planned Activities

- Continue efforts to advocate for legislation that promotes investment in nonprofits that serve Connecticut's low-income communities.
- Expand efforts to collect and measure economic and community impact for CHEFA issued bonds.
- Host an event promoting and educating eligible organizations about the NMTC program.
- Continue outreach to expand our project pipeline of potential eligible NMTC projects.
- Prepare to submit an application to the CDFI Fund for an allocation of federal NMTC for an upcoming round.

# CHEFA Community Development Corporation

**Proposed Operating Budget for the Twelve Months Ending June 30, 2023**

| | Budget FY 2019 | Actual FY 2019 | Budget FY 2020 | Actual FY 2020 | Budget FY 2021 | Actual FY 2021 | Budget FY 2022 | Actual FY 2022 | Budget FY 2023 |
|---|---|---|---|---|---|---|---|---|---|
| **Leveraged Tax Credits Allocated:** | | | | | 31,500,000 | 0 | | 0 | |
| **Loan Fund Tax Credits Allocated:** | | | | | 3,500,000 | 0 | | 0 | |
| **Tax Credits Unwound:** | | | | | | | | | |
| **Total Tax Credits Allocation Outstanding:** | | | | | 35,000,000 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| **Operating Revenues** | | | | | | | | | |
| **Leveraged NMTC Transaction** | | | | | | | | | |
| **Allocation Fee (1.75% Fee)** | | | | | 551,250 | | 0 | 0 | 0 |
| **BackEnd Fee (0.50%)** | | | | | 0 | | 0 | 0 | 0 |
| **Community Reinvestment Fee (1.0%) (Restricted FUND)** | | | | | 315,000 | | 0 | 0 | 0 |
| **CCDC Asset Management Fee - (0.5% Yearly Fee)** | | | | | 157,500 | | 0 | 0 | 0 |
| **NMTC Loan Fund Transaction** | | | | | | | | | |
| **Allocation Fee (1.75% Fee)** | | | | | 61,250 | | 0 | 0 | 0 |
| **Origination Fee (1.0% set by investor) (returned to Invest-See below)** | | | | | 35,000 | | 0 | 0 | 0 |
| **Expenses Reimbursement (Est. 0.5% Yearly Fee)** | | | | | 17,500 | | 0 | 0 | 0 |
| | | | | | | | | | |
| **Total Operating Revenues** | 0 | 0 | 0 | 0 | 1,137,500 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| **Operating Expenses** | | | | | | | | | |
| **Support Services** | 86,500 | 15,003 | 67,239 | 46,042 | 68,179 | 38,583 | 43,000 | 6,268 | 41,700 |
| **General and Administrative** | | | | | | | | | |
| Lease | | | | | | | | | |
| Business Insurance | 0 | 0 | 0 | 0 | 10,000 | 0 | 0 | 0 | 0 |
| Office Supplies & Non-cap Equipment | 250 | 37 | 253 | 107 | 253 | 0 | 100 | 0 | 100 |
| Postage | 50 | | 51 | 100 | 150 | | 100 | 0 | 100 |
| Legal Fees | 45,000 | 45,335 | 50,000 | 39,019 | 20,000 | 0 | 10,000 | 0 | 10,000 |
| Loan Origination Fee (from Above back to Investor immediately) | 0 | 0 | 0 | 0 | 35,000 | 0 | 0 | 0 | 0 |
| Marketing | 25,000 | 28,860 | 15,000 | 355 | 2,000 | 0 | 500 | 0 | 500 |
| Conferences, Travel | 3,000 | 0 | 6,000 | 497 | 4,000 | 199 | 3,000 | 0 | 1,100 |
| Membership | | | | | 3,625 | | 0 | 0 | 0 |
| Miscellaneous Expenses | 5,000 | 25 | 5,000 | 283 | 4,700 | 50 | 4,300 | 50 | 4,300 |
| **Contracted services** | | | | | | | | | |
| CDE Consultant | 68,000 | 18,000 | 118,000 | 50,000 | 430,000 | 0 | 30,000 | 0 | 30,000 |
| Independent Auditors | 1,000 | 0 | 1,000 | 0 | 1,000 | 0 | 1,000 | 0 | 1,000 |
| NMTC Compliance Consultant | 0 | 0 | 0 | 0 | 8,500 | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | 234,800 | 107,260 | 262,543 | 136,403 | 599,532 | 38,833 | 92,000 | 6,319 | 88,800 |
| | | | | | | | | | |
| **Operating Income (Loss)** | (234,800) | (107,260) | (262,543) | (136,403) | 537,968 | (38,833) | (92,000) | (6,319) | (88,800) |
| | | | | | | | | | |
| **Non Operating Income (Expense)** | | | | | | | | | |
| **Investment Income** | | 0 | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| **Change in net position** | (234,800) | (107,260) | (262,543) | (136,403) | 537,968 | (38,833) | (92,000) | (6,319) | (88,800) |
| | | | | | | | | | |
| **Net position, beginning of year** | 0 | 0 | (107,260) | (107,260) | (243,663) | (243,663) | (282,496) | (282,496) | (288,815) |
| **Net position, end of year** | (234,800) | (107,260) | (369,803) | (243,663) | 294,305 | (282,496) | (374,496) | (288,815) | (377,615) |

**CHEFA Community Development Corporation**
**Loans, Grants or Services in excess of $5,000**
**General Account Disbursements**
**Fiscal Year Ending June 30, 2022**

| Vendor |
|---|
| Not Applicable |

CHEFA
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10 Columbus Blvd
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(860)520-4700
CHEFA.com/CDC

# CHEFA Community Development Corporation

## Affirmative Action Policy Statement for 2022

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
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# CHEFA Community Development Corporation

## Audited Financial Statements for the Fiscal Year Ending June 30, 2022

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, 2022**

**CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

(A Component Unit of the State of Connecticut)

Financial Statements
(With Supplementary Information)
and Independent Auditors' Reports

June 30, 2022

Whittlesey
Forward Advising™

ASSURANCE | ADVISORY | TAX | TECHNOLOGY

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# Financial Section

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Health and Educational Facilities Authority

## Report on the Audit of the Financial Statements

### Opinions

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 (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority as of June 30, 2022, 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.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Change in Accounting Principle

As discussed in Note I to the financial statements, in 2022 the Authority adopted new accounting guidance, GASB 87, *Leases*, and restated net position as July 1, 2021 as a result of this accounting policy change. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United State of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for a reasonable period of time.

  We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining 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 21, 2022 on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.

Whittlesey PC

Hartford, Connecticut
September 21, 2022

CHEFA
Connecticut Health & Educational Facilities Authority

**Management's Discussion and Analysis**
**For the Year Ended June 30, 2022**
**(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, 2022. 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.

## Financial Highlights

- Adoption of GASB 87, *Leases*: The fiscal year 2021 net position for CHEFA has been restated to reflect the impact of the adoption of GASB 87 effective for fiscal year 2022. The impact was a reduction in net position of $55. This represents an increase to right of use asset of $603 (net of accumulated amortization of $648) and lease liability of $658.

- CHEFA's net position (which recognizes the CCDC loss of $6) increased $639 for the fiscal year resulting from operating income of $3,685 net of nonoperating expenses (including grants and childcare expenses) of $3,056 offset by investment income of $10.
- CHESLA's net position increased by $8,632 for the fiscal year resulting from operating revenues of $16,393 net of operating expenses of $7,089, further decreased by nonoperating losses of ($672).
- CSLF's net position decreased $1,219 for the fiscal year, resulting from operating income of $1,271 and nonoperating expenses of $2,490, resulting from contributions to CHESLA of $2,500, offset by investment income of $10.
- During fiscal year 2022, CHEFA disbursed eight revolving loans totaling $600,000. Principal repayment and interest on the loans are received quarterly. Loan receivable (net of allowance for loan loss) for the fiscal year is $519.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $18,748 for both the in-school loan and Refi CT programs. Payments received totaled $26,210 , net of adjustments for both programs.
- CSLF received loan payments of $24,446 during the fiscal year.
- CHESLA issued debt of $75,550 to be used for in-school loans and refinancing of prior bonds.
- CSLF's bonds payable decreased by $19,550 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.

CHEFA
Connecticut Health & Educational Facilities Authority

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

**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, 2022. 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 30%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (68%) is unrestricted.

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

**Summary Statement of Net Position**
**(in thousands)**

| | CHEFA | |
|---|---|---|
| | **2022** | **2021** |
| Current assets | $ 581,151 | $ 306,509 |
| Capital assets (net) | 330 | 277 |
| Other noncurrent assets | 7,248 | 6,693 |
| Total assets | 588,729 | 313,479 |
| Assets held on behalf of the State of CT | 2,165 | 2,161 |
| Other liabilities | 571,607 | 296,955 |
| Total liabilities | 573,772 | 299,116 |
| Unearned revenue | 35 | 25 |
| Net investment in capital assets | 330 | 277 |
| Restricted | 4,375 | 4,388 |
| Unrestricted | 10,217 | 9,673 |
| Total net position | $ 14,922 | $ 14,338 |

At June 30, 2022, CCDC maintained $289 in current liabilities (Due to CHEFA) and an unrestricted net position of ($289), 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. The net position as of July 1, 2021 has been restated to reflect the adoption of GASB 87 resulting in a reduction in net position of $55 from fiscal year end 2021 as originally reported.

For the fiscal year, CHEFA's net position increased $639 (a gain of $645 for CHEFA offset by a $6 loss for CCDC).

A statement of changes in net position follows:

**Statement of Changes in Net Position**
**(in thousands)**

| | CHEFA | |
|---|---|---|
| | **2022** | **2021** |
| Operating revenues: | | |
| Administrative fees | $ 7,455 | $ 7,388 |
| Supporting services fees | 126 | 148 |
| Bond issuance fees | 85 | 90 |
| Interest income on loans receivable | 1 | 2 |
| Total operating revenues | 7,667 | 7,628 |
| Operating expenses: | | |
| Salaries and related expenses | 3,036 | 2,977 |
| General and administrative | 644 | 548 |
| Contracted services | 302 | 255 |
| Total operating expenses | 3,982 | 3,780 |
| Operating income | 3,685 | 3,848 |
| Nonoperating income (expenses): | | |
| Investment income | 10 | 28 |
| Grants and childcare subsidy expense | (3,056) | (3,079) |
| Total nonoperating expenses | (3,046) | (3,051) |
| Change in net position | 639 | 797 |
| Net position, July 1 | $ 14,283 | $ 14,621 |
| Net position, June 30 | $ 14,922 | $ 14,338 |

At June 30, 2022, CCDC expenses included above total $6 in contracted services, for a total change in unrestricted net position of ($6).

## 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 annual fee on the outstanding balance of bonds issued on a tax-exempt and taxable basis of 9 basis points (.0009) and 3 basis points (.0003) respectively.

Revenues totaled $7,662 for fiscal year 2022. Administrative fees are the largest revenue source and represent 97% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled $126, 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%. Administrative fees for fiscal year 2022 include recovery & loan interest of $7 and $2, respectively

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

- Administrative fees totaled $7,455 for fiscal year 2022. The change in Administrative fees for fiscal year 2022 is a result of the change in the par value of loans outstanding at June 30, 2022. Administrative fees totaled $7,388 for the fiscal year ended June 30, 2021. 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, 2022 was $8,597,868 compared to $8,303,029 at June 30, 2021 and $8,136,047 at June 30, 2020.

  During the year, CHEFA issued new conduit debt totaling $886,839 in par value of which 34% was the refinancing of pre-existing debt.

- Nonoperating investment income decreased by $18 to $10 from $28 recognized in fiscal year 2021. This is a result of increases in interest rates during the start of the fiscal year net of prior year reversals for declines in investment value of $20.

## Expenses

Expenses totaled $3,982 for the fiscal year. Of the expenses, 76% or $3,036 was for salaries and related expenses. General and administrative expenses amounted to $644, or 16%, while contracted services amounted to $302 or 8%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $59 from fiscal year 2021 to $3,036 in fiscal year 2022.

- General and administrative expenses increased by $96 from fiscal year 2021 to $644 in fiscal year 2022.
- Contracted services increased by $47 from fiscal year 2021 to $302 in fiscal year 2022.

**Capital Assets**

At June 30, 2022, CHEFA's capital assets amounted to $330, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $33 due to capital asset additions of $143, offset by depreciation of $90. Capital asset purchases during the year included acquisitions of computer software related licensing.

In January 2022, CHEFA implemented an accounting system asset management module resulting in an amortization methodology change to a traditional straight-line depreciation method. This eliminates a ½ year of depreciation in the final calculation year. The initial impact resulted in an increase in depreciation of $6 (January 2022 year-to-date) and a monthly increase of $1.

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, potential tax reform and general economic conditions that affect our borrowers, as all 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, 2022. 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 69%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (30%) is unrestricted. A summary of the statement of net position is as follows:

**Summary Statement of Net Position**
**(in thousands)**

| | CHESLA | |
|---|---|---|
| | **2022** | **2021** |
| Current and other assets | $ 183,123 | $ 210,149 |
| Capital assets, net | 2 | 3 |
| Total assets | 183,125 | 210,152 |

| | | |
|---|---|---|
| Long-term liabilities outstanding | 140,886 | 175,447 |
| Other liabilities | 608 | 1,158 |
| Total liabilities | 141,494 | 176,605 |
| Deferred inflows of resources | 500 | 1,048 |
| Net investment in capital assets | 2 | 3 |
| Restricted | 28,387 | 26,574 |
| Unrestricted | 12,742 | 5,922 |
| Total net position | $ 41,131 | $ 32,499 |

CHESLA's restricted assets and liabilities represent loans, bonds payable, and other funds held in trust pursuant to bond indentures. CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2022, CHESLA funded new loans, net of returns, of $16,050 of in-school loans and $2,699 in Refi CT loans, compared to $17,236 and $1,263 respectively, in fiscal year 2021. This resulted in a decrease of 6.9% for in-school and an increase of 113.7% for Refi CT over fiscal year 2021.

**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 increased $8,632.

A statement of changes in net position follows:

**Statement of Changes in Net Position**
**(in thousands)**

| | CHESLA 2022 | CHESLA 2021 |
|---|---|---|
| Operating revenues: | | |
| Interest income on loans receivable | $ 6,629 | $ 7,755 |
| Administrative fees | 81 | 516 |
| Contributions from CSLF | 2,518 | 490 |
| From State of CT | 7,000 | - |
| Other revenues | 165 | 2 |
| Total operating revenues | 16,393 | 8,763 |
| Operating expenses: | | |
| Interest expense | 3,565 | 6,230 |
| Salaries and related expenses | 332 | 298 |
| General and administrative | 722 | 562 |
| Scholarships | 557 | 490 |
| Loan service fees | 655 | 735 |
| Contracted services | 67 | 47 |
| Bond issuance costs | 956 | 656 |
| Provision for loan losses | 235 | 654 |
| Total operating expenses | 7,089 | 9,672 |
| Operating income (loss) | 9,304 | (909) |
| Nonoperating income (loss) | (672) | 69 |
| Change in net position | 8,632 | (840) |
| Net position, July 1 | 32,499 | 33,339 |
| Net position, June 30 | $ 41,131 | $ 32,499 |

The increase in net position for fiscal year 2022 reflects an increase in contributions from CSLF, new state program funding from the State of Connecticut and a significant decrease in interest expense.

## 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 an existing student 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, , contributions from CSLF and transfers from the State of Connecticut, and the interest charged on the loans.

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

- Origination fees, reported as administrative fees, decreased by $435 to $81 during the year 2022 compared to $516 in fiscal year 2021. This decrease is due to the elimination of origination fees with the issuance of the 2021 bond series in June 2021. Origination fees collected during fiscal year 2022 were for loans from the remaining proceeds of the 2020 bond series before the issuance of the 2021 bond series.
- Contributions from CSLF totaled $2,500 in fiscal year 2022. 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 $557 for scholarships awarded at the beginning of fiscal year 2022 and received a contribution of $500 recorded as deferred inflows for scholarships to be disbursed in fiscal year 2023.
  - A contribution of $2,000 was also received for the Refi CT loan program.
- CHESLA received $7,000 from the State of Connecticut for the Alliance District Teachers Loan Subsidy (ADTLS) Program during fiscal year 2022. The program offers a 3% interest rate subsidy on ADT Refinance Loans for teachers employed by any of Connecticut's 36 Alliance District public schools.
- Nonoperating losses totaled ($656) in fiscal year 2022, due to losses from investments of ($220) and bond defeasance of ($436).

## Expenses

Expenses totaled $7,089 for the fiscal year. The largest expense representing 50% or $3,565 of total expenses was for interest payments on debt. This is a decrease of 14% from 64% in fiscal year 2021. Loan servicing fees totaled $655 or 9% of operating expenses. Bond issuance costs totaled $956 or 13%. Provision for loan losses totaled $235 or 3% and general and administrative expenses amounted to $722 or 10% of the total operating expenses.

Significant changes from the prior year are as follows:

- Interest expense decreased by $2,665 as compared to fiscal year 2021 of $6,230, resulting from the change in the principal balance of outstanding debt net of the issuance of new bonds and the refunded bond issues.

- Salaries and related expenses increased by $34.
- General and administrative expenses increased by $160 primarily due to an increase in marketing costs and other expenses.
- Bond issuance costs increased by $300. Two bond series closed in fiscal year 2022. The 2022 Series B closed on June 14, 2022 was a new money issue for $13,175. The 2022 Series C which also closed on June 14, 2022 was a refunding issue of $62,375.
- Provision for loan loss decreased by $419 to $235 resulting from a net decrease in the allowance of $416, net of student write-offs and recoveries of $651.

**Capital assets**

At June 30, 2022, CHESLA's capital assets were $2.

**Long-term debt**

Long-term debt for CHESLA is as follows:

**Bonds Payable**
**(in thousands)**

| | CHESLA | |
|---|---|---|
| | **2022** | **2021** |
| Revenue bonds | $ 136,850 | $ 166,740 |
| Premiums/discounts | 4,036 | 8,707 |
| Total long-term liabilities | $ 140,886 | $ 175,447 |

CHESLA's decrease in the principal revenue bonds outstanding is a result of new issuances totaling $75,550, deductions of $14,040 and refundings of $91,400.

CHESLA's bonds have an "A+" rating from Fitch Ratings and an Aa3 rating from Moody's Investors Service reflective of state support.

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

## Economic Factors

Economic conditions, unemployment rates, and demographics can 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.

## Connecticut Student Loan Foundation (CSLF)

## Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2022. 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 13% or $2,875. 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 | |
|---|---|---|
| | **2022** | **2021** |
| Current and other assets | $ 126,011 | $ 146,982 |
| Total assets | 126,011 | 146,982 |
| Long-term liabilities outstanding | 102,126 | 121,624 |
| Other liabilities | 901 | 1,155 |
| Total liabilities | 103,027 | 122,779 |
| Restricted | 2,875 | 3,418 |
| Unrestricted | 20,109 | 20,785 |
| Total net position | $ 22,984 | $ 24,203 |

**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 decreased by $1,219.

A statement of changes in net position follows:

CHEFA

Connecticut Health & Educational Facilities Authority

**Statement of Changes in Net Position**
**(in thousands)**

| | CSLF | |
|---|---|---|
| | **2022** | **2021** |
| Operating revenues: | | |
| Interest income on loans receivable | $ 4,708 | $ 5,052 |
| Other revenues | 98 | 97 |
| Total operating revenues | 4,806 | 5,149 |
| Operating expenses: | | |
| Interest expense | 1,840 | 1,756 |
| General and administrative | 111 | 130 |
| Loan service fees | 425 | 448 |
| Consolidation rebate fees | 862 | 990 |
| Contracted services | 195 | 202 |
| Provision for loan losses | 102 | - |
| Total operating expenses | 3,535 | 3,526 |
| Operating income | 1,271 | 1,623 |
| Nonoperating income (expenses): | | |
| Investment income | 10 | 3 |
| Contribution expense | (2,500) | (500) |
| Total nonoperating expenses | (2,490) | (497) |
| Change in net position | (1,219) | 1,126 |
| Net position, July 1 | 24,203 | 23,077 |
| Net position, June 30 | $ 22,984 | $ 24,203 |

## Revenues

CSLF is not issuing new loans. It is administering its existing loan portfolio which consists primarily of Family Federal Education Loans which are federally guaranteed loans. Its purpose is to improve educational opportunity and promote repayment of loans.

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 2022 totaled $4,708 (98%) compared to $5,052 for fiscal year ended June 30, 2021. 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 2022, CSLF paid $2,646 to the US Department of Education compared to $2,894 paid during fiscal year 2021.

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

- Interest income on loans receivable is the largest component of operating revenues totaling $4,708, a decrease of $344 from the prior year amount of $5,052 as a result of decreasing loan balances outstanding.

## Expenses

Expenses totaled $3,535 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 auction rate market, 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 $1,840 or 52% of total expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled $862 or 24% of total expenses and loan servicing fees totaled $425 or 12% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2022 by $84. The increase is due to the increasing interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $23 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by $128 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. As anticipated, while the utilization of forbearance and lower delinquency rates had an initial positive impact on loss rates in 2020, elevated losses soon followed in 2021 once these benefits were exhausted. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss reserve of $19,000 and $73,000 in the private loan reserve.

- Nonoperating expense of $2,500, represents the Board authorized contribution to CHESLA of $2,500 for the Refi CT ($2,000) and scholarship ($500) programs for fiscal year 2022.

## Debt Administration

### Long-term debt

Long-term debt for CSLF is as follows:

**Bonds Payable**
**(in thousands)**

| | CSLF | |
|---|---|---|
| | **2022** | **2021** |
| Revenue bonds | $ 102,275 | $ 121,825 |
| Premiums/discounts | (149) | |
| Total long-term liabilities | $ 102,126 | $ 121,624 |

CSLF's decrease in long-term debt was due to the redemption of $19,550 of bonds during the fiscal year.

CSLF maintains a AAA (sf) on its senior debt and AA (sf) on its subordinate debt rating from Standard & Poor's. CSLF maintains a AAAsf on its senior debt and AAsf on its 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's FFEL loan portfolio. 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, 2022
(In Thousands)

| | Primary Government | Component Units | | |
|---|---|---|---|---|
| | **CHEFA** | **CHESLA** | **CSLF** | **Total** |
| Assets | | | | |
| Current assets | | | | |
| Unrestricted assets | | | | |
| Cash | $ 578 | $ 35 | $ 148 | $ 761 |
| Investments | 8,219 | 10,582 | 752 | 19,553 |
| Receivables | | | | |
| Accounts (net of allowance for uncollectible) | 1,189 | 48 | - | 1,237 |
| Current portion of loans receivable | 256 | 275 | - | 531 |
| Interest receivable on investments | - | 12 | - | 12 |
| Loan interest receivable | - | 9 | - | 9 |
| Related parties | 21 | - | - | 21 |
| Prepaid expenses and other assets | 120 | 58 | 11 | 189 |
| Total unrestricted, current assets | 10,383 | 11,019 | 911 | 22,313 |
| Restricted assets | | | | |
| Investments | | | | |
| Institutions | 570,768 | - | - | 570,768 |
| Bond indenture trusts | - | 35,777 | 6,605 | 42,382 |
| Current portion of loans receivable | - | 24,954 | 4,550 | 29,504 |
| Interest receivable on investments | - | 74 | - | 74 |
| Loan interest receivable | - | 797 | 7,005 | 7,802 |
| Total restricted, current assets | 570,768 | 61,602 | 18,160 | 650,530 |
| Total current assets | 581,151 | 72,621 | 19,071 | 672,843 |
| Noncurrent assets | | | | |
| Unrestricted assets | | | | |
| Capital assets (net of accumulated depreciation) | 330 | 2 | - | 332 |
| Right of use asset (net of accumulated amortization) | 353 | - | - | 353 |
| Loans receivable (net of allowance) | 263 | 2,376 | - | 2,639 |
| Restricted assets | | | | |
| Investments | 6,632 | 16,032 | - | 22,664 |
| Loans receivable (net of allowance for uncollectible) | - | 92,094 | 106,940 | 199,034 |
| Total noncurrent assets | 7,578 | 110,504 | 106,940 | 225,022 |
| Total assets | $ 588,729 | $ 183,125 | $ 126,011 | $ 897,865 |

See Notes to Financial Statements

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Statement of Net Position
June 30, 2022
(In Thousands)

| | Primary Government | Component Units | | |
|---|---|---|---|---|
| | CHEFA | CHESLA | CSLF | Total |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | $ 15 | $ 23 | $ 6 | $ 44 |
| Accrued expenses | 421 | 124 | 110 | 655 |
| Amounts held for institutions | 570,768 | - | - | 570,768 |
| Accrued interest payable | - | 461 | - | 461 |
| U.S. Department of Education payable | - | - | 329 | 329 |
| Trust Estate payable | - | - | 456 | 456 |
| Current portion of bonds payable | - | 3,445 | - | 3,445 |
| Current portion of lease liability | 266 | - | - | 266 |
| Total current liabilities | 571,470 | 4,053 | 901 | 576,424 |
| Noncurrent liabilities | | | | |
| Bonds payable and related liabilities, net of current portion | - | 137,441 | 102,126 | 239,567 |
| Amount held for the State of Connecticut | 2,165 | - | | 2,165 |
| Lease liability (net of current portion) | 137 | - | - | 137 |
| Total noncurrent liabilities | 2,302 | 137,441 | 102,126 | 241,869 |
| Total liabilities | 573,772 | 141,494 | 103,027 | 818,293 |
| Deferred Inflows of Resources | | | | |
| Unearned revenue | 35 | 500 | - | 535 |
| Net Position | | | | |
| Net investment in capital assets | 330 | 2 | - | 332 |
| Restricted | | | | |
| Child care facilities loan program | 4,320 | - | - | 4,320 |
| Student loan guarantee program | 55 | - | - | 55 |
| Bond funds | - | 21,453 | - | 21,453 |
| Alliance district teacher loan subsidy | - | 6,934 | - | 6,934 |
| Trust Estate | - | - | 2,875 | 2,875 |
| Total restricted | 4,375 | 28,387 | 2,875 | 35,637 |
| Unrestricted | 10,217 | 12,742 | 20,109 | 43,068 |
| Total net position | 14,922 | 41,131 | 22,984 | 79,037 |
| Total liabilities, deferred inflows of resources and net position | $ 588,729 | $ 183,125 | $ 126,011 | $ 897,865 |

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, 2022
(In Thousands)

| | Primary Government | Component Units | | |
|---|---|---|---|---|
| | **CHEFA** | **CHESLA** | **CSLF** | **Total** |
| Operating revenues | | | | |
| Interest income on loans receivable | $ 1 | $ 6,629 | $ 4,708 | $ 11,338 |
| Administrative fees | 7,455 | 81 | - | 7,536 |
| Supporting services fees | 126 | - | - | 126 |
| Contributions from CSLF (scholarships and Refi Program) | - | 2,518 | - | 2,518 |
| Contribution from State of CT - Alliance district teacher loan subsidy program | - | 7,000 | - | 7,000 |
| Bond issuance fees | 85 | - | - | 85 |
| Other revenues | - | 165 | 98 | 263 |
| Total operating revenues | 7,667 | 16,393 | 4,806 | 28,866 |
| Operating expenses | | | | |
| Interest expense | - | 3,565 | 1,840 | 5,405 |
| Salaries and related expenses | 3,036 | 332 | - | 3,368 |
| General and administrative | 644 | 722 | 111 | 1,477 |
| Scholarships | - | 557 | - | 557 |
| Loan service fees | - | 655 | 425 | 1,080 |
| Consolidation rebate fees | - | - | 862 | 862 |
| Contracted services | 302 | 67 | 195 | 564 |
| Bond issuance costs | - | 956 | - | 956 |
| Provision for loan losses | - | 235 | 102 | 337 |
| Total operating expenses | 3,982 | 7,089 | 3,535 | 14,606 |
| Operating income (loss) | 3,685 | 9,304 | 1,271 | 14,260 |
| Nonoperating income (expenses) | | | | |
| Investment income (loss) | 10 | (220) | 10 | (200) |
| Grants and child care subsidy expense | (3,056) | - | - | (3,056) |
| Contributions to CHESLA | - | - | (2,500) | (2,500) |
| Loss on bond defeasance | - | (452) | - | (452) |
| Total nonoperating income (expenses) | (3,046) | (672) | (2,490) | (6,208) |
| Change in net position | 639 | 8,632 | (1,219) | 8,052 |
| Net position, July 1, 2021 (restated) | 14,283 | 32,499 | 24,203 | 70,985 |
| Net position, June 30, 2022 | $ 14,922 | $ 41,131 | $ 22,984 | $ 79,037 |

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, 2022
(In Thousands)

| | Primary Government | Component Units | |
|---|---|---|---|
| | CHEFA | CHESLA | CSLF |
| Cash flows from operating activities | | | |
| Cash received from loan payments | $ - | $ 26,210 | $ 24,446 |
| Interest received on loans | 1 | 6,600 | 4,780 |
| Fees received on loans | - | 165 | 98 |
| Contributions received from CSLF | - | 2,500 | - |
| Contributions received from State of CT | - | 7,000 | - |
| Cash received for administrative fees | 7,028 | 81 | - |
| Cash received for recovery of loans | - | 54 | 60 |
| Cash received for general administrative fees | 122 | - | - |
| Cash received for bond issuance fees | 85 | - | - |
| Cash payments for employee wages and benefits | (3,007) | (306) | - |
| Cash payments for general and administrative | (304) | (980) | (125) |
| Cash payments for interest on bonds | - | (8,580) | (1,788) |
| Cash payments for excess interest | - | - | (2,646) |
| Cash payments for loans issued | - | (18,748) | - |
| Cash payments for loan servicing fees | - | (655) | (425) |
| Cash payments for consolidation fees | - | - | (862) |
| Cash payments for contracted services | (302) | (67) | (195) |
| Cash payments for bond issuance costs | - | (956) | - |
| Cash payments for scholarships | - | (557) | - |
| Net cash provided by (used in) operating activities | 3,623 | 11,761 | 23,343 |
| Cash flows from noncapital financing activities | | | |
| Proceeds from bond sales | - | 75,550 | - |
| Payments to institutions for revolving loan fund, net | (419) | - | - |
| Proceeds from investment income for amounts held for others | (410) | - | - |
| Cash paid to grantees and child care subsidy | (3,056) | - | - |
| Payments of bond principal | - | (16,065) | (19,550) |
| Payments to irrevocable trust to defease bonds | - | (89,827) | - |
| Contributions to CHESLA | - | - | (2,500) |
| Net cash provided by (used in) noncapital financing activities | $ (3,885) | $ (30,872) | $ (22,050) |

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, 2022
(In Thousands)

| | Primary Government CHEFA | Component Units CHESLA | Component Units CSLF |
|---|---|---|---|
| Cash flows from capital and related financing activities financing activities: | | | |
| Principal payments on lease liability | $ (255) | $ - | $ - |
| Purchase of capital assets | (143) | - | - |
| Net cash provided by (used in) capital financing activities | (398) | - | - |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | 2,727 | 290,129 | 6,119 |
| Purchase of investments | (2,350) | (270,844) | (8,090) |
| Investment income (loss) | 10 | (220) | 10 |
| Net cash provided by (used in) investing activities | 387 | 19,065 | (1,961) |
| Net increase (decrease) in cash | (273) | (46) | (668) |
| Cash (including restricted cash), July 1, 2021 | 851 | 81 | 816 |
| Cash (including restricted cash), June 30, 2022 | $ 578 | $ 35 | $ 148 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | |
| Operating income (loss) | $ 3,685 | $ 9,304 | $ 1,271 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Depreciation expense | 90 | 1 | - |
| Amortization expense | 250 | - | - |
| Bond discount/premium amortization | - | (4,671) | 52 |
| Provision for loan losses | - | 235 | 102 |
| (Increase) decrease in: | | | |
| Accounts receivable | (437) | (48) | - |
| Accounts receivable - related party | (4) | - | - |
| Prepaid expenses and other assets | 17 | (24) | (7) |
| Loans receivable | - | 7,561 | 22,107 |
| Investment interest receivable | - | (18) | - |
| Loan interest receivable | - | (11) | 72 |
| Increase (decrease) in: | | | |
| Accounts payable | 2 | (22) | (2) |
| Accrued expenses | 10 | (184) | (5) |
| Accrued interest payable | - | (344) | - |
| U.S. Department of Education payable | - | - | (502) |
| Trust Estate payable | - | - | 255 |
| Unearned revenue | 10 | (18) | - |
| Net adjustments to operating income (loss) | (62) | 2,457 | 22,072 |
| Net cash provided by (used in) operating activities | $ 3,623 | $ 11,761 | $ 23,343 |

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, 2022
(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 was 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, 2021 and 2022 series bonds were issued. Upon issuance of the 2022 Series C bonds, there are no outstanding 1990 resolution bonds.

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.

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.

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.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(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. Restatement

Net position as of July 1, 2021 has been restated to reflect the impact of the Authority adopting GASB 87, *Leases*, which was effective for the Authority as of July 1, 2021. The impact to the Authority on July 1, 2021 was a decrease to net position of $55 and increases to right of use asset of $603 (which is net of accumulated amortization of $648) and lease liability of $658. The Authority has one lease impacted by this pronouncement for lease space in Hartford, Connecticut.

### B. 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.

## I. Summary of significant accounting policies

### C. 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.

Administrative fees
CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. Tax-exempt issues are charged an annual fee of nine basis points and taxable transactions are charged an annual fee of three basis points. Annual fees are billed semi-annually, in arrears, on the outstanding par amount of the bonds.

Loan reserve fee revenue
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.

Interest income on loans
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.

Nonoperating activity
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.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## I. Summary of significant accounting policies

### D. 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 Authority's investments follow specific investment provisions of bond indentures and statutes. Each entity has a board approved investment policy and there may be some variation in the investment provisions of bond indentures and statutes. These investment policies are summarized as follows:

Investments shall be operated in conformance with all applicable federal and state law and bond resolutions. The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield. The portfolio shall have a bias toward safety of capital, which derives from the Authority's fiduciary responsibilities and its stated mission. However, whenever possible, the General Fund portfolio shall be designed with the objective of exceeding the average return of 90-day U.S. Treasury Bills. This is generally considered to be a benchmark for riskless investment transactions and therefore represents a minimum standard for the portfolio's rate of return. Other basic objectives are as follows:

- Funds created pursuant to bond issues and held by Trustees, such as the debt service funds, debt service reserve funds, special capital reserve funds, rebate funds, working capital or liquidity reserve funds, or project-related funds held by the Authority, shall be invested in strict accordance with the relevant provisions of the respective bond issue trust indentures, agreements and definitions, with this policy, and with Connecticut state law. Whenever possible, investments shall be purchased to be held to maturity.
- Short-Term Funds: Shorter-term funds, such as those related directly to debt service, project construction, capitalized interest and costs of issuance, shall be invested to be available for specified payment dates, planned construction draws or other intended purposes, as set forth in the relevant trust indentures and agreements, with minimal risk to capital.
- Long-Term Funds: Longer-term funds, such as debt service reserve funds, shall be invested with the primary objective of meeting valuation requirements at each annual or semiannual valuation date and, within that constraint, with a secondary objective of optimizing return. Whenever possible, funds invested for longer maturities shall be invested to achieve a rate of return at least equal to the restricted Bond (arbitrage) Yield on the bonds, with minimal risk to capital and strict accordance with bond documents.

Time horizon and investments shall correspond to relevant provisions of the Trust Indenture or agreements. Accordingly, no credit risk shall be assumed except for:

- Obligations issued or guaranteed by the U.S. Government (including FDIC);
- Qualified guaranteed investment contracts complying with Connecticut General Statutes Section 10a-180(s) and with Authority guidelines;

**I. Summary of significant accounting policies**

**D. Assets, liabilities, deferred inflows of resources and net position**

- Qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government;
- Qualified money market funds;
- State of Connecticut Treasurer's Short-Term Investment Fund ("STIF") for eligible
- bond funds; or
- Other debt obligations which are statutorily permissible investments, and which comply with the bond indentures and definitions.

Permissible investments for General Funds, with approval by an authorized officer, are as follows, provided the instrument has a maturity of less than 366 days from the date of the purchase (where applicable):

- 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 permitted by the Authority's enabling legislation;
- Connecticut State Treasurer's Short-Term Investment Fund, provided it maintains a Standard & Poor's AAAm rating;
- Qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government.8
- Obligations issued or guaranteed by the State of Connecticut as made available;
- Other debt obligations which are statutorily permissible investments.

Concentrations of credit risk

The Authority, 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.

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 uncollectible amounts. The allowance is based upon a review of the outstanding receivables and past collection history.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

**I. Summary of significant accounting policies**

**D. Assets, liabilities, deferred inflows of resources and net position**

**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.

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.

**I. Summary of significant accounting policies**

**D. Assets, liabilities, deferred inflows of resources and net position**

The 1990 Bond Fund was 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, 2021 and 2022 series bonds were issued. Upon issuance of the 2022 Series C bonds, there are no outstanding 1990 resolution bonds.

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, 2022, 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**
**D. 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.

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 |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## I. Summary of significant accounting policies

### D. Assets, liabilities, deferred inflows of resources and net position

**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 carryover each year (up to five days per year), and vacation leave, which can accumulate and carryover each year (up to 10 days per year) 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.

**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.

**I. Summary of significant accounting policies**

**D. Assets, liabilities, deferred inflows of resources and net position**

**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. All of the Authority’s restricted resources are restricted under memorandums of understandings as of June 30, 2022.

**12. Fund equity and net position**

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

Net Investment in Capital Assets

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.

Restricted Net Position

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

Unrestricted Net Position

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

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## 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.

As of June 30, 2022, bank balances were exposed to custodial credit risk as follows:

| | CHEFA | CHESLA | CSLF |
|---|---|---|---|
| Bank balance | $ 1,529 | $ 35 | $ 150 |

| | CHEFA | CHESLA | CSLF |
|---|---|---|---|
| Uninsured and uncollateralized | $ 1,126 | $ - | $ - |
| Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name | 153 | - | - |
| Total amount subject to custodial risk | $ 1,279 | $ - | $ - |

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 | | | |
|---|---|---|---|---|---|
| Investment type | Amount | Less Than 1 | 1-5 Years | 5-10 Years | >10 Years |
| Money market - government | $ 575,772 | $ - | $ - | $ - | $ 575,772 |
| Pooled fixed income | 9,847 | - | - | - | 9,847 |
| Total | $ 585,619 | $ - | $ - | $ - | $ 585,619 |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## II. Detailed notes
### A. Cash and investments

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

| | | Investment maturities | | | |
|---|---|---|---|---|---|
| Investment type | Amount | Less Than 1 | 1-5 Years | 5-10 Years | >10 Years |
| Mutual funds - bonds | $ 1 | $ 1 | $ - | $ - | $ - |
| Pooled fixed income | 58,683 | 58,683 | - | - | - |
| Guaranteed investment contracts | 3,707 | 2,500 | 1,207 | - | - |
| Total | $ 62,391 | $ 61,184 | $ 1,207 | $ - | $ - |

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

| | | Investment maturities | | | |
|---|---|---|---|---|---|
| Investment type | Amount | Less Than 1 | 1-5 Years | 5-10 Years | >10 Years |
| Mutual funds - government | $ 5,823 | $ 5,823 | $ - | $ - | $ - |
| Pooled fixed income | 1,534 | 1,534 | - | - | - |
| Total | $ 7,357 | $ 7,357 | $ - | $ - | $ - |

<u>Fair value of investments</u>

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.

None of CHEFA's investments are measured at fair value.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## II. Detailed notes
### A. Cash and investments

| CHESLA<br>Investments by fair value | Fair<br>Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Mutual funds - bonds | $ 1 | $ 1 | $ - | $ - |
| Total | 1 | $ 1 | $ - | $ - |
| | | | | |
| Other investments, not valued at fair value | | | | |
| Guaranteed investment contracts | 3,707 | | | |
| Pooled fixed income | 58,683 | | | |
| Total investments | $ 62,391 | | | |

| CSLF<br>Investments by fair value | Fair<br>Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Mutual funds - government | $ 5,823 | $ 5,823 | $ - | $ - |
| Total | | | | |
| | | | | |
| Other investments, not valued at fair value | | | | |
| Pooled fixed income | 1,534 | | | |
| Total investments | $ 7,357 | | | |

Securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## II. Detailed notes

### A. Cash and investments

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.

All of CHEFA's, CHESLA's and CSLF's investments subject to credit risk had AAA ratings by Standard & Poor's.

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.

(In Thousands)

## II. Detailed notes

### B. Receivables

Receivables as of June 30, 2022 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. Clients can apply for financing between $5 and $75 for up to 36 months. During 2022, interest rates offered were at 0%. 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, 2022 are as follows:

| | |
|---|---|
| Current portion | $ 256 |
| Long-term portion | 285 |
| Less allowance | (22) |
| Net long-term portion | 263 |
| Total net receivables | $ 519 |

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

| | |
|---|---|
| For the year ending June 30, 2023 | $ 256 |
| 2024 | 217 |
| 2025 | 68 |
| Total | $ 541 |

(In Thousands)

## 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, 2022 are as follows:

| | Active Loans | Loans in Collection | Total |
|---|---|---|---|
| Current portion | $ 25,229 | $ - | $ 25,229 |
| Long-term portion | 95,307 | 2,147 | 97,454 |
| Less allowance | (2,596) | (388) | (2,984) |
| Net long-term portion | 92,711 | 1,759 | 94,470 |
| Total net receivables | $ 117,940 | $ 1,759 | $ 119,699 |

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 4.59% to 6.99%. The current interest rate on new loans is 5.49%.

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 3.75% to 6.80% 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 3.75% - 5.99%.

During the fiscal year, CHESLA wrote off loan receivables of $686, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $34 in loans receivable and other credits that were written off in previous years.

(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 | $ 4,387 | $ 163 | $ 4,550 |
| Long-term portion | 106,076 | 1,566 | 107,642 |
| Less allowance | (506) | (196) | (702) |
| Net long-term portion | 105,570 | 1,370 | 106,940 |
| Total net receivables | $ 109,957 | $ 1,533 | $ 111,490 |

During the fiscal year, CSLF wrote off federal loans receivable of $91 (CSLF risk share only), and $83 of private loans, which is net of $60 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 2.32% 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 3% to 7.25%. 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.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

**II. Detailed notes**
**B. Receivables**

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

| | | |
|---|---|---|
| For the year ending June 30, 2023 | $ | 4,550 |
| 2024 | | 4,846 |
| 2025 | | 5,161 |
| 2026 | | 5,497 |
| 2027 | | 5,855 |
| 2028 - 2032 | | 35,129 |
| 2033 - 2037 | | 39,645 |
| 2038 - 2041 | | 11,509 |
| Total | $ | 112,192 |

**C. Capital assets**

CHEFA capital asset activity for the year ended June 30, 2022 was as follows:

| | Balances 7/1/2021 | Increases | Decreases | Balance 6/30/2022 |
|---|---|---|---|---|
| Capital asset being depreciated: | | | | |
| Leasehold improvements | $ 157 | $ - | $ - | $ 157 |
| Computer equipment | 389 | 143 | - | 532 |
| Furniture and fixtures | 256 | - | - | 256 |
| Office equipment | 674 | - | - | 674 |
| Total capital assets being depreciated | 1,476 | 143 | - | 1,619 |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | 157 | - | - | 157 |
| Computer equipment | 274 | 26 | - | 300 |
| Furniture and fixtures | 252 | 2 | - | 254 |
| Office equipment | 516 | 62 | - | 578 |
| Total accumulated depreciation | 1,199 | 90 | - | 1,289 |
| Total capital assets being depreciated, net | $ 277 | | | $ 330 |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## II. Detailed notes

### C. Capital assets

CHEFA's other capital asset (under a capital lease) activity for the year ended June 30, 2022 was as follows:

| | Balances 7/1/2021 | Increases | Decreases | Balance 6/30/2022 |
|---|---|---|---|---|
| Other capital asset: | | | | |
| Leased office space | $ 1,248 | $ - | $ - | $ 1,248 |
| Less accumulated amortization | 645 | 250 | - | 895 |
| Total capital asset being amortized, net | $ 603 | | | $ 353 |

CHESLA capital asset activity for the year ended June 30, 2022 was as follows:

| | Balances 7/1/2021 | Increases | Decreases | Balance 6/30/2022 |
|---|---|---|---|---|
| Capital asset being depreciated: | | | | |
| Domain name | $ 3 | $ - | $ - | $ 3 |
| Less accumulated depreciation for: | | | | |
| Domain name | - | 1 | - | 1 |
| Total capital asset being depreciated, net | $ 3 | | | $ 2 |

### 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, 2022:

| | Balances July 1, 2021 | Increases | Decreases | Balance June 30, 2022 | Current Portion |
|---|---|---|---|---|---|
| Other liability | | | | | |
| Amount held for the State of Connecticut | $ 2,161 | $ 6 | $ 2 | $ 2,165 | $ - |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

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

CHESLA

| Description | Original Amount | Date of Issue | Final Maturity | Interest Rate | Balance 7/1/2021 | Additions | Deductions | Amount Refunded | Balance 6/30/2022 | Current Portion |
|---|---|---|---|---|---|---|---|---|---|---|
| Bond 2013 A | 25,000 | 4/2/2013 | 11/15/29 | 2.0 - 4.0% | 8,840 | - | 1,060 | 7,780 | - | - |
| Bond 2014 A | 23,000 | 6/18/2014 | 11/15/30 | 3.0 - 5.0% | 11,600 | - | 1,500 | 10,100 | - | - |
| Bond 2015 A | 21,465 | 7/2/2015 | 11/15/31 | 1.65 - 4.38% | 5,515 | - | 1,900 | 3,615 | - | - |
| Bond 2016 A | 15,000 | 6/30/2016 | 11/15/33 | 3.0 - 5.0% | 10,735 | - | 1,020 | 9,715 | - | - |
| Bond 2017 A | 27,880 | 5/16/2017 | 11/15/33 | 3.25 - 5.0% | 18,090 | - | 2,100 | 15,990 | - | - |
| Bond 2017 B | 9,155 | 8/17/2017 | 11/15/25 | 4.0 - 5.0% | 5,505 | - | 1,200 | 4,305 | - | - |
| Bond 2017 C | 11,300 | 12/21/2017 | 11/15/34 | 3.5 - 5.0% | 9,850 | - | 620 | 9,230 | - | - |
| Bond 2018 | 10,000 | 9/17/2018 | 11/15/34 | 3.5 - 5.0% | 8,860 | - | 500 | 8,360 | - | - |
| Bond 2019 A | 5,000 | 5/22/2019 | 11/15/35 | 3.95% | 5,000 | - | 415 | 2,025 | 2,560 | 260 |
| Bond 2019 B | 25,550 | 5/22/2019 | 11/15/35 | 3.25 - 5.0% | 22,550 | - | 325 | - | 22,225 | 670 |
| Bond 2020 B | 19,000 | 6/11/2020 | 11/15/36 | 3.25 - 5.0% | 19,000 | - | - | - | 19,000 | 515 |
| Bond 2020 C | 7,955 | 6/11/2020 | 11/15/27 | 5.0% | 6,940 | - | 1,025 | 5,915 | - | - |
| Bond 2020 D | 16,740 | 8/18/2020 | 11/15/35 | 3.0 - 5.0% | 16,740 | - | 2,375 | 14,365 | - | - |
| Bond 2021 B | 17,515 | 6/23/2021 | 11/15/37 | 2.25 - 5.0% | 17,515 | - | - | - | 17,515 | - |
| Bond 2022 B | 13,175 | 6/14/2022 | 11/15/38 | 5.0% | - | 13,175 | - | - | 13,175 | - |
| Bond 2022 C | 62,375 | 6/14/2022 | 11/15/34 | 3.25 - 4.27% | - | 62,375 | - | - | 62,375 | 2,000 |
| Total CHESLA | | | | | 166,740 | 75,550 | 14,040 | 91,400 | 136,850 | 3,445 |
| Premiums | | | | | 8,724 | - | 4,688 | - | 4,036 | |
| Discounts | | | | | (17) | - | (17) | - | - | |
| Total bonds and related amounts | | | | | $ 175,447 | $ 75,550 | $ 18,711 | $ 91,400 | $ 140,886 | $ 3,445 |

CSLF

| Description | Original Amount | Date of Issue | Final Maturity | Interest Rate | Balance 7/1/2021 | Additions | Deductions | Balance 6/30/2022 | Current Portion |
|---|---|---|---|---|---|---|---|---|---|
| Bond 06 A-1 | 80,000 | 7/27/2006 | 6/1/2046 | 0.066-1.633% | $ 47,175 | $ - | $ 8,150 | $ 39,025 | $ - |
| Bond 06 A-2 | 100,000 | 12/14/2006 | 6/1/2046 | 0.066-1.645% | 54,675 | - | 11,400 | 43,275 | - |
| Bond 06 B | 20,000 | 7/27/2006 | 6/1/2046 | 0.010-1.655% | 19,975 | - | - | 19,975 | - |
| Total CSLF | | | | | 121,825 | - | 19,550 | 102,275 | - |
| Discounts | | | | | (201) | - | (52) | (149) | - |
| Total bonds and related amounts | | | | | $ 121,624 | $ - | $ 19,498 | $ 102,126 | $ - |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

**II. Detailed notes**
**D. Changes in long-term obligations**
**1. Summary of changes**

The annual requirements to amortize bonds payable at June 30, 2022, are as follows:

CHESLA

| Fiscal year ended | Principal | Interest |
|---|---|---|
| 2023 | $ 3,445 | $ 5,311 |
| 2024 | 8,550 | 5,335 |
| 2025 | 10,050 | 4,955 |
| 2026 | 11,095 | 4,505 |
| 2027 | 11,210 | 4,018 |
| 2028 - 2032 | 47,905 | 13,200 |
| 2033 - 2037 | 33,875 | 3,399 |
| 2038 - 2042 | 10,720 | 90 |
| Total | $ 136,850 | $ 40,813 |

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").

CSLF

| Fiscal year ended | Principal | Interest |
|---|---|---|
| 2023 | $ - | $ 2,785 |
| 2024 | - | 2,785 |
| 2025 | - | 2,785 |
| 2026 | - | 2,785 |
| 2027 | - | 2,785 |
| 2028 - 2032 | - | 13,925 |
| 2033 - 2037 | - | 13,925 |
| 2038 - 2042 | - | 13,925 |
| 2043 - 2046 | 102,275 | 11,140 |
| Total | $ 102,275 | $ 66,840 |

(In Thousands)

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, 2022 year-end ranged from 2.70% to 2.75%.

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.

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. Lease liability

CHEFA leases office space in Hartford, Connecticut. The lease term began on January 1, 2019 and continues until December 31, 2023. Under the lease terms, CHEFA pays monthly rent which increases each year. During the fiscal year ended June 30, 2022, $267 was paid in rent. The lease liability was calculated using an implied interest rate of 2.15%. Future principal and interest payments are as follows:

| Fiscal year ended | Principal | Interest |
|---|---|---|
| 2023 | $ 266 | $ 6 |
| 2024 | 137 | 1 |
| | 403 | 7 |

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

## 3. Conduit debt

As of June 30, 2022, CHEFA had total outstanding principal balances of special obligation bonds of $8,597,868. 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 | $ | 38,655 |
| Connecticut State University System - | | |
| Special Capital Reserve Fund | | 300,750 |
| Higher education | | 4,665,477 |
| Hospitals | | 2,246,088 |
| Social and other | | 226,409 |
| Independent schools | | 707,973 |
| Senior living | | 412,516 |
| Total | $ | 8,597,868 |

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 $13,501 of principal balances outstanding in relation to the EZ Loan program, all of which is within the hospital sector. 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.

## 4. Authorized/unissued debt

At June 30, 2022, there was no authorized unissued debt for CHESLA.

## 5. New bond issuance

In June 2022, CHESLA issued $13,175 of 2022 Series B bonds with an interest rate of 5%for its serial maturities from November 15, 2024 to November 15, 2028 and an interest rate of 4.50% for the single term bond with a final maturity of November 15, 2038. These bonds were issued to (i) originate loans under the CHESLA loan program; (ii) fund certain accounts, including a special capital reserve fund; and (iii) pay the costs of issuance for the 2022 Series B Bonds.

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2022
(In Thousands)

**6. Advanced refunding**

In June 2022, CHESLA issued $62,375 of 2022 Series C bonds with interest rates between 3.25 and 4.27%. These bonds were issued to (i) advance refund prior to maturity all or a portion of certain maturities of outstanding bonds issued under CHESLA's Revenue Bond Resolution adopted June 12, 1990, as restated, supplemented and amended; (ii) fund certain accounts, including a special capital reserve fund; and (iii) pay the costs of issuance for the 2022 Series C Bonds. A portion of the proceeds of the 2022 Series C bonds, together with other moneys available therefor, will be used to advance refund prior to maturity the 2013, 2014, 2015, 2016, 2017, 2018 series and 2020 Series C and D ("refunded bonds"), which totaled $89,375. An irrevocable trust (the "trust") in the amount of $92,505 was funded to defease these bonds. The trust consists of risk-free monetary assets with substitution prohibited. As a result of the in-substance defeasance, the refunded bonds and the trust are not reported in the Authority's financial statements.

**E. Restricted net position**

The amount of restricted net position, which was restricted by enabling legislation, totaled $4,375 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 | $ 330 | $ 2 | $ - |
| Restricted: | | | |
| Child care facilities loan program | 4,320 | - | - |
| Student loan guarantee program | 55 | - | - |
| Bond funds | - | 21,453 | - |
| Alliance district teacher loan subsidy | - | 6,934 | - |
| Trust estate | - | - | 2,875 |
| Total restricted | 4,375 | 28,387 | 2,875 |
| Unrestricted | 10,217 | 12,742 | 20,109 |
| Total net position | $ 14,922 | $ 41,131 | $ 22,984 |

**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, 2022, outstanding loan balances totaled $2,785.

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

(In Thousands)

**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 $55.

**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.

**Alliance district teacher loan subsidy** – This program was funded from $7,000 from the State of Connecticut during 2022 and offers an interest rate subsidy on Alliance District Teacher Refinance Loans (to refinance existing private student loan debt) to teachers in any of Connecticut's Alliance District public schools. The program is designed to attract, support, and retain high quality educators who reflect the racial, ethnic, and linguistic diversity of Connecticut students.

**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, 2022, the ratio was 121.24%. During the year ended June 30, 2022, the Board authorized a transfer of $500 to CHESLA for the scholarship program and $2,000 to Refi CT. At June 30, 2022, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is $17,769.

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, 2022, is as follows:

Condensed Statement of Net Position

| | |
|---|---|
| Liability | |
| Accounts payable | $ 289 |
| Net position | $ (289) |
| Operating expenses | $ 6 |
| Change in net position | (6) |
| Net position, July 1, 2021 | (283) |
| Net position, June 30, 2022 | $ (289) |

## 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 $110 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 $18 and $3, respectively. CSLF contributed $500 to CHESLA for the scholarship program and $2,000 to Refi CT. Of the amount, $500 was not spent and is recorded as a deferred inflow.

### C. 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, 2022, there were no forfeitures and retirement plan expense was $247.

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, 2022, the plan expense was $31.

**D. Contingencies**

From time to time, the Authority may be subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Authority.

# Supplemental Schedules

# CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

## Combining Schedule of Net Position –
## Connecticut Health and Educational Facilities Authority
## June 30, 2022 (In Thousands)

| | CHEFA | CCDC | Eliminations | Total |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Unrestricted assets | | | | |
| Cash | $ 578 | $ - | $ - | $ 578 |
| Investments | 8,219 | - | - | 8,219 |
| Receivables | | | | |
| Accounts (net of allowance for uncollectible) | 1,189 | - | - | 1,189 |
| Related parties | 310 | - | (289) | 21 |
| Current portion of loans receivable | 256 | - | - | 256 |
| Prepaid expenses and other assets | 120 | - | - | 120 |
| Total unrestricted, current assets | 10,672 | - | (289) | 10,383 |
| Restricted assets | | | | |
| Investments - institutions | 570,768 | - | - | 570,768 |
| Total restricted, current assets | 570,768 | - | - | 570,768 |
| Total current assets | 581,440 | - | (289) | 581,151 |
| Noncurrent assets | | | | |
| Unrestricted assets | | | | |
| Capital assets (net of accumulated depreciation) | 330 | - | - | 330 |
| Loans receivable (net of current portion and allowance) | 263 | - | - | 263 |
| Right of use asset (net of accumulated amortization) | 353 | - | - | 353 |
| Restricted assets | | | | |
| Investments | 6,632 | - | - | 6,632 |
| Total noncurrent assets | 7,578 | - | - | 7,578 |
| Total assets | $ 589,018 | $ - | $ (289) | $ 588,729 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | $ 15 | 289 | $ (289) | $ 15 |
| Accrued expenses | 421 | - | - | 421 |
| Current portion of lease liability | 266 | - | - | 266 |
| Amounts held for institutions | 570,768 | - | - | 570,768 |
| Total current liabilities | 571,470 | 289 | (289) | 571,470 |
| Noncurrent liabilities | | | | |
| Lease liability (net of current portion) | 137 | - | - | 137 |
| Amount held for the State of Connecticut | 2,165 | - | - | 2,165 |
| Total noncurrent liabilities | 2,302 | - | - | 2,302 |
| Total liabilities | 573,772 | 289 | (289) | 573,772 |
| Deferred Inflows of Resources | | | | |
| Unearned revenue | 35 | - | - | 35 |
| Net Position | | | | |
| Net investment in capital assets | 330 | - | - | 330 |
| Restricted | 4,375 | - | - | 4,375 |
| Unrestricted | 10,506 | (289) | - | 10,217 |
| Total net position | 15,211 | (289) | - | 14,922 |
| Total liabilities, deferred inflows of resources and net position | $ 589,018 | $ - | $ (289) | $ 588,729 |

# 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 Health and Educational Facilities Authority
For the Year Ended June 30, 2022 (In Thousands)

| | CHEFA | CCDC | Eliminations | Total |
|---|---|---|---|---|
| Operating revenues | | | | |
| Administrative fees | $ 7,455 | $ - | $ - | $ 7,455 |
| Supporting services fees | 132 | - | (6) | 126 |
| Bond issuance fees | 85 | - | - | 85 |
| Interest income on loans receivable | 1 | - | - | 1 |
| Total operating revenues | 7,673 | - | (6) | 7,667 |
| Operating expenses | | | | |
| Salaries and related expenses | 3,036 | - | - | 3,036 |
| General and administrative | 644 | - | - | 644 |
| Contracted services | 302 | 6 | (6) | 302 |
| Total operating expenses | 3,982 | 6 | (6) | 3,982 |
| Operating income (loss) | 3,691 | (6) | - | 3,685 |
| Nonoperating income (expenses) | | | | |
| Investment income | 10 | - | - | 10 |
| Grants and child care subsidy expense | (3,056) | - | - | (3,056) |
| Total nonoperating expenses | (3,046) | - | - | (3,046) |
| Change in net position | 645 | (6) | - | 639 |
| Net position, July 1, 2021 (restated) | 14,566 | (283) | - | 14,283 |
| Net position, June 30, 2022 | $ 15,211 | $ (289) | $ - | $ 14,922 |

# Connecticut Health and Educational Facilities Authority

(A Component Unit of the State of Connecticut)

## Combining Schedule of Net Position – Connecticut Higher Education Supplemental Loan Authority
June 30, 2022 (In Thousands)

| | Agency operating fund | Other program funds | Bond funds 2019 resolution | Eliminations | Total CHESLA |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets | | | | | |
| Unrestricted assets | | | | | |
| Cash | $ 35 | $ - | $ - | $ - | $ 35 |
| Investments | 3,103 | 7,479 | - | - | 10,582 |
| Accounts receivable | 3 | - | 45 | - | 48 |
| Current portion of loans receivable | - | 275 | - | - | 275 |
| Interest receivable on investments | - | 12 | - | - | 12 |
| Loan interest receivable | - | 9 | - | - | 9 |
| Prepaid expenses and other assets | 58 | - | - | - | 58 |
| Total unrestricted, current assets | 3,199 | 7,775 | 45 | - | 11,019 |
| Restricted assets | | | | | |
| Investments - Bond indenture trusts | - | 6,934 | 28,843 | - | 35,777 |
| Current portion of loans receivable | - | - | 24,954 | - | 24,954 |
| Interest receivable on investments | 3 | - | 71 | - | 74 |
| Loan interest receivable | - | - | 797 | - | 797 |
| Total restricted, current assets | 3 | 6,934 | 54,665 | - | 61,602 |
| Total current assets | 3,202 | 14,709 | 54,710 | - | 72,621 |
| Noncurrent assets | | | | | |
| Unrestricted assets | | | | | |
| Capital assets | 2 | - | - | - | 2 |
| Loans receivable, net of current portion and allowance | - | 2,376 | - | - | 2,376 |
| Restricted assets | | | | | |
| Investments | - | - | 16,032 | - | 16,032 |
| Loans receivable, net of current portion and allowance | - | - | 92,094 | - | 92,094 |
| Total noncurrent assets | 2 | 2,376 | 108,126 | - | 110,504 |
| Total assets | $ 3,204 | $ 17,085 | $ 162,836 | $ - | $ 183,125 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | $ 23 | $ - | $ - | $ - | $ 23 |
| Accrued expenses | 85 | 3 | 36 | - | 124 |
| Accrued interest payable | - | - | 461 | - | 461 |
| Current portion of bonds payable | - | - | 3,445 | - | 3,445 |
| Total current liabilities | 108 | 3 | 3,942 | - | 4,053 |
| Noncurrent liabilities | | | | | |
| Bonds payable, net of current portion | - | - | 137,441 | | 137,441 |
| Total liabilities | 108 | 3 | 141,383 | - | 141,494 |
| Deferred Inflows of Resources | | | | | |
| Unearned revenue | - | 500 | - | - | 500 |
| Net Position | | | | | |
| Net investment in capital assets | 2 | - | - | - | 2 |
| Restricted | - | 6,934 | 21,453 | - | 28,387 |
| Unrestricted | 3,094 | 9,648 | - | - | 12,742 |
| Total net position | 3,096 | 16,582 | 21,453 | - | 41,131 |
| Total liabilities, deferred inflows of resources and net position | $ 3,204 | $ 17,085 | $ 162,836 | $ - | $ 183,125 |

# 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, 2022 (In Thousands)

| | Agency operating fund | Other program funds | Bond funds 2019 resolution | Eliminations | Total CHESLA |
|---|---|---|---|---|---|
| Operating revenues | | | | | |
| Interest income on loans receivable | $ - | $ 80 | $ 6,549 | $ - | $ 6,629 |
| Administrative fees | 882 | - | 81 | (882) | 81 |
| Contributions from CSLF | - | 2,518 | - | - | 2,518 |
| Contribution from State of CT - Alliance district teacher loan subsidy program | - | 7,000 | - | - | 7,000 |
| Other revenues | - | - | 165 | - | 165 |
| Total operating revenues | 882 | 9,598 | 6,795 | (882) | 16,393 |
| Operating expenses | | | | | |
| Interest expense | - | - | 3,565 | - | 3,565 |
| Salaries and related expenses | 332 | - | - | - | 332 |
| General and administrative | 433 | 44 | 1,127 | (882) | 722 |
| Scholarships | - | 557 | - | - | 557 |
| Loan service fees | - | 76 | 579 | - | 655 |
| Contracted services | 67 | - | - | - | 67 |
| Bond issuance costs | - | - | 956 | - | 956 |
| Provision for loan losses (net of recoveries) | - | 250 | (15) | - | 235 |
| Total operating expenses | 832 | 927 | 6,212 | (882) | 7,089 |
| Operating income (loss) | 50 | 8,671 | 583 | - | 9,304 |
| Nonoperating income (loss) | | | | | |
| Investment income (loss) | 9 | 22 | (251) | | (220) |
| Loss on bond defeasance | - | - | (452) | - | (452) |
| Total nonoperating income (loss) | 9 | 22 | (703) | - | (672) |
| Change in net position | 59 | 8,693 | (120) | - | 8,632 |
| Transfers | - | 5,001 | (5,001) | - | - |
| Net position, July 1, 2021 | 3,037 | 2,888 | 26,574 | - | 32,499 |
| Net position, June 30, 2022 | $ 3,096 | $ 16,582 | $ 21,453 | $ - | $ 41,131 |

# 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, 2022 (In Thousands)

| | Operating | Trust Estate | Eliminations | Total |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Unrestricted assets | | | | |
| Cash | $ 148 | $ - | $ - | $ 148 |
| Investments | 752 | - | - | 752 |
| Prepaid expenses and other assets | 11 | - | - | 11 |
| Total unrestricted, current assets | 911 | - | - | 911 |
| Restricted assets | | | | |
| Investments - Bond indenture trusts | - | 6,605 | - | 6,605 |
| Current portion of loans receivable | - | 4,550 | - | 4,550 |
| Loan interest receivable | - | 7,005 | - | 7,005 |
| Total restricted, current assets | - | 18,160 | - | 18,160 |
| Total current assets | 911 | 18,160 | - | 19,071 |
| Noncurrent assets | | | | |
| Restricted assets | | | | |
| Loans receivable (net of allowance for uncollectible) | - | 106,940 | - | 106,940 |
| Total assets | $ 911 | $ 125,100 | $ - | $ 126,011 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | $ 6 | $ - | $ - | $ 6 |
| Accrued expenses | 110 | - | - | 110 |
| U.S. Department of Education payable | - | 329 | - | 329 |
| Trust Estate payable | - | 456 | - | 456 |
| Total current liabilities | 116 | 785 | - | 901 |
| Noncurrent liabilities | | | | |
| Bonds payable and related liabilities | - | 102,126 | - | 102,126 |
| Total liabilities | 116 | 102,911 | - | 103,027 |
| Net Position | | | | |
| Net position | | | | |
| Restricted | - | 2,875 | - | 2,875 |
| Unrestricted | 795 | 19,314 | - | 20,109 |
| Total net position | 795 | 22,189 | - | 22,984 |
| Total liabilities and net position | $ 911 | $ 125,100 | $ - | $ 126,011 |

# 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, 2022 (In Thousands)

| | Operating | Trust Estate | Eliminations | Total |
|---|---|---|---|---|
| Operating revenues | | | | |
| Interest income on loans receivable | $ - | $ 4,708 | $ - | $ 4,708 |
| Administration fee | 327 | - | (327) | - |
| Other revenues | - | 98 | - | 98 |
| Total operating revenues | 327 | 4,806 | (327) | 4,806 |
| Operating expenses | | | | |
| Interest expense | - | 1,840 | - | 1,840 |
| General and administrative | 36 | 75 | - | 111 |
| Loan service fees | - | 425 | - | 425 |
| Administration fee | - | 327 | (327) | - |
| Consolidation rebate fees | - | 862 | - | 862 |
| Contracted services | 195 | - | - | 195 |
| Provision for loan losses | - | 102 | - | 102 |
| Total operating expenses | 231 | 3,631 | (327) | 3,535 |
| Operating income | 96 | 1,175 | - | 1,271 |
| Nonoperating income (expenses) | | | | |
| Investment income | 2 | 8 | - | 10 |
| Contributions to CHESLA | - | (2,500) | - | (2,500) |
| Total nonoperating expenses | 2 | (2,492) | - | (2,490) |
| Change in net position | 98 | (1,317) | - | (1,219) |
| Net position, July 1, 2021 | 697 | 23,506 | - | 24,203 |
| Net position, June 30, 2022 | $ 795 | $ 22,189 | $ - | $ 22,984 |

# Compliance

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# INDEPENDENT AUDITORS' 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 of
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 Connecticut Health and Educational Facilities Authority, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in fund position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2022.

**Report on Internal Control over Financial Reporting**

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Connecticut Health and Educational Facilities 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 result of that testing, and not to provide an opinion on the effectiveness of Connecticut Health and Educational Facilities Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connecticut Health and Educational Facilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whittlesey PC

Hartford, Connecticut
September 21, 2022

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