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, 2023

Whittlesey
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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, 2023, 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, 2023, 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 Auditors' 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.

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.

Auditors' 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 20, 2023 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 20, 2023

Management's Discussion and Analysis
For the Year Ended June 30, 2023
(In Thousands)

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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, 2023. 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 component unit 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 was 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 component unit 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

- CHEFA's net position (which recognizes the CCDC loss of $6) increased $1,250 for the fiscal year resulting from operating income of $3,697 net of nonoperating expenses (including grants and childcare expenses) of $3,024 offset by investment income of $577.
- CHESLA's net position increased by $3,470 for the fiscal year resulting from operating revenues of $10,787 net of operating expenses of $9,544, further increased by investment income of $2,227.
- CSLF's net position decreased $3,379 for the fiscal year, resulting from operating income of $644 and nonoperating expenses of $4,023, resulting from contributions to CHESLA of $4,250, partially offset by investment income of $227.
- During fiscal year 2023, CHEFA disbursed one revolving loan totaling $50. Principal repayment and interest on the loans are received quarterly. Loan receivable (net of allowance for loan loss) for the fiscal year is $376.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $25,162 for the in-school loan, Refi CT, and other programs. Payments received totaled $19,423 for all programs.
- CSLF Loans Receivable decreased by $25,775 during the fiscal year.
- CHESLA issued debt of $25,805 to be used for in-school loans.
- CSLF's bonds payable decreased by $26,350 from voluntary redemptions made during the year.
- Adoption of GASB 96, *Recording of Subscriptions*: All subscriptions beyond 12 months are immaterial for adoption.

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).

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Connecticut Health & Educational Facilities Authority

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

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

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, 2023. 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 27%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (71%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2023	**2022**
Current assets	$ 502,437	$ 581,151
Capital assets (net)	247	330
Other noncurrent assets	6,809	7,248
Total assets	509,493	588,729
Assets held on behalf of the State of CT	2,173	2,165
Other liabilities	491,133	571,607
Total liabilities	493,306	573,772
Unearned revenue	15	35
Net investment in capital assets	247	330
Restricted	4,350	4,375
Unrestricted	11,575	10,217
Total net position	$ 16,172	$ 14,922

At June 30, 2023, CCDC maintained $295 in current liabilities (Due to CHEFA) and an unrestricted net position of ($295), included above.

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year.

For the fiscal year, CHEFA's net position increased $1,250 (a gain of $1,256 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	
	2023	**2022**
Operating revenues:		
Administrative fees	$ 7,522	$ 7,455
Supporting services fees	164	126
Bond issuance fees	45	85
Interest income on loans receivable	1	1
Total operating revenues	7,732	7,667
Operating expenses:		
Salaries and related expenses	3,071	3,036
General and administrative	621	644
Contracted services	343	302
Total operating expenses	4,035	3,982
Operating income	3,697	3,685
Nonoperating income (expenses):		
Investment income	577	10
Grants and childcare subsidy expense	(3,024)	(3,056)
Total nonoperating expenses	(2,447)	(3,046)
Change in net position	1,250	639
Net position, July 1	$ 14,922	$ 14,283
Net position, June 30	$ 16,172	$ 14,922

Connecticut Health & Educational Facilities Authority

At June 30, 2023, 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 $7,732 for fiscal year 2023. Administrative fees are the largest revenue source and represent 97% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled $164, representing 2% of revenues for the year. The balance includes application fees for the conduit debt issued and interest income on loans receivable at less than 1% each. Administrative fees for fiscal year 2023 include recovery & loan interest of $28 and $1, respectively.

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

- Administrative fees totaled $7,522 for fiscal year 2023. The change in Administrative fees for fiscal year 2023 is a result of the change in the par value of loans outstanding at June 30, 2023. Administrative fees totaled $7,455 for the fiscal year ended June 30, 2022. 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, 2023 was $8,639,664 compared to $8,597,868 at June 30, 2022 and $8,303,029 at June 30, 2021.
- During the year, CHEFA issued new conduit debt totaling $289,409 in par value of which 17% was the refinancing of pre-existing debt.
- Nonoperating investment income increased by $567 to $577 from $10 recognized in fiscal year 2022. This is a result of increases in interest rates during the fiscal year.

Expenses

Expenses totaled $4,035 for the fiscal year. Of the expenses, 76% or $3,071 was for salaries and related expenses. General and administrative expenses amounted to $621, or 15%, while contracted services amounted to $343 or 9%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $35 from fiscal year 2022 to $3,071 in fiscal year 2023.
- General and administrative expenses decreased by $23 from fiscal year 2022 to $621 in fiscal year 2023.
- Contracted services increased by $41 from fiscal year 2022 to $343 in fiscal year 2023.

Capital Assets

At June 30, 2023, CHEFA's capital assets amounted to $247, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets decreased by $83 due to depreciation. The net capitalization of Leased Office Space ended the year at $104 including an additional $249 in amortization during the year.

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, 2023. 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 65%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (35%) is unrestricted. A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2023	**2022**
Current and other assets	$ 205,354	$ 183,123
Capital assets, net	2	2
Total assets	205,356	183,125
Liabilities outstanding	159,273	140,886
Other liabilities	982	608
Total liabilities	160,255	141,494
Deferred inflows of resources	500	500
Net investment in capital assets	2	2
Restricted	28,889	28,387
Unrestricted	15,710	12,742
Total net position	$ 44,601	$ 41,131

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 2023, CHESLA funded new loans, net of returns, of $19,619 in in-school loans and $5,543 in Refi CT loans, compared to $16,050 and $2,699 respectively, in fiscal year 2022. This resulted in a increase of 22.2% for in-school and an increase of 105.4% for Refi CT over fiscal year 2022.

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 $3,470.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2023	**2022**
Operating revenues:		
Interest income on loans receivable	$ 6,536	$ 6,629
Administrative fees	0	81
Contributions from CSLF	4,250	2,518
From State of CT	0	7,000
Other revenues	1	165
Total operating revenues	10,787	16,393
Operating expenses:		
Interest expense	5,324	3,565
Salaries and related expenses	337	332
General and administrative	733	722
Scholarships	506	557
Loan service fees	653	655
Contracted services	51	67
Bond issuance costs	471	956
Provision for loan losses	1,469	235
Total operating expenses	9,544	7,089
Operating income (loss)	1,243	9,304
Nonoperating income (loss)	2,227	(672)
Change in net position	3,470	8,632
Net position, July 1	41,131	32,499
Net position, June 30	$ 44,601	$ 41,131

The increase in net position for fiscal year 2023 reflects an increase in contributions from CSLF and an increase in investment income partially offset by an increase in interest expense.

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Connecticut Health & Educational Facilities Authority

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 the interest charged on the loans.

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

- Contributions from CSLF totaled $4,250 in fiscal year 2023. 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 $506 for scholarships awarded at the beginning of fiscal year 2023.
  - A contribution of $2,250 was received for the Refi CT loan program.
  - A contribution of $750 was received for the 2022 Non-Trust In-School Loan Fund.
  - A contribution of $750 was received directly into Agency.
- The Alliance District Teacher Loan Subsidy (ADTLS) Program offers a 3% interest rate subsidy on ADT Refinance Loans for teachers employed by any of Connecticut's 36 Alliance District public schools. In fiscal 2023, 34 loans totaling $647 were disbursed.
- Nonoperating income totaled $2,227 in fiscal year 2023, entirely due to gains from investments.

Operating Expenses

Expenses totaled $9,544 for the fiscal year. The largest expense representing 56% or $5,324 of total expenses was for interest payments on debt. This is an increase of 6% from 50% in fiscal year 2022. Loan servicing fees totaled $653 or 7% of operating expenses. Bond issuance costs totaled $471 or 5%. Provision for loan losses totaled $1,469 or 15% and general and administrative expenses amounted to $733 or 8% of the total operating expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by $1,759 as compared to fiscal year 2022 of $3,565, resulting from the change in the principal balance of outstanding debt and the issuance of new bonds.

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- Salaries and related expenses increased by $5.
- General and administrative expenses increased by $11 primarily due to an increase in marketing costs.
- Bond issuance costs decreased by $485. In May 2023, CHESLA closed a new money issue of $25,805 in 2023 Series B bonds.
- Provision for loan loss increased by $1,234 to $1,469 resulting from a net increase in the allowance of $454 plus net student write-offs and recoveries of $1,015.

Capital assets

At June 30, 2023, CHESLA's capital assets were $2.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable
(in thousands)

	CHESLA	
	2023	**2022**
Revenue bonds	$ 154,510	$ 136,850
Premiums/discounts	4,763	4,036
Total long-term liabilities	$ 159,273	$ 140,886

CHESLA's increase in the principal revenue bonds outstanding is a result of a new issuance totaling $25,805, deductions of $3,445 and additional paydowns of $4,700.

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.

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2023. 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 2% or $424. The remaining portion of net position is unrestricted and represents 98% of the total net position.

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

Summary Statement of Net Position
(in thousands)

	CSLF	
	2023	**2022**
Current and other assets	$ 96,313	$ 126,011
Total assets	96,313	126,011
Long-term liabilities outstanding	75,817	102,126
Other liabilities	891	901
Total liabilities	76,708	103,027
Restricted	424	2,875
Unrestricted	19,181	20,109
Total net position	$ 19,605	$ 22,984

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 $3,379.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CSLF 2023	CSLF 2022
Operating revenues:		
Interest income on loans receivable	$ 6,083	$ 4,708
Other revenues	136	98
Total operating revenues	6,219	4,806
Operating expenses:		
Interest expense	4,308	1,840
General and administrative	132	111
Loan service fees	379	425
Consolidation rebate fees	687	862
Contracted services	201	195
Provision for loan losses	(132)	102
Total operating expenses	5,575	3,535
Operating income	644	1,271
Nonoperating income (expenses):		
Investment income	227	10
Contribution expense	(4,250)	(2,500)
Total nonoperating expenses	(4,023)	(2,490)
Change in net position	(3,379)	(1,219)
Net position, July 1	22,984	24,203
Net position, June 30	$ 19,605	$ 22,984

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 2023 totaled $6,083 (98%) compared to $4,708 for fiscal year ended June 30, 2022. 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 fiscal 2023, due to market conditions, CSLF received funds from the US Department of Education totaling $384 compared to $2,646 paid out in fiscal year 2022.

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

- Interest income on loans receivable is the largest component of operating revenues totaling $6,083, an increase of $1,375 from the prior year amount of $4,708 due to rising interest rates. Although not affecting the FFELP loans directly (rates to the borrower are fixed), the Special Allowance Payments the trust receives make up the difference between the interest rate charged to FFELP borrowers and the market rate.

Expenses

Expenses totaled $5,575 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 $4,308 or 77% of total expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled $687 or 12% of total expenses and loan servicing fees totaled $379 or 7% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2023 by $2,468. 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 $46 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by $175 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures
- The Loan Loss Reserve Analysis was reviewed for both portfolios to determine the change in the loss allowance for each. The results of the analysis resulted in a $9 allowance decrease for the FFELP portfolio and a $123 decrease for the private loan portfolio for fiscal year 2023.

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- Nonoperating expense of $4,023, represents the Board authorized contributions to CHESLA of $4,250. Allocated to Refi CT ($2,250), scholarship programs ($500), 2022 Non-Trust In-School Loan Fund ($750) and a transfer to the CHESLA Agency ($750) for fiscal year 2023, partially offset by $227 in investment income.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable
(in thousands)

	CSLF	
	2023	**2022**
Revenue bonds	$ 75,925	$ 102,275
Premiums/discounts	(108)	(149)
Total long-term liabilities	$ 75,817	$ 102,126

CSLF's decrease in long-term debt was due to the redemption of $26,350 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 AA+sf 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, 2023
(In Thousands)

	Primary Government	Component Units		
	CHEFA	**CHESLA**	**CSLF**	**Total**
Assets				
Current assets				
Unrestricted assets				
Cash	$ 851	$ 34	$ 120	$ 1,005
Investments	9,878	9,455	24	19,357
Receivables				
Accounts (net of allowance for uncollectible)	582	13	-	595
Current portion of loans receivable	253	590	-	843
Interest receivable on investments	-	49	-	49
Loan interest receivable	-	19	-	19
Related parties	48	-	-	48
Prepaid expenses and other assets	154	50	12	216
Total unrestricted, current assets	11,766	10,210	156	22,132
Restricted assets				
Investments				
Institutions	490,671	-	-	490,671
Bond indenture trusts	-	51,492	4,044	55,536
Current portion of loans receivable	-	17,816	3,048	20,864
Interest receivable on investments	-	289	-	289
Loan interest receivable	-	763	6,191	6,954
Total restricted, current assets	490,671	70,360	13,283	574,314
Total current assets	502,437	80,570	13,439	596,446
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	247	2	-	249
Right of use asset (net of accumulated amortization)	104	-	-	104
Loans receivable (net of allowance)	123	6,505	-	6,628
Restricted assets				
Investments	6,582	19,281	-	25,863
Loans receivable (net of allowance for uncollectible)	-	98,998	82,874	181,872
Total noncurrent assets	7,056	124,786	82,874	214,716
Total assets	$ 509,493	$ 205,356	$ 96,313	$ 811,162

See Notes to Financial Statements

Exhibit A

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Statement of Net Position
June 30, 2023
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 12	$ 18	$ 2	$ 32
Due to other funds	-	22	-	22
Accrued expenses	305	112	113	530
Amounts held for institutions	490,679	-	-	490,679
Accrued interest payable	-	830	-	830
U.S. Department of Education payable	-	-	332	332
Trust Estate payable	-	-	444	444
Current portion of bonds payable	-	8,480	-	8,480
Current portion of lease liability	137	-	-	137
Total current liabilities	491,133	9,462	891	501,486
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	150,793	75,817	226,610
Amount held for the State of Connecticut	2,173	-	-	2,173
Lease liability (net of current portion)		-	-	-
Total noncurrent liabilities	2,173	150,793	75,817	228,783
Total liabilities	493,306	160,255	76,708	730,269
Deferred Inflows of Resources				
Unearned revenue	15	500	-	515
Net Position				
Net investment in capital assets	247	2	-	249
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	30	-	-	30
Bond funds	-	21,955	-	21,955
Alliance district teacher loan subsidy	-	6,934	-	6,934
Trust Estate	-	-	424	424
Total restricted	4,350	28,889	424	33,663
Unrestricted	11,575	15,710	19,181	46,466
Total net position	16,172	44,601	19,605	80,378
Total liabilities, deferred inflows of resources and net position	$ 509,493	$ 205,356	$ 96,313	$ 811,162

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, 2023
(In Thousands)

	Primary Government	Component Units		
	CHEFA	**CHESLA**	**CSLF**	**Total**
Operating revenues				
Interest income on loans receivable	$ 1	$ 6,536	$ 6,083	$ 12,620
Administrative fees	7,522	-	-	7,522
Supporting services fees	164	-	-	164
Contributions from CSLF (scholarships and Refi Program)	-	4,250	-	4,250
Bond issuance fees	45	-	-	45
Other revenues	-	1	136	137
Total operating revenues	7,732	10,787	6,219	24,738
Operating expenses				
Interest expense	-	5,324	4,308	9,632
Salaries and related expenses	3,071	337	-	3,408
General and administrative	621	733	132	1,486
Scholarships	-	506	-	506
Loan service fees	-	653	379	1,032
Consolidation rebate fees	-	-	687	687
Contracted services	343	51	201	595
Bond issuance costs	-	471	-	471
Provision for loan losses	-	1,469	(132)	1,337
Total operating expenses	4,035	9,544	5,575	19,154
Operating income (loss)	3,697	1,243	644	5,584
Nonoperating income (expenses)				
Investment income (loss)	577	2,227	227	3,031
Grants and child care subsidy expense	(3,024)	-	-	(3,024)
Contributions to CHESLA	-	-	(4,250)	(4,250)
Total nonoperating income (expenses)	(2,447)	2,227	(4,023)	(4,243)
Change in net position	1,250	3,470	(3,379)	1,341
Net position, July 1, 2022	14,922	41,131	22,984	79,037
Net position, June 30, 2023	$ 16,172	$ 44,601	$ 19,605	$ 80,378

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, 2023
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 19,423	$ 26,021
Interest received on loans	1	6,560	6,897
Fees received on loans	-	1	136
Contributions received from CSLF	(20)	4,250	-
Contributions received from State of CT	-	-	-
Cash received for administrative fees	8,129	35	-
Cash received for recovery of loans	-	60	54
Cash received for general administrative fees	137	22	-
Cash received for bond issuance fees	45	-	-
Cash payments for employee wages and benefits	(3,071)	(337)	-
Cash payments for general and administrative	(442)	(742)	(134)
Cash payments for interest on bonds	-	(5,246)	(4,267)
Cash payments for excess interest	-	-	(384)
Cash payments for loans issued	-	(25,162)	-
Cash payments for loan servicing fees	-	(653)	(379)
Cash payments for consolidation fees	-	-	(687)
Cash payments for contracted services	(343)	(51)	(201)
Cash payments for bond issuance costs	-	(471)	-
Cash payments for scholarships	-	(506)	-
Net cash provided by (used in) operating activities	4,436	(2,817)	27,056
Cash flows from noncapital financing activities			
Proceeds from bond sales	-	25,805	-
Bond premium	-	1,018	-
Payments from institutions for revolving loan fund, net	143	-	-
Proceeds from investment income for amounts held for others	16	-	-
Cash paid to grantees and child care subsidy	(3,024)	-	-
Payments of bond principal	-	(8,145)	(26,350)
Payments to irrevocable trust to defease bonds	-	-	-
Contributions to CHESLA	-	-	(4,250)
Net cash provided by (used in) noncapital financing activities	$ (2,865)	$ 18,678	$ (30,600)

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, 2023
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities financing activities:			
Principal payments on lease liability	$ (266)	$ -	$ -
Purchase of capital assets	-	-	-
Net cash provided by (used in) capital financing activities	(266)	-	-
Cash flows from investing activities			
Proceeds from sale of investments	-	-	3,289
Purchase of investments	(1,609)	(17,837)	-
Investment income (loss)	577	1,975	227
Net cash provided by (used in) investing activities	(1,032)	(15,862)	3,516
Net increase (decrease) in cash	273	(1)	(28)
Cash (including restricted cash), July 1, 2022	578	35	148
Cash (including restricted cash), June 30, 2023	$ 851	$ 34	$ 120
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 3,697	$ 1,243	$ 644
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	83	-	-
Amortization expense	249	-	-
Bond discount/premium amortization	-	(291)	41
Provision for loan losses	-	1,469	(132)
(Increase) decrease in:			
Accounts receivable	607	35	-
Accounts receivable - related party	(27)	-	-
Prepaid expenses and other assets	(34)	8	(1)
Loans receivable	-	(5,679)	25,700
Investment interest receivable	-	-	-
Loan interest receivable	-	24	814
Increase (decrease) in:			
Accounts payable	(3)	(5)	(4)
Due to other funds	-	22	-
Accrued expenses	(116)	(12)	3
Accrued interest payable	-	369	-
U.S. Department of Education payable	-	-	3
Trust Estate payable	-	-	(12)
Unearned revenue	(20)	-	-
Net adjustments to operating income (loss)	739	(4,060)	26,412
Net cash provided by (used in) operating activities	$ 4,436	$ (2,817)	$ 27,056

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, 2023
(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 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, 2022, and 2023.

Public Act 12-149 statutorily consolidated CHESLA with CHEFA by making CHESLA a component unit of CHEFA. As a component unit 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. CHESLA does not have a separate audit but is included in the CHEFA audit.

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 component unit of CHEFA. As a component unit 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. CSLF does not have a separate audit but is included in the CHEFA audit.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2023
(In Thousands)

Reporting entity
In February 2019, CHEFA created a component unit, the CHEFA Community Development Corporation ("CCDC"). As a component unit 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. CCDC does not have a separate audit but is included in the CHEFA audit.

I. Summary of significant accounting policies

A. Financial statements

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

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

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

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

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

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

<u>Administrative fees</u>
CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. 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.

<u>Loan reserve fee revenue</u>
Prior to June 24, 2021, CHESLA charged a 3% reserve fee on loans which was recognized as an origination fee. Applications submitted on or after June 24, 2021 are not charged an origination fee.

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

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

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2023
(In Thousands)

I. Summary of significant accounting policies

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

1. Cash and investments

Cash - The Authority's cash consists of cash on hand and demand deposits.

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.

See Credit Risk on page 35 for details on CHEFA investment policy.

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

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

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.

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 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.

I. Summary of significant accounting policies

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

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.

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, 2023, the State has not made nor was it required to make any such deposit.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2023
(In Thousands)

I. Summary of significant accounting policies

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

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 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.

- 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.

I. Summary of significant accounting policies

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

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

5. Amounts held for institutions

Amounts held for institutions represent amounts payable to institutions 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.

I. Summary of significant accounting policies

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

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.

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 understanding as of June 30, 2023.

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

Notes to Financial Statements
June 30, 2023
(In Thousands)

I. Summary of significant accounting policies

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

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.

(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, 2023, bank balances were exposed to custodial credit risk as follows:

	CHEFA	CHESLA	CSLF
Bank balance	$ 914	$ 35	$ 122

	CHEFA	CHESLA	CSLF
Uninsured and uncollateralized	$ 573	$ -	$ -
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	91	-	-
Total amount subject to custodial risk	$ 664	$ -	$ -

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	$ 496,953	$ -	$ -	$ -	$ 496,953
Pooled fixed income	10,178	-	-	-	10,178
Total	$ 507,131	$ -	$ -	$ -	$ 507,131

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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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 type	Amount	Investment maturities: Less Than 1	1-5 Years	5-10 Years	>10 Years
Pooled fixed income	$ 80,228	$ 79,021	$ 1,207	$ -	$ -
Total	$ 80,228	$ 79,021	$ 1,207	$ -	$ -

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

Investment type	Amount	Investment maturities: Less Than 1	1-5 Years	5-10 Years	>10 Years
Mutual funds - government	$ 4,017	$ 4,017	$ -	$ -	$ -
Pooled fixed income	51	51	-	-	-
Total	$ 4,068	$ 4,068	$ -	$ -	$ -

<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 or CHESLA's current investments require measurement at fair value.

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II. Detailed notes

A. Cash and investments

CSLF Investments by fair value	Fair Value	Level 1	Level 2	Level 3
Mutual funds - government	$ 4,017	$ 4,017	$ -	$ -
Total				
Other investments, not valued at fair value				
Pooled fixed income	51			
Total investments	$ 4,068			

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.

II. Detailed notes

A. Cash and investments

Credit risk – 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;

II. Detailed notes

A. Cash and investments

- 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;
- Obligations issued or guaranteed by the State of Connecticut as made available;
- Other debt obligations which are statutorily permissible investments.

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, 2023 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 2023, interest rates offered were at 3.75%. 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, 2023 are as follows:

Current portion	$	227
Long-term portion		171
Less allowance		(22)
Net long-term portion		149
Total net receivables	$	376

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

For the year ending June 30, 2024	$	227
2025		142
2026		12
2027		11
2028		6
Total gross receivables	$	398

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II. Detailed notes

B. Receivables

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2023 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 18,406	$ -	$ 18,406
Long-term portion	107,029	1,912	108,941
Less allowance	(2,557)	(881)	(3,438)
Net long-term portion	104,472	1,031	105,503
Total net receivables	$ 122,878	$ 1,031	$ 123,909

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 6.35%.

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 7.25% depending on the term of the loan and the Fair Isaac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.99% - 7.99%.

During the fiscal year, CHESLA wrote off loan receivables of $1,085, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $70 in loans receivable and other credits that were written off in previous years.

Because many of the CHESLA loans are not yet in repayment, maturity dates are not easily determinable.

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(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	$ 2,923	$ 125	$ 3,048
Long-term portion	82,051	1,317	83,368
Less allowance	(290)	(204)	(494)
Net long-term portion	81,761	1,113	82,874
Total net receivables	$ 84,684	$ 1,238	$ 85,922

During the fiscal year, CSLF wrote off federal loans receivable of $93 (CSLF risk share only), and had net recoveries of private loans of $17, both of 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 0% 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 6% to 10%. 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
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June 30, 2023
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II. Detailed notes
B. Receivables

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

For the year ending June 30, 2024	$	3,048
2025		3,260
2026		3,488
2027		3,731
2028		3,992
2029 - 2033		24,060
2034 - 2038		29,715
2039 - 2043		15,122
Total gross receivables	$	86,416

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2023 was as follows:

	Balances 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital asset being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	532	-	-	532
Furniture and fixtures	256	-	-	256
Office equipment	674	-	-	674
Total capital assets being depreciated	1,619	-	-	1,619
Less accumulated depreciation for:				
Leasehold improvements	157	-	-	157
Computer equipment	300	29	-	329
Furniture and fixtures	254	2	-	256
Office equipment	578	52	-	630
Total accumulated depreciation	1,289	83	-	1,372
Total capital assets being depreciated, net	$ 330			$ 247

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II. Detailed notes

C. Capital assets

CHEFA's right of use asset (under a capital lease) activity for the year ended June 30, 2023 was as follows:

	Balances 7/1/2022	Increases	Decreases	Balance 6/30/2023
Right of use asset:				
Leased office space	$ 1,248	$ -	$ -	$ 1,248
Less accumulated amortization	895	249	-	1,144
Total capital asset being amortized, net	$ 353			$ 104

CHESLA capital asset activity for the year ended June 30, 2023 was as follows:

	Balances 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital asset being depreciated:				
Domain name	$ 3	$ -	$ -	$ 3
Less accumulated depreciation for:				
Domain name	1	-	-	1
Total capital asset being depreciated, net	$ 2			$ 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, 2023:

CHEFA

	Balances July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,165	$ 8	$ -	$ 2,173	$ -

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II. Detailed notes

D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2022	Additions	Deductions	Amount Refunded	Balance 6/30/2023	Current Portion
2019 A	5,000	5/22/2019	11/15/35	3.95%	2,560	-	260	610	1,690	190
2019 B	25,550	5/22/2019	11/15/35	3.25 - 5.0%	22,225	-	670	3,670	17,885	1,080
2020 B	19,000	6/11/2020	11/15/36	3.25 - 5.0%	19,000	-	515	420	18,065	905
2021 B	17,515	6/23/2021	11/15/37	2.25 - 5.0%	17,515	-	-	-	17,515	505
2022 B	13,175	6/14/2022	11/15/38	5.0%	13,175	-	-	-	13,175	-
2022 C	62,375	6/14/2022	11/15/34	3.25 - 4.27%	62,375	-	2,000	-	60,375	5,800
2023 B	25,805	5/16/2023	11/15/39	3.75 - 5.0%	-	25,805	-	-	25,805	-
Total CHESLA					136,850	25,805	3,445	4,700	154,510	8,480
Premiums					4,036	1,018	291	-	4,763	
Discounts					-	-	-	-	-	
Total bonds and related amounts					$ 140,886	$ 26,823	$ 3,736	$ 4,700	$ 159,273	$ 8,480

CSLF

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023	Current Portion
2006 A-1	80,000	7/27/2006	6/1/2046	0.066-1.633%	$ 39,025	$ -	$ 9,600	$ 29,425	$ -
2006 A-2	100,000	12/14/2006	6/1/2046	0.066-1.645%	43,275	-	16,750	26,525	-
2006 B	20,000	7/27/2006	6/1/2046	0.010-1.655%	19,975	-	-	19,975	-
Total CSLF					102,275	-	26,350	75,925	-
Discounts					(149)	-	(41)	(108)	-
Total bonds and related amounts					$ 102,126	$ -	$ 26,309	$ 75,817	$ -

(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, 2023, are as follows:

CHESLA

Fiscal year ended	Principal	Interest
2024	$ 8,480	$ 3,255
2025	9,980	6,182
2026	11,870	5,763
2027	12,640	5,245
2028	12,200	4,678
2029 - 2033	58,185	15,417
2034 - 2038	37,115	4,232
2039 - 2043	4,040	240
Total gross bonds	$ 154,510	$ 45,012

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
2024	$ -	$ 4,673
2025	-	4,673
2026	-	4,673
2027	-	4,673
2028	-	4,673
2029 - 2033	-	23,365
2034 - 2038	-	23,365
2039 - 2043	-	23,365
2044 - 2046	75,925	9,346
Total gross bonds	$ 75,925	$ 102,806

(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, 2023 year-end ranged from 6.68% to 6.72%.

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, 2023, $250 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
June 30, 2024	$ 137	$ 1
	137	1

(In Thousands)

3. Conduit debt

As of June 30, 2023, CHEFA had total outstanding principal balances of special obligation bonds of $8,639,664. 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	$	36,209
Connecticut State University System -		
Special Capital Reserve Fund		279,685
Higher education		4,705,435
Hospitals		2,193,651
Social and other		325,513
Independent schools		686,437
Senior living		412,734
Total	$	8,639,664

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 $5,205 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, 2023, there was no authorized unissued debt for CHESLA.

5. New bond issuance

In May 2023, CHESLA issued $25,805 of 2023 Series B bonds with an interest rate of 5% for its serial maturities from November 15, 2025 to November 15, 2032 and an interest rate range from 3.50% to 4.25% for the single term bond with maturities from November 15, 2033 to the final maturity of November 15, 2039. 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 2023 Series B Bonds.

(In Thousands)

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $4,350 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	$ 247	$ 2	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	30	-	-
Bond funds	-	21,955	-
Alliance district teacher loan subsidy	-	6,934	-
Trust estate	-	-	424
Total restricted	4,350	28,889	424
Unrestricted	11,575	15,710	19,181
Total net position	$ 16,172	$ 44,601	$ 19,605

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, 2023, outstanding loan balances totaled $2,430.

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

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 $30.

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.

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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, 2023, the ratio was 127.46%. During the year ended June 30, 2023, the Board authorized a transfer of $500 to CHESLA for the scholarship program, $2,250 to Refi CT, $750 to CHESLA Agency, and $750 to In School Non Trust. At June 30, 2023, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is $17,990.

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, 2023, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	$ 295
Net position	$ (295)
Operating expenses	$ 6
Change in net position	(6)
Net position, July 1, 2022	(289)
Net position, June 30, 2023	$ (295)

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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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.

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $124 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $40 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 $19 and $2, respectively. CSLF contributed $500 to CHESLA for the scholarship program, $2,250 to Refi CT, $750 to In School Non Trust, and $750 to Agency. 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, 2023, there were no forfeitures and retirement plan expense was $273.

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 $1,500 (not stated in thousands) of employee contributions. For the year ended June 30, 2023, the plan expense was $30.

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

Schedule 1

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

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Combining Schedule of Net Position – Connecticut Health and Educational Facilities Authority June 30, 2023 (In Thousands)

	CHEFA	CCDC	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 851	$ -	$ -	$ 851
Investments	9,878	-	-	9,878
Receivables				
Accounts (net of allowance for uncollectible)	582	-	-	582
Related parties	343	-	(295)	48
Current portion of loans receivable	253	-	-	253
Prepaid expenses and other assets	154	-	-	154
Total unrestricted, current assets	12,061	-	(295)	11,766
Restricted assets				
Investments - institutions	490,671	-	-	490,671
Total restricted, current assets	490,671	-	-	490,671
Total current assets	502,732	-	(295)	502,437
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	247	-	-	247
Loans receivable (net of current portion and allowance)	123	-	-	123
Right of use asset (net of accumulated amortization)	104	-	-	104
Restricted assets				
Investments	6,582	-	-	6,582
Total noncurrent assets	7,056	-	-	7,056
Total assets	$ 509,788	$ -	$ (295)	$ 509,493
Liabilities				
Current liabilities				
Accounts payable	$ 12	295	$ (295)	$ 12
Accrued expenses	305	-	-	305
Current portion of lease liability	137	-	-	137
Amounts held for institutions	490,679	-	-	490,679
Total current liabilities	491,133	295	(295)	491,133
Noncurrent liabilities				
Amount held for the State of Connecticut	2,173	-	-	2,173
Total noncurrent liabilities	2,173	-	-	2,173
Total liabilities	493,306	295	(295)	493,306
Deferred Inflows of Resources				
Unearned revenue	15	-	-	15
Net Position				
Net investment in capital assets	247	-	-	247
Restricted	4,350	-	-	4,350
Unrestricted	11,870	(295)	-	11,575
Total net position	16,467	(295)	-	16,172
Total liabilities, deferred inflows of resources and net position	$ 509,788	$ -	$ (295)	$ 509,493

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, 2023 (In Thousands)

	CHEFA	CCDC	Eliminations	Total
Operating revenues				
Administrative fees	$ 7,522	$ -	$ -	$ 7,522
Supporting services fees	170	-	(6)	164
Bond issuance fees	45	-	-	45
Interest income on loans receivable	1	-	-	1
Total operating revenues	7,738	-	(6)	7,732
Operating expenses				
Salaries and related expenses	3,071	-	-	3,071
General and administrative	621	-	-	621
Contracted services	343	6	(6)	343
Total operating expenses	4,035	6	(6)	4,035
Operating income (loss)	3,703	(6)	-	3,697
Nonoperating income (expenses)				
Investment income	577	-	-	577
Grants and child care subsidy expense	(3,024)	-	-	(3,024)
Total nonoperating expenses	(2,447)	-	-	(2,447)
Change in net position	1,256	(6)	-	1,250
Net position, July 1, 2022	15,211	(289)	-	14,922
Net position, June 30, 2023	$ 16,467	$ (295)	$ -	$ 16,172

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, 2023 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
Assets					
Current assets					
Unrestricted assets					
Cash	$ 34	$ -	$ -	$ -	$ 34
Investments	4,284	5,171	-	-	9,455
Accounts receivable	4	-	9	-	13
Current portion of loans receivable	-	590	-	-	590
Interest receivable on investments	-	49	-	-	49
Loan interest receivable	-	19	-	-	19
Prepaid expenses and other assets	50	-	-	-	50
Total unrestricted, current assets	4,372	5,829	9	-	10,210
Restricted assets					
Investments - Bond indenture trusts	-	6,527	44,965	-	51,492
Current portion of loans receivable	-	-	17,816	-	17,816
Interest receivable on investments	18	-	271	-	289
Loan interest receivable	-	-	763	-	763
Total restricted, current assets	18	6,527	63,815	-	70,360
Total current assets	4,390	12,356	63,824	-	80,570
Noncurrent assets					
Unrestricted assets					
Capital assets	2	-	-	-	2
Loans receivable, net of current portion and allowance	-	6,505	-	-	6,505
Restricted assets					
Investments	-	-	19,281	-	19,281
Loans receivable, net of current portion and allowance	-	-	98,998	-	98,998
Total noncurrent assets	2	6,505	118,279	-	124,786
Total assets	$ 4,392	$ 18,861	$ 182,103	$ -	$ 205,356
Liabilities					
Current liabilities					
Accounts payable	$ 18	$ -	$ -	$ -	$ 18
Due to other funds	-	22	-	-	22
Accrued expenses	59	8	45	-	112
Accrued interest payable	-	-	830	-	830
Current portion of bonds payable	-	-	8,480	-	8,480
Total current liabilities	77	30	9,355	-	9,462
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	150,793		150,793
Total liabilities	77	30	160,148	-	160,255
Deferred Inflows of Resources					
Unearned revenue	-	500	-	-	500
Net Position					
Net investment in capital assets	2	-	-	-	2
Restricted	-	6,934	21,955	-	28,889
Unrestricted	4,313	11,397	-	-	15,710
Total net position	4,315	18,331	21,955	-	44,601
Total liabilities, deferred inflows of resources and net position	$ 4,392	$ 18,861	$ 182,103	$ -	$ 205,356

Schedule 4

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Combining Schedule of Revenues, Expenses and Changes in Net Position – Connecticut Higher Education Supplemental Loan Authority For the Year Ended June 30, 2023 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
Operating revenues					
Interest income on loans receivable	$ -	$ 269	$ 6,267	$ -	$ 6,536
Administrative fees	1,326	-	-	(1,326)	-
Contributions from CSLF	750	3,500	-	-	4,250
Other revenues	-	-	1	-	1
Total operating revenues	2,076	3,769	6,268	(1,326)	10,787
Operating expenses					
Interest expense	-	-	5,324	-	5,324
Salaries and related expenses	337	-	-	-	337
General and administrative	450	101	1,508	(1,326)	733
Scholarships	-	506	-	-	506
Loan service fees	-	90	563	-	653
Contracted services	51	-	-	-	51
Bond issuance costs	-	-	471	-	471
Provision for loan losses (net of recoveries)	(9)	482	996	-	1,469
Total operating expenses	829	1,179	8,862	(1,326)	9,544
Operating income (loss)	1,247	2,590	(2,594)	-	1,243
Nonoperating income (loss)					
Investment income (loss)	133	441	1,653		2,227
Loss on bond defeasance	-	-	-	-	-
Total nonoperating income (loss)	133	441	1,653	-	2,227
Change in net position	1,380	3,031	(941)	-	3,470
Transfers	(161)	(1,282)	1,443	-	-
Net position, July 1, 2022	3,096	16,582	21,453	-	41,131
Net position, June 30, 2023	$ 4,315	$ 18,331	$ 21,955	$ -	$ 44,601

Schedule 5

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, 2023 (In Thousands)

	Operating	Trust Estate	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 120	$ -	$ -	$ 120
Investments	24	-	-	24
Prepaid expenses and other assets	12	-	-	12
Total unrestricted, current assets	156	-	-	156
Restricted assets				
Investments - Bond indenture trusts	-	4,044	-	4,044
Current portion of loans receivable	-	3,048	-	3,048
Loan interest receivable	-	6,191	-	6,191
Total restricted, current assets	-	13,283	-	13,283
Total current assets	156	13,283	-	13,439
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectible)	-	82,874	-	82,874
Total assets	$ 156	$ 96,157	$ -	$ 96,313
Liabilities				
Current liabilities				
Accounts payable	$ 2	$ -	$ -	$ 2
Accrued expenses	113	-	-	113
U.S. Department of Education payable	-	332	-	332
Trust Estate payable	-	444	-	444
Total current liabilities	115	776	-	891
Noncurrent liabilities				
Bonds payable and related liabilities	-	75,817	-	75,817
Total liabilities	115	76,593	-	76,708
Net Position				
Net position				
Restricted	-	424	-	424
Unrestricted	41	19,140	-	19,181
Total net position	41	19,564	-	19,605
Total liabilities and net position	$ 156	$ 96,157	$ -	$ 96,313

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, 2023 (In Thousands)

	Operating	Trust Estate	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ -	$ 6,083	$ -	$ 6,083
Administration fee	248	-	(248)	-
Other revenues	-	136	-	136
Total operating revenues	248	6,219	(248)	6,219
Operating expenses				
Interest expense	-	4,308	-	4,308
General and administrative	73	59	-	132
Loan service fees	-	379	-	379
Administration fee	-	248	(248)	-
Consolidation rebate fees	-	687	-	687
Contracted services	201	-	-	201
Provision for loan losses	-	(132)	-	(132)
Total operating expenses	274	5,549	(248)	5,575
Operating income	(26)	670	-	644
Nonoperating income (expenses)				
Investment income	22	205	-	227
Contributions to CHESLA	(750)	(3,500)	-	(4,250)
Total nonoperating expenses	(728)	(3,295)	-	(4,023)
Change in net position	(754)	(2,625)	-	(3,379)
Net position, July 1, 2022	795	22,189	-	22,984
Net position, June 30, 2023	$ 41	$ 19,564	$ -	$ 19,605

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 the business-type activities and the aggregate discretely presented component units of Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2023, which collectively comprise Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 20, 2023.

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 20, 2023

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