



**CHEFA
Community
Development
Corporation**

**1 Financial Plaza
20th Floor, Suite 2000
Hartford, CT 06103
(860) 520-4700
CHEFA.com/CDC**

September 25, 2024

The Honorable Ned Lamont
Governor of the State of Connecticut
State Capitol
Hartford, CT 06106

Governor Ned Lamont,

In accordance with the reporting requirements of Connecticut General Statutes §1-123, the CHEFA Community Development Corporation (CHEFA CDC) is pleased to submit its Annual Report for the Fiscal Year Ending June 30, 2024.

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

Sincerely,

A handwritten signature in blue ink that reads "Jeanette W. Weldon".

Jeanette W. Weldon
Executive Director

cc: John C. Geragosian
Craig A. Miner

Annual Report

Fiscal Year Ending June 30, 2024

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CHEFA
Community
Development
Corporation



I. About CHEFA Community Development Corporation

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

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

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

CHEFA CDC’s Mission:

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

II. Organization Overview

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

Subsidiary of CHEFA

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

Board of Directors

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

CHEFA CDC's Board of Directors

- **Peter W. Lisi, Chairperson**
Retired
- **Michael Angelini, Vice-Chairperson**, Senior Vice President, Treasurer & Chief Investment Officer
Yale New Haven Health System
- **Lawrence M. Davis**, Senior Vice President, Client Manager
Webster Bank, N.A.
- **Steven L. Elbaum**, Partner
Robinson + Cole LLP
- **Kimberly Kennison**, Executive Financial Officer, State of Connecticut
- **Susan M. Martin**, Chief Financial Officer & Vice President, Finance
Middlesex Hospital

- **Alan Mattamana**, Partner
Fairview Capital
- **Sarah Sanders**, Deputy Treasurer,
State of Connecticut, Office of the
Treasurer
- **Cesarina Thompson, Ph.D.**, Dean
of the College of Education,
Nursing and Health Professions
University of Hartford
- **Mark Varholak**, Vice President for
Finance & CFO
Quinnipiac University

Workforce

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

Advisory Board

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

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

III. FY 2024 Activities Summary

- Pursued efforts to establish State tax credit program to support Early Childhood Education ("ECE") providers. This past legislative session, the proposed legislation was voted out of the Committee on Higher Education and Employment Advancement and was referred to the Finance, Revenue & Bonding Committee.
- Met with several State Legislators and Commissioners, nonprofit organizations and community partners, providing education on the impact of a ECE Tax Credit Program and gained their support for our efforts.

- Worked to develop project pipeline for the federal NMTC program, of quality projects, meeting with Boys & Girls Clubs, YMCAs, Child Care Centers, and a Nonprofit Economic Developer.

IV. FY 2025 Description of Planned Activities

- Research legislative priorities and need for State tax credit programs that benefit the nonprofits that serve Connecticut's low-income communities.
- Continue expansion of efforts to collect and measure economic and community impact for CHEFA issued bonds with the Autocene platform.
- Host events promoting and educating eligible organizations about the NMTC program and other financing programs offered by CHEFA.
- Continue outreach to develop a project pipeline of potential eligible NMTC projects.
- Identify potential CDCs who may be willing to make suballocation of NMTC to CHEFA CDC for purposes of funding Loan Fund Program.

CHEFA Community Development Corporation
Proposed Operating Budget for the Twelve Months Ending June 30, 2025

	Actual FY 2021	Actual FY 2022	Actual FY 2023	Budget FY 2024	Projected Actual FY 2024	Budget FY 2025
Leveraged Tax Credits Allocated:	0	0	0		0	
Loan Fund Tax Credits Allocated:	0	0	0		0	
Tax Credits Unwound:						
Total Tax Credits Allocation Outstanding:	0	0	0	0	0	0
Operating Revenues						
Leveraged NMTC Transaction						
Allocation Fee (1.75% Fee)	0	0	0	0	0	0
BackEnd Fee (0.50%)	0	0	0	0	0	0
Community Reinvestment Fee (1.0%) (Restricted FUND)	0	0	0	0	0	0
CCDC Asset Management Fee - (0.5% Yearly Fee)	0	0	0	0	0	0
NMTC Loan Fund Transaction						
Allocation Fee (1.75% Fee)	0	0	0	0	0	0
Origination Fee (1.0% set by investor) (returned to Invest-See below)	0	0	0	0	0	0
Expenses Reimbursement (Est. 0.5% Yearly Fee)	0	0	0	0	0	0
Total Operating Revenues	0	0	0	0	0	0
Operating Expenses						
Support Services	38,583	7,500	6,000	45,000	3,000	33,000
General and Administrative						
Lease						
Business Insurance	0	0	0		0	
Office Supplies & Non-cap Equipment	0	0	2	100		100
Postage		0	0	100	0	100
Legal Fees	0	0	0	10,000	0	10,000
Loan Origination Fee (from Above back to Investor immediately)	0	0	0	0	0	0
Marketing	0	0	0	500	0	500
Conferences, Travel	199	99	0	1,100	0	1,100
Membership		0	0	0	0	0
Miscellaneous Expenses	50	50	50	4,300	57	4,300
Contracted services						
CDE Consultant	0	0	0	30,000	0	30,000
Independent Auditors	0	0	0	1,000	0	1,000
NMTC Compliance Consultant	0	0	0	0	0	0
Total Operating Expenses	38,833	7,649	6,052	92,100	3,057	80,100
Operating Income (Loss)	(38,833)	(7,649)	(6,052)	(92,100)	(3,057)	(80,100)
Non Operating Income (Expense)						
Investment Income	0	0	0	0	0	0
Change in net position	(38,833)	(7,649)	(6,052)	(92,100)	(3,057)	(80,100)
Net position, beginning of year	(243,663)	(282,496)	(290,145)	(296,197)	(296,197)	(299,255)
Net position, end of year	(282,496)	(290,145)	(296,197)	(388,297)	(299,255)	(379,355)

**CHEFA Community Development Corporation
Loans, Grants or Services in excess of \$5,000
General Account Disbursements
Fiscal Year Ending June 30, 2024**

Vendor

Not Applicable



CHEFA
Community
Development
Corporation

1 Financial Plaza
20th Floor, Suite 2000
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(860) 520-4700
CHEFA.com/CDC

CHEFA Community Development Corporation

Affirmative Action Policy Statement for FY 2024

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

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



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CHEFA Community Development Corporation

Audited Financial Statements for the Fiscal Year Ending June 30, 2024

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

Attachment:

- **Connecticut Health and Educational Facility Authority
Audited Financial Statements for the Fiscal Year Ending
June 30, 2024**

**CONNECTICUT HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

(A Component Unit of the State of Connecticut)

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

June 30, 2024

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Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Authority as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining schedules including the combining schedules of net position and combining schedules of revenues, expenses and changes in net position on pages 50-55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hartford, Connecticut
September 17, 2024



CHEFA

Connecticut Health & Educational
Facilities Authority

Management's Discussion and Analysis For the Year Ended June 30, 2024 (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, 2024. This Management's Discussion and Analysis presents a separate discussion for the primary government (CHEFA), which includes the blended component unit CHEFA Community Development Corporation ("CCDC"), and each of the discretely presented component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

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

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

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

CCDC, a non-profit component unit of CHEFA, was created in February 2019 to operate as a Certified Community Development Entity ("CDE") within the meaning of Section 45D of the Internal Revenue Code of 1986, as amended (the "Code") to provide financial assistance by serving and/or providing investment capital to institutions for higher education, healthcare institutions, nursing homes, and qualified nonprofit organizations, as defined in C.G.S. § 10a-178 (e), (g), (h), and (n), ("Institutions") in low-income communities located in the State of Connecticut.



CHEFA

Connecticut Health & Educational
Facilities Authority

Financial Highlights

- CHEFA's net position (which recognizes the CCDC loss of \$3) increased \$1,129 for the fiscal year resulting from operating income of \$3,393 net of nonoperating expenses (including grants and childcare expenses) of \$3,009 offset by investment income of \$745.
- CHESLA's net position increased by \$1,279 for the fiscal year resulting from operating revenues of \$7,503 net of operating expenses of \$10,148, further increased by investment income of \$3,924.
- CSLF's net position increased \$1,275 for the fiscal year, resulting from operating income of \$1,533 and nonoperating expenses of \$258, resulting from contributions to CHESLA of \$500, partially offset by investment income of \$242.
- During fiscal year 2024, CHEFA disbursed two revolving loans totaling \$229. Principal repayment and interest on the loans are received quarterly or monthly. Loan receivable (net of allowance for loan loss) for the fiscal year is \$364.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling \$24,808 for the in-school loan, Refi CT, and other programs. Payments received totaled \$18,106 for all programs.
- CSLF Loans Receivable decreased by \$22,794 during the fiscal year.
- CHESLA issued debt of \$27,615 to be used for in-school loans.
- CSLF's bonds payable decreased by \$20,450 from voluntary redemptions made during the year.

Overview of the Financial Statements

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

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

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

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

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



CHEFA

Connecticut Health & Educational
Facilities Authority

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

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

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

Financial Analysis

Assets exceeded liabilities at June 30, 2024. 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 25%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (73%) is unrestricted.

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

Summary Statement of Net Position (in thousands)

	CHEFA	
	2024	2023
Current assets	\$ 381,076	\$ 502,437
Capital assets (net)	323	247
Other noncurrent assets	9,202	6,809
Total assets	390,601	509,493
Assets held on behalf of the State of CT	2,275	2,173
Other liabilities	370,995	491,133
Total liabilities	373,270	493,306
Unearned revenue	30	15
Net investment in capital assets	323	247
Restricted	4,339	4,350
Unrestricted	12,639	11,575
Total net position	\$ 17,301	\$ 16,172

At June 30, 2024, CCDC maintained \$298 in current liabilities (Due to CHEFA) and an unrestricted net position of (\$298), included above.



CHEFA

Connecticut Health & Educational
Facilities Authority

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

For the fiscal year, CHEFA's net position increased \$1,129 (a gain of \$1,132 for CHEFA offset by a \$3 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position (in thousands)

	CHEFA	
	2024	2023
Operating revenues:		
Administrative fees	\$ 7,583	\$ 7,522
Supporting services fees	114	164
Bond issuance fees	40	45
Interest income on loans receivable	3	1
Total operating revenues	<u>7,740</u>	<u>7,732</u>
Operating expenses:		
Salaries and related expenses	3,244	3,071
General and administrative	565	621
Contracted services	<u>538</u>	<u>343</u>
Total operating expenses	<u>4,347</u>	<u>4,035</u>
Operating income	<u>3,393</u>	<u>3,697</u>
Nonoperating income (expenses):		
Investment income	745	577
Grants and childcare subsidy expense	<u>(3,009)</u>	<u>(3,024)</u>
Total nonoperating expenses	<u>(2,264)</u>	<u>(2,447)</u>
Change in net position	1,129	1,250
Net position, July 1	<u>\$ 16,172</u>	<u>\$ 14,922</u>
Net position, June 30	<u>\$ 17,301</u>	<u>\$ 16,172</u>

At June 30, 2024, CCDC expenses included above total \$3 in contracted services, for a total change in unrestricted net position of (\$3).



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

Revenues totaled \$7,740 for fiscal year 2024. Administrative fees are the largest revenue source and represent 98% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled \$114, representing 1% of revenues for the year. The balance includes application fees for the conduit debt issued and interest income on loans receivable at less than 1% each.

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

- Administrative fees totaled \$7,583 for fiscal year 2024 compared to \$7,522 for the fiscal year ended June 30, 2023. The change in Administrative fees for fiscal year 2024 is a result of the change in the par value of loans outstanding at June 30, 2024.
- The balance of the par value of debt outstanding at June 30, 2024 was \$8,706,283 compared to \$8,639,664 at June 30, 2023 and \$8,597,868 at June 30, 2022.
- During the year, CHEFA issued new conduit debt totaling \$298,609 in par value of which 14% was the refinancing of pre-existing debt.
- Nonoperating investment income increased by \$168 to \$745 from \$577 recognized in fiscal year 2023. This is a result of sustained higher interest rates during the fiscal year.

Expenses

Expenses totaled \$4,347 for the fiscal year. Of the expenses, 75% or \$3,244 was for salaries and related expenses. General and administrative expenses amounted to \$565, or 13%, while contracted services amounted to \$538 or 12%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by \$173 from fiscal year 2023 to \$3,244 in fiscal year 2024.
- General and administrative expenses of \$565 decreased \$56 from fiscal year 2023.
- Contracted services increased by \$195 from fiscal year 2023 to \$538 in fiscal year 2024.



CHEFA

Connecticut Health & Educational
Facilities Authority

Capital Assets

At June 30, 2024, CHEFA's capital assets amounted to \$323, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by \$77 due to software and furniture additions net of annual depreciation expense.

The net capitalization of Leased Office Space ended the year at \$2,361. This amount increased relative to prior year due to the addition of a long-term lease agreement in March 2024 for new office space in Hartford. Amortization for the fiscal year included \$104 for the end of the prior lease and \$76 for the new lease.

Additional information on capital assets, including retirement of fully depreciated capital assets, can be found in Exhibit D (II) C.

Economic Factors

The significant factors impacting CHEFA include the interest rate environment, potential tax reform and general economic conditions that affect our borrowers, as all may impact borrower issuance and/or refinancing options.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2024. 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 68%. CHESLA's net position invested in capital assets was less than 1%. The remaining portion of net position (32%) is unrestricted. A summary of the statement of net position is as follows:



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Summary Statement of Net Position (in thousands)

	CHESLA	
	2024	2023
Current and other assets	\$ 213,879	\$ 205,354
Capital assets, net	57	2
Total assets	213,936	205,356
Liabilities outstanding	166,537	159,273
Other liabilities	1,019	982
Total liabilities	167,556	160,255
Deferred inflows of resources	500	500
Net investment in capital assets	57	2
Restricted	31,140	28,889
Unrestricted	14,683	15,710
Total net position	\$ 45,880	\$ 44,601

CHESLA's restricted assets and liabilities represent loans, bonds payable, and other funds held in trust pursuant to bond indentures. CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2024, CHESLA funded new loans, net of returns, of \$21,911 in in-school loans and \$2,897 in Refi CT loans, compared to \$19,619 and \$5,543 respectively, in fiscal year 2023. This resulted in an increase of 12% for in-school and a decrease of 48% for Refi CT over fiscal year 2023.

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased \$1,279.



A statement of changes in net position follows:

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

	CHESLA	
	2024	2023
Operating revenues:		
Interest income on loans receivable	\$ 6,999	\$ 6,536
Contributions from CSLF	500	4,250
Other revenues	4	1
Total operating revenues	<u>7,503</u>	<u>10,787</u>
Operating expenses:		
Interest expense	6,007	5,324
Salaries and related expenses	355	337
General and administrative	704	733
Scholarships	515	506
Loan service fees	702	653
Contracted services	58	51
Bond issuance costs	520	471
Provision for loan losses	1,287	1,469
Total operating expenses	<u>10,148</u>	<u>9,544</u>
Operating income (loss)	(2,645)	1,243
Nonoperating income (loss)	<u>3,924</u>	<u>2,227</u>
Change in net position	1,279	3,470
Net position, July 1	<u>44,601</u>	<u>41,131</u>
Net position, June 30	<u>\$45,880</u>	<u>\$ 44,601</u>

The increase in net position for fiscal year 2024 reflects an increase in investment income that offsets the increase in interest expense and lower contributions from CSLF.



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Revenues

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

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

- Contributions from CSLF totaled \$500 in fiscal year 2024. 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 \$515 for scholarships awarded at the beginning of fiscal year 2024.
- The Alliance District Loan Subsidy (ADTLS) Program offers a 3% interest rate subsidy on Alliance District Refinance Loans for teachers, counselors, and paraeducators employed by any of Connecticut's 36 Alliance District public schools. In fiscal 2024, 35 loans totaling \$596,000 were disbursed.
- Nonoperating income totaled \$3,924 in fiscal year 2024, entirely due to gains from investments.

Operating Expenses

Expenses totaled \$10,148 for the fiscal year. The largest expense representing 59% or \$6,007 of total expenses was for interest payments on debt. This is an increase of 3% from 56% in fiscal year 2023. Loan servicing fees totaled \$702 or 7% of operating expenses. Bond issuance costs totaled \$520 or 5%. Provision for loan losses totaled \$1,287 or 13% and general and administrative expenses amounted to \$704 or 7% of the total operating expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by \$683 as compared to fiscal year 2023 of \$5,324, resulting from the change in the principal balance of outstanding debt and the issuance of new bonds.



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- Salaries and related expenses increased by \$18.
- General and administrative expenses decreased by \$29 primarily due to a decrease in loan yield liability.
- Bond issuance costs increased by \$49. In May 2024, CHESLA closed a new money issue of \$27,615 in 2024 Series B bonds.
- Provision for loan loss decreased by \$182 to \$1,287 resulting from a net increase in the allowance of \$663 plus net student write-offs and recoveries of \$624.

Capital assets

At June 30, 2024, CHESLA’s capital assets were \$57. The year-over-year increase stems from capitalization of the updated website and domain name renewal.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable (in thousands)	CHESLA	
	2024	2023
Revenue bonds	\$ 161,285	\$ 154,510
Premiums/discounts	5,251	4,763
Total long-term liabilities	\$ 166,536	\$ 159,273

CHESLA’s increase in the principal revenue bonds outstanding is a result of a new issuance totaling \$27,615, scheduled payments of \$8,480, and additional paydowns of \$12,360.

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

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

Economic Factors

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



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Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2024. 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 7% or \$1,379. The remaining portion of net position is unrestricted and represents 93% of the total net position.

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

Summary Statement of Net Position (in thousands)

	CSLF	
	2024	2023
Current and other assets	\$ 76,865	\$ 96,313
Total assets	76,865	96,313
Long-term liabilities outstanding	55,402	75,817
Other liabilities	583	891
Total liabilities	55,985	76,708
Restricted	1,379	424
Unrestricted	19,501	19,181
Total net position	\$ 20,880	\$ 19,605

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position increased by \$1,275.



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A statement of changes in net position follows:

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

	CSLF	
	2024	2023
Operating revenues:		
Interest income on loans receivable	\$ 7,057	\$ 6,083
Other revenues	100	136
Total operating revenues	7,157	6,219
Operating expenses:		
Interest expense	4,531	4,308
General and administrative	116	132
Loan service fees	272	379
Consolidation rebate fees	547	687
Contracted services	198	201
Provision for loan losses	(40)	(132)
Total operating expenses	5,624	5,575
Operating income	1,533	644
Nonoperating income (expenses):		
Investment income	242	227
Contribution expense	(500)	(4,250)
Total nonoperating expenses	(258)	(4,023)
Change in net position	1,275	(3,379)
Net position, July 1	19,605	22,984
Net position, June 30	\$ 20,880	\$ 19,605



CHEFA

Connecticut Health & Educational
Facilities Authority

Revenues

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

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2024 totaled \$7,057 (99%) compared to \$6,083 for fiscal year ended June 30, 2023. These revenue sources are variable in nature and are a direct function of market conditions. Interest rates for student borrowers in the CSLF portfolio have been fixed. The net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue, on loans originated before April 1, 2006, calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During fiscal 2024, due to market conditions, CSLF received funds from the US Department of Education totaling \$1,648 compared to \$384 received in fiscal year 2023.

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

- Interest income on loans receivable is the largest component of operating revenues totaling \$7,057, an increase of \$974 from the prior year amount of \$6,083 due to rising interest rates. Although not affecting the FFELP loans directly (rates to the borrower are fixed), the Special Allowance Payments the trust receives make up the difference between the interest rate charged to FFELP borrowers and the market rate.

Expenses

Expenses totaled \$5,624 for the fiscal year. The largest of which was interest expense on the Auction Rate Certificates ("ARCs") issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auction rate market, investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled \$4,531 or 81% of total operating expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled \$547 or 10% of total operating expenses and loan servicing fees totaled \$272 or 5% of total operating expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2024 by \$223. The increase is due to the increasing interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by \$107 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by \$140 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures
- The Loan Loss Reserve Analysis was reviewed for both portfolios to determine the change in the loss allowance for each. The results of the analysis resulted in a \$61 allowance increase for the FFELP portfolio and a \$101 decrease for the private loan portfolio for fiscal year 2024.



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- Nonoperating expense of \$258, represents the Board authorized contributions to CHESLA of \$500 for scholarship programs partially offset by \$242 in investment income.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable (in thousands)	CSLF	
	2024	2023
Revenue bonds	\$ 55,475	\$ 75,925
Premiums/discounts	(73)	(108)
Total long-term liabilities	\$ 55,402	\$ 75,817

CSLF's decrease in long-term debt was due to the redemption of \$20,450 of bonds during the fiscal year.

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

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

Economic Factors

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

Requests for Information

This financial report is designed to familiarize our stakeholders and customers with CHEFA's finances and to demonstrate CHEFA's fiscal accountability for its operations. Questions concerning this report, or request for additional financial information, should be directed to Connecticut Health and Educational Facilities Authority at 1 Financial Plaza, 20th Floor, Suite 2000, Hartford, Connecticut 06103.

Basic Financial Statements

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

Statement of Net Position
June 30, 2024
(In Thousands)

<u>Assets</u>	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
Current assets				
Unrestricted assets				
Cash	\$ 420	\$ 59	\$ 95	\$ 574
Investments	10,331	8,271	25	18,627
Receivables				
Accounts (net of allowance for uncollectible)	1,783	6	-	1,789
Current portion of loans receivable	158	749	-	907
Interest receivable on investments	-	42	-	42
Loan interest receivable	-	31	-	31
U.S. Department of Education receivable	-	-	241	241
Related parties	57	-	-	57
Prepaid expenses and other assets	130	99	12	241
Total unrestricted, current assets	<u>12,879</u>	<u>9,257</u>	<u>373</u>	<u>22,509</u>
Restricted assets				
Investments				
Institutions	368,197	-	-	368,197
Bond indenture trusts	-	54,053	8,790	62,843
Current portion of loans receivable	-	16,940	1,921	18,861
Interest receivable on investments	-	364	-	364
Loan interest receivable	-	752	4,492	5,244
Total restricted, current assets	<u>368,197</u>	<u>72,109</u>	<u>15,203</u>	<u>455,509</u>
Total current assets	<u>381,076</u>	<u>81,366</u>	<u>15,576</u>	<u>478,018</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	323	57	-	380
Right of use asset (net of accumulated amortization)	2,361	-	-	2,361
Loans receivable (net of allowance)	206	7,523	-	7,729
Restricted assets				
Investments	6,635	21,826	-	28,461
Loans receivable (net of allowance for uncollectible)	-	103,164	61,289	164,453
Total noncurrent assets	<u>9,525</u>	<u>132,570</u>	<u>61,289</u>	<u>203,384</u>
Total assets	<u>\$ 390,601</u>	<u>\$ 213,936</u>	<u>\$ 76,865</u>	<u>\$ 681,402</u>

See Notes to Financial Statements

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

Statement of Net Position
June 30, 2024
(In Thousands)

	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 7	\$ -	\$ -	\$ 7
Due to related parties	-	49	7	56
Accrued expenses	332	141	112	585
Amounts held for institutions	368,202	-	-	368,202
Accrued interest payable	-	830	-	830
Trust Estate payable	-	-	464	464
Current portion of bonds payable	-	9,940	-	9,940
Current portion of lease liability	118	-	-	118
	<u>368,659</u>	<u>10,960</u>	<u>583</u>	<u>380,202</u>
Total current liabilities				
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	156,596	55,402	211,998
Amount held for the State of Connecticut	2,275	-	-	2,275
Lease liability (net of current portion)	2,336	-	-	2,336
	<u>4,611</u>	<u>156,596</u>	<u>55,402</u>	<u>216,609</u>
Total noncurrent liabilities				
Total liabilities				
	<u>373,270</u>	<u>167,556</u>	<u>55,985</u>	<u>596,811</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	30	500	-	530
	<u>30</u>	<u>500</u>	<u>-</u>	<u>530</u>
<u>Net Position</u>				
Net investment in capital assets	323	57	-	380
	<u>323</u>	<u>57</u>	<u>-</u>	<u>380</u>
Restricted				
Child care facilities loan program	4,320	-	-	4,320
Student loan guarantee program	19	-	-	19
Bond funds	-	23,345	-	23,345
Alliance district teacher loan subsidy	-	7,795	-	7,795
Trust Estate	-	-	1,379	1,379
Total restricted	<u>4,339</u>	<u>31,140</u>	<u>1,379</u>	<u>36,858</u>
Unrestricted				
	<u>12,639</u>	<u>14,683</u>	<u>19,501</u>	<u>46,823</u>
Total net position				
	<u>17,301</u>	<u>45,880</u>	<u>20,880</u>	<u>84,061</u>
Total liabilities, deferred inflows of resources and net position				
	<u>\$ 390,601</u>	<u>\$ 213,936</u>	<u>\$ 76,865</u>	<u>\$ 681,402</u>

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, 2024
(In Thousands)

	Primary Government	Component Units		Total
	CHEFA	CHESLA	CSLF	
Operating revenues				
Interest income on loans receivable	\$ 3	\$ 6,999	\$ 7,057	\$ 14,059
Administrative fees	7,583	-	-	7,583
Supporting services fees	114	-	-	114
Contributions from CSLF (scholarships and Refi Program)	-	500	-	500
Bond issuance fees	40	-	-	40
Other revenues	-	4	100	104
	<u>7,740</u>	<u>7,503</u>	<u>7,157</u>	<u>22,400</u>
Total operating revenues				
Operating expenses				
Interest expense	-	6,007	4,531	10,538
Salaries and related expenses	3,244	355	-	3,599
General and administrative	565	704	116	1,385
Scholarships	-	515	-	515
Loan service fees	-	702	272	974
Consolidation rebate fees	-	-	547	547
Contracted services	538	58	198	794
Bond issuance costs	-	520	-	520
Provision for loan losses	-	1,287	(40)	1,247
	<u>4,347</u>	<u>10,148</u>	<u>5,624</u>	<u>20,119</u>
Total operating expenses				
Operating income (loss)	<u>3,393</u>	<u>(2,645)</u>	<u>1,533</u>	<u>2,281</u>
Nonoperating income (expenses)				
Investment income (loss)	745	3,924	242	4,911
Grants and child care subsidy expense	(3,009)	-	-	(3,009)
Contributions to CHESLA	-	-	(500)	(500)
	<u>(2,264)</u>	<u>3,924</u>	<u>(258)</u>	<u>1,402</u>
Total nonoperating income (expenses)				
Change in net position	1,129	1,279	1,275	3,683
Net position, July 1, 2023	<u>16,172</u>	<u>44,601</u>	<u>19,605</u>	<u>80,378</u>
Net position, June 30, 2024	<u>\$ 17,301</u>	<u>\$ 45,880</u>	<u>\$ 20,880</u>	<u>\$ 84,061</u>

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

Statement of Cash Flows
For the Year Ended June 30, 2024
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	\$ -	\$ 18,106	\$ 23,785
Interest received on loans	3	7,866	8,756
Fees received on loans	-	4	100
Contributions received from CSLF	15	500	-
Cash received for administrative fees	6,382	7	-
Cash received for recovery of loans	-	80	65
Cash received for general administrative fees	105	27	-
Cash received for bond issuance fees	40	-	-
Cash payments for employee wages and benefits	(3,244)	(355)	-
Cash payments for general and administrative	(273)	(736)	(115)
Cash payments for interest on bonds	-	(6,347)	(4,496)
Cash payments for excess interest	-	-	(1,648)
Cash payments for loans issued	-	(24,808)	-
Cash payments for loan servicing fees	-	(702)	(272)
Cash payments for consolidation fees	-	-	(547)
Cash payments for contracted services	(538)	(58)	(198)
Cash payments for bond issuance costs	-	(520)	-
Cash payments for scholarships	-	(515)	-
Net cash provided by (used in) operating activities	<u>2,490</u>	<u>(7,451)</u>	<u>25,430</u>
Cash flows from noncapital financing activities			
Proceeds from bond sales	-	27,615	-
Bond premium	-	828	-
Payments from institutions for revolving loan fund, net	12	-	-
Proceeds from investment income for amounts held for others	99	-	-
Cash paid to grantees and child care subsidy	(3,009)	-	-
Payments of bond principal	-	(20,840)	(20,450)
Contributions to CHESLA	-	-	(500)
Net cash provided by (used in) noncapital financing activities	<u>\$ (2,898)</u>	<u>\$ 7,603</u>	<u>\$ (20,950)</u>

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

Statement of Cash Flows
For the Year Ended June 30, 2024
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
financing activities:			
Reduction of lease liability	\$ 2,317	\$ -	\$ -
Right of use asset	(2,437)	-	-
Purchase of capital assets	(142)	(61)	-
Net cash provided by (used in) capital financing activities	(262)	(61)	-
Cash flows from investing activities			
Proceeds from sale of investments	395,004	57,627	25,050
Purchase of investments	(395,510)	(61,549)	(29,797)
Investment income (loss)	745	3,856	242
Net cash provided by (used in) investing activities	239	(66)	(4,505)
Net increase (decrease) in cash	(431)	25	(25)
Cash, July 1, 2023	851	34	120
Cash, June 30, 2024	<u>\$ 420</u>	<u>\$ 59</u>	<u>\$ 95</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 3,393	\$ (2,645)	\$ 1,533
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	66	6	-
Amortization expense	180	-	-
Bond discount/premium amortization	-	(340)	35
Provision for loan losses	-	1,287	(40)
Non-cash loan transactions	-	868	-
(Increase) decrease in:			
Accounts receivable	(1,201)	7	-
Accounts receivable - related party	(9)	-	-
Prepaid expenses and other assets	24	(49)	-
Loans receivable	-	(6,622)	22,752
U.S. Department of Education receivable	-	-	(573)
Loan interest receivable	-	(1)	1,699
Increase (decrease) in:			
Accounts payable	(5)	(18)	(2)
Due to other funds	-	27	7
Accrued expenses	27	29	(1)
Trust Estate payable	-	-	20
Unearned revenue	15	-	-
Net adjustments to operating income (loss)	(903)	(4,806)	23,897
Net cash provided by (used in) operating activities	<u>\$ 2,490</u>	<u>\$ (7,451)</u>	<u>\$ 25,430</u>

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, 2024
(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 (SCRF), if there is a shortfall in debt service, the State is obligated to refill the SCRF to its required level. The financial statements include Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF") as component units.

Reporting entity

CHESLA is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund, bond funds, and other programs. The 2019 Bond Fund is governed by the 2019 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which bonds were issued during 2019, 2020, 2021, 2022, 2023 and 2024.

Public Act 12-149 statutorily consolidated CHESLA with CHEFA by making CHESLA a component unit of CHEFA. As a component unit of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. CHESLA does not have a separate audit but is included in the CHEFA audit.

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

Public Act No. 14-217 statutorily consolidated CSLF with CHEFA by making CSLF a component unit of CHEFA. As a component unit of CHEFA, CSLF retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State. CSLF does not have a separate audit but is included in the CHEFA audit.

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Reporting entity

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

I. Summary of significant accounting policies**A. Financial statements**

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

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

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

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

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

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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. Tax-exempt issues are charged an annual fee of nine basis points and taxable transactions are charged an annual fee of three basis points. Annual fees are billed semi-annually, in arrears, on the outstanding par amount of the bonds.

Interest income on loans

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

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.

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I. Summary of significant accounting policies

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

1. Cash and investments

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

Method used to value investments

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

See Credit Risk on page 35-36 for details on CHEFA investment policy.

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

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

2. Fees and loan receivables

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

3. Restricted assets

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

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

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

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

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

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

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

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

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

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

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

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2024, the State has not made nor was it required to make any such deposit.

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

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

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

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

- Trust investment accounts - The indenture created special trust accounts to be held by the Trustee to be used for recordkeeping and reporting purposes as defined by the indenture.
- The bonds included in the Trust Estate are special and limited obligations of CSLF, secured by and payable from the Trust Estate held under the indenture, without recourse to any other assets of CSLF. The bonds are secured by eligible student loans as identified in the indenture.
- Release of amounts from the Trust Estate - The indenture provides that CSLF may withdraw amounts from the Trust Estate under certain limited circumstances as defined in the indenture.
- Redemption and acceleration provisions - The indenture sets forth provisions for the redemption and acceleration of the bonds prior to maturity under certain circumstances.

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

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

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I. Summary of significant accounting policies

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

Nonperforming loans

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

4. Capital assets

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

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

Leasehold improvements are amortized over the remaining terms of the lease. Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer equipment	3-5 years
Furniture and fixtures	10 years
Office equipment	3-6 years
Domain name	15 years

5. Amounts held for institutions

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

6. Amounts held on behalf of the State of Connecticut

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

7. Arbitrage rebate and excess loan yield liability

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

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I. Summary of significant accounting policies

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

8. Compensated absences

Employees of the Authority earn sick leave, which can accumulate and carryover each year (up to five days per year), and vacation leave, which can accumulate and carryover each year (up to 10 days per year) based on the provisions of personnel policies. Vacation leave vests with the employee and is payable upon termination of employment.

9. Long-term obligations

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

10. Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year and deferred charges on debt refunding.

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I. Summary of significant accounting policies

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

11. 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.

12. 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.

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

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

As of June 30, 2024, bank balances were exposed to custodial credit risk as follows:

	CHEFA	CHESLA	CSLF
Bank balance	\$ 405	\$ 36	\$ 95
	CHEFA	CHESLA	CSLF
Uninsured and uncollateralized	\$ 114	\$ -	\$ -
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	41	-	-
Total amount subject to custodial risk	\$ 155	\$ -	\$ -

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 type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Money market - government	\$ 374,727	\$ -	\$ -	\$ -	\$ 374,727
Pooled fixed income	10,436	-	-	-	10,436
Total	\$ 385,163	\$ -	\$ -	\$ -	\$ 385,163

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II. Detailed notes

A. Cash and investments

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

Investment type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Pooled fixed income	\$ 84,150	\$ 84,150	\$ -	\$ -	\$ -
Total	\$ 84,150	\$ 84,150	\$ -	\$ -	\$ -

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

Investment type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Mutual funds - government	\$ 8,777	\$ 8,777	\$ -	\$ -	\$ -
Pooled fixed income	38	38	-	-	-
Total	\$ 8,815	\$ 8,815	\$ -	\$ -	\$ -

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.

None of CHEFA's or CHESLA's current investments require measurement at fair value.

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II. Detailed notes
A. Cash and investments

CSLF Investments by fair value	Fair Value	Level 1	Level 2	Level 3
Mutual funds - government	\$ 8,777	\$ 8,777	\$ -	\$ -
Total				
<u>Other investments, not valued at fair value</u>				
Pooled fixed income	38			
Total investments	\$ 8,815			

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

Interest rate risk

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

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II. Detailed notes

A. Cash and investments

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

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

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

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

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

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II. Detailed notes

A. Cash and investments

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

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

- Obligations issued or guaranteed by the U.S. Government, including the FDIC; Qualified money market funds or institutional money market funds investing in short-term securities permitted by the Authority's enabling legislation;
- Connecticut State Treasurer’s Short-Term Investment Fund, provided it maintains a Standard & Poor’s AAAM rating;
- Qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government;
- Obligations issued or guaranteed by the State of Connecticut as made available;
- Other debt obligations which are statutorily permissible investments.

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

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

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(In Thousands)

II. Detailed notes
B. Receivables

Receivables as of June 30, 2024 for the Authority's financial statements by type are as follows:

CHEFA makes loans to clients who meet certain criteria for purposes of providing financial assistance for working capital expenses or any other purpose as may be approved from time to time under the CHEFA Revolving Loan Fund Program. During fiscal year 2024, nonprofits could apply for financing between \$5 and \$75 for up to 60 months at an interest rate of 3.75%, in accordance with the approve Funding Cycle Notice 2023A. In May of 2024, The Authority approved the Funding Cycle Notice 2024A. Nonprofits can apply for financing between \$5 and \$200, existing clients can apply for financing up to \$500, for up to 72 months at an interest rate of 2.99%. Loans were approved on a rolling first come-first serve basis, assuming Applicants met the requirements of the underwriting guidelines. Loans receivable as of June 30, 2024 are as follows:

Current portion	<u>\$ 158</u>
Long-term portion	228
Less allowance	<u>(22)</u>
Net long-term portion	<u>206</u>
Total net receivables	<u><u>\$ 364</u></u>

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

For the year ending June 30, 2025	\$	158
2026		51
2027		50
2028		49
2029		35
Thereafter		<u>43</u>
Total gross receivables	<u>\$</u>	<u><u>386</u></u>

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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(In Thousands)

II. Detailed notes
B. Receivables

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2024 are as follows:

	<u>Active Loans</u>	<u>Loans in Collection</u>	<u>Total</u>
Current portion	\$ 17,689	\$ -	\$ 17,689
Long-term portion	112,758	2,031	114,789
Less allowance	<u>(3,011)</u>	<u>(1,091)</u>	<u>(4,102)</u>
Net long-term portion	<u>109,747</u>	<u>940</u>	<u>110,687</u>
Total net receivables	<u>\$ 127,436</u>	<u>\$ 940</u>	<u>\$ 128,376</u>

Student loans are repaid by borrowers on a monthly basis on a 0 to 140 month repayment term after the in-school and 6-month grace period ends. The interest rate on these loans ranges from approximately 4.59% to 6.99%. The current interest rate on new loans is 6.45%.

Refi CT, CHESLA's loan refinance product, loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 3.75% to 7.25% depending on the term of the loan and the Fair Isaac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.99% - 7.99%.

During the fiscal year, CHESLA wrote off loan receivables of \$704, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered \$80 in loans receivable and other credits that were written off in previous years.

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

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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June 30, 2024
(In Thousands)

II. Detailed notes
B. Receivables

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

	<u>FFELP</u>	<u>Alternative</u>	<u>Total</u>
Current portion	<u>\$ 1,821</u>	<u>\$ 100</u>	<u>\$ 1,921</u>
Long-term portion	60,731	970	61,701
Less allowance	<u>(349)</u>	<u>(63)</u>	<u>(412)</u>
Net long-term portion	<u>60,382</u>	<u>907</u>	<u>61,289</u>
Total net receivables	<u><u>\$ 62,203</u></u>	<u><u>\$ 1,007</u></u>	<u><u>\$ 63,210</u></u>

During the fiscal year, CSLF had net write-offs of federal loans receivable of \$2 (CSLF risk share only), and private loans of \$40, both of which had previously been provided for through the allowance for loan losses.

Federal Family Education Loan Program ("FFELP") loans are student loans insured by the U.S. Department of Education. FFELP loans are repaid by borrowers on a monthly basis for a term of up to 30 years. The interest rate on these loans varies and ranges from approximately 0% to 12%.

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

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

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II. Detailed notes
B. Receivables

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

For the year ending June 30, 2025	\$	1,921
2026		2,062
2027		2,214
2028		2,378
2029		2,554
2030 - 2034		15,378
2035 - 2039		20,378
2040 - 2044		16,544
Thereafter		<u>193</u>
Total gross receivables	\$	<u>63,622</u>

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2024 was as follows:

	Balances 7/1/2023	Increases	Decreases	Balance 6/30/2024
Capital asset being depreciated:				
Leasehold improvements	\$ 157	\$ 23	\$ (157)	\$ 23
Computer equipment and software	532	73	(113)	492
Furniture and fixtures	256	31	(223)	64
Office equipment	674	15	(326)	363
Total capital assets being depreciated	<u>1,619</u>	<u>142</u>	<u>(819)</u>	<u>942</u>
Less accumulated depreciation for:				
Leasehold improvements	157	1	(157)	1
Computer equipment and software	329	34	(113)	250
Furniture and fixtures	256	1	(223)	34
Office equipment	630	30	(326)	334
Total accumulated depreciation	<u>1,372</u>	<u>66</u>	<u>(819)</u>	<u>619</u>
Total capital assets being depreciated, net	<u>\$ 247</u>			<u>\$ 323</u>

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II. Detailed notes

C. Capital assets

CHEFA's right of use asset (under a capital lease) activity for the year ended June 30, 2024 was as follows:

	Balances 7/1/2023	Increases	Decreases	Balance 6/30/2024
Right of use asset:				
Leased office space	\$ 1,248	\$ 2,437	\$ (1,248)	\$ 2,437
Less accumulated amortization	1,144	180	(1,248)	76
Total capital asset being amortized, net	\$ 104			\$ 2,361

CHESLA capital asset activity for the year ended June 30, 2024 was as follows:

	Balances 7/1/2023	Increases	Decreases	Balance 6/30/2024
Capital asset being depreciated:				
Website and domain	\$ 3	\$ 61	\$ -	\$ 64
Less accumulated depreciation for:				
Website and domain	1	6	-	7
Total capital asset being depreciated, net	\$ 2			\$ 57

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, 2024:

CHEFA

	Balances 7/1/2023	Increases	Decreases	Balance 6/30/2024	Current Portion
Other liability					
Amount held for the State of Connecticut	\$ 2,173	\$ 102	\$ -	\$ 2,275	\$ -

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II. Detailed notes

D. Changes in long-term obligations

CHESLA

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2023	Additions	Deductions	Amount Refunded	Balance 6/30/2024	Current Portion
2019 A	5,000	5/22/2019	11/15/35	3.95%	1,690	-	190	330	1,170	150
2019 B	25,550	5/22/2019	11/15/35	3.25 - 5.0%	17,885	-	1,080	2,250	14,555	1,435
2020 B	19,000	6/11/2020	11/15/36	3.25 - 5.0%	18,065	-	905	780	16,380	1,085
2021 B	17,515	6/23/2021	11/15/37	2.25 - 5.0%	17,515	-	505	-	17,010	970
2022 B	13,175	6/14/2022	11/15/38	5.0%	13,175	-	-	-	13,175	500
2022 C	62,375	6/14/2022	11/15/34	3.25 - 4.27%	60,375	-	5,800	9,000	45,575	5,800
2023 B	25,805	5/16/2023	11/15/39	3.75 - 5.0%	25,805	-	-	-	25,805	-
2024 B	27,615	5/30/2024	11/15/40	5.0%	-	27,615	-	-	27,615	-
Total CHESLA					154,510	27,615	8,480	12,360	161,285	9,940
Premiums					4,763	828	340	-	5,251	
Total bonds and related amounts					\$ 159,273	\$ 28,443	\$ 8,820	\$ 12,360	\$ 166,536	\$ 9,940

CSLF

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2023	Additions	Deductions	Balance 6/30/2024	Current Portion
2006 A-1	80,000	7/27/2006	6/1/2046	0.066-1.633%	\$ 29,425	\$ -	\$ 9,000	\$ 20,425	\$ -
2006 A-2	100,000	12/14/2006	6/1/2046	0.066-1.645%	26,525	-	11,450	15,075	-
2006 B	20,000	7/27/2006	6/1/2046	0.010-1.655%	19,975	-	-	19,975	-
Total CSLF					75,925	-	20,450	55,475	-
Discounts					(108)	-	(35)	(73)	-
Total bonds and related amounts					\$ 75,817	\$ -	\$ 20,415	\$ 55,402	\$ -

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II. Detailed notes

D. Changes in long-term obligations

1. Summary of changes

The annual requirements to amortize bonds payable at June 30, 2024, are as follows:

CHESLA

Fiscal year ending	Principal	Interest
2025	\$ 9,940	\$ 3,404
2026	11,830	6,497
2027	13,405	5,980
2028	13,195	5,374
2029	13,150	4,763
2030 - 2034	59,330	15,357
2035 - 2039	35,270	4,567
2040 - 2044	5,165	290
Total gross bonds	\$ 161,285	\$ 46,232

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

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

CSLF

Fiscal year ending	Principal	Interest
2025	\$ -	\$ 3,506
2026	-	3,506
2027	-	3,506
2028	-	3,506
2029	-	3,506
2030 - 2034	-	17,530
2034 - 2039	-	17,530
2040 - 2044	-	17,530
2045 - 2046	55,475	3,506
Total gross bonds	\$ 55,475	\$ 73,626

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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, 2024 year-end ranged from 6.70% to 6.74%.

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% subject to a cap of the SOFRA30 (replacing LIBOR) rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans continue to experience disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bondholders prior to the auction.

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

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

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

2. Lease liability

CHEFA leases office space in Hartford, Connecticut. The lease term began on March 1, 2024 and continues until October 31, 2034. Under the lease terms, CHEFA pays monthly rent which increases each year. During the fiscal year ended June 30, 2024, \$180 was paid in rent. The lease liability was calculated using an implied interest rate of 2.01%. Future principal and interest payments are as follows:

Fiscal year ending	Principal	Interest
June 30, 2025	\$ 118	\$ 49
2026	208	45
2027	218	41
2028	227	36
2029	238	32
Thereafter	1,445	80
	2,454	283

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3. Conduit debt

As of June 30, 2024, CHEFA had total outstanding principal balances of special obligation bonds of \$8,706,283. 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:

Childcare	\$ 33,617
Connecticut State University System	257,955
Higher education	4,659,524
Hospitals	2,132,374
Social and other	439,149
Independent schools	756,482
Senior living	<u>427,182</u>
Total	<u><u>\$ 8,706,283</u></u>

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 \$4,489 of principal balances outstanding in relation to the EZ Loan program, all of which is within the hospital sector. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, are not reported within the statement of net position.

4. Authorized/unissued debt

At June 30, 2024, there was no authorized unissued debt for CHESLA.

5. New bond issuance

In May 2024, CHESLA issued \$27,615 of 2024 Series B bonds with an interest rate of 5% for its serial maturities from November 15, 2026 to November 15, 2033 and an interest of 4.125% for the single term bond with maturities from November 15, 2034 to the final maturity of November 15, 2040. These bonds were issued to (i) originate loans under the CHESLA loan program; (ii) fund certain accounts, including a special capital reserve fund; and (iii) pay the costs of issuance for the 2024 Series B Bonds.

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E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$4,339 for CHEFA.

F. Net position classification

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

	<u>CHEFA</u>	<u>CHESLA</u>	<u>CSLF</u>
Net investment in capital assets	\$ 323	\$ 57	\$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	19	-	-
Bond funds	-	23,345	-
Alliance district teacher loan subsidy	-	7,795	-
Trust estate	-	-	1,379
Total restricted	<u>4,339</u>	<u>31,140</u>	<u>1,379</u>
Unrestricted	<u>12,639</u>	<u>14,683</u>	<u>19,501</u>
Total net position	<u>\$ 17,301</u>	<u>\$ 45,880</u>	<u>\$ 20,880</u>

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, 2024, outstanding loan balances totaled \$2,091.

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

Student loan programs - Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The current amount of the guarantee is \$19.

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

Alliance district teacher loan subsidy - This program was funded from \$7,000 from the State of Connecticut during 2022 and offers an interest rate subsidy on Alliance District Educator and Counselor Refinance Loans (to refinance existing private student loan debt) to educators and counselors in any of

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Connecticut’s Alliance District public schools. The program is designed to attract, support, and retain high quality educators who reflect the racial, ethnic, and linguistic diversity of Connecticut students.

Trust estate - For CSLF, the Bond Indenture requires that CSLF maintain a parity of 102.5% (Trust Estate asset to Trust Estate liability ratio), which represents its restricted net position. If parity exceeds 102.5%, CSLF is able, but not required, to transfer funds above the parity ratio to operations. At June 30, 2024, the ratio was 137.49%. During the year ended June 30, 2024, the Board authorized a transfer of \$500 to CHESLA for the scholarship program. At June 30, 2024, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is \$18,653.

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

G. Condensed component unit information

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2024, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	\$ 298
	(298)
Net position	\$ (298)
	3
Operating expenses	\$ 3
Change in net position	(3)
Net position, July 1, 2023	(295)
Net position, June 30, 2024	\$ (298)

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Notes to Financial Statements
June 30, 2024
(In Thousands)

III. Other information

A. Risk management

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

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of \$91 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of \$18 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 \$45 and \$7, respectively. CSLF contributed \$500 to CHESLA for the scholarship program.

C. Pension plan

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

CHEFA maintains a defined contribution money purchase plan, the State of Connecticut Health & Educational Facilities Authority Money Purchase Pension Plan (the "Plan"), covering all employees with three months of continuous service and 1,000 anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by designated authorized officers. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. Forfeitures may be used to pay plan expenses. Any forfeitures left after paying plan expenses are used to offset future contributions. For the year ended June 30, 2024, there were no forfeitures and retirement plan expense was \$231.

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There were 20 employees covered under the Plan at June 30, 2024. All employees can participate in the Plan after three months of service. A participant's employer contribution account fully vests after four years of service. At age 65, participants are entitled to begin receiving benefits based upon the option selected.

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA and CHESLA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to \$1,500 (not stated in thousands) of employee contributions. For the year ended June 30, 2024, the plan expense was \$28.

D. Contingencies

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

Supplemental Schedules

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Combining Schedule of Net Position –
Connecticut Health and Educational Facilities Authority
June 30, 2024 (In Thousands)

	CHEFA	CCDC	Eliminations	Total
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 420	\$ -	\$ -	\$ 420
Investments	10,331	-	-	10,331
Receivables				
Accounts (net of allowance for uncollectible)	1,783	-	-	1,783
Related parties	355	-	(298)	57
Current portion of loans receivable	158	-	-	158
Prepaid expenses and other assets	130	-	-	130
Total unrestricted, current assets	<u>13,177</u>	<u>-</u>	<u>(298)</u>	<u>12,879</u>
Restricted assets				
Investments - institutions	368,197	-	-	368,197
Total restricted, current assets	<u>368,197</u>	<u>-</u>	<u>-</u>	<u>368,197</u>
Total current assets	<u>381,374</u>	<u>-</u>	<u>(298)</u>	<u>381,076</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	323	-	-	323
Loans receivable (net of current portion and allowance)	206	-	-	206
Right of use asset (net of accumulated amortization)	2,361	-	-	2,361
Restricted assets				
Investments	6,635	-	-	6,635
Total noncurrent assets	<u>9,525</u>	<u>-</u>	<u>-</u>	<u>9,525</u>
Total assets	<u>\$ 390,899</u>	<u>\$ -</u>	<u>\$ (298)</u>	<u>\$ 390,601</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 7	298	\$ (298)	\$ 7
Accrued expenses	332	-	-	332
Current portion of lease liability	118	-	-	118
Amounts held for institutions	368,202	-	-	368,202
Total current liabilities	<u>368,659</u>	<u>298</u>	<u>(298)</u>	<u>368,659</u>
Noncurrent liabilities				
Lease liability (net of current portion)	2,336	-	-	2,336
Amount held for the State of Connecticut	2,275	-	-	2,275
Total noncurrent liabilities	<u>4,611</u>	<u>-</u>	<u>-</u>	<u>4,611</u>
Total liabilities	<u>373,270</u>	<u>298</u>	<u>(298)</u>	<u>373,270</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	30	-	-	30
Total deferred inflows of resources	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
<u>Net Position</u>				
Net investment in capital assets	323	-	-	323
Restricted	4,339	-	-	4,339
Unrestricted	<u>12,937</u>	<u>(298)</u>	<u>-</u>	<u>12,639</u>
Total net position	<u>17,599</u>	<u>(298)</u>	<u>-</u>	<u>17,301</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 390,899</u>	<u>\$ -</u>	<u>\$ (298)</u>	<u>\$ 390,601</u>

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Combining Schedule of Revenues, Expenses and Changes in Net Position –
Connecticut Health and Educational Facilities Authority
For the Year Ended June 30, 2024 (In Thousands)

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Administrative fees	\$ 7,583	\$ -	\$ -	\$ 7,583
Supporting services fees	117	-	(3)	114
Bond issuance fees	40	-	-	40
Interest income on loans receivable	3	-	-	3
	<u>7,743</u>	<u>-</u>	<u>(3)</u>	<u>7,740</u>
Total operating revenues				
Operating expenses				
Salaries and related expenses	3,244	-	-	3,244
General and administrative	565	-	-	565
Contracted services	538	3	(3)	538
	<u>4,347</u>	<u>3</u>	<u>(3)</u>	<u>4,347</u>
Total operating expenses				
Operating income (loss)	<u>3,396</u>	<u>(3)</u>	<u>-</u>	<u>3,393</u>
Nonoperating income (expenses)				
Investment income	745	-	-	745
Grants and child care subsidy expense	(3,009)	-	-	(3,009)
	<u>(2,264)</u>	<u>-</u>	<u>-</u>	<u>(2,264)</u>
Total nonoperating expenses				
Change in net position	1,132	(3)	-	1,129
Net position, July 1, 2023	<u>16,467</u>	<u>(295)</u>	<u>-</u>	<u>16,172</u>
Net position, June 30, 2024	<u>\$ 17,599</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ 17,301</u>

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Combining Schedule of Net Position –
Connecticut Higher Education Supplemental Loan Authority
June 30, 2024 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
<u>Assets</u>					
Current assets					
Unrestricted assets					
Cash	\$ 34	\$ 25	\$ -	\$ -	\$ 59
Investments	5,179	3,092	-	-	8,271
Accounts receivable	-	-	6	-	6
Current portion of loans receivable	-	749	-	-	749
Interest receivable on investments	-	42	-	-	42
Loan interest receivable	-	31	-	-	31
Prepaid expenses and other assets	99	-	-	-	99
Total unrestricted, current assets	<u>5,312</u>	<u>3,939</u>	<u>6</u>	<u>-</u>	<u>9,257</u>
Restricted assets					
Investments	-	6,291	47,762	-	54,053
Current portion of loans receivable	-	-	16,940	-	16,940
Interest receivable on investments	22	-	342	-	364
Loan interest receivable	-	-	752	-	752
Total restricted, current assets	<u>22</u>	<u>6,291</u>	<u>65,796</u>	<u>-</u>	<u>72,109</u>
Total current assets	<u>5,334</u>	<u>10,230</u>	<u>65,802</u>	<u>-</u>	<u>81,366</u>
Noncurrent assets					
Unrestricted assets					
Capital assets	57	-	-	-	57
Loans receivable, net of current portion and allowance	-	7,523	-	-	7,523
Restricted assets					
Investments	-	-	21,826	-	21,826
Loans receivable, net of current portion and allowance	-	-	103,164	-	103,164
Total noncurrent assets	<u>57</u>	<u>7,523</u>	<u>124,990</u>	<u>-</u>	<u>132,570</u>
Total assets	<u>\$ 5,391</u>	<u>\$ 17,753</u>	<u>\$ 190,792</u>	<u>\$ -</u>	<u>\$ 213,936</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 49	\$ -	\$ -	\$ -	\$ 49
Accrued expenses	58	8	75	-	141
Accrued interest payable	-	-	830	-	830
Current portion of bonds payable	-	-	9,940	-	9,940
Total current liabilities	<u>107</u>	<u>8</u>	<u>10,845</u>	<u>-</u>	<u>10,960</u>
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	156,596	-	156,596
Total liabilities	<u>107</u>	<u>8</u>	<u>167,441</u>	<u>-</u>	<u>167,556</u>
<u>Deferred Inflows of Resources</u>					
Unearned revenue	-	500	-	-	500
<u>Net Position</u>					
Net investment in capital assets	57	-	-	-	57
Restricted	-	7,795	23,345	-	31,140
Unrestricted	5,227	9,450	6	-	14,683
Total net position	<u>5,284</u>	<u>17,245</u>	<u>23,351</u>	<u>-</u>	<u>45,880</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,391</u>	<u>\$ 17,753</u>	<u>\$ 190,792</u>	<u>\$ -</u>	<u>\$ 213,936</u>

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, 2024 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
Operating revenues					
Interest income on loans receivable	\$ -	\$ 421	\$ 6,578	\$ -	\$ 6,999
Administrative fees	1,367	-	-	(1,367)	-
Contributions from CSLF	-	500	-	-	500
Other revenues	-	-	4	-	4
Total operating revenues	1,367	921	6,582	(1,367)	7,503
Operating expenses					
Interest expense	-	-	6,007	-	6,007
Salaries and related expenses	355	-	-	-	355
General and administrative	462	136	1,473	(1,367)	704
Scholarships	-	515	-	-	515
Loan service fees	-	63	639	-	702
Contracted services	58	-	-	-	58
Bond issuance costs	-	-	520	-	520
Provision for loan losses (net of recoveries)	-	209	1,078	-	1,287
Total operating expenses	875	923	9,717	(1,367)	10,148
Operating income (loss)	492	(2)	(3,135)	-	(2,645)
Nonoperating income (loss)					
Investment income (loss)	265	541	3,118	-	3,924
Total nonoperating income (loss)	265	541	3,118	-	3,924
Change in net position	757	539	(17)	-	1,279
Transfers	212	(1,625)	1,413	-	-
Net position, July 1, 2023	4,315	18,331	21,955	-	44,601
Net position, June 30, 2024	\$ 5,284	\$ 17,245	\$ 23,351	\$ -	\$ 45,880

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, 2024 (In Thousands)

<u>Assets</u>	<u>Operating</u>	<u>Trust Estate</u>	<u>Eliminations</u>	<u>Total</u>
Current assets				
Unrestricted assets				
Cash	\$ 95	\$ -	\$ -	\$ 95
Investments	25	-	-	25
U.S. Department of Education receivable	-	241	-	241
Prepaid expenses and other assets	12	-	-	12
Total unrestricted, current assets	<u>132</u>	<u>241</u>	<u>-</u>	<u>373</u>
Restricted assets				
Investments - Bond indenture trusts	-	8,790	-	8,790
Current portion of loans receivable	-	1,921	-	1,921
Loan interest receivable	-	4,492	-	4,492
Total restricted, current assets	<u>-</u>	<u>15,203</u>	<u>-</u>	<u>15,203</u>
Total current assets	132	15,444	-	15,576
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectible)	<u>-</u>	<u>61,289</u>	<u>-</u>	<u>61,289</u>
Total assets	<u>\$ 132</u>	<u>\$ 76,733</u>	<u>\$ -</u>	<u>\$ 76,865</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 7	\$ -	\$ -	\$ 7
Accrued expenses	112	-	-	112
Trust Estate payable	<u>-</u>	<u>464</u>	<u>-</u>	<u>464</u>
Total current liabilities	119	464	-	583
Noncurrent liabilities				
Bonds payable and related liabilities	<u>-</u>	<u>55,402</u>	<u>-</u>	<u>55,402</u>
Total liabilities	<u>119</u>	<u>55,866</u>	<u>-</u>	<u>55,985</u>
<u>Net Position</u>				
Net position				
Restricted	-	1,379	-	1,379
Unrestricted	<u>13</u>	<u>19,488</u>	<u>-</u>	<u>19,501</u>
Total net position	<u>13</u>	<u>20,867</u>	<u>-</u>	<u>20,880</u>
Total liabilities and net position	<u>\$ 132</u>	<u>\$ 76,733</u>	<u>\$ -</u>	<u>\$ 76,865</u>

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, 2024 (In Thousands)

	<u>Operating</u>	<u>Trust Estate</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Interest income on loans receivable	\$ -	\$ 7,057	\$ -	\$ 7,057
Administration fee	223	-	(223)	-
Other revenues	-	100	-	100
	<u>223</u>	<u>7,157</u>	<u>(223)</u>	<u>7,157</u>
Total operating revenues				
Operating expenses				
Interest expense	-	4,531	-	4,531
General and administrative	54	62	-	116
Loan service fees	-	272	-	272
Administration fee	-	223	(223)	-
Consolidation rebate fees	-	547	-	547
Contracted services	198	-	-	198
Provision for loan losses	-	(40)	-	(40)
	<u>252</u>	<u>5,595</u>	<u>(223)</u>	<u>5,624</u>
Total operating expenses				
Operating income (loss)	<u>(29)</u>	<u>1,562</u>	<u>-</u>	<u>1,533</u>
Nonoperating income (expenses)				
Investment income	1	241	-	242
Contributions to CHESLA	-	(500)	-	(500)
	<u>1</u>	<u>(259)</u>	<u>-</u>	<u>(258)</u>
Total nonoperating expenses				
Change in net position	(28)	1,303	-	1,275
Net position, July 1, 2023	<u>41</u>	<u>19,564</u>	<u>-</u>	<u>19,605</u>
Net position, June 30, 2024	<u>\$ 13</u>	<u>\$ 20,867</u>	<u>\$ -</u>	<u>\$ 20,880</u>

Compliance

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2024, which collectively comprise Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Hartford, Connecticut
September 17, 2024