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

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

June 30, 2019

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

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

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Financial Section

Independent Auditor's Report

To the Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 20, 2019, on our consideration of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
September 20, 2019

Management's Discussion and Analysis
For the Year Ended June 30, 2019
(In Thousands)

As management of Connecticut Health and Educational Facilities Authority ("CHEFA"), we offer readers of CHEFA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. This Management's Discussion and Analysis presents a separate discussion for the primary government (CHEFA), which includes the blended component unit CHEFA Community Development Corporation ("CCDC"), and each of the discretely presented component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

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

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

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

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

Financial Highlights

- CHEFA's net position (which nets the CCDC loss of $107) increased $470 for the fiscal year resulting from operating income of $3,997 net of nonoperating expenses (including grants and childcare expenses) of $2,957 and the required payment to the state of $900, offset by investment income of $330.

- CHESLA's net position increased by $3,230 for the fiscal year. The increase was due primarily to contributions from CSLF for the scholarship and student loan programs and the increase in investment income.
- CSLF's net position decreased by $2,234 for the fiscal year, due primarily from the $3,500 contribution made to CHESLA for its scholarship program ($1,500) and funding for the in-school student loan program ($2,000).
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $24,441 from the in-school loan program and $3,323 from the Refi CT program. Payments received of $20,336, net of adjustments, include $19,643 from the in-school loans and the remainder from the Refi CT loans.
- CSLF received loan payments of $33,799 during the fiscal year.
- CHESLA issued debt of $40,550. $35,550 to be used for in-school loans and $5,000 for refinance loans.
- CSLF's bonds payable decreased by $27,975 from voluntary redemptions made during the year.

Overview of the Financial Statements

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

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

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

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

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

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

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, 2019. Net position may serve over time as a useful indicator of financial position. The restricted portion of net position for CHEFA at fiscal year-end was 30.7%. CHEFA's net position invested in capital assets was 1.5%. The remaining portion of net position (67.8%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHEFA 2019	CHEFA 2018
Current and other assets	$ 226,948	$ 244,119
Capital assets (net)	223	106
Total assets	227,171	244,225
Assets held on behalf of the State of CT	2,165	2,170
Other liabilities	210,543	228,062
Total liabilities	212,708	230,232
Net investment in capital assets	223	106
Restricted	4,448	4,487
Unrestricted	9,792	9,400
Total net position	$ 14,463	$ 13,993

At June 30, 2019 – CCDC maintained $107 in current liabilities (Due to CHEFA) and an unrestricted net position of ($107), included above.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position increased $470 ($577 net of $107 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2019	**2018**
Operating revenues:		
Administrative fees	$ 7,488	$ 7,463
Supporting services fees	282	282
Bond issuance fees	45	59
Other revenues	3	153
Total operating revenues	7,818	7,957
Operating expenses:		
Salaries and related expenses	2,943	2,807
General and administrative	611	545
Contracted services	267	133
Total operating expenses	3,821	3,485
Operating income	3,997	4,472
Nonoperating income (expenses):		
Investment income	330	192
Payment to State	(900)	(900)
Grants and childcare subsidy expense	(2,957)	(2,879)
Total nonoperating expenses	(3,527)	(3,587)
Increase in net position	470	885
Net position, July 1, 2018	13,993	13,108
Net position, June 30, 2019	$ 14,463	$ 13,993

At June 30, 2019, CCDC expenses included above totaled $29 in general and administrative and $78 in contracted services, for a total change in unrestricted net position of ($107).

Revenues

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

The fee charged is a Board approved administrative fee of 9 basis points (.0009) annually on the outstanding balance of bonds.

Revenues totaled $7,818 for fiscal year 2019. Administrative fees are the largest revenue source and represent 95.8% of total revenues. Supporting services fees for support services provided to CHESLA, CSLF and CCDC totaled $282, representing 3.6% of revenues for the year. The balance includes application fees for the conduit debt issued and other revenues at .6%.

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

- Administrative fees increased by $25 to $7,488 during the year. The increase is due to the change in the par value of loans outstanding at June 30, 2019 compared to June 30, 2018. 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, 2019 was $8,408,386 as compared to $8,349,699 at June 30, 2018.

  During the year, CHEFA had 13 issues of new conduit debt totaling $418,445 in par value, of which 35.2% was the refinancing of pre-existing debt.

- Nonoperating investment income increased by $138 to $330 from $192 recognized in fiscal year 2018. This is a result of interest rate increases as compared to the prior year.

Expenses

Expenses totaled $3,821 for the fiscal year. Of the expenses, 77% or $2,943 was for salaries and related expenses. General and administrative expenses amounted to $611, or 16%, while contracted services amounted to $267 or 7%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $136 from fiscal year 2018 to $2,943.
- Contracted services increased by $134 from fiscal year 2018 to $267.
- Grants and childcare subsidy expense increased from fiscal year 2018 by $78.

Capital Assets

At June 30, 2019, CHEFA's capital assets amounted to $223, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $117 due to capital asset additions of $171, offset by depreciation of $54. Capital asset purchases during the year were related to a network infrastructure project.

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

Economic Factors

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

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2019. 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 80.49%. CHESLA's net position invested in capital assets was 0.01%. The remaining portion of net position (19.50%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2019	**2018**
Current and other assets	$ 212,005	$ 182,470
Capital assets, net	3	3
Total assets	212,008	182,473
Long-term liabilities outstanding	176,543	151,965
Other liabilities	1,070	843
Total liabilities	177,613	152,808
Deferred inflows of resources	1,507	7
Net invested in capital assets	3	3
Restricted	26,471	18,087
Unrestricted	6,414	11,568
Total net position	$ 32,888	$ 29,658

CHESLA's unrestricted net position consists primarily of board designated assets for the refinance and the scholarship programs. In fiscal year 2019, CHESLA funded new loans, net of returns, of $24,441 of in-school loans and $3,323 in Refi CT loans, compared to $21,597 and $2,877, respectively, in fiscal year 2018. Resulting in increases of 13% for in-school and 15% for Refi CT over fiscal year 2018.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased $3,230.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2019	**2018**
Operating revenues:		
Interest income on loans receivable	$ 7,433	$ 7,333
Administrative fees	738	669
Contributions from CSLF	4,000	3,993
Other revenues	-	32
Total operating revenues	12,171	12,027
Operating expenses:		
Interest expense	5,898	5,994
Salaries and related expenses	184	137
General and administrative	631	565
Refinance program	53	40
Scholarships	2,000	1,993
Loan service fees	565	598
Contracted services	51	39
Bond issuance costs	825	709
Provision for loan losses	660	581
Total operating expenses	10,867	10,656
Operating income	1,304	1,371
Nonoperating income:		
Investment income	1,926	784
Increase in net position	3,230	2,155
Net position, July 1, 2018	29,658	27,503
Net position, June 30, 2019	$ 32,888	$ 29,658

The increase in net position for fiscal year 2019 reflects the funds received from CSLF for the scholarship and Refi CT programs and an increase in investment income.

Revenues

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

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

- Administrative fees increased by $69 to $738 during the year.
- Contributions from CSLF totaled $5,500:
    - The Scholarship Fund received $3,500 as compared to $2,000 in fiscal year 2018. The current year contributions were authorized by the Board in fiscal year 2018 and $2,000 was disbursed throughout fiscal year 2019. The remaining monies of $1,500 are recorded as a deferred inflows, to be disbursed in fiscal year 2020.
    - A contribution of $2,000 was also received for the in-school student loan program.
- Nonoperating investment income increased by $1,142 in fiscal year 2019, primarily due to the increase in market value of the Treasury notes held in the Special Capital Reserve Fund ("SCRF") investment accounts of the 2009A and 2010A Bond issues in addition to an increase in interest rates.

Expenses

Expenses totaled $10,867 for the fiscal year. The largest expense representing 54.3% or $5,898 of total expenses was for interest payments on debt. This is a decrease of 2.0% from the 56.3% in fiscal year 2018. Scholarship expenses amounted to $2,000 or 18.4%. General and administrative expenses amounted to $631 or 5.8%. Bond issue costs totaled $825 or 7.6%, loan servicing fees totaled $565 or 5.2% and provision for loan losses totaled $660 or 6.1% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense decreased by $96 as compared to fiscal year 2018 resulting from the change in the principal balance of outstanding debt, the issuance of new bonds and the early redemption of bonds in September 2018.
- Salaries and related expenses increased by $47.
- General and administrative expenses increased by $66 primarily due to an increase in marketing costs and other expenses.
- The refinance program expenses increased by $13. The program was originally funded during fiscal year 2016 by a contribution from CSLF ($6,000). $500 of the program funding was designated for start-up and marketing costs. $171 was spent in fiscal year 2016, $201 in fiscal year 2017, $40 in fiscal year 2018, and $53 in the current year with the remainder for this program to be spent on marketing in future years.
- Bond issuance increased by $116. Three bond issues closed in fiscal year 2019 as compared to two in fiscal year 2018.

- Provision for loan losses increased by $79. $660 in fiscal year 2019 as compared to $581 in fiscal year 2018. This expense continues to increase yearly, reflecting additional loan originations.

Capital assets

At June 30, 2019, CHESLA's capital assets remained level at $3.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable
(in thousands)

	CHESLA	
	2019	**2018**
Revenue bonds	$ 171,570	$ 147,810
Premiums/discounts	4,973	4,155
Total long-term liabilities	$ 176,543	$ 151,965

CHESLA's increase in the principal revenue bonds outstanding is a result of new issuances totaling $40,550 and redemptions of $16,790.

CHESLA maintains an "A" rating from Fitch Ratings and an A1 rating from Moody's Investors Service for its state supported revenue bonds.

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

Economic Factors

The general economic conditions, direction of the economy and unemployment rates 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, 2019. 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 21.9% or $4,759. The remaining portion of net position is unrestricted and represents 78.1% of the total net position. The increase was due primarily to loan interest revenue net of the $3,500 contributed to CHESLA for the scholarship and in-school loan programs authorized by the Board.

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

Summary Statement of Net Position (in thousands)

	CSLF	
	2019	**2018**
Current and other assets	$ 193,792	$ 226,083
Total assets	193,792	226,083
Long-term liabilities outstanding	171,302	199,181
Other liabilities	734	2,912
Total liabilities	172,036	202,093
Restricted	4,759	4,693
Unrestricted	16,997	19,297
Total net position	$ 21,756	$ 23,990

Statement of Changes in Net Position. The statement of changes in net position's purpose 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 $2,234.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2019	**2018**
Operating revenues:		
Interest income on loans receivable	$ 10,403	$ 10,475
Not-for-profit servicing income	210	207
Total operating revenues	10,613	10,682
Operating expenses:		
Interest expense	6,580	5,626
General and administrative	247	262
Loan service fees	772	875
Consolidation rebate fees	1,281	1,430
Contracted services	222	409
Provision for loan losses	394	–
Total operating expenses	9,496	8,602
Operating income	1,117	2,080
Nonoperating income (expenses):		
Investment income	149	97
Contribution revenue/expense	(3,500)	(4,000)
Total nonoperating expenses	(3,351)	(3,903)
Decrease in net position	(2,234)	(1,823)
Net position, July 1, 2018	23,990	25,813
Net position, June 30, 2019	$ 21,756	$ 23,990

Revenues

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

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 2019 totaled $10,403 (98.0%) compared to $10,475 for fiscal year ended June 30, 2018. 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 calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year ended June 30, 2019, CSLF paid $1,695 to the US Department of Education compared to $3,298 paid during fiscal year 2018.

The balance of CSLF revenues is the not-for-profit service fee of $210 or 2.0% of revenues.

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

- Interest income on loans receivable is the largest component of operating revenues totaling $10,403, a decrease of $72 from the prior year amount of $10,475 as a result of decreasing loan balances outstanding.
- Not-for-profit servicing income totaled $210 for the fiscal year ended 2019, an increase of $3 as compared to fiscal year 2018.

Expenses

Expenses totaled $9,496 for the fiscal year. The largest of which was interest expense on the Auction Rate Certificates ("ARCs") issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auctions, all investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled $6,580 or 69.3%. Consolidation rebate fees paid to the U.S. Department of Education totaled $1,281 or 13.5% of total expenses and loan servicing fees totaled $772 or 8.1% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2019 by $954. The increase is due to the rising interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $103 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by $149 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- After several years of improvement, performance of the CSLF Federal loans deteriorated over the course of 2019. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss reserve of $441. The performance of the Private Student loan portfolio was in line with prior expectations and revised projections results in a decrease of the private loan loss reserve of $47. In June 2019, the board approved the adjusted reserve levels.
- Nonoperating expense decreased by $500, relating to the Board authorized contribution to CHESLA of $1,500 for the scholarship program for fiscal year 2019.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable
(in thousands)

	CSLF	
	2019	**2018**
Revenue bonds	$ 171,625	$ 199,600
Premiums/discounts	(323)	(419)
Total long-term liabilities	$ 171,302	$ 199,181

CSLF's decrease in long-term debt was due to the redemption of $27,975 of bonds during the fiscal year.

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

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

Economic Factors

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

Requests for Information

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

Basic Financial Statements

Exhibit A

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

Statement of Net Position
June 30, 2019
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 2,369	$ 414	$ 404	$ 3,187
Investments	7,268	6,887	-	14,155
Receivables				
Accounts (net of allowance for uncollectibles of $86)	357	-	17	374
Current portion of loans receivable	-	73	-	73
Interest receivable on investments	-	6	-	6
Loan interest receivable	-	21	-	21
Related parties	56	-	-	56
Prepaid expenses and other assets	83	25	1	109
Total unrestricted assets	10,133	7,426	422	17,981
Restricted assets				
Investments				
Institutions	210,153	-	-	210,153
Bond indenture trusts	-	47,661	6,629	54,290
Current portion of loans receivable	-	20,560	10,564	31,124
Interest receivable on investments	-	214	-	214
Loan interest receivable	-	494	5,597	6,091
Total restricted assets	210,153	68,929	22,790	301,872
Total current assets	220,286	76,355	23,212	319,853
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	223	3	-	226
Loans receivable (net of allowance for uncollectibles)	-	631	-	631
Restricted assets				
Investments	6,662	23,650	-	30,312
Loans receivable (net of allowance for uncollectibles)	-	111,369	170,580	281,949
Total noncurrent assets	6,885	135,653	170,580	313,118
Total assets	$ 227,171	$ 212,008	$ 193,792	$ 632,971

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

Statement of Net Position
June 30, 2019
(In Thousands)

	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 33	$ 189	$ 22	$ 244
Accrued expenses	361	13	66	440
Amounts held for institutions	210,149	-	-	210,149
Accrued interest payable	-	868	-	868
U.S. Department of Education payable	-	-	310	310
Trust Estate payable	-	-	336	336
Current portion of bonds payable	-	12,085	-	12,085
Total current liabilities	210,543	13,155	734	224,432
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	164,458	171,302	335,760
Amount held for the State of Connecticut	2,165	-	-	2,165
Total noncurrent liabilities	2,165	164,458	171,302	337,925
Total liabilities	212,708	177,613	172,036	562,357
Deferred Inflows of Resources				
Unearned revenue	-	1,507	-	1,507
Net Position				
Net investment in capital assets	223	3	-	226
Restricted	4,448	26,471	4,759	35,678
Unrestricted	9,792	6,414	16,997	33,203
Total net position	14,463	32,888	21,756	69,107
Total liabilities, deferred inflows of resources and net position	$ 227,171	$ 212,008	$ 193,792	$ 632,971

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, 2019
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Operating revenues				
Interest income on loans receivable	$ -	$ 7,433	$ 10,403	$ 17,836
Administrative fees	7,488	738	-	8,226
Supporting services fees	282	-	-	282
Contributions from CSLF (scholarships and Refi Program)	-	4,000	-	4,000
Bond issuance fees	45	-	-	45
Not-for-profit servicing income	-	-	210	210
Other revenues	3	-	-	3
Total operating revenues	7,818	12,171	10,613	30,602
Operating expenses				
Interest expense	-	5,898	6,580	12,478
Salaries and related expenses	2,943	184	-	3,127
General and administrative	611	631	247	1,489
Refinance program	-	53	-	53
Scholarships	-	2,000	-	2,000
Loan service fees	-	565	772	1,337
Consolidation rebate fees	-	-	1,281	1,281
Contracted services	267	51	222	540
Bond issuance costs	-	825	-	825
Provision for loan losses	-	660	394	1,054
Total operating expenses	3,821	10,867	9,496	24,184
Operating income	3,997	1,304	1,117	6,418
Nonoperating income (expenses)				
Investment income	330	1,926	149	2,405
Payment to State (legislative mandate)	(900)	-	-	(900)
Grants and child care subsidy expense	(2,957)	-	-	(2,957)
Contributions to CHESLA	-	-	(3,500)	(3,500)
Total nonoperating income (expenses)	(3,527)	1,926	(3,351)	(4,952)
Change in net position	470	3,230	(2,234)	1,466
Net position, July 1, 2018	13,993	29,658	23,990	67,641
Net position, June 30, 2019	$ 14,463	$ 32,888	$ 21,756	$ 69,107

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, 2019
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 20,336	$ 33,799
Interest received on loans	-	7,390	6,578
Fees received on loans	-	-	182
Contributions received from CSLF	-	5,500	-
Cash received for administrative fees	7,477	-	-
Cash received for recovery of loans	-	2	-
Cash received for general administrative fees	276	-	-
Cash received for not-for-profit servicing	-	-	210
Cash received for other revenues	3	-	-
Cash received for bond issuance fees	45	-	-
Cash payments for employee wages and benefits	(2,928)	(178)	-
Cash payments for interest on bonds	-	(6,134)	(6,484)
Cash payments for excess interest	-	-	(953)
Cash payments for loans issued	-	(27,764)	-
Cash payments for loans repurchased	-	-	(682)
Cash payments for loan servicing fees	-	(565)	(772)
Cash payments for consolidation fees	-	-	(1,268)
Cash payments for contracted services	(266)	(271)	(222)
Cash payments for refinance program	-	(53)	-
Cash payments for other operating expenses	(329)	(1,047)	(2,305)
Cash payments for scholarships	-	(2,000)	-
Net cash provided by (used in) operating activities	4,278	(4,784)	28,083
Cash flows from noncapital financing activities			
Proceeds from bond sales	407,045	40,550	-
Proceeds from bond premiums	30,661	1,152	-
Proceeds from institutions	19,968	-	-
Payments to institutions	(77,697)	-	-
Proceeds from investment income for amounts held for others	4,034	-	-
Releases from amounts held for institutions	(401,732)	-	-
Cash paid to State (legislative mandate)	(900)	-	-
Cash paid to grantees and child care subsidy	(2,962)	-	-
Payments of bond principal	-	(16,790)	(27,975)
Contributions to CHESLA	-	-	(3,500)
Net cash provided by (used in) noncapital financing activities	(21,583)	24,912	(31,475)

Exhibit C

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

Statement of Cash Flows
For the Year Ended June 30, 2019
(In Thousands)

	Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	$ (171)	$ -	$ -
Cash flows from investing activities			
Proceeds from sale of investments	366,393	92,349	46,593
Purchase of investments	(348,060)	(114,238)	(43,837)
Investment income	330	1,845	149
Net cash provided by investing activities	18,663	(20,044)	2,905
Net increase (decrease) in cash	1,187	84	(487)
Cash (including restricted cash), July 1, 2018	1,182	330	891
Cash (including restricted cash), June 30, 2019	$ 2,369	$ 414	$ 404
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	$ 3,997	$ 1,304	$ 1,117
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	54	-	-
Bond discount/premium amortization	-	(334)	96
Provision for loan losses	-	662	394
Issuance of loans receivable used to pay origination fees	-	(738)	-
Interest on loans paid through loan advances	-	-	(3,182)
Loan advances to capitalize interest to loans	-	-	3,182
(Increase) decrease in:			
Accounts receivable	(11)	-	13
Accounts receivable - related party	(6)	-	-
Prepaid expenses and other assets	42	(7)	-
Loans receivable	-	(7,355)	29,935
Loan interest receivable	-	(43)	(1,294)
Increase (decrease) in:			
Accounts payable	(1)	121	(9)
Accrued expenses	203	6	(2,049)
Accrued interest payable	-	100	-
U.S. Department of Education payable	-	-	(127)
Trust Estate payable	-	-	7
Unearned revenue	-	1,500	-
Net adjustments to operating income	281	(6,088)	26,966
Net cash provided by (used in) operating activities	$ 4,278	$ (4,784)	$ 28,083

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, 2019
(In Thousands)

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

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

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

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

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

Reporting entity
CSLF was originally established as a Connecticut State chartered nonprofit 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.

CSLF has entered into an agreement to participate in the not-for-profit servicer program established under the Health Care and Education Reconciliation Act of 2010 ("HCERA"), Public Law 111-152.

I. Summary of significant accounting policies

A. Financial statements

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

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

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

Loan reserve fee revenue
CHESLA charges 3% reserve fee on loans governed by the 1990 and 2019 Revenue Bond Resolutions. This fee is recognized as an origination fee to the loans and is included in administrative fees on loans receivable on the statement of revenues, expenses and changes in fund net position.

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

I. Summary of significant accounting policies

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

Nonoperating activity

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

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

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

1. Deposits and investments

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

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

CHEFA

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

I. Summary of significant accounting policies

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

CHESLA

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

I. Summary of significant accounting policies

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

CSLF

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

Investment policies

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

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

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

Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

Concentrations of credit risk

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

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

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

Method used to value investments

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

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

2. Fees and loan receivables

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

3. Restricted assets

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

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

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

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

Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

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

The State of Connecticut Department of Social Services ("DSS") is responsible for paying a portion of the debt service on the Child Care Facilities Program Series F and G bonds and all of the debt service on the State Supported Child Care Revenue Bonds, subject to available appropriations and pursuant to a Memorandum of Understanding.

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

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

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

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2019, the State has not made nor was it required to make any such deposit.

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

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

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

- Trust cash and investment accounts - The indenture created special trust accounts to be held by the Trustee to be used for recordkeeping and reporting purposes as defined by the indenture.

- The bonds included in the Trust Estate are special and limited obligations of CSLF, secured by and payable from the Trust Estate held under the indenture, without recourse to any other assets of CSLF. The bonds are secured by eligible student loans as identified in the indenture.

I. Summary of significant accounting policies
C. Assets, liabilities, deferred inflows of resources and net position

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

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

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

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

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

4. Capital assets
Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 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 fair market 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.

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

Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

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

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

5. Amounts held for institutions

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

6. Amounts held on behalf of the State of Connecticut

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

7. Arbitrage rebate and excess loan yield liability

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

8. Compensated absences

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2019
(In Thousands)

I. Summary of significant accounting policies

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

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 a deferred inflow of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year.

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.

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.

14. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

(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.

CHEFA

As of June 30, 2019, $3,251 of CHEFA's bank balance of $3,501 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,901
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	350
Total amount subject to custodial credit risk	$ 3,251

CHESLA

As of June 30, 2019, $189 of CHESLA's bank balance of $440 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 146
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	44
Total amount subject to custodial credit risk	$ 189

CSLF

As of June 30, 2019, $226 of CSLF's bank balance of $476 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 178
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	48
Total amount subject to custodial credit risk	$ 226

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes
A. Cash and investments

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

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

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	$ 169,240	$ 169,240	$ -	$ -	$ -
Money Market Funds	2,212	2,212	-	-	-
Pooled Fixed Income	9,482	9,482	-	-	-
U.S. Government Securities	5,320	5,320	-	-	-
U.S. Government Agency Securities	3,106	3,106	-	-	-
Corporate Bonds	24,723	24,723	-	-	-
Repurchase agreement	10,000	10,000	-	-	-
Total	$ 224,083	$ 224,083	$ -	$ -	$ -

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

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Bond	$ 2	$ -	$ -	$ -	$ 2
Bank Money Market Funds	319	319	-	-	-
Pooled Fixed Income	67,045	67,045	-	-	-
U.S. Government Securities	6,861	-	-	6,861	-
Guaranteed Investment Contracts	3,971	-	2,764	1,207	-
Total	$ 78,198	$ 67,364	$ 2,764	$ 8,068	$ 2

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2019
(In Thousands)

II. Detailed notes

A. Cash and investments

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

Type of Investment	Fair Value	Less Than 1
Mutual Funds:		
Government Agency Funds	$ 5,321	$ 5,321
Pooled Fixed Income	1,308	1,308
	$ 6,629	$ 6,629

Fair value of investments

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

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

CHEFA had the following recurring fair value measurements:

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 169,240	$ 169,240	$ -	$ -
Money Market Mutual Funds	2,212	2,212	-	-
Short-Term:				
U.S. Government Securities	5,320	5,320	-	-
U.S. Government Agency Securities	3,106	3,106	-	-
Corporate Bonds	24,723	24,723	-	-
Repurchase agreement	10,000	10,000	-	-
Total investments by fair value level	214,601	$ 214,601	$ -	$ -
Other Investments				
Pooled Fixed Income	9,482			
Total Investments	$ 224,083			

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II. Detailed notes

A. Cash and investments

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Bond Mutual Funds	$ 2	$ 2	$ -	$ -
U.S. Government Securities	6,861	-	6,861	-
Total investments by fair value level	6,863	$ 2	$ 6,861	$ -
Other Investments				
Money Market (bank)	319			
Guaranteed Investment Contracts	3,971			
Pooled Fixed Income	67,045			
Total other investments	71,335			
Total Investments	$ 78,198			

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 5,321	$ 5,321	$ -	$ -
Other Investments				
Pooled Fixed Income	1,308			
Total Investments	$ 6,629			

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

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

II. Detailed notes

A. Cash and investments

Interest rate risk

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

Credit risk

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

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

Connecticut Health and Educational Facilities Authority
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II. Detailed notes
A. Cash and investments

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

Average Rating	Pooled Fixed Income	Corporate Bonds	Government Agency Mutual Funds	Money Market Mutual Funds
AAA	$ 9,482	$ -	$ 169,240	$ 2,212
AA	-	202	-	-
A	-	4,528	-	-
BBB	-	19,993	-	-
Total	$ 9,482	$ 24,723	$ 169,240	$ 2,212

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

Average Rating	Pooled Fixed Income	Guaranteed Investment Contracts	Bond Mutual Funds
AAA	$ 67,045	$ 3,971	$ 2

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

Average Rating	Pooled Fixed Income	Government Agency Mutual Funds
AAA	$ 1,308	$ 5,321

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

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes

A. Cash and investments

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

CHEFA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 5,320	$ 500	$ 4,820
U.S. Government Agency Securities	3,106	500	2,606
Corporate Bonds	24,723	-	-
Total	$ 33,149	$ 1,000	$ 32,149

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 6,861	$ 500	$ 6,361

CSLF

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

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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(In Thousands)

II. Detailed notes

B. Receivables

Receivables as of June 30, 2019 for the Authority's financial statements by type are as follows:

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, 2019 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 20,633	$ -	$ 20,633
Long-term portion	113,088	2,244	115,332
Less allowance	(2,872)	(460)	(3,332)
Net long-term portion	110,216	1,784	112,000
Total net receivables	$ 130,849	$ 1,784	$ 132,633

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 4.95% to 6.99%.

Refinance Connecticut Program ("Refi") loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 4.5% to 7.0% depending on the term of the loan and the Fair Issac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.75% - 6.9%.

During the fiscal year, CHESLA wrote off loans receivable of $366, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $2 in loans receivable and other credits that were written off in previous years.

(In Thousands)

II. Detailed notes

B. Receivables

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

	FFELP	Alternative	Total
Current portion	$ 10,322	$ 242	$ 10,564
Long-term portion	168,270	3,371	171,641
Less allowance	(697)	(364)	(1,061)
Net long-term portion	167,573	3,007	170,580
Total net receivables	$ 177,895	$ 3,249	$ 181,144

During the fiscal year, CSLF wrote off federal loans receivable of $150 (CSLF risk share only), and $42 of private loans, which is net of $111 in recoveries, which had previously been provided for through the allowance for loan losses.

Federal Family Education Loan Program ("FFELP") loans are student loans insured by the U.S. Department of Education. FFELP loans are repaid by borrowers on a monthly basis for a term of up to 30 years. The interest rate on these loans varies and ranges from approximately 2.875% to 12%.

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

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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(In Thousands)

II. Detailed notes

B. Receivables

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

June 30, 2020	$	10,564
2021		11,252
2022		11,986
2023		12,767
2024		13,598
2025-2029		79,517
2030-2034		42,521
Total	$	182,205

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July, 1 2018	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	255	6	-	261
Furniture and fixtures	256	-	-	256
Office equipment	448	165	-	613
Total capital assets being depreciated	1,116	171	-	1,287
Less accumulated depreciation for:				
Leasehold improvements	155	2	-	157
Computer equipment	252	5	-	257
Furniture and fixtures	246	2	-	248
Office equipment	357	45	-	402
Total accumulated depreciation	1,010	54	-	1,064
Total capital assets being depreciated, net	$ 106	$ 117	$ -	$ 223

Connecticut Health and Educational Facilities Authority
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(In Thousands)

II. Detailed notes

C. Capital assets

CHESLA capital asset activity for the year ended June 30, 2019 was as follows:

CHESLA	Balance July, 1 2018	Increases	Decreases	Balance June 30, 2019
Capital asset being depreciated:				
Domain name	$ 3	$ -	$ -	$ 3
Less accumulated depreciation for:				
Domain name	$ -	$ -	$ -	$ -
Total capital asset being depreciated, net	$ 3	$ -	$ -	$ 3

D. Changes in long-term obligations

1. Summary of changes

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

CHEFA

Description	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,170	$ 12	$ 17	$ 2,165	$ -

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Date of Maturity	Interest Rate	Balance 7/1/2018	Additions	Deductions	Balance 6/30/2019	Current Portion
Bond 2009 A	$ 30,000	8/6/2009	11/15/2027	1.9 - 5.05%	$ 11,740	$ -	$ 2,055	$ 9,685	$ 995
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	25,790	-	3,455	22,335	2,425
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	16,805	-	2,655	14,150	1,705
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	19,230	-	2,230	17,000	1,500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	12,810	-	2,740	10,070	1,900
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	14,600	-	715	13,885	800
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	26,380	-	1,740	24,640	1,000
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0- 5.0%	9,155	-	1,200	7,955	1,200
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	11,300	-	-	11,300	380
Bond 2018	10,000	9/17/2018	11/15/2034	3.5 - 5.0%	-	10,000	-	10,000	180
Bond 2019 A	5,000	5/22/2019	11/15/2035	3.95%	-	5,000	-	5,000	-
Bond 2019 B	25,550	5/22/2010	11/15/2035	3.25 - 5.0%	-	25,550	-	25,550	-
Total CHESLA					147,810	40,550	16,790	171,570	12,085
Premiums					4,178	1,152	336	4,994	
Discounts					(23)	-	(2)	(21)	-
Total Bonds and related liabilities					$ 151,965	$ 41,702	$ 17,124	$ 176,543	$ 12,085

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion
Bond 06 A-1	$ 80,000	7/27/2006	6/1/2046	2.013 - 4.101%	$ 72,925	$ -	$ -	$ 72,925	$ -
Bond 06 A-2	100,000	12/14/2006	6/1/2046	2.013 - 4.022%	81,475	-	2,750	78,725	-
Bond 04 B	62,900	10/15/2004	6/1/2034	2.419 - 4.006%	25,225	-	25,225	-	-
Bond 06 B	20,000	7/27/2006	6/1/2046	2.423 - 4.006%	19,975	-	-	19,975	-
Total Bonds					199,600	-	27,975	171,625	-
Discounts					(419)	-	(96)	(323)	-
Total bonds and related amounts					$ 199,181	$ -	$ 27,879	$ 171,302	$ -

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(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

The annual requirements to amortize bonds payable at June 30, 2019, are as follows:

CHESLA

Fiscal Year Ended	Principal	Interest
2020	$ 12,085	$ 6,728
2021	13,115	6,252
2022	14,505	5,674
2023	15,120	5,023
2024	15,235	4,326
2025-2029	58,405	13,342
2030-2034	37,040	4,193
2035-2036	6,065	195
Total	$ 171,570	$ 45,733

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

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

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

CSLF

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

Fiscal Year Ended	Principal	Interest
2020	$ -	$ 6,033
2021	-	6,033
2022	-	6,033
2023	-	6,033
2024	-	6,033
2025-2029	-	30,165
2030-2034	-	30,165
2035-2039	-	30,165
2040-2044	-	30,165
2045-2046	171,625	18,099
Total	$ 171,625	$ 168,924

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, 2019 year-end ranged from 3.149% to 3.901%.

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 have experienced a significant 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 from direct borrowings 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.

Connecticut Health and Educational Facilities Authority
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II. Detailed notes

D. Changes in long-term obligations

2. Conduit debt

As of June 30, 2019, CHEFA had total outstanding principal balances of special obligation bonds of $8,408,386. 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	$ 48,600
Connecticut State University System – Special Capital Reserve Fund	351,690
Higher Education	4,468,308
Hospitals	2,385,556
Social and other	74,978
Independent Schools	678,779
Senior Living	400,475
Total	$ 8,408,386

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

CHEFA had a total of $15,381 of principal balances outstanding in relation to the EZ Loan program. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, are not reported within the statement of net position.

Loans Outstanding by Sector	
Higher Education	$ 4,711
Hospitals	9,036
Social and other	1,634
Total	$ 15,381

3. Authorized/unissued debt

At June 30, 2019, there was no authorized unissued debt for CHESLA.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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(In Thousands)

II. Detailed notes

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $128 for CHEFA.

F. Net position classification

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

	CHEFA	CHESLA	CSLF
Invested in capital assets	$ 223	$ 3	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	128	-	-
Bond funds	-	26,471	-
Trust Estate	-	-	4,759
Total restricted	4,448	26,471	4,759
Unrestricted	9,792	6,414	16,997
Total net position	$ 14,463	$ 32,888	$ 21,756

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, 2019, outstanding loan balances totaled $4,922.

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 $128.

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, 2019, the ratio was 112.17%. At June 30, 2019, the Board has not authorized any funds to be transferred to operations; however, the amount available to transfer is $14,000.

Both CHEFA and CHESLA Board of Director's 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.

(In Thousands)

II. Detailed notes

G. Condensed component unit information

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2019, is as follows:

Condensed Statement of Net Position

Liability		
Accounts payable	$	107
Net position	$	(107)

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

Operating expenses	$	107
Change in net position		(107)
Net postion, July 1, 2018		-
Net postion, July 1, 2019	$	(107)

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 their 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 $201 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $80 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 $33 and $22, respectively. CSLF contributed $2,000 to CHESLA for the refinance program. The $1,500 contribution for the scholarship program was not spent and is recorded as a deferred inflow.

(In Thousands)

III. Other information

C. Operating leases

CHEFA leases office space and other office equipment for use in operations. Lease expense was $258. As of June 30, 2019, minimum future rental commitments of the leases are as follows:

2020	$	255,300
2021		260,910
2022		266,520
2023		272,136
2024		137,472

D. Pension plan

The Authority administers a single employer defined contribution plan, which covers certain employees of the Authority. The Board of Director's 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, 2019, there were no forfeitures and retirement plan expense was $245.

There were 20 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 employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to $1.50 of employee contributions. For the year ended June 30, 2019, there were no forfeitures and the plan expense was $28.

Supplemental Schedules

Schedule 1

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

Combining Schedule of Net Position - Connecticut Health and Educational Facilities Authority
June 30, 2019
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 2,369	$ -	$ -	$ 2,369
Investments	7,268	-	-	7,268
Receivables				
Accounts (net of allowance for uncollectibles of $86)	357	-	-	357
Related parties	163	-	(107)	56
Prepaid expenses and other assets	83	-	-	83
Total unrestricted assets	10,240	-	(107)	10,133
Restricted assets				
Investments				
Institutions	210,153	-	-	210,153
Total current assets	220,393	-	(107)	220,286
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	223	-	-	223
Restricted assets				
Investments	6,662	-	-	6,662
Total noncurrent assets	6,885	-	-	6,885
Total assets	$ 227,278	$ -	$ (107)	$ 227,171
Liabilities				
Current liabilities				
Accounts payable	$ 33	$ 107	$ (107)	$ 33
Accrued expenses	361	-	-	361
Amounts held for institutions	210,149	-	-	210,149
Total current liabilities	210,543	107	(107)	210,543
Noncurrent liabilities				
Amount held for the State of Connecticut	2,165	-	-	2,165
Total liabilities	212,708	107	(107)	212,708
Net Position				
Net investment in capital assets	223	-	-	223
Restricted	4,448	-	-	4,448
Unrestricted	9,899	(107)	-	9,792
Total net position	14,570	(107)	-	14,463
Total liabilities and net position	$ 227,278	$ -	$ (107)	$ 227,171

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, 2019
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Operating revenues				
Administrative fees	$ 7,488	$ -	$ -	$ 7,488
Supporting services fees	297	-	(15)	282
Bond issuance fees	45	-	-	45
Other revenues	3	-	-	3
Total operating revenues	7,833	-	(15)	7,818
Operating expenses				
Salaries and related expenses	2,943	-	-	2,943
General and administrative	597	29	(15)	611
Contracted services	189	78	-	267
Total operating expenses	3,729	107	(15)	3,821
Operating income (loss)	4,104	(107)	-	3,997
Nonoperating income (expenses)				
Investment income	330	-	-	330
Payment to State (legislative mandate)	(900)	-	-	(900)
Grants and child care subsidy expense	(2,957)	-	-	(2,957)
Total nonoperating expenses	(3,527)	-	-	(3,527)
Change in net position	577	(107)	-	470
Net position, July 1, 2018	13,993	-	-	13,993
Net position, June 30, 2019	$ 14,570	$ (107)	$ -	$ 14,463

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, 2019
(In Thousands)

	Agency operating fund	Other program funds	Bond Funds 1990 resolution	Bond Funds 2019 resolution	Total CHESLA
Assets					
Current assets					
Unrestricted assets					
Cash	$ 64	$ 284	$ -	$ 66	$ 414
Investments	3,503	3,355	27	2	6,887
Current portion of loans receivable	-	73	-	-	73
Interest receivable on investments	-	6	-	-	6
Loan interest receivable	-	11	-	10	21
Prepaid expenses and other assets	25	-	-	-	25
Total unrestricted assets	3,592	3,729	27	78	7,426
Restricted assets					
Investments					
Bond indenture trusts	-	-	18,603	29,058	47,661
Other	-	-	-	-	-
Current portion of loans receivable	-	-	19,928	632	20,560
Interest receivable on investments	-	-	149	65	214
Loan interest receivable	-	-	494	-	494
Total restricted assets	-	-	39,174	29,755	68,929
Total current assets	3,592	3,729	39,201	29,833	76,355
Noncurrent assets					
Unrestricted assets					
Capital assets	3	-	-	-	3
Loans receivable, net of current portion and allowance	-	631	-	-	631
Restricted assets					
Investments	-	-	20,635	3,015	23,650
Loans receivable, net of current portion and allowance	-	-	105,711	5,658	111,369
Total noncurrent assets	3	631	126,346	8,673	135,653
Total assets	$ 3,595	$ 4,360	$ 165,547	$ 38,506	$ 212,008
Liabilities					
Current liabilities					
Accounts payable	$ 14	$ 4	$ 35	$ 136	189
Accrued expenses	13	-	-	-	13
Accrued interest payable	-	-	741	127	868
Current portion of bonds payable	-	-	12,085	-	12,085
Total current liabilities	27	4	12,861	263	13,155
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	132,983	31,475	164,458
Total liabilities	27	4	145,844	31,738	177,613
Deferred Inflows of Resources					
Unearned revenue	-	1,507	-	-	1,507
Net Position					
Net investment in capital assets	3	-	-	-	3
Restricted	-	-	19,703	6,768	26,471
Unrestricted	3,565	2,849	-	-	6,414
Total net position	3,568	2,849	19,703	6,768	32,888
Total liabilities, deferred inflows of resources and net position	$ 3,595	$ 4,360	$ 165,547	$ 38,506	$ 212,008

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, 2019
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2019 resolution	Eliminations	Total CHESLA
Operating revenues						
Interest income on loans receivable	$ -	$ 305	$ 7,096	$ 32	$ -	$ 7,433
Administrative fees	948	-	738	-	(948)	738
Contributions from CSLF	-	4,000	-	-	-	4,000
Total operating revenues	948	4,305	7,834	32	(948)	12,171
Operating expenses						
Interest expense	-	-	5,777	121	-	5,898
Salaries and related expenses	184	-	-	-	-	184
General and administrative	472	46	1,061	-	(948)	631
Refinance program	53	-	-	-	-	53
Scholarships	-	2,000	-	-	-	2,000
Loan service fees	-	74	487	4	-	565
Contracted services	51	-	-	-	-	51
Bond issuance costs	-	-	220	605	-	825
Provision for loan losses (net of recoveries)	-	296	364	-	-	660
Total operating expenses	760	2,416	7,909	730	(948)	10,867
Operating income (loss)	188	1,889	(75)	(698)	-	1,304
Nonoperating income						
Investment income	89	99	1,656	82	-	1,926
Total nonoperating income	89	99	1,656	82		1,926
Change in net position	277	1,988	1,581	(616)	-	3,230
Transfers	(1,016)	(6,403)	35	7,384	-	-
Net position, July 1, 2018	4,307	7,264	18,087	-	-	29,658
Net position, June 30, 2019	$ 3,568	$ 2,849	$ 19,703	$ 6,768	$ -	$ 32,888

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, 2019
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ -	$ 404	$ -	$ 404
Receivables (net of allowance for uncollectibles)	-	17	-	17
Prepaid expenses and other assets	-	1	-	1
Total unrestricted assets	-	422	-	422
Restricted assets				
Investments				
Bond indenture trusts	6,629	-	-	6,629
Current portion of loans receivable	10,564	-	-	10,564
Loan interest receivable	5,597	-	-	5,597
Total restricted assets	22,790	-	-	22,790
Total current assets	22,790	422	-	23,212
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	170,580	-	-	170,580
Total assets	$ 193,370	$ 422	$ -	$ 193,792
Liabilities				
Current liabilities				
Accounts payable	$ -	$ 22	$ -	$ 22
Accrued expenses	-	66	-	66
U.S. Department of Education payable	310	-	-	310
Trust Estate payable	336	-	-	336
Total current liabilities	646	88	-	734
Noncurrent liabilities				
Bonds payable and related liabilities	171,302	-	-	171,302
Total liabilities	171,948	88	-	172,036
Net Position				
Restricted	4,759	-	-	4,759
Unrestricted	16,663	334	-	16,997
Total net position	21,422	334	-	21,756
Total liabilities and net position	$ 193,370	$ 422	$ -	$ 193,792

Schedule 6

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

Combining Schedule of Revenues, Expenses and Changes in Net Position - Connecticut Student Loan Foundation
For the Year Ended June 30, 2019
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ 10,403	$ -	$ -	$ 10,403
Not-for-profit servicing income	-	210	-	210
Administration fee	-	490	(490)	-
Total operating revenues	10,403	700	(490)	10,613
Operating expenses				
Interest expense	6,580	-	-	6,580
General and administrative	130	117	-	247
Loan service fees	772	-	-	772
Administration fee	490	-	(490)	-
Consolidation rebate fees	1,281	-	-	1,281
Contracted services	-	222	-	222
Provision for loan losses	394	-	-	394
Total operating expenses	9,647	339	(490)	9,496
Operating income	756	361	-	1,117
Nonoperating income (expenses)				
Investment income	149	-	-	149
Contributions to CHESLA	(2,710)	(790)	-	(3,500)
Total nonoperating expenses	(2,561)	(790)	-	(3,351)
Change in net position	(1,805)	(429)	-	(2,234)
Net position, July 1, 2018	23,227	763	-	23,990
Net position, June 30, 2019	$ 21,422	$ 334	$ -	$ 21,756

Compliance

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

Board of Directors
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority ("Authority") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Hartford, Connecticut
September 20, 2019

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