



CONNECTICUT STUDENT LOAN FOUNDATION

September 23, 2025

Governor Ned Lamont
State of Connecticut State Capitol
Hartford, CT 06106

Dear Governor Lamont:

In accordance with the reporting requirements of Conn. Gen. Stat. § 1-123, for the Fiscal Year Ending June 30, 2025, 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, 2025
Page 6	Complete set of financial statements
Page 7	Affirmative Action Policy Statement and Workforce composition
Page 8	Description of Planned Activities for Fiscal Year 2026
Page 9	2025-26 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, 2025.

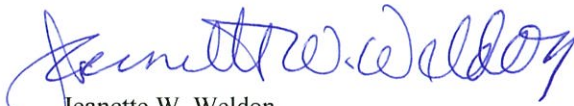
Connecticut Student Loan Foundation FY 2025 Update on Activities

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 is comprised of ten members, six statutorily designated and the remaining appointed by the CHEFA Board of Directors based on their qualifications, as specified in the enabling legislation. There were no open positions on the CSLF Board as of June 30, 2025. 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 Accountants

Enclosure: CHEFA FY2025 Audited Financials

Connecticut Student Loan Foundation
Bond Issuance and Cumulative Bonds Outstanding
For the Fiscal Year ended June 30, 2025

CSLF has not issued bonds since 2007. The principal amounts of outstanding bonds as of June 30, 2025 total \$36,075,000, 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	0
2006 A-1	\$80,000,000	\$11,875,000
2006 B	\$20,000,000	\$19,975,000
2006 A-2	\$100,000,000	\$4,225,000
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	\$36,075,000

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

**Connecticut Student Loan Foundation
Projects
For the Fiscal Year ended June 30, 2025**

CSLF continues to support students' education. During the fiscal year ending June 30, 2025, \$600,000 was provided to CHESLA to support scholarship programs.

Connecticut Student Loan Foundation
Loans, Grants or Services in excess of \$5,000
General and Restricted Account Disbursements
For the Fiscal Year ended June 30, 2025

Paid from CSLF Operating Funds
Chubb & Son Inc. Connecticut Higher Education Supplemental Loan Authority Connecticut Health & Educational Facilities Authority Education Finance Counsel Goal Structured Solutions, LLC. Hilltop Securities Launch Servicing, LLC Pennsylvania Higher Education Assistance Agency

Paid from CSLF Trust Funds
Bank of New York Mellon Trust Company Deutsche Bank Samuel Ramirez & Co Pullman & Comley, LLC US Department of Education

Connecticut Student Loan Foundation
Financial Statements
For the Fiscal Year ended June 30, 2025

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

**Connecticut Student Loan Foundation
Affirmative Action Policy and Agency Workforce
For the Fiscal Year ended June 30, 2025**

Connecticut Student Loan Foundation has no employees.

Connecticut Student Loan Foundation
Planned Activities
For the Fiscal Year ended June 30, 2026

In order to fulfill the requirements of the Connecticut General Statutes regarding planned activities for FY 2026, the CSLF Board adopted a consolidated budget projecting \$3.5 million in Revenues and \$2.7 million in Operating Expenses resulting in a \$0.9 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 \$0.6 million, resulting in a positive \$0.3 million Change in Net Position for the fiscal year. CSLF also plans to continue supporting other CHESLA education finance initiatives that may arise, as appropriate.

Connecticut Student Loan Foundation

2025-2026 Fiscal Year Budget

	Consolidated
Consolidated Income	
TOTAL LOAN INTEREST INCOME	3,272,189
LATE FEE INCOME	45,989
INTEREST INCOME - AGENCY	4,204
INTEREST INCOME - TRUST	199,661
INTERFUND TRANSFER	-
Total Consolidated Income	3,522,043
Consolidated Expenses	
CONSOLIDATION FEES	321,720
DEBT ADMINISTRATION COST	72,000
BOND DISCOUNT AMORTIZATION	17,097
INTEREST BOND	1,822,971
SERVICING FEE EXPENSE	153,979
PROFESSIONAL CONSULTANTS	110,000
LEGAL FEES	10,000
EXTERNAL AUDITOR	40,429
FINANCIAL ADVISOR	50,000
EFC MEMBERSHIP FEES	15,000
CHEFA ADMINISTRATION EXPENSE	
OTHER OPERATING EXPENSES	7,668
BAD DEBT EXPENSE	-
PRIVATE LOAN COLLECTION EXPENSE	-
INSURANCE EXPENSE	18,971
Total Consolidated Expenses	2,668,249
NET CHANGE IN POSITION BEFORE EXTRAORDINARY	853,794
Extraordinary Items	
CHESLA SCHOLARSHIPS	(600,000)
CHESLA REFINANCE PROGRAM PILOT	-
CHESLA STEM LOAN PROGRAM	-
Net Extraordinary Items	(600,000)
NET CHANGE IN POSITION	253,794

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

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

June 30, 2025



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

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Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Health and Educational Facilities Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Connecticut Health and Educational Facilities Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Authority as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
September 16, 2025



CHEFA
Connecticut Health & Educational
Facilities Authority

**Management's Discussion and Analysis
For the Year Ended June 30, 2025
(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, 2025. This Management's Discussion and Analysis presents a separate discussion for the primary government (CHEFA), which includes the blended component unit CHEFA Community Development Corporation ("CCDC"), and each of the discretely presented component units: Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF"), each addressing the operations of the individual entity.

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

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

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

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



CHEFA

Connecticut Health & Educational
Facilities Authority

Financial Highlights

- CHEFA's net position (which recognizes the CCDC loss of \$1) increased \$2,482 for the fiscal year resulting from operating income of \$3,835 net of nonoperating expenses (including grants and childcare expenses) of \$2,061 offset by investment income of \$708.
- CHESLA's net position increased by \$1,086 for the fiscal year resulting from operating revenues of \$8,052 net of operating expenses of \$10,520, further increased by investment income of \$3,554.
- CSLF's net position increased \$452 for the fiscal year, resulting from operating income of \$853 and nonoperating expenses of \$401, resulting from contributions to CHESLA of \$600, partially offset by investment income of \$199.
- During fiscal year 2025, CHEFA disbursed seven revolving loans totaling \$2,596. Principal repayment and interest on the loans are received quarterly or monthly. Loan receivable (net of allowance for loan loss) for the fiscal year is \$2,644.
- CHESLA's loan activity during the fiscal year was the issuance of new loans, net of returns, totaling \$28,587 for the in-school loan, Refi CT, and other programs. Payments received totaled \$19,229 for all programs.
- CSLF Loans Receivable decreased by \$12,176 during the fiscal year.
- CHESLA issued debt of \$65,550 to be used for in-school loans.
- CSLF's bonds payable decreased by \$19,401 from voluntary redemptions made during the year.

Overview of the Financial Statements

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

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

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

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

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

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



CHEFA

Connecticut Health & Educational
Facilities Authority

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

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

Financial Analysis

Assets exceeded liabilities at June 30, 2025. 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 22%. CHEFA's net position invested in capital assets was 2%. The remaining portion of net position (76%) is unrestricted.

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

Summary Statement of Net Position (in thousands)

	CHEFA	
	2025	2024
Current assets	\$ 732,331	\$ 381,076
Capital assets (net)	347	323
Other noncurrent assets	11,015	9,202
Total assets	743,693	390,601
Assets held on behalf of the State of CT	2,330	2,275
Other liabilities	721,555	370,995
Total liabilities	723,885	373,270
Unearned revenue	25	30
Net investment in capital assets	347	323
Restricted	4,357	4,339
Unrestricted	15,079	12,639
Total net position	\$ 19,783	\$ 17,301

At June 30, 2025, CCDC maintained \$299 in current liabilities (Due to CHEFA) and an unrestricted net position of (\$299).

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



For the fiscal year, CHEFA's net position increased \$2,482 (a gain of \$2,483 for CHEFA offset by a \$1 loss for CCDC).

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2025	2024
Operating revenues:		
Administrative fees	\$ 7,972	\$ 7,583
Supporting services fees	157	114
Bond issuance fees	40	40
Interest income on loans receivable	37	3
Total operating revenues	8,206	7,740
Operating expenses:		
Salaries and related expenses	3,213	3,244
General and administrative	606	565
Contracted services	552	538
Total operating expenses	4,371	4,347
Operating income	3,835	3,393
Nonoperating income (expenses):		
Investment income	708	745
Grants and childcare subsidy expense	(2,061)	(3,009)
Total nonoperating expenses	(1,353)	(2,264)
Change in net position	2,482	1,129
Net position, July 1	\$ 17,301	\$ 16,172
Net position, June 30	\$ 19,783	\$ 17,301

At June 30, 2025, CCDC expenses included above total \$1 in contracted services, for a total change in unrestricted net position of (\$1).



CHEFA

Connecticut Health & Educational
Facilities Authority

Revenues

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

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

Revenues totaled \$8,206 for fiscal year 2025. Administrative fees are the largest revenue source and represent 97% of total revenues. Supporting services fees for support provided to CHESLA and CSLF totaled \$157, representing 2% of revenues for the year. The balance includes application fees for the conduit debt issued and interest income on loans receivable at less than 1% each.

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

- Administrative fees totaled \$7,972 for fiscal year 2025 compared to \$7,583 for the fiscal year ended June 30, 2024. The change in Administrative fees for fiscal year 2025 is a result of the change in the par value of loans outstanding at June 30, 2025.
- The balance of the par value of debt outstanding at June 30, 2025 was \$9,433,031 compared to \$8,706,283 at June 30, 2024 and \$8,639,664 at June 30, 2023.
- During the year, CHEFA issued new conduit debt totaling \$1,261,125 in par value of which 29% was the refinancing of pre-existing debt.
- Nonoperating investment income decreased by \$37 to \$708 from \$745 recognized in fiscal year 2024. This is a result of lower interest rates during the fiscal year.

Expenses

Expenses totaled \$4,371 for the fiscal year. Of the expenses, 74% or \$3,213 was for salaries and related expenses. General and administrative expenses amounted to \$606 or 14%, while contracted services amounted to \$552 or 12%.

Significant changes from the prior year are as follows:

- Salaries and related expenses decreased by \$31 from fiscal year 2024 to \$3,213 in fiscal year 2025.
- General and administrative expenses of \$606 increased \$41 from fiscal year 2024.
- Contracted services increased by \$14 from fiscal year 2024 to \$552 in fiscal year 2025.



CHEFA

Connecticut Health & Educational
Facilities Authority

Capital Assets

At June 30, 2025, CHEFA's capital assets amounted to \$347, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets increased by \$24 due to software and furniture additions net of annual depreciation expense.

The net capitalization of Leased Office Space ended the year at \$2,133. This amount decreased relative to prior year due to amortization for the fiscal year of \$228.

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

Economic Factors

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



CHEFA

Connecticut Health & Educational
Facilities Authority

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2025. 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 70%. CHESLA's net position invested in capital assets was less than 1%. The remaining portion of net position (29%) is unrestricted. A summary of the statement of net position is as follows:

Summary Statement of Net Position (in thousands)

	CHESLA	
	2025	2024
Current and other assets	\$ 263,024	\$ 213,879
Capital assets, net	45	57
Total assets	263,069	213,936
Liabilities outstanding	214,025	166,537
Other liabilities	1,477	1,019
Total liabilities	215,502	167,556
Deferred inflows of resources	601	500
Net investment in capital assets	45	57
Restricted	33,008	31,140
Unrestricted	13,913	14,683
Total net position	\$ 46,966	\$ 45,880

CHESLA's restricted assets and liabilities represent loans, bonds payable, and other funds held in trust pursuant to bond indentures. CHESLA's unrestricted net position consists of board designated assets and assets in the refinance and the scholarship programs. In fiscal year 2025, CHESLA funded new loans, net of returns, of \$26,153 in in-school loans and \$2,434 in Refi CT loans, compared to \$21,911 and \$2,897 respectively, in fiscal year 2024. This resulted in an increase of 19% for in-school and a decrease of 16% for Refi CT over fiscal year 2024.



Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHESLA's net position increased \$1,086.

A statement of changes in net position follows:

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

	CHESLA	
	2025	2024
Operating revenues:		
Interest income on loans receivable	\$ 7,552	\$ 6,999
Contributions from CSLF	499	500
Other revenues	1	4
Total operating revenues	8,052	7,503
Operating expenses:		
Interest expense	6,439	6,007
Salaries and related expenses	373	355
General and administrative	855	704
Scholarships	497	515
Loan service fees	742	702
Contracted services	72	58
Bond issuance costs	832	520
Provision for loan losses	710	1,287
Total operating expenses	10,520	10,148
Operating income (loss)	(2,468)	(2,645)
Nonoperating income (loss)	3,554	3,924
Change in net position	1,086	1,279
Net position, July 1	45,880	44,601
Net position, June 30	\$46,966	\$45,880

The increase in net position for fiscal year 2025 reflects an increase in interest income on loans receivable partially offset by an increase in interest expense and lower investment income.



CHEFA

Connecticut Health & Educational
Facilities Authority

Revenues

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

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

- Contributions from CSLF totaled \$600 in fiscal year 2025. Transfers approved by the CSLF Board are recorded as deferred inflows of resources with revenues being recognized when funds are disbursed in subsequent fiscal year(s):
 - The Scholarship Fund expensed approximately \$497 for scholarships awarded at the beginning of fiscal year 2025 (\$499 disbursed, net of \$2 returned).
- The Alliance District Loan Subsidy (ADTLS) Program offers a 3% interest rate subsidy on Alliance District Refinance Loans for teachers, counselors, and paraeducators employed by any of Connecticut's 36 Alliance District public schools. In fiscal 2025, 32 loans totaling \$607,000 were disbursed.
- Nonoperating income totaled \$3,554 in fiscal year 2025, entirely due to gains from investments.

Operating Expenses

Expenses totaled \$10,520 for the fiscal year. The largest expense representing 61% or \$6,439 of total expenses was for interest payments on debt. This is an increase of 2% from 59% in fiscal year 2024. Loan servicing fees totaled \$742 or 7% of operating expenses. Bond issuance costs totaled \$832 or 8%. Provision for loan losses totaled \$710 or 7% and general and administrative expenses amounted to \$855 or 8% of the total operating expenses.

Significant changes from the prior year are as follows:

- Interest expense increased by \$432 as compared to fiscal year 2024 of \$6,007, resulting from the change in the principal balance of outstanding debt and the issuance of new bonds.
- Salaries and related expenses increased by \$18.
- General and administrative expenses increased by \$151 primarily due to an increase in marketing, community programs, and maintenance contracts.
- Bond issuance costs increased by \$312. In May 2025, CHESLA closed a new money issue of \$65,550 in 2025 Series B bonds.
- Provision for loan loss decreased by \$577 to \$710 resulting from a net increase in the allowance of \$309 plus net student write-offs and recoveries of \$401.



Capital assets

At June 30, 2025, CHESLA's capital assets were \$45. The year-over-year decrease stems from depreciation expense.

Long-term debt

Long-term debt for CHESLA is as follows:

Bonds Payable (in thousands)	CHESLA	
	2025	2024
Revenue bonds	\$ 208,010	\$ 161,285
Premiums/discounts	6,015	5,251
Total long-term liabilities	<u>\$ 214,025</u>	<u>\$ 166,536</u>

CHESLA's increase in the principal revenue bonds outstanding is a result of a new issuance totaling \$65,550, scheduled debt payments of \$9,940, and additional paydowns of \$8,885.

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

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

Economic Factors

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



Connecticut Student Loan Foundation (CSLF)

Financial Analysis

CSLF's assets exceeded liabilities at June 30, 2025. Due to the nature of CSLF's operations, a portion of net position is subject to bond resolution restrictions. At fiscal year-end, the restricted net position was 6% or \$1,246. The remaining portion of net position is unrestricted and represents 94% of the total net position.

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

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

	CSLF	
	2025	2024
Current and other assets	\$ 57,918	\$ 76,865
Total assets	57,918	76,865
Long-term liabilities outstanding	36,031	55,402
Other liabilities	555	583
Total liabilities	36,586	55,985
Restricted	1,246	1,379
Unrestricted	20,086	19,501
Total net position	\$ 21,332	\$ 20,880

Statement of Changes in Net Position. The purpose of the statement of changes in net position is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF's net position increased by \$452.



A statement of changes in net position follows:

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

	CSLF	
	2025	2024
Operating revenues:		
Interest income on loans receivable	\$ 4,261	\$ 7,057
Other revenues	57	100
Total operating revenues	4,318	7,157
Operating expenses:		
Interest expense	2,496	4,531
General and administrative	110	116
Loan service fees	194	272
Consolidation rebate fees	400	547
Contracted services	164	198
Provision for loan losses	101	(40)
Total operating expenses	3,465	5,624
Operating income	853	1,533
Nonoperating income (expenses):		
Investment income	199	242
Contribution expense	(600)	(500)
Total nonoperating expenses	(401)	(258)
Change in net position	452	1,275
Net position, July 1	20,880	19,605
Net position, June 30	\$ 21,332	\$ 20,880



CHEFA

Connecticut Health & Educational
Facilities Authority

Revenues

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

- Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2025 totaled \$4,261 (99%) compared to \$7,057 for fiscal year ended June 30, 2024. These revenue sources are variable in nature and are a direct function of market conditions. Interest rates for student borrowers in the CSLF portfolio have been fixed. The net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue, on loans originated before April 1, 2006, calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During fiscal 2025, due to market conditions, CSLF received funds from the US Department of Education totaling \$965 compared to \$1,648 received in fiscal year 2024. Although not affecting the FFELP loans directly (rates to the borrower are fixed), the Special Allowance Payments the trust receives make up the difference between the interest rate charged to FFELP borrowers and the market rate.

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

- Interest income on loans receivable is the largest component of operating revenues totaling \$4,261, a decrease of \$2,796 from the prior year amount of \$7,057 due to the run-off of the loan portfolio.

Expenses

Expenses totaled \$3,465 for the fiscal year. The largest of which was interest expense on the Auction Rate Certificates ("ARCs") issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auction rate market, investors are being paid at Treasury-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. Interest expense totaled \$2,496 or 72% of total operating expenses. Consolidation rebate fees paid to the U.S. Department of Education totaled \$400 or 12% of total operating expenses and loan servicing fees totaled \$194 or 6% of total operating expenses.

Significant changes from the prior year are as follows:

- Bond interest expense decreased in 2025 by \$2,035. The decrease is due to continued pay down of the outstanding debt as the outstanding loans run off.
- Loan servicing fees decreased by \$78 reflecting the decrease in the number of loans serviced, due to loan repayments.
- Consolidation rebate fees decreased by \$147 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- The Loan Loss Reserve Analysis was reviewed for both portfolios to determine the change in the loss allowance for each. The results of the analysis resulted in a \$11 allowance increase for the FFELP portfolio and a \$90 increase for the private loan portfolio for fiscal year 2025.



CHEFA

Connecticut Health & Educational
Facilities Authority

- Nonoperating expense of \$401, represents the Board authorized contributions to CHESLA of \$600 for scholarship programs partially offset by \$199 in investment income.

Debt Administration

Long-term debt

Long-term debt for CSLF is as follows:

Bonds Payable (in thousands)	CSLF	
	2025	2024
Revenue bonds	\$ 36,075	\$ 55,475
Premiums/discounts	(44)	(73)
Total long-term liabilities	<u>\$ 36,031</u>	<u>\$ 55,402</u>

CSLF's decrease in long-term debt was due to the redemption of \$19,400 of bonds during the fiscal year.

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

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

Economic Factors

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

Requests for Information

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

Basic Financial Statements

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

Statement of Net Position

June 30, 2025

(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 356	\$ 99	\$ 12	\$ 467
Investments	11,107	8,720	26	19,853
Receivables				
Accounts (net of allowance for uncollectible)	1,420	36	29	1,485
Current portion of loans receivable	450	852	-	1,302
Interest receivable on investments	-	31	-	31
Loan interest receivable	-	27	-	27
U.S. Department of Education receivable	-	-	72	72
Related parties	73	-	-	73
Prepaid expenses and other assets	190	81	13	284
Total unrestricted, current assets	<u>13,596</u>	<u>9,846</u>	<u>152</u>	<u>23,594</u>
Restricted assets				
Investments				
Institutions	718,735	-	-	718,735
Bond indenture trusts	-	92,043	2,698	94,741
Current portion of loans receivable	-	18,098	1,425	19,523
Interest receivable on investments	-	356	-	356
Loan interest receivable	-	782	4,125	4,907
Total restricted, current assets	<u>718,735</u>	<u>111,279</u>	<u>8,248</u>	<u>838,262</u>
Total current assets	<u>732,331</u>	<u>121,125</u>	<u>8,400</u>	<u>861,856</u>
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	347	45	-	392
Right of use asset (net of accumulated amortization)	2,133	-	-	2,133
Loans receivable (net of allowance)	2,195	4,877	-	7,072
Restricted assets				
Investments	6,687	24,924	-	31,611
Loans receivable (net of allowance for uncollectible)	-	112,098	49,518	161,616
Total noncurrent assets	<u>11,362</u>	<u>141,944</u>	<u>49,518</u>	<u>202,824</u>
Total assets	<u>\$ 743,693</u>	<u>\$ 263,069</u>	<u>\$ 57,918</u>	<u>\$ 1,064,680</u>

See Notes to Financial Statements

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

Statement of Net Position

June 30, 2025

(In Thousands)

	Primary Government	Component Units		
	CHEFA	CHESLA	CSLF	Total
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 7	\$ -	\$ -	\$ 7
Due to related parties	-	64	21	85
Accrued expenses	472	273	154	899
Amounts held for institutions	718,740	-	-	718,740
Accrued interest payable	-	1,140	-	1,140
Trust Estate payable	-	-	380	380
Current portion of bonds payable	-	11,770	-	11,770
Current portion of lease liability	208	-	-	208
	<u>719,427</u>	<u>13,247</u>	<u>555</u>	<u>733,229</u>
Total current liabilities				
Noncurrent liabilities				
Bonds payable and related liabilities, net of current portion	-	202,255	36,031	238,286
Amount held for the State of Connecticut	2,330	-	-	2,330
Lease liability (net of current portion)	2,128	-	-	2,128
	<u>4,458</u>	<u>202,255</u>	<u>36,031</u>	<u>242,744</u>
Total noncurrent liabilities				
Total liabilities	<u>723,885</u>	<u>215,502</u>	<u>36,586</u>	<u>975,973</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	25	601	-	626
	<u>25</u>	<u>601</u>	<u>-</u>	<u>626</u>
<u>Net Position</u>				
Net investment in capital assets	347	45	-	392
	<u>347</u>	<u>45</u>	<u>-</u>	<u>392</u>
Restricted				
Child care facilities loan program	4,337	-	-	4,337
Student loan guarantee program	20	-	-	20
Bond funds	-	25,131	-	25,131
Alliance district teacher loan subsidy	-	7,877	-	7,877
Trust Estate	-	-	1,246	1,246
Total restricted	<u>4,357</u>	<u>33,008</u>	<u>1,246</u>	<u>38,611</u>
Unrestricted	<u>15,079</u>	<u>13,913</u>	<u>20,086</u>	<u>49,078</u>
Total net position	<u>19,783</u>	<u>46,966</u>	<u>21,332</u>	<u>88,081</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 743,693</u>	<u>\$ 263,069</u>	<u>\$ 57,918</u>	<u>\$ 1,064,680</u>

See Notes to Financial Statements

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

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2025
(In Thousands)

	Primary Government CHEFA	Component Units CHESLA	CSLF	Total
Operating revenues				
Interest income on loans receivable	\$ 37	\$ 7,552	\$ 4,261	\$ 11,850
Administrative fees	7,972	-	-	7,972
Supporting services fees	157	-	-	157
Contributions from CSLF (scholarships and Refi Program)	-	499	-	499
Bond issuance fees	40	-	-	40
Other revenues	-	1	57	58
Total operating revenues	<u>8,206</u>	<u>8,052</u>	<u>4,318</u>	<u>20,576</u>
Operating expenses				
Interest expense	-	6,439	2,496	8,935
Salaries and related expenses	3,213	373	-	3,586
General and administrative	606	855	110	1,571
Scholarships	-	497	-	497
Loan service fees	-	742	194	936
Consolidation rebate fees	-	-	400	400
Contracted services	552	72	164	788
Bond issuance costs	-	832	-	832
Provision for loan losses	-	710	101	811
Total operating expenses	<u>4,371</u>	<u>10,520</u>	<u>3,465</u>	<u>18,356</u>
Operating income (loss)	<u>3,835</u>	<u>(2,468)</u>	<u>853</u>	<u>2,220</u>
Nonoperating income (expenses)				
Investment income (loss)	708	3,554	199	4,461
Grants and child care subsidy expense	(2,061)	-	-	(2,061)
Contributions to CHESLA	-	-	(600)	(600)
Total nonoperating income (expenses)	<u>(1,353)</u>	<u>3,554</u>	<u>(401)</u>	<u>1,800</u>
Change in net position	2,482	1,086	452	4,020
Net position, July 1, 2024	<u>17,301</u>	<u>45,880</u>	<u>20,880</u>	<u>84,061</u>
Net position, June 30, 2025	<u>\$ 19,783</u>	<u>\$ 46,966</u>	<u>\$ 21,332</u>	<u>\$ 88,081</u>

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

Statement of Cash Flows
For the Year Ended June 30, 2025
(In Thousands)

	Primary Government CHEFA	Component Units CHESLA	CSLF
Cash flows from operating activities			
Cash received from loan payments	\$ -	\$ 19,372	\$ 13,006
Interest received on loans	37	8,416	4,628
Fees received on loans	-	1	57
Contributions received from CSLF	(5)	600	-
Cash received for administrative fees	8,335	(30)	(29)
Cash received for recovery of loans	-	66	50
Cash received for general administrative fees	141	12	14
Cash received for bond issuance fees	40	-	-
Cash payments for employee wages and benefits	(3,213)	(373)	-
Cash payments for general and administrative	(237)	(690)	(69)
Cash payments for interest on bonds	-	(6,523)	(2,467)
Cash payments for excess interest	-	-	(805)
Cash payments for loans issued	-	(28,587)	-
Cash payments for loan servicing fees	-	(742)	(194)
Cash payments for consolidation fees	-	-	(400)
Cash payments for contracted services	(552)	(72)	(164)
Cash payments for bond issuance costs	-	(832)	-
Cash payments for scholarships	-	(497)	-
Net cash provided by (used in) operating activities	<u>4,546</u>	<u>(9,879)</u>	<u>13,627</u>
Cash flows from noncapital financing activities			
Proceeds from bond sales	-	65,550	-
Bond premium	-	1,158	-
Payments from institutions for revolving loan fund, net	(2,281)	-	-
Proceeds from investment income			
for amounts held for others	55	-	-
Cash paid to grantees and child care subsidy	(2,061)	-	-
Payments of bond principal	-	(18,825)	(19,400)
Contributions to CHESLA	-	-	(600)
Net cash provided by (used in) noncapital financing activities	<u>\$ (4,287)</u>	<u>\$ 47,883</u>	<u>\$ (20,000)</u>

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

Statement of Cash Flows
For the Year Ended June 30, 2025
(In Thousands)

	Primary Government CHEFA	Component Units CHESLA	CSLF
Cash flows from capital and related financing activities			
financing activities:			
Reduction of lease liability	\$ (118)	\$ -	\$ -
Purchase of capital assets	(85)	-	-
Net cash used in capital financing activities	(203)	-	-
Cash flows from investing activities			
Proceeds from sale of investments	617,902	54,665	17,651
Purchase of investments	(618,730)	(96,202)	(11,560)
Investment income	708	3,573	199
Net cash provided by (used in) investing activities	(120)	(37,964)	6,290
Net increase (decrease) in cash	(64)	40	(83)
Cash, July 1, 2024	420	59	95
Cash, June 30, 2025	<u>\$ 356</u>	<u>\$ 99</u>	<u>\$ 12</u>
Reconciliation of operating income (loss) to net cash			
provided by (used in) operating activities			
Operating income (loss)	\$ 3,835	\$ (2,468)	\$ 853
Adjustments to reconcile operating income (loss) to			
net cash provided by (used in) operating activities			
Depreciation expense	61	12	-
Amortization expense	228	-	-
Bond discount/premium amortization	-	(394)	29
Provision for loan losses	-	710	101
Non-cash loan transactions	-	890	-
(Increase) decrease in:			
Accounts receivable	363	(30)	(29)
Accounts receivable - related party	(16)	-	-
Prepaid expenses and other assets	(60)	18	(1)
Loans receivable	-	(9,149)	12,166
U.S. Department of Education receivable	-	-	169
Loan interest receivable	-	(26)	367
Increase (decrease) in:			
Due to other funds	-	15	14
Accrued expenses	140	132	42
Accrued interest payable	-	310	-
Trust Estate payable	-	-	(84)
Unearned revenue	(5)	101	-
Net adjustments to operating income (loss)	711	(7,411)	12,774
Net cash provided by (used in) operating activities	<u>\$ 4,546</u>	<u>\$ (9,879)</u>	<u>\$ 13,627</u>

See Notes to Financial Statements

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the State of Connecticut)

Notes to Financial Statements

June 30, 2025

(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.G, and the Special Capital Reserve Fund Program ("SCRF"), as discussed in Note II.D. Under the SCRF, if there is a shortfall in debt service, the State is obligated to refill the SCRF to its required level. The financial statements include Connecticut Higher Education Supplemental Loan Authority ("CHESLA") and Connecticut Student Loan Foundation ("CSLF") as component units.

Reporting entity

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

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

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

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

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

Notes to Financial Statements
June 30, 2025
(In Thousands)

Reporting entity

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

I. Summary of significant accounting policies

A. Financial statements

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

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

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

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

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

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

Notes to Financial Statements
June 30, 2025
(In Thousands)

I. Summary of significant accounting policies

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

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

Administrative fees

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

Interest income on loans

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

Nonoperating activity

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

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

Notes to Financial Statements
June 30, 2025
(In Thousands)

I. Summary of significant accounting policies

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

1. Cash and investments

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

Method used to value investments

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

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

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

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

2. Fees and loans receivable

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

3. Restricted assets

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

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

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

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

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

Notes to Financial Statements
June 30, 2025
(In Thousands)

I. Summary of significant accounting policies

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

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

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

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

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

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

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

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

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2025, the State has not made nor was it required to make any such deposit.

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

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

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

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

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

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

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

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Nonperforming loans

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

4. Capital assets

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

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

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

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

5. Amounts held for institutions

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

6. Amounts held on behalf of the State of Connecticut

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

7. Arbitrage rebate and excess loan yield liability

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

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

8. Compensated absences

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

During fiscal year 2025, the Authority adopted GASB Statement No. 101, Compensated Absences. The purpose of this standard is to more appropriately reflect when a government entity incurs an obligation and to also eliminate comparability issues between government entities that offer different types of leave. It has been the Authority's practice to include the liability for compensated absences as a component of accounts payable and accrued liabilities. The impact of adoption was not material to the financial statements.

9. Long-term obligations

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

10. Deferred inflows of resources

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

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

11. Fund equity and net position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

12. Use of estimates

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

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II. Detailed notes

A. Cash and investments

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

As of June 30, 2025, bank balances were exposed to custodial credit risk as follows:

	CHEFA	CHESLA	CSLF
Bank balance	\$ 358	\$ 99	\$ 12
	CHEFA	CHESLA	CSLF
Uninsured and uncollateralized	\$ 72	\$ -	\$ -
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	36	-	-
Total amount subject to custodial risk	\$ 108	\$ -	\$ -

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

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

Investment type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Money market - government	\$ 726,922	\$ -	\$ -	\$ -	\$ 726,922
Pooled fixed income	9,607	-	-	-	9,607
Total	\$ 736,529	\$ -	\$ -	\$ -	\$ 736,529

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A. Cash and investments

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

Investment type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Pooled fixed income	\$ 125,687	\$ 125,687	\$ -	\$ -	\$ -
Total	\$ 125,687	\$ 125,687	\$ -	\$ -	\$ -

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

Investment type	Amount	Investment maturities			
		Less Than 1	1-5 Years	5-10 Years	>10 Years
Mutual funds - government	\$ 2,198	\$ 2,198	\$ -	\$ -	\$ -
Pooled fixed income	526	526	-	-	-
Total	\$ 2,724	\$ 2,724	\$ -	\$ -	\$ -

Fair value of investments

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

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

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

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A. Cash and investments

CSLF Investments by fair value	Fair Value	Level 1	Level 2	Level 3
Mutual funds - government	\$ 2,198	\$ 2,198	\$ -	\$ -
Total				
<u>Other investments, not valued at fair value</u>				
Pooled fixed income	526			
Total investments	\$ 2,724			

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

Interest rate risk

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

Credit risk

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

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A. Cash and investments

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

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

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

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

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A. Cash and investments

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

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

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

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

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

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B. Receivables

Receivables as of June 30, 2025 for the Authority's financial statements by type are as follows:

CHEFA makes loans to clients who meet certain criteria for purposes of providing financial assistance for working capital expenses or any other purpose as may be approved from time to time under the CHEFA Capital Investment Loan Program. During fiscal year 2024, nonprofits could apply for financing between \$5 and \$50 for up to 60 months at an interest rate of 3.75%, in accordance with the approved Funding Cycle Notice 2023A. In May of 2024, The Authority approved the Funding Cycle Notice 2024A. Nonprofits can apply for financing between \$5 and \$200, existing clients can apply for financing up to \$500, for up to 72 months at an interest rate of 2.99%. Loans were approved on a rolling first come-first serve basis, assuming Applicants met the requirements of the underwriting guidelines. Loans receivable as of June 30, 2025 are as follows:

Current portion	\$ 450
Long-term portion	2,217
Less allowance	<u>(22)</u>
Net long-term portion	<u>2,195</u>
Total net receivables	<u><u>\$ 2,645</u></u>

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

For the year ending June 30, 2026	\$ 450
2027	470
2028	480
2029	480
2030	494
Thereafter	<u>293</u>
Total gross receivables	<u><u>\$ 2,667</u></u>

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B. Receivables

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. CHESLA also refinances CHESLA and other lenders' student loans. Loans receivable as of June 30, 2025 are as follows:

Current portion	<u>\$ 18,950</u>
Long-term portion - active loans	118,922
Long-term portion - loans in collections	2,464
Less allowance	<u>(4,411)</u>
Net long-term portion	<u>116,975</u>
Total net receivables	<u><u>\$ 135,925</u></u>

Student loans are repaid by borrowers on a monthly basis on a 140-month repayment term after the in-school and 6-month grace periods end. The interest rate on these loans ranges from approximately 4.59% to 6.99%. The current interest rate on new loans is 6.65%.

Refi CT, CHESLA's loan refinance product, loans are repaid by borrowers on a monthly basis for a term of 5, 10 or 15 years. The interest rate on these loans ranges from approximately 4.75% to 7.00% depending on the term of the loan and the Fair Isaac Corporation ("FICO") score. A .25% rate reduction is applied for those who enroll in auto-payment. The interest rate on new loans ranges from 4.99% - 7.74%.

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 \$66 in loans receivable and other credits that were written off in previous years.

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

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B. Receivables

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

	<u>FFELP</u>	<u>Alternative</u>	<u>Total</u>
Current portion	<u>\$ 1,343</u>	<u>\$ 82</u>	<u>\$ 1,425</u>
Long-term portion	49,354	667	50,021
Less allowance	<u>(445)</u>	<u>(58)</u>	<u>(503)</u>
Net long-term portion	<u>48,909</u>	<u>609</u>	<u>49,518</u>
Total net receivables	<u><u>\$ 50,252</u></u>	<u><u>\$ 691</u></u>	<u><u>\$ 50,943</u></u>

During the fiscal year, CSLF had net write-offs of federal loans receivable of \$29 (CSLF risk share only), and private loans had a net recovery of \$19.

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

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

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

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B. Receivables

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

For the year ending June 30, 2026	\$	1,425
2027		1,530
2028		1,644
2029		1,766
2030		1,897
2031 - 2035		11,301
2036 - 2040		15,191
2041 - 2045		14,238
Thereafter		<u>2,454</u>
Total gross receivables	\$	<u><u>51,446</u></u>

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Capital asset being depreciated:				
Leasehold improvements	\$ 23	\$ -	\$ -	\$ 23
Computer equipment and software	492	59	-	551
Furniture and fixtures	64	26	-	90
Office equipment	363	-	-	363
Total capital assets being depreciated	<u>942</u>	<u>85</u>	<u>-</u>	<u>1,027</u>
Less accumulated depreciation for:				
Leasehold improvements	1	3	-	4
Computer equipment and software	250	38	-	288
Furniture and fixtures	34	4	-	38
Office equipment	334	16	-	350
Total accumulated depreciation	<u>619</u>	<u>61</u>	<u>-</u>	<u>680</u>
Total capital assets being depreciated, net	<u>\$ 323</u>			<u>\$ 347</u>

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II. Detailed notes**C. Capital assets**

CHEFA's right of use asset (under a capital lease) activity for the year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Right of use asset:				
Leased office space	\$ 2,437	\$ -	\$ -	\$ 2,437
Less accumulated amortization	76	228	-	304
	<u>\$ 2,361</u>			<u>\$ 2,133</u>
Total capital asset being amortized, net				

CHESLA capital asset activity for the year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Capital asset being depreciated:				
Website and domain	\$ 64	\$ -	\$ -	\$ 64
Less accumulated depreciation for:				
Website and domain	7	12	-	19
	<u>\$ 57</u>			<u>\$ 45</u>
Total capital asset being depreciated, net				

D. Accrued compensated absences

The balance of accrued compensated absences is included in accrued expenses on the statement of financial position. In accordance with GASB 101, CHEFA and CHESLA established an accrual for unused sick and personal time for the year ended June 30, 2025. Limited vacation and sick time can be carried over annually and only unused vacation is payable to employees upon termination. Unused vacation time has been accrued prior to the adoption of GASB 101. The following is a summary of changes in accrued compensated absences for the year ended June 30, 2025:

	Balance 7/1/2024	Net Change	Balance 6/30/2025
CHEFA	\$ 200	\$ 61	\$ 261
CHESLA	19	15	34
	<u>\$ 219</u>		<u>\$ 295</u>
Total accrued compensated absences			

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II. Detailed notes

E. 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, 2025:

CHEFA

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025	Current Portion
Other liability					
Amount held for the State of Connecticut	\$ 2,275	\$ 55	\$ -	\$ 2,330	\$ -

CHESLA

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2024	Additions	Deductions	Amount Refunded	Balance 6/30/2025	Current Portion
2019 A	5,000	5/22/2019	11/15/35	3.95%	1,170	-	150	365	655	90
2019 B	25,550	5/22/2019	11/15/35	3.25 - 5.0%	14,555	-	1,435	1,050	12,070	1,625
2020 B	19,000	6/11/2020	11/15/36	3.25 - 5.0%	16,380	-	1,085	605	14,690	1,115
2021 B	17,515	6/23/2021	11/15/37	2.25 - 5.0%	17,010	-	970	165	15,875	1,395
2022 B	13,175	6/14/2022	11/15/38	4.5 - 5.0%	13,175	-	500	540	12,135	500
2022 C	62,375	6/14/2022	11/15/34	3.25 - 4.67%	45,575	-	5,800	5,230	34,545	6,200
2023 B	25,805	5/16/2023	11/15/39	3.5 - 5.0%	25,805	-	-	930	24,875	845
2024 B	27,615	5/30/2024	11/15/40	4.13 - 5%	27,615	-	-	-	27,615	-
2025 B1	35,550	5/22/2025	11/15/41	4.75 - 5.25%	-	35,550	-	-	35,550	-
2025 B2	30,000	5/22/2025	11/15/45	5.0%	-	30,000	-	-	30,000	-
Total CHESLA					161,285	65,550	9,940	8,885	208,010	11,770
Premiums					5,251	1,158	394	-	6,015	-
Total bonds and related amounts					\$ 166,536	\$ 66,708	\$ 10,334	\$ 8,885	\$ 214,025	\$ 11,770

CSLF

Description	Original Amount	Date of Issue	Final Maturity	Interest Rate	Balance 7/1/2024	Additions	Deductions	Balance 6/30/2025	Current Portion
2006 A-1	80,000	7/27/2006	6/1/2046	0.066-1.633%	\$ 20,425	\$ -	\$ 8,550	\$ 11,875	\$ -
2006 A-2	100,000	12/14/2006	6/1/2046	0.066-1.645%	15,075	-	10,850	4,225	-
2006 B	20,000	7/27/2006	6/1/2046	0.010-1.655%	19,975	-	-	19,975	-
Total CSLF					55,475	-	19,400	36,075	-
Discounts					(73)	-	(29)	(44)	-
Total bonds and related amounts					\$ 55,402	\$ -	\$ 19,371	\$ 36,031	\$ -

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

Notes to Financial Statements
June 30, 2025
(In Thousands)

II. Detailed notes

E. Changes in long-term obligations

1. Summary of changes

The annual requirements to amortize bonds payable at June 30, 2025, are as follows:

CHESLA

Fiscal year ending June 30:	Principal	Interest
2026	\$ 11,770	\$ 4,648
2027	43,355	8,158
2028	14,000	6,808
2029	14,490	6,154
2030	12,400	5,472
2031 - 2035	65,645	18,418
2036 - 2040	38,915	6,434
2041 - 2045	7,435	492
Total gross bonds	<u>\$ 208,010</u>	<u>\$ 56,584</u>

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

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

CSLF

Fiscal year ending June 30:	Principal	Interest
2026	\$ -	\$ 1,855
2027	-	1,855
2028	-	1,855
2029	-	1,855
2030	-	1,855
2031 - 2035	-	9,275
2036 - 2040	-	9,275
2041 - 2045	-	9,275
2046	36,075	1,855
Total gross bonds	<u>\$ 36,075</u>	<u>\$ 38,955</u>

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E. Changes in long-term obligations

1. Summary of changes

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, 2025 year-end ranged from 5.66% to 5.70%.

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

- The average of the 91-day United States Treasury Bill rate plus 1.2% subject to a cap of the SOFRA30 (replacing LIBOR) rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans continue to experience disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bondholders prior to the auction.

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

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

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

2. Lease liability

CHEFA leases office space in Hartford, Connecticut. The lease term began on March 1, 2024 and continues until October 31, 2034. Under the lease terms, CHEFA pays monthly rent which increases each year. During the fiscal year ended June 30, 2025, \$253 was paid in rent. The lease liability was calculated using an implied interest rate of 2.01%. Future principal and interest payments are as follows:

Fiscal year ending June 30:	Principal	Interest
2026	\$ 208	\$ 45
2027	218	41
2028	227	36
2029	238	32
2030	247	27
Thereafter	1,198	54
	\$ 2,336	\$ 235

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E. Changes in long-term obligations

3. Conduit debt

As of June 30, 2025, CHEFA had total outstanding principal balances of special obligation bonds of \$9,433,031. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, not reported within the statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows:

Childcare	\$ 31,140
Connecticut State University System	236,585
Higher education	5,159,308
Hospitals	1,694,247
Social and other	1,116,638
Independent schools	745,819
Senior living	<u>449,294</u>
Total	<u><u>\$ 9,433,031</u></u>

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

At June 30, 2025, there were no outstanding construction funds for the EZ loan program. The loans are issued on behalf of not for profits to finance equipment. These loans are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and, therefore, are not reported within the statement of net position.

4. Authorized/unissued debt

At June 30, 2025, there was no authorized unissued debt for CHESLA.

5. New bond issuance

In May 2025, CHESLA issued \$65,550 of 2025 Series B bonds with an interest rate of 4.75 % - 5.25% for its serial maturities from November 15, 2027 to November 15, 2041 and an interest rate of 5% for the single term bond with a mandatory tender date of May 14, 2026. These bonds were issued to (i) originate loans under the CHESLA loan program; (ii) fund certain accounts, including a special capital reserve fund; and (iii) pay the costs of issuance for the 2025 Series B bonds.

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II. Detailed notes

F. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$4,357 for CHEFA.

G. Net position classification

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

	<u>CHEFA</u>	<u>CHESLA</u>	<u>CSLF</u>
Net investment in capital assets	\$ 347	\$ 45	\$ -
Restricted:			
Child care facilities loan program	4,337	-	-
Student loan guarantee program	20	-	-
Bond funds	-	25,131	-
Alliance district teacher loan subsidy	-	7,877	-
Trust estate	-	-	1,246
Total restricted	<u>4,357</u>	<u>33,008</u>	<u>1,246</u>
Unrestricted	<u>15,079</u>	<u>13,913</u>	<u>20,086</u>
Total net position	<u>\$ 19,783</u>	<u>\$ 46,966</u>	<u>\$ 21,332</u>

Child care facilities loan program - CHEFA's net position is restricted to be used for loan guarantees under this program, if borrowers default on their loans. As of June 30, 2025, outstanding loan balances totaled \$1,781.

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 \$20.

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

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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(In Thousands)

II. Detailed notes

H. Net position classification

Alliance district teacher loan subsidy - This program was funded from \$7,000 from the State of Connecticut during 2022 and offers an interest rate subsidy on Alliance District Educator and Counselor Refinance Loans (to refinance existing private student loan debt) to educators and counselors in any of Connecticut's Alliance District public schools. The program is designed to attract, support, and retain high quality educators who reflect the racial, ethnic, and linguistic diversity of Connecticut students.

Trust estate - For CSLF, the Bond Indenture requires that CSLF maintain a parity of 102.5% (Trust Estate asset to Trust Estate liability ratio), which represents its restricted net position. If parity exceeds 102.5%, CSLF is able, but not required, to transfer funds above the parity ratio to operations. At June 30, 2025, the ratio was 157.85%. During the year ended June 30, 2025, the Board authorized a transfer of \$600 to CHESLA for the scholarship program. At June 30, 2025, the Board has not authorized any additional funds to be transferred to operations; however, the amount available to transfer is \$19,607.

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

H. Condensed component unit information

Condensed component unit information for CCDC, the Authority's blended component unit, for the year ended June 30, 2025, is as follows:

Condensed Statement of Net Position

Liability	
Accounts payable	\$ 299
Net position	\$ (299)
Operating expenses	\$ 1
Change in net position	(1)
Net position, July 1, 2024	(298)
Net position, June 30, 2025	\$ (299)

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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June 30, 2025
(In Thousands)

III. Other information

A. Risk management

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

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of \$124 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CSLF an annual fee of \$33 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 \$53 and \$15, respectively. CSLF contributed \$600 to CHESLA for the scholarship program.

C. Pension plan

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

CHEFA maintains a defined contribution money purchase plan, the State of Connecticut Health & Educational Facilities Authority Money Purchase Pension Plan (the "Plan"), covering all employees with three months of continuous service and 1,000 anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by designated authorized officers. CHEFA and CHESLA contribute annually to the Plan an amount equal to 10% of each qualified employee's annual salary. Forfeitures may be used to pay plan expenses. Any forfeitures left after paying plan expenses are used to offset future contributions. For the year ended June 30, 2025, there were no forfeitures and retirement plan expense was \$237.

There were 18 active employees covered under the Plan at June 30, 2025. All employees can participate in the Plan after three months of service. A participant's employer contribution account fully vests after four years of service. At age 65, participants are entitled to begin receiving benefits based upon the option selected.

CHEFA also maintains a deferred compensation plan, which was established in 1991 in accordance with the Internal Revenue Code Section 457 and is available to CHEFA and CHESLA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to \$1,500 (not stated in thousands) of employee contributions. For the year ended June 30, 2025, the plan expense was \$26.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Notes to Financial Statements
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D. Contingencies

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

E. Certain Risks

CHEFA has identified a concentration risk related to its bond issuance activities. As of June 30, 2025, approximately 37% of CHEFA's outstanding and bond issuances have been made on behalf of Yale University. This concentration in bond issuance for a single institution may expose CHEFA to financial and operational vulnerabilities. Mitigation strategies include outreach to smaller institutions, exploring other non-profit sectors, and developing new financing products to attract a wider pool of borrowers.

CHESLA has identified a risk associated with demographic trends in student-age populations. Based on known demographic trends, there has been a sustained decline in the student-age population. This demographic shift may reduce college enrollment and, as a result, reduce demand for student loans, thereby impacting CHESLA's ability to generate revenue from its core lending activities. CHESLA has initiated strategic planning efforts to mitigate this risk, including increasing graduate lending, exploring alternative lending products, and expanding outreach to nontraditional student populations. Management will continue to monitor demographic trends and assess their impact on CHESLA's financial condition and operational strategy.

Supplemental Schedules

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Combining Schedule of Net Position –
Connecticut Health and Educational Facilities Authority
June 30, 2025 (In Thousands)

	CHEFA	CCDC	Eliminations	Total
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 356	\$ -	\$ -	\$ 356
Investments	11,107	-	-	11,107
Receivables				
Accounts (net of allowance for uncollectible)	1,420	-	-	1,420
Related parties	372	-	(299)	73
Current portion of loans receivable	450	-	-	450
Prepaid expenses and other assets	190	-	-	190
Total unrestricted, current assets	13,895	-	(299)	13,596
Restricted assets				
Investments - institutions	718,735	-	-	718,735
Total restricted, current assets	718,735	-	-	718,735
Total current assets	732,630	-	(299)	732,331
Noncurrent assets				
Unrestricted assets				
Capital assets (net of accumulated depreciation)	347	-	-	347
Loans receivable (net of current portion and allowance)	2,195	-	-	2,195
Right of use asset (net of accumulated amortization)	2,133	-	-	2,133
Restricted assets				
Investments	6,687	-	-	6,687
Total noncurrent assets	11,362	-	-	11,362
Total assets	\$ 743,992	\$ -	\$ (299)	\$ 743,693
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 7	\$ 299	\$ (299)	\$ 7
Accrued expenses	472	-	-	472
Current portion of lease liability	208	-	-	208
Amounts held for institutions	718,740	-	-	718,740
Total current liabilities	719,427	299	(299)	719,427
Noncurrent liabilities				
Lease liability (net of current portion)	2,128	-	-	2,128
Amount held for the State of Connecticut	2,330	-	-	2,330
Total noncurrent liabilities	4,458	-	-	4,458
Total liabilities	723,885	299	(299)	723,885
<u>Deferred Inflows of Resources</u>				
Unearned revenue	25	-	-	25
Total deferred inflows of resources	25	-	-	25
<u>Net Position</u>				
Net investment in capital assets	347	-	-	347
Restricted	4,357	-	-	4,357
Unrestricted	15,378	(299)	-	15,079
Total net position	20,082	(299)	-	19,783
Total liabilities, deferred inflows of resources and net position	\$ 743,992	\$ -	\$ (299)	\$ 743,693

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

Combining Schedule of Revenues, Expenses and Changes in Net Position –
Connecticut Health and Educational Facilities Authority
For the Year Ended June 30, 2025 (In Thousands)

	<u>CHEFA</u>	<u>CCDC</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Administrative fees	\$ 7,972	\$ -	\$ -	\$ 7,972
Supporting services fees	157	-	-	157
Bond issuance fees	40	-	-	40
Interest income on loans receivable	37	-	-	37
	<u>8,206</u>	<u>-</u>	<u>-</u>	<u>8,206</u>
Total operating revenues				
	<u>8,206</u>	<u>-</u>	<u>-</u>	<u>8,206</u>
Operating expenses				
Salaries and related expenses	3,213	-	-	3,213
General and administrative	605	1	-	606
Contracted services	552	-	-	552
	<u>4,370</u>	<u>1</u>	<u>-</u>	<u>4,371</u>
Total operating expenses				
	<u>4,370</u>	<u>1</u>	<u>-</u>	<u>4,371</u>
Operating income (loss)	<u>3,836</u>	<u>(1)</u>	<u>-</u>	<u>3,835</u>
Nonoperating income (expenses)				
Investment income	708	-	-	708
Grants and child care subsidy expense	(2,061)	-	-	(2,061)
	<u>(1,353)</u>	<u>-</u>	<u>-</u>	<u>(1,353)</u>
Total nonoperating expenses				
	<u>(1,353)</u>	<u>-</u>	<u>-</u>	<u>(1,353)</u>
Change in net position	2,483	(1)	-	2,482
Net position, July 1, 2024	<u>17,599</u>	<u>(298)</u>	<u>-</u>	<u>17,301</u>
Net position, June 30, 2025	<u>\$ 20,082</u>	<u>\$ (299)</u>	<u>\$ -</u>	<u>\$ 19,783</u>

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Combining Schedule of Net Position –
Connecticut Higher Education Supplemental Loan Authority
June 30, 2025 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
<u>Assets</u>					
Current assets					
Unrestricted assets					
Cash	\$ 36	\$ 63	\$ -	\$ -	\$ 99
Investments	5,920	2,800	-	-	8,720
Accounts receivable	3	-	33	-	36
Current portion of loans receivable	-	852	-	-	852
Interest receivable on investments	-	31	-	-	31
Loan interest receivable	-	27	-	-	27
Prepaid expenses and other assets	81	-	-	-	81
Total unrestricted, current assets	<u>6,040</u>	<u>3,773</u>	<u>33</u>	<u>-</u>	<u>9,846</u>
Restricted assets					
Investments	-	6,140	85,903	-	92,043
Current portion of loans receivable	-	203	17,895	-	18,098
Interest receivable on investments	21	-	335	-	356
Loan interest receivable	-	-	782	-	782
Total restricted, current assets	<u>21</u>	<u>6,343</u>	<u>104,915</u>	<u>-</u>	<u>111,279</u>
Total current assets	<u>6,061</u>	<u>10,116</u>	<u>104,948</u>	<u>-</u>	<u>121,125</u>
Noncurrent assets					
Unrestricted assets					
Capital assets	45	-	-	-	45
Loans receivable, net of current portion and allowance	-	4,877	-	-	4,877
Restricted assets					
Investments	-	-	24,924	-	24,924
Loans receivable, net of current portion and allowance	-	1,453	110,645	-	112,098
Total noncurrent assets	<u>45</u>	<u>6,330</u>	<u>135,569</u>	<u>-</u>	<u>141,944</u>
Total assets	<u>\$ 6,106</u>	<u>\$ 16,446</u>	<u>\$ 240,517</u>	<u>\$ -</u>	<u>\$ 263,069</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 61	\$ -	\$ -	\$ -	\$ 61
Due to other funds	3	-	-	-	3
Accrued expenses	78	7	188	-	273
Accrued interest payable	-	-	1,140	-	1,140
Current portion of bonds payable	-	-	11,770	-	11,770
Total current liabilities	<u>142</u>	<u>7</u>	<u>13,098</u>	<u>-</u>	<u>13,247</u>
Noncurrent liabilities					
Bonds payable, net of current portion	-	-	202,255	-	202,255
Total liabilities	<u>142</u>	<u>7</u>	<u>215,353</u>	<u>-</u>	<u>215,502</u>
<u>Deferred Inflows of Resources</u>					
Unearned revenue	-	601	-	-	601
<u>Net Position</u>					
Net investment in capital assets	45	-	-	-	45
Restricted	-	7,877	25,131	-	33,008
Unrestricted	5,919	7,961	33	-	13,913
Total net position	<u>5,964</u>	<u>15,838</u>	<u>25,164</u>	<u>-</u>	<u>46,966</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,106</u>	<u>\$ 16,446</u>	<u>\$ 240,517</u>	<u>\$ -</u>	<u>\$ 263,069</u>

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Combining Schedule of Revenues, Expenses and Changes in Net Position –
Connecticut Higher Education Supplemental Loan Authority
For the Year Ended June 30, 2025 (In Thousands)

	Agency operating fund	Other program funds	Bond funds 2019 resolution	Eliminations	Total CHESLA
Operating revenues					
Interest income on loans receivable	\$ -	\$ 434	\$ 7,118	\$ -	\$ 7,552
Administrative fees	1,434	-	-	(1,434)	-
Contributions from CSLF	-	499	-	-	499
Other revenues	-	1	-	-	1
Total operating revenues	1,434	934	7,118	(1,434)	8,052
Operating expenses					
Interest expense	-	-	6,439	-	6,439
Salaries and related expenses	373	-	-	-	373
General and administrative	562	130	1,597	(1,434)	855
Scholarships	-	497	-	-	497
Loan service fees	-	59	683	-	742
Contracted services	72	-	-	-	72
Bond issuance costs	-	-	832	-	832
Provision for loan losses (net of recoveries)	-	75	635	-	710
Total operating expenses	1,007	761	10,186	(1,434)	10,520
Operating income (loss)	427	173	(3,068)	-	(2,468)
Nonoperating income					
Investment income	255	421	2,878	-	3,554
Total nonoperating income (loss)	255	421	2,878	-	3,554
Change in net position	682	594	(190)	-	1,086
Transfers	(2)	(2,001)	2,003	-	-
Net position, July 1, 2024	5,284	17,245	23,351	-	45,880
Net position, June 30, 2025	\$ 5,964	\$ 15,838	\$ 25,164	\$ -	\$ 46,966

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Combining Schedule of Net Position –
Connecticut Student Loan Foundation
June 30, 2025 (In Thousands)

	<u>Operating</u>	<u>Trust Estate</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets				
Unrestricted assets				
Cash	\$ 12	\$ -	\$ -	\$ 12
Investments	26	-	-	26
Accounts receivable	29	-	-	29
U.S. Department of Education receivable	-	72	-	72
Prepaid expenses and other assets	13	-	-	13
Total unrestricted, current assets	<u>80</u>	<u>72</u>	<u>-</u>	<u>152</u>
Restricted assets				
Investments - Bond indenture trusts	-	2,698	-	2,698
Current portion of loans receivable	-	1,425	-	1,425
Loan interest receivable	-	4,125	-	4,125
Total restricted, current assets	<u>-</u>	<u>8,248</u>	<u>-</u>	<u>8,248</u>
Total current assets	80	8,320	-	8,400
Noncurrent assets				
Restricted assets				
Loans receivable (net of allowance for uncollectible)	<u>-</u>	<u>49,518</u>	<u>-</u>	<u>49,518</u>
Total assets	<u>\$ 80</u>	<u>\$ 57,838</u>	<u>\$ -</u>	<u>\$ 57,918</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 21	\$ -	\$ -	\$ 21
Accrued expenses	125	29	-	154
Trust Estate payable	<u>-</u>	<u>380</u>	<u>-</u>	<u>380</u>
Total current liabilities	146	409	-	555
Noncurrent liabilities				
Bonds payable and related liabilities	<u>-</u>	<u>36,031</u>	<u>-</u>	<u>36,031</u>
Total liabilities	<u>146</u>	<u>36,440</u>	<u>-</u>	<u>36,586</u>
<u>Net Position</u>				
Net position				
Restricted	-	1,246	-	1,246
Unrestricted (1)	<u>(66)</u>	<u>20,152</u>	<u>-</u>	<u>20,086</u>
Total net position	<u>(66)</u>	<u>21,398</u>	<u>-</u>	<u>21,332</u>
Total liabilities and net position	<u>\$ 80</u>	<u>\$ 57,838</u>	<u>\$ -</u>	<u>\$ 57,918</u>

(1) For purposes of Schedule 5, CSLF is shown in two components: Operating Fund and Trust Fund. The Operating Fund is currently showing negative net assets of \$66 that is eliminated in the consolidation of CSLF. The Operating Fund receives an administrative fee from the Trust that has been declining over time as outstanding loan balance decrease. The expenses that the Operating Fund covers, on the other hand, are relatively fixed and total approximately \$250,000-\$275,000 annually. As the expenses now exceed the administrative fee, the net position for the Operating Fund has run negative. Currently, CSLF is exploring solutions within the bond indenture to address the net loss condition in the Operating Fund with a resolution expected before the next year end. This does not present a concern in the operations of CSLF nor in the administration of the loan portfolio.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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Combining Schedule of Revenues, Expenses and Changes in Net Position –
Connecticut Student Loan Foundation
For the Year Ended June 30, 2025 (In Thousands)

	<u>Operating</u>	<u>Trust Estate</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues				
Interest income on loans receivable	\$ -	\$ 4,261	\$ -	\$ 4,261
Administration fee	156	-	(156)	-
Other revenues	<u>-</u>	<u>57</u>	<u>-</u>	<u>57</u>
Total operating revenues	<u>156</u>	<u>4,318</u>	<u>(156)</u>	<u>4,318</u>
Operating expenses				
Interest expense	-	2,496	-	2,496
General and administrative	72	38	-	110
Loan service fees	-	194	-	194
Administration fee	-	156	(156)	-
Consolidation rebate fees	-	400	-	400
Contracted services	164	-	-	164
Provision for loan losses	<u>-</u>	<u>101</u>	<u>-</u>	<u>101</u>
Total operating expenses	<u>236</u>	<u>3,385</u>	<u>(156)</u>	<u>3,465</u>
Operating income (loss)	<u>(80)</u>	<u>933</u>	<u>-</u>	<u>853</u>
Nonoperating income (expenses)				
Investment income	1	198	-	199
Contributions to CHESLA	<u>-</u>	<u>(600)</u>	<u>-</u>	<u>(600)</u>
Total nonoperating income (expenses)	<u>1</u>	<u>(402)</u>	<u>-</u>	<u>(401)</u>
Change in net position	(79)	531	-	452
Net position, July 1, 2024	<u>13</u>	<u>20,867</u>	<u>-</u>	<u>20,880</u>
Net position, June 30, 2025	<u><u>\$ (66)</u></u>	<u><u>\$ 21,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,332</u></u>

Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2025, which collectively comprise Connecticut Health and Educational Facilities Authority's basic financial statements, and have issued our report thereon dated September 16, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
September 16, 2025

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

