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, 2020

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

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<u>Compliance</u>

Financial Section

Independent Auditor's Report

To the Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

CohnReznick

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 24, 2020, 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 24, 2020

Management's Discussion and Analysis
For the Year Ended June 30, 2020
(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, 2020. 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 will be the distribution of awarded tax credits in accordance with the Federal Government's New Markets Tax Credit Program.

Financial Highlights

- CHEFA's net position (which recognizes the CCDC loss of $137) decreased $922 for the fiscal year resulting from operating income of $1,941 net of nonoperating expenses (including grants and childcare expenses) of $3,058 offset by investment income of $195.

- CHESLA's net position increased by $451 for the fiscal year resulting from operating income of $9,402 net of operating expenses of $10,806, offset by investment income of $1,855.
- CSLF's net position increased $1,321 for the fiscal year, resulting from operating income of $1,732 and nonoperating expenses of $500 in contributions to CHESLA, offset by investment income of $89.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $23,350 from the in-school loan program and $2,256 from the Refi CT program. Payments received of $22,105, net of adjustments, include $19,643 from the in-school loans and the remainder from the Refi CT loans.
- CSLF received loan payments of $30,368 during the fiscal year.
- CHESLA issued debt of $26,955 to be used for in-school loans and refinancing of prior bonds.
- CSLF's bonds payable decreased by $27,800 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.

CHEFA
Connecticut Health & Educational Facilities Authority

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

Financial Analysis

Assets exceeded liabilities at June 30, 2020. 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 33%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (65%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2020	**2019**
Current and other assets	$ 320,396	$ 226,948
Capital assets (net)	245	223
Total assets	320,641	227,171
Assets held on behalf of the State of CT	2,163	2,165
Other liabilities	304,937	210,543
Total liabilities	307,100	212,708
Net investment in capital assets	245	223
Restricted	4,448	4,448
Unrestricted	8,848	9,792
Total net position	$ 13,541	$ 14,463

At June 30, 2020 – CCDC maintained $244 in current liabilities (Due to CHEFA) and an unrestricted net position of ($244), 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 decreased $922 (a loss of $785 for CHEFA and a $137 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2020	**2019**
Operating revenues:		
Administrative fees	$ 5,605	$ 7,488
Supporting services fees	146	282
Bond issuance fees	65	45
Other revenues	-	3
Total operating revenues	5,816	7,818
Operating expenses:		
Salaries and related expenses	3,018	2,943
General and administrative	535	611
Contracted services	322	267
Total operating expenses	3,875	3,821
Operating income	1,941	3,997
Nonoperating income (expenses):		
Investment income	195	330
Payment to State	-	(900)
Grants and childcare subsidy expense	(3,058)	(2,957)
Total nonoperating expenses	(2,863)	(3,527)
Change in net position	(922)	470
Net position, July 1, 2019	14,463	13,993
Net position, June 30, 2020	$ 13,541	$ 14,463

At June 30, 2020, CCDC expenses included above totaled $2 in general and administrative and $135 in contracted services, for a total change in unrestricted net position of ($137).

CHEFA
Connecticut Health & Educational Facilities Authority

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 $5,816 for fiscal year 2020. Administrative fees are the largest revenue source and represent 96% of total revenues. Supporting services fees for support services provided to CHESLA, CSLF and CCDC totaled $146, representing 3% of revenues for the year. The balance includes application fees for the conduit debt issued and other revenues at 1%.

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

- In response to the COVID-19 pandemic, the Authority board approved a waiver of 25% of the annual Administrative fees due by June 30, 2020, and; a deferral of another 25% of the fees to September 2020 . As a result, and due to the change in the par value of loans outstanding at June 30, 2020 compared to June 30, 2019, Administrative fees decreased to $5,605. 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, 2020 was $8,136,047 as compared to $8,408,386 at June 30, 2019.

  During the year, CHEFA had 19 issues of new conduit debt totaling $1,069,517 in par value, of which 62% was the refinancing of pre-existing debt.

- Nonoperating investment income decreased by $135 to $195 from $330 recognized in fiscal year 2019. This is a result of interest rate decreases as compared to the prior year.
- Supporting services fees decreased to $146 from the 2019 level of $282. This is due to a change in the method of billing through the integration of cost center tracking with payroll processing during fiscal year 2020.

Expenses

Expenses totaled $3,875 for the fiscal year. Of the expenses, 78% or $3,018 was for salaries and related expenses. General and administrative expenses amounted to $535, or 14%, while contracted services amounted to $322 or 8%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $75 from fiscal year 2019 to $3,018 in fiscal year 2020.
- Contracted services increased by $55 from fiscal year 2019 to $322 in fiscal year 2020.
- Grants and childcare subsidy expense increased from fiscal year 2019 by $101.

CHEFA
Connecticut Health & Educational Facilities Authority

Capital Assets

At June 30, 2020, CHEFA's capital assets amounted to $245, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $22 due to capital asset additions of $86, offset by depreciation of $64. Capital asset purchases during the year were related primarily to the ongoing implementation of an accounting system.

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.

In May 2020, the CHEFA Board of Directors approved three initiatives to provide financial assistance to CHEFA clients during the COVID-19 pandemic crisis to include the following:

1. Creating a revolving loan fund for working capital financing,
2. In June 2020, the Board approved the grant recipients for the $3 million fiscal year 2021 grant program. This program was restructured to provide relief specifically related to the pandemic available for distribution in three tranches, as funds become available,
3. Restructuring the fiscal year 2021 grant programs to provide relief specifically related to the pandemic available for distribution in three tranches as funds become available, and
4. To provide a level of cash-flow relief:
    a. three months of administrative fees due by June 30, 2020 were waived (effectively reducing fiscal year 2020 administrative fee revenues), and;
    b. deferring the billing of three months of administrative fees due by June 30, 2020 to the first quarter of fiscal year 2021.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2020. 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%. CHESLA's net position invested in capital assets was less than 0.01%. The remaining portion of net position (20%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2020	**2019**
Current and other assets	$ 228,131	$ 212,005
Capital assets, net	3	3
Total assets	228,134	212,008
Long-term liabilities outstanding	193,048	176,543
Other liabilities	1,240	1,070
Total liabilities	194,288	177,613
Deferred inflows of resources	507	1,507
Net invested in capital assets	3	3
Restricted	26,553	26,471
Unrestricted	6,783	6,414
Total net position	$ 33,339	$ 32,888

CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2020, CHESLA funded new loans, net of returns, of $23,350 of in-school loans and $2,256 in Refi CT loans, compared to $24,441 and $3,323 respectively, in fiscal year 2019. This resulted in a decrease of 5% for in-school and a decrease of 32% for Refi CT over fiscal year 2019.

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 $451.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2020	**2019**
Operating revenues:		
Interest income on loans receivable	$ 7,192	$ 7,433
Administrative fees	710	738
Contributions from CSLF	1,500	4,000
Total operating revenues	9,402	12,171
Operating expenses:		
Interest expense	6,359	5,898
Salaries and related expenses	258	184
General and administrative	523	631
Refinance program	35	53
Scholarships	1,500	2,000
Loan service fees	1,029	565
Contracted services	75	51
Bond issuance costs	429	825
Provision for loan losses	598	660
Total operating expenses	10,806	10,867
Operating income	(1,404)	1,304
Nonoperating income:		
Investment income	1,855	1,926
Increase in net position	451	3,230
Net position, July 1, 2019	32,888	29,658
Net position, June 30, 2020	$ 33,339	$ 32,888

The increase in net position for fiscal year 2020 reflects a revenue reduction in the contributions from CSLF offset by an increase in investment income, while also maintaining operating expenses consistent with fiscal year 2019.

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 or refinance existing debt. The repayments of such loans service the debt on CHESLA bonds. Revenues include administrative fees, origination fees and the interest charged on the loans.

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

- Administrative fees decreased by $28 to $710 during the year 2020 compared to $738 in fiscal year 2019. This is due to the decrease in the funding of new in-school loans, resulting in a decrease in fees received.
- Contributions from CSLF totaled $1,500 in fiscal year 2020 and $4,000 in fiscal year 2019. Transfers approved by the CSLF Board are recorded as deferred inflows of resources with revenues being recognized when funds are disbursed in subsequent fiscal year(s):
    - The Scholarship Fund disbursed approximately $1,500 in fiscal year 2020 and $500 will be disbursed in fiscal year 2021.
- Nonoperating investment income decreased by $71 in fiscal year 2020, primarily due to the 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 a decrease in interest rates.

Expenses

Expenses totaled $10,806 for the fiscal year. The largest expense representing 59% or $6,359 of total expenses was for interest payments on debt. This is an increase of 5% from 54% in fiscal year 2019. Scholarship expenses amounted to $1,500 or 14%. General and administrative expenses amounted to $523 or 5%. Bond issue costs totaled $429 or 4%, loan servicing fees totaled $1,029 or 10% and provision for loan losses totaled $598 or 6% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by $461 as compared to fiscal year 2019 resulting from the change in the principal balance of outstanding debt net of the issuance of new bonds.
- Salaries and related expenses increased by $74.
- General and administrative expenses decreased by $108 primarily due to a decrease in marketing costs and other expenses.
- The refinance program expenses decreased by $18. 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. Funds were spent in fiscal years 2016 to 2019. During fiscal year 2020 the final amount of $35 was disbursed.

- Bond issuance decreased by $396. Three bond issues closed in fiscal year 2020 and 2019.
- Provision for loan losses decreased by $62.

Capital assets

At June 30, 2020, CHESLA's capital assets remained level at $3.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable (in thousands)	CHESLA	
	2020	2019
Revenue bonds	$ 186,345	$ 171,570
Premiums/discounts	6,703	4,973
Total long-term liabilities	$ 193,048	$ 176,543

CHESLA's increase in the principal revenue bonds outstanding is a result of new issuances totaling $26,955 and redemptions of $12,180.

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

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

CHEFA
Connecticut Health & Educational Facilities Authority

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2020. 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 17% or $4,024. The remaining portion of net position is unrestricted and represents 83% of the total net position. The increase was due primarily to loan interest revenue net of the $500 contributed to CHESLA for the scholarship program authorized by the Board.

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

Summary Statement of Net Position
(in thousands)

	CSLF	
	2020	**2019**
Current and other assets	$ 167,604	$ 193,792
Total assets	167,604	193,792
Long-term liabilities outstanding	143,571	171,302
Other liabilities	956	734
Total liabilities	144,527	172,036
Restricted	4,024	4,759
Unrestricted	19,053	16,997
Total net position	$ 23,077	$ 21,756

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 increased by $1,321.

A statement of changes in net position follows:

CHEFA
Connecticut Health & Educational Facilities Authority

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2020	**2019**
Operating revenues:		
Interest income on loans receivable	$ 8,022	$ 10,403
Not-for-profit servicing income	53	210
Total operating revenues	8,075	10,613
Operating expenses:		
Interest expense	4,125	6,580
General and administrative	168	247
Loan service fees	649	772
Consolidation rebate fees	1,129	1,281
Contracted services	193	222
Provision for loan losses	79	394
Total operating expenses	6,343	9,496
Operating income	1,732	1,117
Nonoperating income (expenses):		
Investment income	89	149
Contribution revenue/expense	(500)	(3,500)
Total nonoperating expenses	(411)	(3,351)
Increase (decrease) in net position	1,321	(2,234)
Net position, July 1, 2019	21,756	23,990
Net position, June 30, 2020	$ 23,077	$ 21,756

Revenues

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

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2020 totaled $8,022 (99.0%) compared to $10,403 for fiscal year ended June 30, 2019. These revenue sources are variable in nature and are a direct function of market conditions. Interest rates for student borrowers in the CSLF portfolio have been fixed. The net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue, on loans originated before April 1, 2006, calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year 2020, CSLF paid $2,142 to the US Department of Education compared to $1,695 paid during fiscal year 2019.

The balance of CSLF revenues is the not-for-profit service fee of $53 or 0.7% 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 $8,022, a decrease of $2,381 from the prior year amount of $10,403 as a result of decreasing loan balances outstanding.
- Not-for-profit servicing income totaled $53 for the fiscal year ended 2020, a decrease of $157 as compared to fiscal year 2019.

Expenses

Expenses totaled $6,343 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 $4,125 or 65%. Consolidation rebate fees paid to the U.S. Department of Education totaled $1,129 or 18% of total expenses and loan servicing fees totaled $649 or 10% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense decreased in 2020 by $2,455. The decrease is due to the decreasing interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $123 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by $152 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- Performance of the Federal loans in the portfolio of the Connecticut Student Loan Foundation stabilized in 2019 after some deterioration in 2018. However, in April 2020, there was a sharp increase in forbearance levels due to COVID-19. This increase was accompanied by a corresponding drop in delinquency rates. Incorporating the changes in performance into projections of future losses results in a shortfall in the federal loan loss reserve of $103. 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 $24. In June 2020, the board approved the adjusted reserve levels. The net expense of $79, in addition to recoveries and chargeoffs, resulted in a decrease in allowance levels for the Federal and Private loans of $56 and $5 for the fiscal year 2020.

- Nonoperating expense of $500, represents the Board authorized contribution to CHESLA of $500 for the scholarship program for fiscal year 2020.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable
(in thousands)

	CSLF	
	2020	**2019**
Revenue bonds	$ 143,825	$ 171,625
Premiums/discounts	(254)	(323)
Total long-term liabilities	$ 143,571	$ 171,302

CSLF's decrease in long-term debt was due to the redemption of $27,800 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, 2020
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 304	$ 18	$ 687	$ 1,009
Investments	6,874	6,671	-	13,545
Receivables				
Accounts (net of allowance for uncollectibles of $190)	1,744	-	-	1,744
Current portion of loans receivable	-	42	-	42
Interest receivable on investments	-	2	-	2
Loan interest receivable	-	2	-	2
Related parties	69	-	-	69
Prepaid expenses and other assets	108	26	2	136
Total unrestricted assets	9,099	6,761	689	16,549
Restricted assets				
Cash	-	8,777	-	8,777
Investments				
Institutions	304,608	-	-	304,608
Bond indenture trusts	-	49,795	6,474	56,269
Current portion of loans receivable	-	21,789	7,945	29,734
Interest receivable on investments	-	85	-	85
Loan interest receivable	-	461	6,493	6,954
Total restricted assets	304,608	80,907	20,912	406,427
Total current assets	313,707	87,668	21,601	422,976
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	245	3	-	248
Loans receivable (net of allowance for uncollectibles)	-	611	-	611
Restricted assets				
Investments	6,689	26,111	-	32,800
Loans receivable (net of allowance for uncollectibles)	-	113,741	146,003	259,744
Total noncurrent assets	6,934	140,466	146,003	293,403
Total assets	$ 320,641	$ 228,134	$ 167,604	$ 716,379

Exhibit A

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

Statement of Net Position
June 30, 2020
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 35	$ 324	$ 63	$ 422
Accrued expenses	294	17	65	376
Amounts held for institutions	304,608	-	-	304,608
Accrued interest payable	-	899	-	899
U.S. Department of Education payable	-	-	666	666
Trust Estate payable	-	-	162	162
Current portion of bonds payable	-	14,105	-	14,105
Total current liabilities	304,937	15,345	956	321,238
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	178,943	143,571	322,514
Amount held for the State of Connecticut	2,163	-	-	2,163
Total noncurrent liabilities	2,163	178,943	143,571	324,677
Total liabilities	307,100	194,288	144,527	645,915
Deferred Inflows of Resources				
Unearned revenue	-	507	-	507
Net Position				
Net investment in capital assets	245	3	-	248
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	128	-	-	128
Bond funds	-	26,553	-	26,553
Trust Estate	-	-	4,024	4,024
Total restricted	4,448	26,553	4,024	35,025
Unrestricted	8,848	6,783	19,053	34,684
Total net position	13,541	33,339	23,077	69,957
Total liabilities, deferred inflows of resources and net position	$ 320,641	$ 228,134	$ 167,604	$ 716,379

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, 2020
(In Thousands)

	Primary Government	Component Units		
	CHEFA	**CHESLA**	**CSLF**	**Total**
Operating revenues				
Interest income on loans receivable	$ -	$ 7,192	$ 8,022	$ 15,214
Administrative fees	5,605	710	-	6,315
Supporting services fees	146	-	-	146
Contributions from CSLF (scholarships and Refi Program)	-	1,500	-	1,500
Bond issuance fees	65	-	-	65
Not-for-profit servicing income	-	-	53	53
Total operating revenues	5,816	9,402	8,075	23,293
Operating expenses				
Interest expense	-	6,359	4,125	10,484
Salaries and related expenses	3,018	258	-	3,276
General and administrative	535	523	168	1,226
Refinance program	-	35	-	35
Scholarships	-	1,500	-	1,500
Loan service fees	-	1,029	649	1,678
Consolidation rebate fees	-	-	1,129	1,129
Contracted services	322	75	193	590
Bond issuance costs	-	429	-	429
Provision for loan losses	-	598	79	677
Total operating expenses	3,875	10,806	6,343	21,024
Operating income (loss)	1,941	(1,404)	1,732	2,269
Nonoperating income (expenses)				
Investment income	195	1,855	89	2,139
Grants and child care subsidy expense	(3,058)	-	-	(3,058)
Contributions to CHESLA	-	-	(500)	(500)
Total nonoperating income (expenses)	(2,863)	1,855	(411)	(1,419)
Change in net position	(922)	451	1,321	850
Net position, July 1, 2019	14,463	32,888	21,756	69,107
Net position, June 30, 2020	$ 13,541	$ 33,339	$ 23,077	$ 69,957

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, 2020
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 22,105	$ 30,368
Interest received on loans	-	7,244	5,691
Fees received on loans	-	-	156
Contributions received from CSLF	-	500	-
Cash received for administrative fees	4,218	-	-
Cash received for recovery of loans	-	63	-
Cash received for general administrative fees	133	-	-
Cash received for not-for-profit servicing	-	-	53
Cash received for bond issuance fees	65	-	-
Cash payments for employee wages and benefits	(3,004)	(254)	-
Cash payments for interest on bonds	-	(6,727)	(4,056)
Cash payments for excess interest	-	-	(1,369)
Cash payments for loans issued	-	(25,606)	-
Cash payments for loans repurchased	-	-	(421)
Cash payments for loan servicing fees	-	(1,029)	(649)
Cash payments for consolidation fees	-	-	(1,112)
Cash payments for contracted services	(322)	(491)	(193)
Cash payments for refinance program	-	(35)	-
Cash payments for other operating expenses	(483)	(402)	(129)
Cash payments for scholarships	-	(1,500)	-
Net cash provided by (used in) operating activities	607	(6,132)	28,339
Cash flows from noncapital financing activities			
Proceeds from bond sales	1,076,338	26,955	-
Proceeds from bond premiums	154,707	2,129	-
Proceeds from institutions	1,379	-	-
Payments to institutions	(150,264)	-	-
Proceeds from investment income for amounts held for others	3,493	-	-
Releases from amounts held for institutions	(991,194)	-	-
Cash paid to grantees and child care subsidy	(3,152)	-	-
Payments of bond principal	-	(12,180)	(27,800)
Contributions to CHESLA	-	-	(500)
Net cash provided by (used in) noncapital financing activities	91,307	16,904	(28,300)

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, 2020
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	$ (86)	$ -	$ -
Cash flows from investing activities			
Proceeds from sale of investments	260,716	69,178	39,218
Purchase of investments	(354,804)	(73,557)	(39,063)
Investment income	195	1,988	89
Net cash provided by (used in) investing activities	(93,893)	(2,391)	244
Net increase (decrease) in cash	(2,065)	8,381	283
Cash (including restricted cash), July 1, 2019	2,369	414	404
Cash (including restricted cash), June 30, 2020	$ 304	$ 8,795	$ 687
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 1,941	$ (1,404)	$ 1,732
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	64	-	-
Bond discount/premium amortization	-	(399)	69
Provision for loan losses	104	163	79
Issuance of loans receivable used to pay origination fees	-	(74)	-
Interest on loans paid through loan advances	-	-	(2,830)
Loan advances to capitalize interest to loans	-	-	2,830
(Increase) decrease in:			
Accounts receivable	(1,491)	-	17
Accounts receivable - related party	(13)	-	-
Prepaid expenses and other assets	(25)	(1)	(1)
Loans receivable	-	(3,639)	27,117
Loan interest receivable	-	52	(896)
Increase (decrease) in:			
Accounts payable	2	135	41
Accrued expenses	25	4	(1)
Accrued interest payable	-	31	-
U.S. Department of Education payable	-	-	356
Trust Estate payable	-	-	(174)
Unearned revenue	-	(1,000)	-
Net adjustments to operating income (loss)	(1,334)	(4,728)	26,607
Net cash provided by (used in) operating activities	$ 607	$ (6,132)	$ 28,339

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, 2020
(In Thousands)

History and organization

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

Reporting entity

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

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

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

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

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

I. Summary of significant accounting policies

A. Financial statements

The financial statements (i.e., the statement of net position 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. Interfund activity between the funds reported in the supplemental schedules has been eliminated.

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

Notes to Financial Statements
June 30, 2020
(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.

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

Notes to Financial Statements
June 30, 2020
(In Thousands)

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 ("FCID") 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.

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

Notes to Financial Statements
June 30, 2020
(In Thousands)

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.

I. Summary of significant accounting policies

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

<u>Concentrations of credit risk</u>
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.

<u>Method used to value investments</u>
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.

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 Office of Early Childhood ("OEC"), the Office of the State Treasurer, and banking institutions to provide childcare providers with access to financing under the following loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program.

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

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

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

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

In June 2020, the Board approved the grant recipients for the $3 million fiscal year 2021 grant program. As financial assistance agreements are signed by the grant recipients, the $3 million will become an accrued liability for CHEFA.

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

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

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

Notes to Financial Statements
June 30, 2020
(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, 2020, the State has not made nor was it required to make any such deposit.

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

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

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

Nonperforming loans

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

4. Capital assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 (not in thousands) for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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, 2020
(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 OEC related to the childcare program pursuant to Public Act 97-259.

7. Arbitrage rebate and excess loan yield liability

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

8. Compensated absences

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(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.

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Notes to Financial Statements
June 30, 2020
(In Thousands)

I. Summary of significant accounting policies

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

12. Fund equity and net position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

13. Use of estimates

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(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, 2020, $110 of CHEFA's bank balance of $360 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 74
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	36
Total amount subject to custodial credit risk	$ 110

CHESLA

As of June 30, 2020, $8,510 of CHESLA's bank balance of $8,795 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 7,634
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	876
Total amount subject to custodial credit risk	$ 8,510

CSLF

As of June 30, 2020, $437 of CSLF's bank balance of $687 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 369
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	68
Total amount subject to custodial credit risk	$ 437

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

A. Cash and investments

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

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

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	$ 282,192	$ 282,192	$ -	$ -	$ -
Money Market Funds	4,306	4,306	-	-	-
Pooled Fixed Income	9,556	9,556	-	-	-
Corporate Bonds	8,351	8,351	-	-	-
Repurchase agreement	13,766	13,766	-	-	-
Total	$ 318,171	$ 318,171	$ -	$ -	$ -

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	128	128	-	-	-
Pooled Fixed Income	71,161	71,161	-	-	-
U.S. Government Securities	7,315	-	-	7,315	-
Guaranteed Investment Contracts	3,971	264	3,707	-	-
Total	$ 82,577	$ 71,553	$ 3,707	$ 7,315	$ 2

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(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	$ 5,380	$ 5,380
Pooled Fixed Income	1,094	1,094
	$ 6,474	$ 6,474

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	$ 282,192	$ 282,192	$ -	$ -
Money Market Mutual Funds	4,306	4,306	-	-
Corporate Bonds	8,351	8,351	-	-
Repurchase agreement	13,766	13,766	-	-
Total investments by fair value level	308,615	$ 308,615	$ -	$ -
Other Investments				
Pooled Fixed Income	9,556			
Total Investments	$ 318,171			

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

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Bond Mutual Funds	$ 2	$ 2	$ -	$ -
U.S. Government Securities	7,315	-	7,315	-
Total investments by fair value level	7,317	$ 2	$ 7,315	$ -
Other Investments				
Money Market (bank)	128			
Guaranteed Investment Contracts	3,971			
Pooled Fixed Income	71,161			
Total other investments	75,260			
Total Investments	$ 82,577			

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 5,380	$ 5,380	$ -	$ -
Other Investments				
Pooled Fixed Income	1,094			
Total Investments	$ 6,474			

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 FDIC; qualified money market funds or institutional money market funds investing in short-term securities as permitted by enabling legislation; the Connecticut Short-Term Investment Fund provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government. With approval of an Authorized Officer, the following unrestricted investments are also permissible: any otherwise permitted investment with a maturity greater than 365 days from purchase; obligations issued or guaranteed by the State of Connecticut, including the State's medium-term or long-term investment fund; other debt obligations which are statutorily permissible; and qualified guaranteed investment contracts complying with Connecticut General State Statutes 10a-180(s), Authority guidelines and applicable trust indentures.

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

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	$ 9,556	$ -	$ 282,192	$ 4,306
A	-	1,006	-	-
BBB	-	7,345	-	-
Total	$ 9,556	$ 8,351	$ 282,192	$ 4,306

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	$ 71,161	$ 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	$ 1,094	$ 5,380

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
June 30, 2020
(In Thousands)

II. Detailed notes
A. Cash and investments

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

CHEFA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Corporate Bonds	$ 8,351	$ 500	$ 7,851

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 7,315	$ 500	$ 6,815

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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II. Detailed notes
B. Receivables

Receivables as of June 30, 2020 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, 2020 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 21,831	$ -	$ 21,831
Long-term portion	115,611	2,261	117,872
Less allowance	(3,054)	(466)	(3,520)
Net long-term portion	112,557	1,795	114,352
Total net receivables	$ 134,388	$ 1,795	$ 136,183

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

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

During the fiscal year, CHESLA wrote off loans receivable of $544, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $63 in loans receivable and other credits that were written off in previous years.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

B. Receivables

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

	FFELP	Alternative	Total
Current portion	$ 7,704	$ 241	$ 7,945
Long-term portion	144,230	2,774	147,004
Less allowance	(642)	(359)	(1,001)
Net long-term portion	143,588	2,415	146,003
Total net receivables	$ 151,292	$ 2,656	$ 153,948

During the fiscal year, CSLF wrote off federal loans receivable of $159 (CSLF risk share only), and $37 of private loans, which is net of $55 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
June 30, 2020
(In Thousands)

II. Detailed notes

B. Receivables

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

June 30, 2021	$	7,945
2022		8,466
2023		9,022
2024		9,613
2025		10,244
2026-2030		62,237
2031-2035		47,422
Total	$	154,949

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July, 1 2019	Increases	Decreases	Balance June 30, 2020
Capital assets being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	261	82	-	343
Furniture and fixtures	256	-	-	256
Office equipment	613	4	-	617
Total capital assets being depreciated	1,287	86	-	1,373
Less accumulated depreciation for:				
Leasehold improvements	157	-	-	157
Computer equipment	257	8	-	265
Furniture and fixtures	248	2	-	250
Office equipment	402	54	-	456
Total accumulated depreciation	1,064	64	-	1,128
Total capital assets being depreciated, net	$ 223	$ 22	$ -	$ 245

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

C. Capital assets

CHESLA capital asset activity for the year ended June 30, 2020 was as follows:

CHESLA	Balance July, 1 2019	Increases	Decreases	Balance June 30, 2020
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, 2020:

CHEFA

Description	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,165	$ 33	$ 35	$ 2,163	$ -

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
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II. Detailed notes
D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Date of Maturity	Interest Rate	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020	Current Portion
Bond 2009 A	$ 30,000	8/6/2009	11/15/2027	1.9 - 5.05%	$ 9,685	$ -	$ 995	$ 8,690	$ 1,050
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	22,335	-	2,425	19,910	2,500
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	14,150	-	1,800	12,350	1,260
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	17,000	-	1,500	15,500	1,500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	10,070	-	1,900	8,170	1,900
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	13,885	-	800	13,085	900
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	24,640	-	1,000	23,640	1,850
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0- 5.0%	7,955	-	1,200	6,755	1,250
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	11,300	-	380	10,920	520
Bond 2018	10,000	9/17/2018	11/15/2034	3.5 - 5.0%	10,000	-	180	9,820	360
Bond 2019 A	5,000	5/22/2019	11/15/2035	3.95%	5,000	-	-	5,000	-
Bond 2019 B	25,550	5/22/2019	11/15/2035	3.25 - 5.0%	25,550	-	-	25,550	-
Bond 2020 B	19,000	6/11/2020	11/15/2036	3.25 - 5.0%	-	19,000	-	19,000	-
Bond 2020 C	7,955	6/11/2020	11/15/2027	5.00%	-	7,955	-	7,955	1,015
Total CHESLA					171,570	26,955	12,180	186,345	14,105
Premiums					4,994	2,129	401	6,722	
Discounts					(21)	-	(2)	(19)	-
Total Bonds and related liabilities					$ 176,543	$ 29,084	$ 12,579	$ 193,048	$ 14,105

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
Bond 06 A-1	80,000	7/27/2006	6/1/2046	1.072 - 3.253%	$ 72,925	$ -	$ 15,550	$ 57,375	$ -
Bond 06 A-2	100,000	12/14/2006	6/1/2046	1.031 - 3.255%	78,725	-	12,250	66,475	-
Bond 06 B	20,000	7/27/2006	6/1/2046	0.274 - 3.548%	19,975	-	-	19,975	-
Total Bonds					171,625	-	27,800	143,825	-
Discounts					(323)	-	(68)	(254)	-
Total bonds and related amounts					$ 171,302	$ -	$ 27,732	$ 143,571	$ -

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

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

The annual requirements to amortize bonds payable at June 30, 2020, are as follows:

<u>CHESLA</u>

Fiscal Year Ended	Principal	Interest
2021	$ 14,105	$ 7,307
2022	15,505	6,763
2023	16,695	6,047
2024	17,260	5,260
2025	15,105	4,507
2026-2030	63,440	13,741
2031-2035	38,495	4,032
2036-2037	5,740	149
Total	$ 186,345	$ 47,806

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

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

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(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
2021	$ -	$ 3,604
2022	-	3,604
2023	-	3,604
2024	-	3,604
2025	-	3,604
2026-2030	-	18,022
2031-2035	-	18,022
2036-2040	-	18,022
2041-2045	-	18,022
2046	143,825	10,813
	$ 143,825	$ 100,923

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, 2020 year-end ranged from 0.274% to 3.548%.

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.

Connecticut Health and Educational Facilities Authority
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Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

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

2. Conduit debt

As of June 30, 2020, CHEFA had total outstanding principal balances of special obligation bonds of $8,136,047. 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	$ 45,955
Connecticut State University System – Special Capital Reserve Fund	332,170
Higher Education	4,368,283
Hospitals	2,282,021
Social and other	80,914
Independent Schools	688,871
Senior Living	337,833
Total	$ 8,136,047

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 $8,519 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	$ 3,485
Hospitals	3,798
Social and other	1,236
Total	$ 8,519

3. Authorized/unissued debt

At June 30, 2020, there was $18,000 authorized unissued debt for CHESLA.

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

Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

4. Advanced refunding

In June 2020, CHESLA issued $7,955 of 2020 Series C revenue bonds with an interest rate of 5%. These bonds were issued to defease bonds issued in August 2009. The balance of the bonds to be defeased was $8,690 at June 30, 2020. There is $8,758 reported as restricted cash in the statement of net position to refund the August 2009 bonds in fiscal year 2020. The refunding of these bonds occurred in July 2020 and resulted in an economic gain of $804. The combined cost savings resulting from the issuance of the Series C and Series D bonds will be $2,106.

5. Subsequent events

On August 18, 2020 CHESLA issued $16,740 of 2020 Series D revenue bonds with an interest rate of 3% to 5%. The bond will mature in 2035. This bond will be used to refund the 2010 Series A bond issued in October 2010. The economic gain will be $1,010.

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $4,448 for CHEFA.

F. Net position classification

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

	CHEFA	CHESLA	CSLF
Net investment in capital assets	$ 245	$ 3	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	128	-	-
Bond funds	-	26,553	-
Trust Estate	-	-	4,024
Total restricted	4,448	26,553	4,024
Unrestricted	8,848	6,783	19,053
Total net position	$ 13,541	$ 33,339	$ 23,077

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, 2020, outstanding loan balances totaled $4,281.

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

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

Notes to Financial Statements
June 30, 2020
(In Thousands)

II. Detailed notes

F. Net position classification

Student Loan Programs - Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The current amount of the guarantee is $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, 2020, the ratio was 115.28%. During the year ended June 30, 2020, the Board authorized a transfer of $500 to CHESLA for the scholarship program. At June 30, 2020, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is $16,323.

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.

G. Condensed component unit information

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2020, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	$ 244
Net position	$ (244)

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

Operating expenses	$ 137
Change in net position	(137)
Net position, July 1, 2019	(107)
Net position, July 1, 2020	$ (244)

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

Notes to Financial Statements
June 30, 2020
(In Thousands)

III. Other information

A. Risk management

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

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. In May 2020, CHEFA voluntarily deferred billings for $1,855 in fees earned during the fiscal year to the following fiscal year. In addition, CHEFA voluntarily waived fees totaling $1,844. Additionally, CHESLA suspended the referral of borrowers to collections and has instructed its collection company to suspend affirmative collection efforts until September 30, 2020. The private loans held by CHESLA and federal and private loans held by CSLF are not eligible for deferral by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, however, participants can request deferral or forbearance in accordance with the loan policies. The Authority is not able to reliably estimate the length or severity of this outbreak. The extent to which COVID-19 impacts CHESLA and CSLF will depend on the rate with which their borrowers avail themselves of current relief programs as well as future developments, which are uncertain and cannot be predicted with confidence. The Authority is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Authority's operations continues for an extended period of time, there could be additional loss of revenue and other material adverse effects to the Authority's financial position, results of operations, and cash flows.

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $126 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $20 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 $57 and $13, respectively. The $500 contribution for the scholarship program was not spent and is recorded as a deferred inflow.

C. Operating leases

CHEFA leases office space and other office equipment for use in operations. Lease expense was $247. As of June 30, 2020, minimum future rental commitments of the leases are as follows:

2021	261
2022	267
2023	272
2024	137

III. Other information

D. Pension plan

The Authority administers a single employer defined contribution plan, which covers certain employees of the Authority. The Board of 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, 2020, there were no forfeitures and retirement plan expense was $237.

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

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA 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, 2020, there were no forfeitures and the plan expense was $26.

Supplemental Schedules

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

Combining Schedule of Net Position - Connecticut Health and Educational Facilities Authority
June 30, 2020
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 304	$ -	$ -	$ 304
Investments	6,874	-	-	6,874
Receivables				
Accounts (net of allowance for uncollectibles of $190)	1,744	-	-	1,744
Related parties	313	-	(244)	69
Prepaid expenses and other assets	108	-	-	108
Total unrestricted assets	9,343	-	(244)	9,099
Restricted assets				
Investments				
Institutions	304,608	-	-	304,608
Total current assets	313,951	-	(244)	313,707
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	245	-	-	245
Restricted assets				
Investments	6,689	-	-	6,689
Total noncurrent assets	6,934	-	-	6,934
Total assets	$ 320,885	$ -	$ (244)	$ 320,641
Liabilities				
Current liabilities				
Accounts payable	$ 35	$ 244	$ (244)	$ 35
Accrued expenses	294	-	-	294
Amounts held for institutions	304,608	-	-	304,608
Total current liabilities	304,937	244	(244)	304,937
Noncurrent liabilities				
Amount held for the State of Connecticut	2,163	-	-	2,163
Total liabilities	307,100	244	(244)	307,100
Net Position				
Net investment in capital assets	245	-	-	245
Restricted	4,448	-	-	4,448
Unrestricted	9,092	(244)	-	8,848
Total net position	13,785	(244)	-	13,541
Total liabilities and net position	$ 320,885	$ -	$ (244)	$ 320,641

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, 2020
(In Thousands)

	CHEFA	CCDC	Eliminations	Total
Operating revenues				
Administrative fees	$ 5,605	$ -	$ -	$ 5,605
Supporting services fees	192	-	(46)	146
Bond issuance fees	65	-	-	65
Total operating revenues	5,862	-	(46)	5,816
Operating expenses				
Salaries and related expenses	3,018	-	-	3,018
General and administrative	533	2	-	535
Contracted services	233	135	(46)	322
Total operating expenses	3,784	137	(46)	3,875
Operating income (loss)	2,078	(137)	-	1,941
Nonoperating income (expenses)				
Investment income	195	-	-	195
Grants and child care subsidy expense	(3,058)	-	-	(3,058)
Total nonoperating expenses	(2,863)	-	-	(2,863)
Change in net position	(785)	(137)	-	(922)
Net position, July 1, 2019	14,570	(107)	-	14,463
Net position, June 30, 2020	$ 13,785	$ (244)	$ -	$ 13,541

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, 2020
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2019 resolution	Total CHESLA
Assets					
Current assets					
Unrestricted assets					
Cash	$ 18	$ -	$ -	$ -	$ 18
Investments	3,856	2,802	13	-	6,671
Current portion of loans receivable	-	42	-	-	42
Interest receivable on investments	-	2	-	-	2
Loan interest receivable	-	2	-	-	2
Prepaid expenses and other assets	26	-	-	-	26
Total unrestricted assets	3,900	2,848	13	-	6,761
Restricted assets					
Cash	-	-	8,777	-	8,777
Investments					
Bond indenture trusts	-	-	24,255	25,540	49,795
Current portion of loans receivable	-	-	17,659	4,130	21,789
Interest receivable on investments	-	-	82	3	85
Loan interest receivable	-	-	361	100	461
Total restricted assets	-	-	51,134	29,773	80,907
Total current assets	3,900	2,848	51,147	29,773	87,668
Noncurrent assets					
Unrestricted assets					
Capital assets	3	-	-	-	3
Loans receivable, net of current portion and allowance	-	611	-	-	611
Restricted assets					
Investments	-	-	21,261	4,850	26,111
Loans receivable, net of current portion and allowance	-	-	90,326	23,415	113,741
Total noncurrent assets	3	611	111,587	28,265	140,466
Total assets	$ 3,903	$ 3,459	$ 162,734	$ 58,038	$ 228,134
Liabilities					
Current liabilities					
Accounts payable	$ 52	$ -	$ 123	$ 149	$ 324
Accrued expenses	17	-	-	-	17
Accrued interest payable	-	-	706	193	899
Current portion of bonds payable	-	-	13,090	1,015	14,105
Total current liabilities	69	-	13,919	1,357	15,345
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	128,306	50,637	178,943
Total liabilities	69	-	142,225	51,994	194,288
Deferred Inflows of Resources					
Unearned revenue	-	507	-	-	507
Net Position					
Net investment in capital assets	3	-	-	-	3
Restricted	-	-	20,509	6,044	26,553
Unrestricted	3,831	2,952	-	-	6,783
Total net position	3,834	2,952	20,509	6,044	33,339
Total liabilities, deferred inflows of resources and net position	$ 3,903	$ 3,459	$ 162,734	$ 58,038	$ 228,134

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, 2020
(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	$ -	$ 45	$ 6,141	$ 1,006	$ -	$ 7,192
Administrative fees	960	-	74	636	(960)	710
Contributions from CSLF	-	1,500	-	-	-	1,500
Total operating revenues	960	1,545	6,215	1,642	(960)	9,402
Operating expenses						
Interest expense	-	-	5,202	1,157	-	6,359
Salaries and related expenses	258	-	-	-	-	258
General and administrative	363	8	912	200	(960)	523
Refinance program	35	-	-	-	-	35
Scholarships	-	1,500	-	-	-	1,500
Loan service fees	-	1	607	421	-	1,029
Contracted services	75	-	-	-	-	75
Bond issuance costs	-	-	102	327	-	429
Provision for loan losses (net of recoveries)	-	(13)	37	574	-	598
Total operating expenses	731	1,496	6,860	2,679	(960)	10,806
Operating income (loss)	229	49	(645)	(1,037)	-	(1,404)
Nonoperating income						
Investment income	54	45	1,428	328	-	1,855
Total nonoperating income	54	45	1,428	328		1,855
Change in net position	283	94	783	(709)	-	451
Transfers	(17)	9	23	(15)	-	-
Net position, July 1, 2019	3,568	2,849	19,703	6,768	-	32,888
Net position, June 30, 2020	$ 3,834	$ 2,952	$ 20,509	$ 6,044	$ -	$ 33,339

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, 2020
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ -	$ 687	$ -	$ 687
Prepaid expenses and other assets	-	2	-	2
Total unrestricted assets	-	689	-	689
Restricted assets				
Investments				
Bond indenture trusts	6,474	-	-	6,474
Current portion of loans receivable	7,945	-	-	7,945
Loan interest receivable	6,493	-	-	6,493
Total restricted assets	20,912	-	-	20,912
Total current assets	20,912	689	-	21,601
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	146,003	-	-	146,003
Total assets	$ 166,915	$ 689	$ -	$ 167,604
Liabilities				
Current liabilities				
Accounts payable	$ -	$ 63	$ -	$ 63
Accrued expenses	-	65	-	65
U.S. Department of Education payable	666	-	-	666
Trust Estate payable	162	-	-	162
Total current liabilities	828	128	-	956
Noncurrent liabilities				
Bonds payable and related liabilities	143,571	-	-	143,571
Total liabilities	144,399	128	-	144,527
Net Position				
Restricted	4,024	-	-	4,024
Unrestricted	18,492	561	-	19,053
Total net position	22,516	561	-	23,077
Total liabilities and net position	$ 166,915	$ 689	$ -	$ 167,604

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, 2020
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ 8,022	$ -	$ -	$ 8,022
Not-for-profit servicing income	-	53	-	53
Administration fee	-	426	(426)	-
Total operating revenues	8,022	479	(426)	8,075
Operating expenses				
Interest expense	4,125	-	-	4,125
General and administrative	109	59	-	168
Loan service fees	649	-	-	649
Administration fee	426	-	(426)	-
Consolidation rebate fees	1,129	-	-	1,129
Contracted services	-	193	-	193
Provision for loan losses	79	-	-	79
Total operating expenses	6,517	252	(426)	6,343
Operating income	1,505	227	-	1,732
Nonoperating income (expenses)				
Investment income	89	-	-	89
Contributions to CHESLA	(500)	-	-	(500)
Total nonoperating expenses	(411)	-	-	(411)
Change in net position	1,094	227	-	1,321
Net position, July 1, 2019	21,422	334	-	21,756
Net position, June 30, 2020	$ 22,516	$ 561	$ -	$ 23,077

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*

To the Board of Directors
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority ("Authority") as of and for the year ended June 30, 2020, 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 24, 2020.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 24, 2020

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