CONNECTICUT STUDENT LOAN FOUNDATION

September 28, 2018

The Honorable Dannel P. Malloy
Governor, State of Connecticut
State Capitol
Hartford, CT 06106

Dear Governor Malloy:

In accordance with the reporting requirements of Public Act No. 10-143, for the Fiscal Year Ending June 30, 2018, the Connecticut Student Loan Foundation (CSLF) is pleased to submit the following information:

Page 3	Bond Issues for the preceding fiscal year and cumulative Bonds Outstanding
Page 4	Projects during the preceding fiscal year
Page 5	Schedule of outside individuals and firms receiving in excess of $5,000 in the form of loans, grants or payments for services for the Fiscal Year Ended June 30, 2018
Page 6	Balance sheet showing all revenues and expenditures
Page 7	Affirmative Action Policy Statement and Workforce composition
Page 8	Description of Planned Activities for the current fiscal year
Page 9	2018-19 Budget

Included with this submission are the audited financial statements for the Connecticut Health and Educational Facilities Authority, of which the Connecticut Student Loan Foundation is a subsidiary, for the fiscal year ended June 30, 2018.

Connecticut Student Loan Foundation
FY 2018 Update on Activities

On July 1, 2014, CSLF was reconstituted as a quasi-public component unit of the Connecticut Health and Educational Facilities Authority (CHEFA) and as a quasi-public agency for purposes of certain provisions of Connecticut law by operation of Connecticut Public Act 14-217. Such legislation also provides that the board of directors of CSLF shall be identical to the board of directors of the Connecticut Higher Education Supplemental Loan Authority (CHESLA), which is another CHEFA subsidiary.

CSLF was originally established as a Connecticut State chartered nonprofit corporation 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.

The CSLF Board comprises nine members, five statutorily designated and the remaining appointed by the CHEFA Board of Directors based on their qualifications, as specified in the enabling legislation. There was one open position on the CSLF Board as of June 30, 2018. Jeanette Weldon, Executive Director of CHEFA, also serves as Executive Director of both CSLF and CHESLA. CSLF has no employees.

Respectfully submitted,

Jeanette W. Weldon
Executive Director
Connecticut Student Loan Foundation

Cc: Auditors of Public Accounts
Legislative Program Review and Investigations Committee

Enclosure: CHEFA 2018 Audited

House Bill No. 5392

Public Act No. 10-143

AN ACT CONCERNING NONAPPROPRIATED FUNDS AND PERSONNEL STATUS REPORTS BY QUASI-PUBLIC AGENCIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 1-123 of the 2010 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010*):

(a) The board of directors of each quasi-public agency shall annually submit a report to the Governor and the Auditors of Public Accounts and two copies of such report to the Legislative Program Review and Investigations Committee. Such report shall include, but not be limited to, the following: (1) A list of all bond issues for the preceding fiscal year, including, for each such issue, the financial advisor and underwriters, whether the issue was competitive, negotiated or privately placed, and the issue's face value and net proceeds; (2) a list of all projects other than those pertaining to owner-occupied housing or student loans receiving financial assistance during the preceding fiscal year, including each project's purpose, location, and the amount of funds provided by the agency; (3) a list of all outside individuals and firms receiving in excess of five thousand dollars in the form of loans, grants or payments for services, except for individuals receiving loans for owner-occupied housing and education; (4) a balance sheet showing all revenues and expenditures; (5) the cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability; (6) the affirmative action policy statement, a description of the composition of the agency's work force by race, sex, and occupation and a description of the agency's affirmative action efforts; and (7) a description of planned activities for the current fiscal year. Not later than thirty days after receiving copies of such report from the board of a quasi-public agency, the Legislative Program Review and Investigations Committee shall prepare an assessment of whether the report complies with the requirements of this section and shall submit the assessment and a copy of the report to the joint standing committee of the General Assembly having cognizance of matters relating to the quasi-public agency.

(b) For the quarter commencing July 1, **[**2009**]** 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a report to the Office of Fiscal Analysis. **[**accounting for moneys received or held by the agency during the quarter. Such accounting shall include, at a minimum, all expenditures and revenues of the agency. **]** Such report shall include, but not be limited to, for each fund and account of the agency: (1) The beginning fiscal year balance; (2) all funds expended and all revenue collected by the end of the quarter; and (3) total expenditures and revenues estimated at the end of the fiscal year. For the purposes of this subsection, "expenditures" and "revenues" have the same meaning as provided in section 4-69.

(c) For the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the Office of Fiscal Analysis. Such report shall include, but not be limited to: (1) The total number of employees by the end of the quarter; (2) the positions vacated and the positions filled by the end of the quarter; and (3) the positions estimated to be vacant and the positions estimated to be filled at the end of the fiscal year.

Approved June 8, 2010

Connecticut Student Loan Foundation
Bond Issuance and Cumulative Bonds Outstanding
For the Fiscal Year ended June 30, 2018

CSLF has not issued bonds since 2007. The principal amounts of the outstanding bonds as of June 30, 2018 total $199,600,000, as shown below:

Bond Series	Bonds Issued	Bonds Outstanding
2004 A-1	$75,000,000	$-0-
2004 A-2	$75,000,000	$-0-
2004 A-3	$75,000,000	$-0-
2004 A-4	$75,000,000	$-0-
2004 A-5	$75,000,000	$-0-
2004 A-6	$71,100,000	$-0-
2004 A-7	$60,000,000	$ -0-
2004 B	$62,900,000	$25,225,000
2006 A-1	$80,000,000	$72,925,000
2006 B	$20,000,000	$19,975,000
2006 A-2	$100,000,000	$81,475,000
2007 A-1	$60,000,000	$-0-
2007 B	$20,000,000	$-0-
2007 A-3	$50,000,000	$-0-
2007 B-2	$36,900,000	$-0-
Total	**$935,900,000**	**$199,600,000**

The State has no contingent liability in connection with the bonds outstanding.

Connecticut Student Loan Foundation
Projects
For the Fiscal Year ended June 30, 2018

CSLF continues to support students' education. During the fiscal year ending June 30, 2018, $4 million was provided to CHESLA to support the scholarship program and refinance program, $2 million for each program.

Connecticut Student Loan Foundation
Loans, Grants or Services in excess of $5,000
General and Restricted Account Disbursements
Fiscal Year ended June 30, 2018

Paid from CSLF Operating Funds
Education Solution Partners, LLC
Connecticut Health & Educational Facilities Authority
Connecticut Higher Education Supplemental Loan Authority
CohnReznick LLP
Goal Structured Solutions, Inc.
Hawkins Delafield & Wood LLP
Willis of Connecticut, LLC

Paid from CSLF Trust Funds
US Department of Education
EdFinancial Services
Bank of New York Mellon Trust Company
Deutsche Bank
Hawkins Delafield & Wood LLP

Connecticut Student Loan Foundation
Balance Sheet
For the Fiscal Year Ending June 30, 2018

Please refer to the enclosed Connecticut Health and Educational Facilities Authority audited financial statements for further detail.

Connecticut Student Loan Foundation Affirmative Action Policy and Agency Workforce Fiscal Year ending June 30, 2018

Connecticut Student Loan Foundation has no employees.

Connecticut Student Loan Foundation
Planned Activities
For the Fiscal Year ending June 30, 2019

In order to fulfill the requirements of the Connecticut General Statutes regarding planned activities for FY 2019, the CSLF Board adopted a consolidated budget projecting $8.7 million in Revenues and $7.1 million in Operating Expenses resulting in a $1.7 million Change in Net Position before any Grants. In addition, the Board budgeted for additional potential transfers to CHESLA to support financial assistance for students in the amount of $2.0 million, resulting in a negative $0.3 million Change in Net Position for the fiscal year.

Connecticut Student Loan Foundation
Consolidated Budget
Fiscal Year ending June 30, 2019

INCOME	
TOTAL LOAN INTEREST INCOME	8,323,989
LATE FEE INCOME	183,951
NOT FOR PROFIT SERVICING INCOME	210,000
INTEREST INCOME -TRUST	30,011
INTERFUND TRANSFER	-
TOTAL INCOME	**8,747,951**
EXPENSES	
CONSOLIDATION FEES	1,313,239
DEBT ADMINISTRATION COST	134,192
BOND DISCOUNT AMORTIZATION	164,009
INTEREST BOND	4,298,799
SERVICING FEE EXPENSE	777,118
ADMINISTRATIVE AGENT	130,667
LEGAL FEES	10,000
EXTERNAL AUDITOR	42,289
FINANCIAL ADVISOR	50,000
CHEFA ADMINISTRATION EXPENSE	80,288
OTHER OPERATING EXPENSES	13,000
BAD DEBT EXPENSE	-
PRIVATE LOAN COLLECTION EXPENSE	10,000
INSURANCE EXPENSE	28,103
TOTAL EXPENSES	**7,051,705**
CHANGE IN NET POSITION BEFORE EXTRAORDINARY	**1,696,246**
Extraordinary Items	
CHESLA SCHOLARSHIPS	(2,000,000)
CHESLA CONTRIBUTION	-
INTERFUND TRANSFER	-
Net Extraordinary Items	**(2,000,000)**
CHANGE IN NET POSITION	**(303,754)**

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

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

June 30, 2018

CohnReznick
Accounting • Tax • Advisory

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

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Financial Section

Independent Auditor's Report

Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 26, 2018, on our consideration of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
September 26, 2018

Management's Discussion and Analysis
For the Year Ended June 30, 2018
(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, 2018. This Management's Discussion and Analysis presents separate discussion for the primary government (CHEFA) and each of the component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

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

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

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

Financial Highlights

- CHEFA's net position increased $885 for the fiscal year as a result of operating income of $4,472 net of nonoperating expenses including grants and child care expenses of $2,879 and the required payment to the state of $900, offset by investment income of $192.
- CHESLA's net position increased by $2,155 for the fiscal year. The increase was due primarily to contributions from CSLF for the scholarship program and the refinance product (Refi CT) program and an increase in investment income.
- CSLF's net position decreased by $1,823 for the fiscal year, due primarily to the $4,000 contribution made to CHESLA for its scholarship program ($2,000) and the Refi CT program ($2,000).
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling $21,597 from the In-School loan program and $2,877 from the Refi CT program. Payments received of $19,990, net of adjustments, include $19,634 from the In-School loans and the remainder from the Refi CT loans.
- CSLF received loan payments of $38,106 during the fiscal year.
- CHESLA issued debt of $20,455 for new loans and $9,155 of the proceeds were used to defease the 2007A bonds.
- CSLF's bonds payable decreased by $32,450 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) and the two 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 of CHEFA's assets, liabilities, and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CHEFA is improving or deteriorating.

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

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

The financial statements can be found on 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)

Financial Analysis

Assets exceeded liabilities at June 30, 2018. 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 32.0%. CHEFA's net position invested in capital assets was 0.8%. The remaining portion of net position is unrestricted and is 67.2%.

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

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2018	**2017**
Current and other assets	$ 244,119	$ 232,380
Capital assets (net)	106	81
Total assets	244,225	232,461
Assets held on behalf of the State of CT	2,170	2,176
Other liabilities	228,062	217,177
Total liabilities	230,232	219,353
Net investment in capital assets	106	81
Restricted	4,487	4,563
Unrestricted	9,400	8,464
Total net position	$ 13,993	$ 13,108

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position increased $885.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA 2018	CHEFA 2017
Operating revenues:		
Administrative fees	$ 7,463	$ 7,458
General and administrative fees	282	234
Bond issuance fees	59	60
Other revenues	153	41
Total operating revenues	7,957	7,793
Operating expenses:		
Salaries and related expenses	2,807	2,777
General and administrative	545	545
Contracted services	133	129
Total operating expenses	3,485	3,451
Operating income	4,472	4,342
Nonoperating income (expenses):		
Investment income	192	84
Payment to State	(900)	(4,375)
Grants and childcare subsidy expense	(2,879)	(1,226)
Total nonoperating expenses	(3,587)	(5,517)
Increase (decrease) in net position	885	(1,175)
Net position, July 1, 2017	13,108	14,283
Net position, June 30, 2018	$ 13,993	$ 13,108

Revenues

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

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

Revenues totaled $7,957 for fiscal year 2018. Administrative fees are the largest revenue source and represent 93.8% of total revenues. General and administrative service fees for support services provided to CHESLA and CSLF totaled $282, representing 3.5% of revenues for the year. The balance comprises application fees for the conduit debt issued and other revenues at 2.7%.

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

- Administrative fees increased by $5 to $7,463 during the year. The increase is due to the change in the par value of loans outstanding at June 30, 2018 compared to June 30, 2017. Fees are calculated on the total par amount outstanding in any given year.

  The balance of the par value of debt outstanding at June 30, 2018 was $8,349,699 as compared to $8,219,002 at June 30, 2017.

  During the year, CHEFA had 18 issues of new conduit debt totaling $947,103 in par value, of which 50.9% was the refinancing of pre-existing debt.

- Nonoperating investment income increased by $108 to $192 from the $84 recognized in fiscal year 2017. This is a result of interest rate increases as compared to the prior year.

Expenses

Expenses totaled $3,485 for the fiscal year. Of the expenses, 80.6% or $2,807 was for salaries and related expenses. General and administrative expenses amounted to $545, or 15.6%, while contracted services amounted to $133 or 3.8%.

Significant changes from the prior year are as follows:

- Salaries and related expenses increased by $30 from fiscal year 2017 to $2,807.
- Contracted services increased by $4 from fiscal year 2017 to $133.
- Grant and childcare subsidy expense increased from fiscal year 2017 by $1,653. The increase was a result of an increase in grants with $788 awarded in 2017 and released in 2018, as well as the decrease in the loan amounts outstanding ($38).

Capital Assets

At June 30, 2018, CHEFA's capital assets amounted to $106, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by $25 due to capital asset additions of $67, offset by depreciation of $42. Capital asset purchases during the year included $67 for office equipment.

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

Economic Factors

The significant factors impacting CHEFA include the interest rate environment and potential tax reform.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2018. 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 60.99%. CHESLA's net position invested in capital assets was 0.01%. The remaining portion of net position (39.0%) is unrestricted.

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

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2018	**2017**
Current and other assets	$ 182,470	$ 191,085
Capital assets, net	3	-
Total assets	182,473	191,085
Long-term liabilities outstanding	151,965	160,702
Other liabilities	843	880
Total liabilities	152,808	161,582
Deferred inflows of resources	7	2,000
Net invested in capital assets	3	-
Restricted	18,087	19,076
Unrestricted	11,568	8,427
Total net position	$ 29,658	$ 27,503

CHESLA's unrestricted net assets consist primarily of board designated assets for the refinance and the scholarship programs. In fiscal year 2018, CHESLA funded $22,616 of In-School loans and $2,898 in loans through its refinance program, Refi CT, compared to $21,957 and $2,851, respectively, in fiscal year 2017; increases of 3% for In-School and 1.6% for Refi CT over fiscal year 2017.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased $2,155.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2018	**2017**
Operating revenues:		
Interest income on loans receivable	$ 7,333	$ 7,433
Administrative fees	669	655
Contribution from CSLF	3,993	1,889
Other revenues	32	-
Total operating revenues	12,027	9,977
Operating expenses:		
Interest expense	5,994	5,743
Salaries and related expenses	137	217
General and administrative	565	541
Refinance pilot program	40	201
Scholarships	1,993	1,887
Loan service fees	598	574
Contracted services	39	37
Bond issuance costs	709	555
Provision for loan losses	581	73
Total operating expenses	10,656	9,828
Total operating income (loss)	1,371	149
Nonoperating income (expenses):		
Investment income	784	283
Increase (decrease) in net position	2,155	432
Net position, July 1, 2017	27,503	27,071
Net position, June 30, 2018	$ 29,658	$ 27,503

Net position increased by $2,155 for the fiscal year 2018. The increase reflects primarily the funds received from CSLF for the scholarship program and Refi CT and an increase in investment income.

Revenues

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

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

- Administrative fees increased by $14 to $669 during the year.
- Contributions from CSLF totaled $4,000:
  - The Scholarship Fund received $2,000 as compared to $1,889 in fiscal year 2017. The current year contributions were authorized by the Board in FY 2017 and $1,993 was disbursed throughout FY 2018. The remaining monies of $7 are recorded as a deferred inflow, to be disbursed in FY 2019.
  - Refi CT received $2,000 which was authorized by the Board in FY 2018.
- Nonoperating investment income increased by $501 primarily due to the increase in market value in fiscal year 2018 of the Treasury notes held in the Special Capital Reserve Fund ("SCRF") investment accounts of the 2009A and 2010A Bond issues in addition to an increase in interest rates.

Expenses

Expenses totaled $10,656 for the fiscal year. The largest expense, 56.3% or $5,994 was for interest payments on debt. This represents a decrease from the 58.4% in fiscal year 2017. Scholarship expenses amounted to $1,993 or 18.7%. General and administrative expenses amounted to $565, or 5.3%. Bond issue costs totaled $709, or 6.7%, loan servicing fees totaled $598 or 5.6% and provision for loan losses totaled $581 or 5.5% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by $251 as compared to fiscal year 2017 due to an increase in the principal balance of outstanding debt, the issuance of new bonds and the early redemption of bonds throughout the fiscal year totaling $16,620.
- Salaries and related expenses decreased by $80, due to a long-term absence of an employee.
- General and administrative expenses increased by $24 primarily due to an increase in marketing and other expenses.
- The refinance program expenses decreased by $161. The program was funded during the FY 2016 by a contribution from CSLF ($6,000). $500 of the program funding was designated for the start-up and marketing costs for the program. $171 was spent in FY 2016, $201 in FY 2017, $40 in the current year with the remainder for this program to be spent on marketing in future years.
- Bond issuance and insurance cost increased by $154. Two bond issues were issued this fiscal year as compared to one in FY 2017.
- Provision for loan losses increased by $508 reflecting an increase of $203 in the loan loss reserve for the refinance program due to additional loans distributed in the second year of the program. The remainder of the increase resulted from the increase in the student loan portfolio.

Capital assets

At June 30, 2018, CHESLA's capital assets amounted to $3. Capital assets increased by $3, reflecting the purchase of the CHESLA.com domain name.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable (in thousands)

	CHESLA	
	2018	**2017**
Revenue Bonds	$ 147,810	$ 157,465
Premiums/Discounts	4,155	3,237
Total Long-term liabilities	$ 151,965	$ 160,702

CHESLA's decrease in the principal revenue bonds outstanding is a result of new issuances totaling $20,455, net of the refunding of the 2007A bonds of $13,490, and early redemptions of $16,620.

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

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

Economic Factors

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

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

For CSLF assets exceeded liabilities at June 30, 2018. Due to the nature of CSLF operations, a portion of net position is subject to bond resolution restrictions. The restricted net position for CSLF at fiscal year-end was $4,693 and is 19.6%. The remaining portion of net position is unrestricted and represents 80.4% of the total net position. The decrease was due primarily to loan interest revenue net of $4,000 contributed to CHESLA for the scholarship and refinance programs authorized by the Board.

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

Summary Statement of Net Position
(in thousands)

	CSLF	
	2018	**2017**
Current and other assets	$ 226,083	$ 258,719
Total assets	226,083	258,719
Long-term liabilities outstanding	199,181	231,508
Other liabilities	2,912	1,398
Total liabilities	202,093	232,906
Restricted	4,693	6,381
Unrestricted	19,297	19,432
Total net position	$ 23,990	$ 25,813

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position decreased by $1,823.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2018	**2017**
Operating revenues:		
Interest income on loans receivable	$ 10,475	$ 10,224
Not-for-profit servicing income	207	188
Total operating revenues	10,682	10,412
Operating expenses:		
Interest expense	5,626	4,493
General and administrative	262	258
Loan service fees	875	1,003
Consolidation rebate fees	1,430	1,604
Contracted services	409	503
Total operating expenses	8,602	7,861
Operating income	2,080	2,551
Nonoperating income (expenses):		
Investment income	97	37
Contribution revenue/expense	(4,000)	(2,000)
Total nonoperating income (expenses)	(3,903)	(1,963)
Increase (decrease) in net position	(1,823)	588
Net position, July 1, 2017	25,813	25,225
Net position, June 30, 2018	$ 23,990	$ 25,813

Revenues

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

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2018 totaled $10,475 (98.1%) compared to $10,224 for fiscal year ended June 30, 2017. 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 though the net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the fiscal year ended June 30, 2018, CSLF paid $4,529 to the US Department of Education relating to excess yield compared to $5,381 paid during fiscal year 2017.

The balance of CSLF revenues is the not-for-profit service fee of $207 and 1.9% of revenues.

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

- Interest income on loans receivable is the largest component of operating revenues. Interest income totaled $10,475, an increase of $251 from the prior year amount of $10,224 as a result of rising rates.
    - To a lesser extent the increase is due to the variable rate loans being based on the Prime Rate which increased from 4.25% to 4.5% during the fiscal year.
    - The primary cause for the increase is due to Special Allowance Program (SAP) subsidies received and the decrease in excess interest paid to the Department of Education on the federal student loans (FFEL) accounts. The trust earns interest at the greater of the borrower's rate or the special allowance rate on FFEL student loan receivables. The trust pays when the borrower's rate exceeds the SAP rate on loans disbursed on or after April 1, 2006. The special allowance rate is based on the average of the 3-month commercial paper (CP) rates in effect each quarter. The 3-month average CP rate increased from 1.09% as of June 30, 2017 to 2.21% as of June 30, 2018, resulting in a 241% increase in SAP income and a 67% decrease in excess interest expense during fiscal year ending June 30, 2018.

- Not-for-profit servicing income totaled $207 for the fiscal year ended 2018, an increase of $19 as compared to fiscal year 2017. The increase is due to the change in the number of loans serviced in the program.

Expenses

Expenses totaled $8,602 for the fiscal year. The largest expense was for interest expense on the Auction Rate Certificates ("ARCs") issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auctions, all investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled $5,626 or 65.4%. Consolidation rebate fees paid to the U.S. Department of Education totaled $1,430 or 16.6% of total expenses and loan servicing fees totaled $875 or 10.2% of total expenses.

Significant changes from the prior year are as follows:

- Bond interest expense increased in 2018 by $1,133. The increase is due to the rising interest rates and the variable rate nature of the bonds during the fiscal year.
- Loan servicing fees decreased by $128 reflecting the decrease in the number of loans serviced due to loan repayments.
- Consolidation rebate fees decreased by $174 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- CSLF has not disbursed new student loans since February 2010. As a result, with the maturing loan portfolio, the delinquency and loss rates have declined. However, in order to maintain a conservative level of provision, in June 2018 the Board approved a modest increase to the reserves, $58 and $28, to the Federal and Private portfolios, respectively. These increases will take effect during FY 2019.
- Nonoperating expense increased by $1,940, relating to the Board authorized contribution to CHESLA of $2,000 for the refinance program. The Board also authorized a $2,000 contribution to CHESLA for the scholarship program.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable
(in thousands)

	CSLF	
	2018	**2017**
Revenue Bonds	$ 199,600	$ 232,050
Premiums/Discounts	(419)	(542)
Total Long-term liabilities	$ 199,181	$ 231,508

CSLF's decrease in long-term debt was due to the redemption of $32,450 of bonds during the fiscal year.

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

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

Economic Factors

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

Requests for Information

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

Basic Financial Statements

Exhibit A

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

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ 1,182	$ 330	$ 891	$ 2,403
Investments	6,981	6,588	-	13,569
Receivables				
Accounts (net of allowance for uncollectibles of $86)	346	-	17	363
Loans receivable	-	449	-	449
Interest receivable on investments	-	4	-	4
Loan interest receivable	-	15	-	15
Related parties	50	-	-	50
Prepaid expenses and other assets	125	18	1	144
Total unrestricted assets	8,684	7,404	909	16,997
Restricted assets				
Investments				
Institutions	227,870	-	-	227,870
Bond indenture trusts	-	29,309	9,385	38,694
Other	900	603	-	1,503
Accounts receivable	-	-	13	13
Loans receivable	-	20,365	13,319	33,684
Interest receivable on investments	-	135	-	135
Loan interest receivable	-	457	4,303	4,760
Total restricted assets	228,770	50,869	27,020	306,659
Total current assets	237,454	58,273	27,929	323,656
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	106	3	-	109
Loans receivable (net of allowance for uncollectibles)	-	4,209	-	4,209
Restricted assets				
Investments	6,665	19,809	-	26,474
Loans receivable (net of allowance for uncollectibles)	-	100,179	198,154	298,333
Total noncurrent assets	6,771	124,200	198,154	329,125
Total assets	$ 244,225	$ 182,473	$ 226,083	$ 652,781

Exhibit A

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

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Liabilities				
Current liabilities				
Accounts payable	$ 34	$ 68	$ 31	$ 133
Accrued expenses	158	7	2,115	2,280
Amounts held for institutions	227,870	-	-	227,870
Accrued interest payable	-	768	-	768
U.S. Department of Education payable	-	-	437	437
Trust Estate payable	-	-	329	329
Current portion of bonds payable	-	10,155	-	10,155
Total current liabilities	228,062	10,998	2,912	241,972
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	141,810	199,181	340,991
Amount held for the State of Connecticut	2,170	-	-	2,170
Total noncurrent liabilities	2,170	141,810	199,181	343,161
Total liabilities	230,232	152,808	202,093	585,133
Deferred Inflows of Resources				
Unearned revenue	-	7	-	7
Net Position				
Net investment in capital assets	106	3	-	109
Restricted	4,487	18,087	4,693	27,267
Unrestricted	9,400	11,568	19,297	40,265
Total net position	13,993	29,658	23,990	67,641
Total liabilities, deferred inflows of resources and net position	$ 244,225	$ 182,473	$ 226,083	$ 652,781

See Notes to Financial Statements.

Exhibit B

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, 2018
(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
Operating revenues				
Interest income on loans receivable	$ -	$ 7,333	$ 10,475	$ 17,808
Administrative fees	7,463	669	-	8,132
Supporting services fees	282	-	-	282
Contribution from CSLF (scholarships and Refi Program)	-	3,993	-	3,993
Bond issuance fees	59	-	-	59
Not-for-profit servicing income	-	-	207	207
Other revenues	153	32	-	185
Total operating revenues	7,957	12,027	10,682	30,666
Operating expenses				
Interest expense	-	5,994	5,626	11,620
Salaries and related expenses	2,807	137	-	2,944
General and administrative	545	565	262	1,372
Refinance program	-	40	-	40
Scholarships	-	1,993	-	1,993
Loan service fees	-	598	875	1,473
Consolidation rebate fees	-	-	1,430	1,430
Contracted services	133	39	409	581
Bond issuance costs	-	709	-	709
Provision for loan losses	-	581	-	581
Total operating expenses	3,485	10,656	8,602	22,743
Operating income	4,472	1,371	2,080	7,923
Nonoperating income (expenses)				
Investment income	192	784	97	1,073
Payment to State (legislative mandate)	(900)	-	-	(900)
Grants and child care subsidy expense	(2,879)	-	-	(2,879)
Contribution to CHESLA	-	-	(4,000)	(4,000)
Total nonoperating income (expenses)	(3,587)	784	(3,903)	(6,706)
Change in net position	885	2,155	(1,823)	1,217
Net position, July 1, 2017	13,108	27,503	25,813	66,424
Net position, June 30, 2018	$ 13,993	$ 29,658	$ 23,990	$ 67,641

See Notes to Financial Statements.

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

Statement of Cash Flows
For the Year Ended June 30, 2018
(In Thousands)

	Primary Government	Component Units	
	CHEFA	**CHESLA**	**CSLF**
Cash flows from operating activities			
Cash received from loan payments	$ -	$ 19,990	$ 38,106
Interest received on loans	-	7,277	7,643
Fees received on loans	-	-	196
Contributions received from CSLF	-	2,000	-
Cash received for administrative fees	7,204	32	-
Cash received for loan recoveries	-	-	-
Cash received for recovery of loans	-	167	-
Cash received for general administrative fees	282	-	-
Cash received for not-for-profit servicing	-	-	207
Cash received for other revenues	153	-	-
Cash received for bond issuance fees	59	-	-
Cash payments for employee wages and benefits	(2,795)	(140)	-
Cash payments for interest on bonds	-	(6,156)	(5,503)
Cash payments for excess interest	-	-	(2,833)
Cash payments for loans issued	-	(24,474)	-
Cash payments for loans repurchased	-	-	(800)
Cash payments for loan servicing fees	-	(598)	(875)
Cash payments for consolidation fees	-	-	(1,430)
Cash payments for contracted services	(133)	(715)	(409)
Cash payments for refinance program	-	(40)	-
Cash payments for other operating expenses	(582)	(546)	1,771
Cash payments for scholarships	-	(1,993)	-
Net cash provided by (used in) operating activities	4,188	(5,196)	36,073
Cash flows from noncapital financing activities			
Proceeds from bond sales	953,817	20,455	-
Proceeds from bond premiums	116,327	1,041	-
Proceeds from institutions	632	-	-
Proceeds from investment income for amounts held for others	3,281	-	-
Releases from amounts held for institutions	(1,063,185)	-	-
Cash paid to State (legislative mandate)	(900)	-	-
Cash paid to grantees and child care subsidy	(2,885)	-	-
Payments of bond principal	-	(16,620)	(32,450)
Payment to refunded bond escrow agent	-	(13,490)	-
Contributions to CHESLA	-	-	(4,000)
Net cash provided by (used in) noncapital financing activities	7,087	(8,614)	(36,450)

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

Statement of Cash Flows
For the Year Ended June 30, 2018
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities			
Purchase of capital assets	$ (67)	$ (3)	$ -
Cash flows from investing activities			
Proceeds from sale of investments	578,263	75,389	573
Purchase of investments	(589,248)	(63,387)	-
Investment income	192	779	97
Net cash provided by (used in) investing activities	(10,793)	12,781	670
Net increase (decrease) in cash	415	(1,032)	293
Cash (including restricted cash), July 1, 2017	767	1,362	598
Cash (including restricted cash), June 30, 2018	$ 1,182	$ 330	$ 891
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	$ 4,472	$ 1,371	$ 2,080
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	42	-	-
Bond discount/premium amortization	-	(123)	123
Provision for loan losses	-	748	-
Issuance of loans receivable used to pay origination fees	-	(669)	-
Interest on loans paid through loan advances	-	-	(4,776)
Loan advances to capitalize interest to loans	-	-	4,776
(Increase) decrease in:			
Accounts receivable	(259)	-	(14)
Accounts receivable - related party	(19)	-	-
Prepaid expenses and other assets	(61)	54	-
Loans receivable	-	(4,490)	32,544
Loan interest receivable	-	(56)	(174)
Increase (decrease) in:			
Accounts payable	17	4	(16)
Accrued expenses	(4)	(3)	2,049
Accrued interest payable	-	(39)	-
U.S. Department of Education payable	-	-	(564)
Trust Estate payable	-	-	45
Unearned revenue	-	(1,993)	-
Net adjustments to operating income	(284)	(6,567)	33,993
Net cash provided by (used in) operating activities	$ 4,188	$ (5,196)	$ 36,073

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, 2018
(In Thousands)

History and organization

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

Reporting entity

CHESLA is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund, bond fund, and other programs. The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which all outstanding bonds were issued prior to 2003 and after 2007. The 2003 Bond Fund was redeemed in September 2017.

Public Act 12-149 statutorily consolidated CHESLA with CHEFA by making CHESLA a subsidiary of CHEFA. As a subsidiary of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State of Connecticut.

Public Act No. 14-217 statutorily consolidated CSLF with CHEFA by making CSLF a subsidiary of CHEFA. As a subsidiary of CHEFA, CSLF retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State of Connecticut.

Reporting entity

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

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

I. Summary of significant accounting policies

A. Financial statements

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

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

1. Deposits and investments

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

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

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

I. Summary of significant accounting policies

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

CHESLA

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

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

I. Summary of significant accounting policies

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

CSLF

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

Investment policies

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

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

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I. Summary of significant accounting policies

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

Concentrations of credit risk

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

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

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

Method used to value investments

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

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

2. Fees and loan receivables

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

3. Restricted assets

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

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

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

I. Summary of significant accounting policies

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

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

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

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

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

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

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

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

I. Summary of significant accounting policies

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

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

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

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2018, the State has not made nor was it required to make any such deposit.

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

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

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

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

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

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

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

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

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

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

4. Capital assets

Capital assets, which include property, plant and equipment, are reported in the fund financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

I. Summary of significant accounting policies

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

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

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

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

5. Amounts held for institutions

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

6. Amounts held on behalf of the State of Connecticut

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

7. Arbitrage rebate and excess loan yield liability

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

8. Compensated absences

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

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I. Summary of significant accounting policies

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

9. Long-term obligations

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

10. Deferred inflows of resources

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

11. Net position flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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I. Summary of significant accounting policies

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

12. Fund equity and net position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

13. Use of estimates

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

14. Comparative data/reclassifications

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

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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.

CHEFA

As of June 30, 2018, $998 of CHEFA's bank balance of $1,248 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 873
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	125
Total amount subject to custodial credit risk	$ 998

CHESLA

As of June 30, 2018, $101 of CHESLA's bank balance of $508 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 66
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	35
Total amount subject to custodial credit risk	$ 101

CSLF

As of June 30, 2018, $720 of CSLF's bank balance of $970 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 623
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	97
Total amount subject to custodial credit risk	$ 720

Connecticut Health and Educational Facilities Authority
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II. Detailed notes

A. Cash and investments

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

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

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	$ 230,787	$ 230,787	$ -	$ -	$ -
Short-Term U.S. Government Securities	2,796	2,796	-	-	-
Pooled Fixed Income	8,733	8,733	-	-	-
Municipal Bonds	100	100	-	-	-
Total	$ 242,416	$ 242,416	$ -	$ -	$ -

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

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Money Market	$ 611	$ 611	$ -	$ -	$ -
Bond	2	-	-	-	2
Bank Money Market Funds	172	172	-	-	-
Pooled Fixed Income	44,373	44,373	-	-	-
U.S. Government Securities	6,579	-	-	6,579	-
Guaranteed Investment Contracts	4,572	600	2,765	1,207	-
Total	$ 56,309	$ 45,756	$ 2,765	$ 7,786	$ 2

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II. Detailed notes

A. Cash and investments

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

Type of Investment	Fair Value	Less Than 1
Mutual Funds:		
Government Agency Funds	$ 7,879	$ 7,879
Pooled Fixed Income	1,506	1,506
	$ 9,385	$ 9,385

Fair value of investments

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

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

CHEFA had the following recurring fair value measurements:

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 230,787	$ 230,787	$ -	$ -
Short-Term U.S. Government Securities	2,796	2,796	-	-
Municipal Bonds	100	-	100	-
Total investments by fair value level	233,683	$ 233,583	$ 100	$ -
Other Investments				
Pooled Fixed Income	8,733			
Total Investments	$ 242,416			

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II. Detailed notes

A. Cash and investments

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Money Market Mutual Funds	$ 611	$ 611	$ -	$ -
Bond Mutual Funds	2	2	-	-
U.S. Government Securities	6,579	-	6,579	-
Total investments by fair value level	7,192	$ 613	$ 6,579	$ -
Other Investments				
Money Market (bank)	172			
Guaranteed Investment Contracts	4,572			
Pooled Fixed Income	44,373			
Total other investments	49,117			
Total Investments	$ 56,309			

CSLF

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 7,879	$ 7,879	$ -	$ -
Other Investments				
Pooled Fixed Income	1,506			
Total Investments	$ 9,385			

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

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

II. Detailed notes

A. Cash and investments

Interest rate risk

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

Credit risk

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

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

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II. Detailed notes

A. Cash and investments

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

Average Rating	Pooled Fixed Income	Municipal Bonds	Government Agency Mutual Funds
AAA	$ 8,733	$ 100	$ 230,787

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

Average Rating	Pooled Fixed Income	Guaranteed Investment Contracts	Bond Mutual Funds	Money Market Mutual Funds
AAA	$ 44,373	$ 4,572	$ 2	$ 611

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

Average Rating	Pooled Fixed Income	Government Agency Mutual Funds
AAA	$ 1,506	$ 7,879

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

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

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II. Detailed notes

A. Cash and investments

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

CHEFA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Short Term U.S. Government Securities	$ 2,796	$ 900	$ 1,896
Municipal Bonds	100	100	-
Total	$ 2,896	$ 1,000	$ 1,896

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 6,579	$ 500	$ 6,079

CSLF

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

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

(In Thousands)

II. Detailed notes

B. Receivable

Receivables as of June 30, 2018 for the Authority's financial statements by type are as follows:

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2018 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 20,814	$ -	$ 20,814
Long-term portion	105,276	2,067	107,343
Less Allowance	(2,491)	(464)	(2,955)
Net Long-term portion	102,785	1,603	104,388
Total Net Receivables	$ 123,599	$ 1,603	$ 125,202

Student loans are repaid by borrowers on a monthly basis on a 0- to 140-month repayment term after the in-school and 6-month grace period ends. The interest rate on these loans ranges from approximately 4.95% to 6.99%.

Refinance Connecticut Program ("Refi") loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 4.5% to 7.0% depending on the term of the loan and the Fair Issac Corporation ("FICO") score. The interest rate on new loans ranges from 4.75% - 6.8%.

During the fiscal year, CHESLA wrote off loans receivable of $466, which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $167 in loans receivable and other credits that were written off in previous years.

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

	FFELP	Alternative	Total
Current portion	$ 13,015	$ 304	$ 13,319
Long-term portion	194,484	4,455	198,939
Less Allowance	(405)	(380)	(785)
Net Long-term portion	194,079	4,075	198,154
Total Net Receivables	$ 207,094	$ 4,379	$ 211,473

(In Thousands)

II. Detailed notes

B. Receivables

During the fiscal year, CSLF wrote off federal loans receivable of $164 (CSLF risk share only), and $38 of private loans, which is net of $110 in recoveries, which had previously been provided for through the allowance for loan losses.

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

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

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

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

June 30, 2019	$	13,319
2020		14,158
2021		15,050
2022		15,998
2023		17,007
2024-2028		92,761
2029-2032		43,965
Total	$	212,258

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C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July, 1 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Leasehold improvements	$ 157	$ -	$ -	$ 157
Computer equipment	255	-	-	255
Furniture and fixtures	256	-	-	256
Office equipment	381	67	-	448
Total capital assets being depreciated	1,049	67	-	1,116
Less accumulated depreciation for:				
Leasehold improvements	150	5	-	155
Computer equipment	246	6	-	252
Furniture and fixtures	242	4	-	246
Office equipment	330	27	-	357
Total accumulated depreciation	968	42	-	1,010
Total capital assets being depreciated, net	$ 81	$ 25	$ -	$ 106

CHESLA capital asset activity for the year ended June 30, 2018 was as follows:

CHESLA	Balance July, 1 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Computer equipment	$ -	$ 3	$ -	$ 3
Less accumulated depreciation for:				
Computer equipment	$ -	$ -	$ -	$ -
Total capital assets being depreciated, net	$ -	$ 3	$ -	$ 3

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II. Detailed notes

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, 2018:

CHEFA

Description	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Other liability					
Amount held for the State of Connecticut	$ 2,176	$ -	$ 6	$ 2,170	$ -

CHESLA

Description	Original Amount	Date of Issue	Date of Final Maturity	Interest Rate	Balance July 1, 2017	Additions	Deductions	Amount Refunded	Balance June 30, 2018	Current Portion
Bond 2007 A	$41,000	8/23/2007	11/15/2024	4.125 - 4.875%	$ 13,490	$ -	$ -	$ 13,490	$ -	$ -
Bond 2009 A	30,000	8/6/2009	11/15/2027	1.9 - 5.05%	13,885	-	2,145	-	11,740	1,100
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	29,270	-	3,480	-	25,790	2,350
Bond 2012 A	13,085	3/28/2012	11/15/2021	0.4 - 3.125%	1,190	-	1,190	-	-	-
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	19,560	-	2,755	-	16,805	1,420
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	21,120	-	1,890	-	19,230	1,000
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	16,070	-	3,260	-	12,810	1,685
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	15,000	-	400	-	14,600	600
Bond 2017 A	27,880	5/16/2017	11/15/2033	3.25 - 5.0%	27,880	-	1,500	-	26,380	800
Bond 2017 B	9,155	8/17/2017	11/15/2025	4.0 - 5.0%	-	9,155	-	-	9,155	1,200
Bond 2017 C	11,300	12/21/2017	11/15/2034	3.5 - 5.0%	-	11,300	-	-	11,300	-
Total CHESLA					157,465	20,455	16,620	13,490	147,810	10,155
Premiums					3,436	1,041	299	-	4,178	-
Discounts					(200)	-	(177)	-	(23)	-
Total Bonds and related liabilities					$ 160,701	$ 21,496	$ 16,742	$ 13,490	$ 151,965	$ 10,155

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

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

CSLF

Description	Original Amount	Date of Issue	Date of Final Maturity	Variable Interest Rate	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Bond 04 A-3	$ 75,000	10/15/2004	6/1/2034	1.012 - 3.004%	$ 23,825	$ -	$ 23,825	$ -	$ -
Bond 06 A-1	80,000	7/27/2006	6/1/2046	1.022 - 3.435%	72,925	-	-	72,925	-
Bond 06 A-2	100,000	12/14/2006	6/1/2046	1.022 - 3.443%	81,475	-	-	81,475	-
Bond 04 B	62,900	10/15/2004	6/1/2034	1.583 - 3.547%	33,850	-	8,625	25,225	-
Bond 06 B	20,000	7/27/2006	6/1/2046	1.711 - 3.564%	19,975	-	-	19,975	-
Total Bonds					232,050	-	32,450	199,600	-
Discounts					(542)	-	(123)	(419)	-
Total bonds and related amounts					$ 231,508	$ -	$ 32,327	$ 199,181	$ -

The annual requirements to amortize bonds payable at June 30, 2018, are as follows:

CHESLA

Fiscal Year Ended	Principal	Interest
2019	$ 10,155	$ 3,006
2020	12,005	5,632
2021	12,980	5,192
2022	13,500	4,649
2023	13,625	4,094
2024-2028	53,490	12,240
2029-2033	27,590	3,672
2034-2036	4,465	246
Total	$ 147,810	$ 38,731

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

<u>CSLF</u>

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

Fiscal Year Ended	Principal	Interest
2019	$ -	$ 5,362
2020	-	5,362
2021	-	5,362
2022	-	5,362
2023	-	5,362
2024-2028	-	26,808
2029-2033	-	26,808
2034-2038	25,225	24,117
2039-2043	-	23,513
2044-2046	174,375	13,716
Total	$ 199,600	$ 141,772

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, 2018 year-end ranged from 2.476% to 3.564%.

The maximum rate on the ARCs is defined in each bond prospectus and is based on one of the following:

- The average of the 91-day United States Treasury Bill rate plus 1.2% or 1.5% or the LIBOR rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans have experienced a significant disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bondholders prior to the auction.

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

(In Thousands)

II. Detailed notes

D. Changes in long-term obligations

2. Conduit debt

As of June 30, 2018, CHEFA had total outstanding principal balances of special obligation bonds of $8,349,699. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, not reported within the statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows:

Bonds Outstanding by Sector	
Assisted Living Facilities and Continuing Care Retirement Community	$ 191,358
Childcare	53,765
Connecticut State University System – Special Capital Reserve Fund	318,690
Higher Education	4,484,406
Hospitals	2,530,442
Social and other	59,549
Independent Schools	626,499
Nursing Homes	84,990
Total	$ 8,349,699

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.

3. Current year advance refunding

In August 2017, CHESLA issued $9,155 of revenue bonds with an interest rate of 4.0% to 5.0%. A portion of these bonds were issued to defease bonds issued in August 2007. The refunding resulted in an economic gain of $475 with an overall cost increase in total debt service payments of $610.

4. Authorized/unissued debt

At June 30, 2018, there was no authorized unissued debt for CHESLA.

5. Subsequent event

In September 2018, CHESLA issued $10,000 of revenue bonds, 2018 Series A bonds, with an interest rate of 3.5% to 5.0%. These bonds will be used to originate education loans under the student loan program, fund certain accounts, including a special capital reserve fund, and pay a portion of the costs of issuing the 2018 Series A bonds.

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

Notes to Financial Statements
June 30, 2018
(In Thousands)

II. Detailed notes

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $1,067 for CHEFA.

F. Net position classification

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

	CHEFA	CHESLA	CSLF
Invested in capital assets	$ 106	$ 3	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
Student loan guarantee program	167	-	-
Bond funds	-	18,087	-
Trust Estate	-	-	4,693
Total restricted	4,487	18,087	4,693
Unrestricted	9,400	11,568	19,297
Total net position	$ 13,993	$ 29,658	$ 23,990

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, 2018, outstanding loan balances totaled $5,623.

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 $167.

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, 2018, the ratio was 111.66%. At June 30, 2018, the Board has not authorized any funds to be transferred to operations; however, the amount available to transfer is $15,500.

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

(In Thousands)

III. Other information

A. Risk management

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

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $206 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of $76 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 $21 and $30, respectively. CSLF contributed $2,000 to CHESLA for the refinance program and $2,000 to the scholarship program. Of the $2,000 contributed for the scholarship program, $7 was not spent and is recorded as a deferred inflow.

C. Operating leases

CHEFA leases office space and other office equipment for use in operations. Lease expense was $233. As of June 30, 2018, minimum future rental commitments of the leases are as follows:

2019	$	249,690
2020		255,300
2021		260,910
2022		266,520
2023		272,136
2024		137,472

D. Pension plan

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

CHEFA maintains a defined contribution money purchase plan (the "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 the trustees of the Plan. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. For the year ended June 30, 2018, there were no forfeitures and retirement plan expense was $218.

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

III. Other information

D. Pension plan

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to $1,500 of employee contributions. For the year ended June 30, 2018, there were no forfeitures and the plan expense was $27.

Supplemental Schedules

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

Combining Schedule of Net Position - Connecticut Higher Education Supplemental Loan Authority
June 30, 2018
(In Thousands)

	Agency operating fund	Other program funds	Bond Fund	Total CHESLA
Assets				
Current assets				
Unrestricted assets				
Cash	$ 123	$ 207	$ -	$ 330
Investments	4,180	2,393	15	6,588
Current portion of loans receivable	-	449	-	449
Interest receivable on investments	-	4	-	4
Loan interest receivable	-	15	-	15
Prepaid expenses and other assets	18	-	-	18
Total unrestricted assets	4,321	3,068	15	7,404
Restricted assets				
Investments				
Bond indenture trusts	-	-	29,309	29,309
Other	-	-	603	603
Current portion of loans receivable	-	-	20,365	20,365
Interest receivable on investments	-	-	135	135
Loan interest receivable	-	-	457	457
Total restricted assets	-	-	50,869	50,869
Total current assets	4,321	3,068	50,884	58,273
Noncurrent assets				
Unrestricted assets				
Capital assets	3	-	-	3
Loans receivable, net of current portion and allowance	-	4,209	-	4,209
Restricted assets				
Investments	-	-	19,809	19,809
Loans receivable, net of current portion and allowance	-	-	100,179	100,179
Total noncurrent assets	3	4,209	119,988	124,200
Total assets	$ 4,324	$ 7,277	$ 170,872	$ 182,473
Liabilities				
Current liabilities				
Accounts payable	$ 10	$ 6	$ 52	$ 68
Accrued expenses	7	-	-	7
Accrued interest payable	-	-	768	768
Current portion of bonds payable	-	-	10,155	10,155
Total current liabilities	17	6	10,975	10,998
Noncurrent liabilities				
Bonds payable, net of current portion	-	-	141,810	141,810
Total liabilities	17	6	152,785	152,808
Deferred Inflows of Resources				
Unearned revenue	-	7	-	7
Net Position				
Net investment in capital assets	3	-	-	3
Restricted	-	-	18,087	18,087
Unrestricted	4,304	7,264	-	11,568
Total net position	4,307	7,264	18,087	29,658
Total liabilities, deferred inflows of resources and net position	$ 4,324	$ 7,277	$ 170,872	$ 182,473

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, 2018
(In Thousands)

	Agency operating fund	Other program funds	Bond funds 1990 resolution	Bond funds 2003 resolution	Eliminations	Total CHESLA
Operating revenues						
Interest income on loans receivable	$ -	$ 212	$ 7,121	$ -	$ -	$ 7,333
Administrative fees	927	-	669	-	(927)	669
Contributions from CSLF	-	3,993	-	-	-	3,993
Other revenue	-	-	32	-	-	32
Total operating revenues	927	4,205	7,822	-	(927)	12,027
Operating expenses						
Interest expense	-	-	5,994	-	-	5,994
Salaries and related expenses	137	-	-	-	-	137
General and administrative	339	31	1,122	-	(927)	565
Refinance program	40	-	-	-	-	40
Scholarships	-	1,993	-	-	-	1,993
Loan service fees	-	68	530	-	-	598
Contracted services	39	-	-	-	-	39
Bond issuance and insurance costs	33	-	676	-	-	709
Provision for loan losses (net of recoveries)	-	290	291	-	-	581
Total operating expenses	588	2,382	8,613	-	(927)	10,656
Operating income (loss)	339	1,823	(791)	-	-	1,371
Nonoperating income (expenses)						
Investment income	52	40	692	-	-	784
Change in net position	391	1,863	(99)	-	-	2,155
Transfers	890	-	8,001	(8,891)	-	-
Net position, July 1, 2017	3,026	5,401	10,185	8,891	-	27,503
Net position, June 30, 2018	$ 4,307	$ 7,264	$ 18,087	$ -	$ -	$ 29,658

Schedule 3

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, 2018
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Assets				
Current assets				
Unrestricted assets				
Cash	$ -	$ 891	$ -	$ 891
Receivables (net of allowance for uncollectibles)	-	17	-	17
Prepaid expenses and other assets	-	1	-	1
Total unrestricted assets	-	909	-	909
Restricted assets				
Investments				
Bond indenture trusts	9,385	-	-	9,385
Accounts receivable	13	-	-	13
Loans receivable	13,319	-	-	13,319
Loan interest receivable	4,303	-	-	4,303
Total restricted assets	27,020	-	-	27,020
Total current assets	27,020	909	-	27,929
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectibles)	198,154	-	-	198,154
Total assets	$ 225,174	$ 909	$ -	$ 226,083
Liabilities				
Current liabilities				
Accounts payable	$ -	$ 31	$ -	$ 31
Accrued expenses	2,000	115	-	2,115
U.S. Department of Education payable	437	-	-	437
Trust Estate payable	329	-	-	329
Total current liabilities	2,766	146	-	2,912
Noncurrent liabilities				
Bonds payable and related liabilities	199,181	-	-	199,181
Total liabilities	201,947	146	-	202,093
Net Position				
Restricted	4,693	-	-	4,693
Unrestricted	18,534	763	-	19,297
Total net position	23,227	763	-	23,990
Total liabilities and net position	$ 225,174	$ 909	$ -	$ 226,083

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, 2018
(In Thousands)

	Trust Estate	Operating	Eliminations	Total
Operating revenues				
Interest income on loans receivable	$ 10,475	$ -	$ -	$ 10,475
Not-for-profit servicing income	-	207	-	207
Administration fee	-	568	(568)	-
Total operating revenues	10,475	775	(568)	10,682
Operating expenses				
Interest expense	5,626	-	-	5,626
General and administrative	147	115	-	262
Loan service fees	875	-	-	875
Administration fee	568	-	(568)	-
Consolidation rebate fees	1,430	-	-	1,430
Contracted services	10	399	-	409
Total operating expenses	8,656	514	(568)	8,602
Operating income	1,819	261	-	2,080
Nonoperating income (expenses)				
Investment income	97	-	-	97
Contribution to CHESLA	(4,000)	-	-	(4,000)
Total nonoperating expenses	(3,903)	-	-	(3,903)
Change in net position	(2,084)	261	-	(1,823)
Net position, July 1, 2017	25,311	502	-	25,813
Net position, June 30, 2018	$ 23,227	$ 763	$ -	$ 23,990

Compliance

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

Board of Directors
Connecticut Health and Educational Facilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Hartford, Connecticut
September 26, 2018

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