# Massachusetts Educational Financing Authority

## Financial Statements with Management's Discussion and Analysis and Supplemental Information

## June 30, 2020 and 2019

# Massachusetts Educational Financing Authority
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# MANAGEMENT'S DISCUSSION AND ANALYSIS
# (Unaudited)

## INTRODUCTION

This discussion and analysis of the financial position and performance of the Massachusetts Educational Financing Authority (the "Authority") is intended to provide an introduction and analytical overview of the basic financial statements of the Authority on a comparative basis for the fiscal years ended June 30, 2020 ("FY20"), 2019 ("FY19") and 2018 ("FY18"). This unaudited management's discussion and analysis should be read in conjunction with the attached audited financial statements and the notes thereto in its entirety.

The Authority is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1981, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in financing, refinancing, and saving for the costs of such education. Since 2015, the Authority has maintained a AA- issuer credit rating from Standard and Poor's Ratings Services.

Beginning in 1983, the Authority established a number of proprietary, unsecured consumer loan programs for financing and refinancing loans for undergraduate and graduate students, to finance higher education expenses, including credit based and need based loans that bear interest on a fixed rate or variable rate basis. Since inception, the MEFA financing program has included loans to finance higher education expenses of current students. In 2015, the Authority introduced the MEFA refinancing program that offers credit-based fixed rate and variable rate loans to borrowers for the purpose of refinancing loans previously incurred for higher education expenses.

The loan programs are funded using proceeds from Educational Loan Revenue Bonds and Asset Backed Notes issued by the Authority (the "Bonds"). The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the resolution. No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the resolution. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In FY17, the Authority adopted a resolution authorizing the issuance of commercial paper notes ("the Notes") as a short term financing mechanism for its education loan programs. The Notes are special obligations of the Authority and are collateralized by the assets and associated revenues financed with Note proceeds and further supported by a letter of credit. The letter of credit and any associated bank note or bank obligation are general obligations of the Authority secured by the full faith and credit of the Authority. The Authority intends to issue a combination of revenue bonds and asset backed notes to permanently finance education loans originated with proceeds from the Notes.

In addition to the loan programs, the Authority offers two college savings programs: The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") and the U.Fund College Investing Plan (the "U.Fund"). The U.Plan, launched in February 1995, is a pre-paid tuition program that permits saving for a named beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of savings. The U.Fund, launched in March 1999, is a tax-advantaged method of saving for higher education costs (under I.R.S. Code, Section 529) generally through investment vehicles such as mutual funds. These funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the account owners and are accordingly not a component of these financial statements. Proceeds earned by program participants through investing in the U.Fund are available to pay for costs of higher education nationwide.

In May 2017, the Authority, on behalf of the Commonwealth, introduced the Attainable Savings Plan (the "Attainable Plan"). The Attainable Plan, established under the Achieving a Better Life Experience (ABLE) Act of 2014, is a tax advantaged savings plan under Section 529A of the Internal Revenue Code that allows individuals with disabilities to save for qualifying disability expenses through investment vehicles such as mutual funds.

In addition to developing and operating its loan, savings and investment programs, the Authority conducts an extensive outreach program for students and parents across the Commonwealth on planning, saving and paying for college.

*MEFA Pathway*, previously known as *YourPlanForCollege.org*, introduced in 2010, offers a complete college and career planning resource for students, parents and high school counselors across the Commonwealth.

**USING THE FINANCIAL STATEMENTS**

The key to understanding the financial position and changes in the Authority's finances from year to year are presented in the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

The Statements of Net Position include all assets, deferred outflows, liabilities and deferred inflows of the Authority. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and the expenses incurred during the year. All activities of the Authority are reported as either operating or non-operating. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are primarily investing, legislative or regulated in nature.

The Statements of Cash Flows present the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities. Cash flow information is an important factor to consider when evaluating financial viability and the Authority's ability to meet financial obligations.

The Statements of Fiduciary Net Position presents information on the assets and liabilities of the Attainable Savings Plan, which is a fiduciary fund of the Authority. The assets of the Attainable Savings Plan are held by the Authority on behalf of the account owners in an agency fund. An agency fund is a type of fiduciary fund used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Authority's enterprise programs. The Governmental Accounting Standards Board requires fiduciary funds be reported separately from the basic financial statements of business type activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority maintains its accounts and prepares its financial statements in accordance with the accounting principles generally accepted in the United States of America ("GAAP"), as set forth by the Governmental Accounting Standards Board ("GASB"). The financial records of the Authority are maintained on an accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. The notes to the financial statements explain the financial statements and the accounting principles applied. The Authority's financial statements have been audited by PricewaterhouseCoopers LLP, as independent auditors.

**FISCAL YEAR DEVELOPMENTS**

The Authority enhanced its education loan programs in FY20 by eliminating borrower loan origination fees, which had accounted for $9M and $9.5M of revenue in FY19 and FY18, respectively. The loss of revenue associated with the elimination of loan origination fees resulted in a material decrease in FY20 operating income.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses have altered their behavior to adapt to such measures and to respond to the spread of COVID-19.

The extent to which the COVID-19 pandemic affects the Authority will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the pandemic and the actions taken to contain it or alleviate its effects. There can be no assurances that the pandemic and resulting business and market disruptions, will not have an adverse impact on the operations of the Authority and its financial condition.

The continued spread of COVID-19 and the mitigation measures implemented are causing, and are expected to continue to cause, severe disruption in global, national, and local economies. Due to the severity of the outbreak, the Authority made the decision to temporarily expand its relief options to borrowers in FY20 and an expense of $1.1M related to this relief effort is reflected in operating expense in FY20.

**FINANCIAL HIGHLIGHTS**

In the financial operations of the Authority, there are principal operating and non-operating components that make up a significant portion of the overall activities. The principal operating revenues for the Authority continue to be interest on education loans and non-operating revenues are primarily composed of investment income. The principal operating expenses are bond and note interest expense and general and administrative costs. Non-operating expenses are comprised of changes in fair value of derivatives.

The Authority disbursed a total of $464M of education loans in FY20 compared to $310M disbursed in FY19, representing an increase of 50% in a competitive consumer credit environment. U.Fund net assets, which are not a component of the Authority's financial statements, grew approximately 6% and were $6.9B at the end of FY20. For the U.Plan, the Authority had $9.7M of matured tuition certificates on its financial statements as a liability to program participants at the end of FY20 and $4.3M of deposits for the purchase of August 1, 2020 tuition certificates. Assets for the Attainable plan, which the Authority holds in a fiduciary capacity, grew by 45% and were $37.1M at June 30, 2020.

Total net position was $262.6M at the end of FY20, representing an increase of $7.4M or 3% from the beginning of the fiscal year compared to an increase in net position of $21.5M in FY19. Operating income was $2M in FY20 decreasing 85% compared to FY19 as the loss of loan origination fee income and increased loan origination costs related to growth fully offset a 4.1% increase in interest income on education loan notes and 5% increase in college savings plan revenues. Non-operating income, which is primarily comprised of interest and dividends on the Authority's investments, was $5.4M in FY20 decreasing 36% compared to FY19 as short duration investment yields have decreased in the current macro-economic environment.

## OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2020, 2019 and 2018, respectively:

(in thousands)

| | | 2020 | | 2019 | | 2018 |
|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | |
| Interest on educational loan notes receivable | $ | 106,538 | $ | 102,372 | $ | 99,877 |
| Non-interest revenues | | 7,764 | | 15,958 | | 16,213 |
| Total operating revenues | | 114,302 | | 118,330 | | 116,090 |
| **Non-operating revenues** | | 5,447 | | 8,488 | | 4,110 |
| **Total revenues** | $ | 119,749 | $ | 126,818 | $ | 120,200 |

Total operating revenues for the Authority were $114M in FY20, a 3.4% decrease compared to the prior fiscal year as the growth in interest income on education loan notes and college savings plan revenue was offset by the loss of revenue associated with the elimination of origination fees from the Authority's loan programs in FY20. FY19 total operating revenues were $118M, an increase of 2% compared to FY18 due to the increase in interest income associated with the growth in education loan notes receivable over the previous three fiscal years.

Interest income on education loan notes receivable was $106.5M in FY20, and $102.4M in FY19, representing a year over year increase of 4.1% and 2.5%, respectively, due to the increase in education loan notes receivable over the past three fiscal years. Interest income represented 93% of total operating revenues in FY20 and 87% of total operating revenues in FY19.

Non-interest revenues were $7.8M in FY20, a decrease of $8.2M or 51.3% resulting from the elimination of loan origination fees, which accounted for $9M or 57% of non-interest revenues in FY19. College savings plan revenues of $6.1M represented 78% of non-interest revenues and increased 5.3% in FY20 due to growth in assets under management in the U.Fund. Other income of $1.3M was consistent with prior fiscal years and represented 17% of non-interest revenues. Decrease in FY19 non-interest revenues was due to a 5% decrease in loan origination fees for the year.

Total non-operating revenues consisted of interest and dividend income on the Authority's investments and were $5.5M, representing a decrease of 35.8% compared to the prior fiscal year as short duration investments yields have decreased in the current macro-economic environment. The Authority's investments, which continue to be invested in vehicles providing short-term flexibility and principal protection earned $8.5M and $4.1M, respectively in FY19 and FY18.

As a result of these activities, FY20 total revenues decreased by $7.1M or 5.6% compared to 5.5% growth in FY19 and 7.5% growth in FY18.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2020, 2019 and 2018, respectively:

(in thousands)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Operating expenses** | | | |
| Interest expense | $ 69,349 | $ 68,138 | $ 66,125 |
| Non-interest expenses | 42,955 | 37,096 | 34,669 |
| Total operating expenses | 112,304 | 105,234 | 100,794 |
| **Non-operating expenses** | 10 | 57 | 27 |
| **Total expenses** | $ 112,314 | $ 105,291 | $ 100,821 |

Total operating expenses for the Authority were $112.3M in FY20, an increase of 6.7% over prior fiscal year operating expenses. FY19 operating expenses were $105.2M, an increase of 4.4% over FY18 operating expenses.

Interest expense on bonds and notes outstanding increased by $1.2M or 1.8% in FY20 due to an increase in short-term commercial paper notes outstanding prior to long-term refinancing in June 2020 and was partially offset by a steady decline in average commercial paper issuance rate throughout the fiscal year. FY19 interest expense increased by $2M or 3% from FY18 due to the refinancing of previously issued commercial paper notes in October 2018. Interest expense represented 62%, 65% and 66% of total operating expense in FY20, FY19 and FY18, respectively.

Non-interest operating expenses were $43M in FY20, an increase of $5.9M or 15.8% compared to FY19 and include general and administrative costs, the provision for doubtful education loans, bond and note issuance costs and other expenses.

General and administrative expenses grew 27.3% in FY20 primarily due to a $5.7M increase in loan origination costs and increased capacity fees in the Authority's loan warehouse facility related to a 50% increase in loan disbursements in FY20. The provision for doubtful education loans was consistent with the prior fiscal year and increased by 2%, reflective of current year loan disbursements as well as recognition of a lower recovery expectation. Bond and note issuance costs decreased by $2M or 51% as one capital market transaction closed in FY20 compared to two transactions closing in FY19. FY20 expense also included a one-time, $1.1M interest write off related to expanded forbearance offered to assist borrowers during the COVID-19 pandemic. Non-interest operating expense increased by $2.4M in FY19 mostly due to the provision for doubtful education loans.

Non-operating expenses represent the decrease in fair value of non-hedging derivatives.

As a result of these activities, total FY20 expenses increased by $7M or 6.7% compared to 4.4% growth in FY19 and 1% growth in FY18.

## CHANGE IN NET POSITION

The following illustrates the comparative results of increases in net position from fiscal years ended June 30, 2020, 2019 and 2018, respectively:

(in thousands)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Operating revenues | $ 114,302 | $ 118,330 | $ 116,090 |
| Operating expenses | 112,304 | 105,234 | 100,794 |
| **Operating income** | 1,998 | 13,096 | 15,296 |
| Non-operating revenues | 5,447 | 8,488 | 4,110 |
| Non-operating expenses | 10 | 57 | 27 |
| **Non-operating income** | 5,437 | 8,431 | 4,083 |
| **Increase in net position** | $ 7,435 | $ 21,527 | $ 19,379 |

The Authority's net operating income decreased by $11.1M in FY20 as a $4.2M increase in interest earned on education loan notes and a $2M decrease in bond issuance costs were fully offset by an $8.7M decrease in loan origination fee income, $5.7M increase in loan origination costs and a $1.1M interest write off related to expanded forbearance during the COVID-19 pandemic. The Authority's net operating income decreased by $2.2M in FY19 primarily due to a $3.8M increase in the provision for doubtful education loans and a $1.4M increase in costs of bond and note issuance partially offset by a $2.8M decrease in general and administrative costs.

The Authority's non-operating income decreased by $3M in FY20 and has fluctuated over the past three years due to volatility in short duration investments yields.

As a result of these activities, net position increased by $7.4M during FY20, $21.5M during FY19 and $19.4M in FY18.

## FINANCIAL POSITION

The following table reflects the condensed Statements of Net Position at June 30, 2020 compared to the prior fiscal years ended 2019 and 2018. The Statements of Net Position present the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets, liabilities and deferred inflows of the Authority with the residual being classified as net position.

(in thousands)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $ 473,821 | $ 602,976 | $ 608,405 |
| Education loan notes receivable | 1,781,337 | 1,657,938 | 1,613,926 |
| Other assets | 37,718 | 36,178 | 34,007 |
| **Total assets** | 2,292,876 | 2,297,092 | 2,256,338 |
| **Liabilities** | | | |
| Bonds payable | 1,881,508 | 1,905,213 | 1,795,942 |
| Notes payable | 94,095 | 78,100 | 163,500 |
| Bond and note interest payable | 33,511 | 34,712 | 33,637 |
| Other liabilities | 17,676 | 18,943 | 21,882 |
| **Total liabilities** | 2,026,790 | 2,036,968 | 2,014,961 |
| **Deferred Inflows** | | | |
| Gain on bond refunding | 3,512 | 4,985 | 7,765 |
| **Total deferred inflows** | 3,512 | 4,985 | 7,765 |
| **Net Position** | | | |
| Net investment in capital assets | 3,042 | 2,641 | 2,589 |
| Restricted | 138,647 | 139,845 | 131,498 |
| Unrestricted | 120,885 | 112,653 | 99,525 |
| **Total net position** | $ 262,574 | $ 255,139 | $ 233,612 |

Total net position was $262.6M at June 30, 2020, an increase of $7.4M or 3% from the beginning of the fiscal year.

Cash and investments decreased by 21.4% at the end of FY20 due to the timing of the capital market transaction used to support FY21 education loan programs. FY19 and FY18 capital market transactions closed before their respective year ends and this is reflected in the cash and bonds payable balances in those years. Education loan notes receivable increased by 7.4% and 2.7% in FY20 and FY19, respectively, as a result of growth in the Authority's education loan programs over the past three fiscal years. The ratio of education loan note receivables to total assets was 78% at the end of FY20 and 72% at the end of FY19 and FY18. Other assets include interest receivable on education loan notes, prepaid expenses and capital assets. The $1.5M increase in Other assets in FY20 and $2.2M increase in FY19 is mostly due to an increase in interest receivable on education loan notes consistent with the growth in the Authority's loan disbursements.

The Authority executed the ABS 2020 capital market transaction in FY20 to refinance previously issued commercial paper notes, which resulted in an increase in bonds payable of $211M and was offset by bond retirements and net bond premium amortization of $235M. Notes payable increase of $16M in FY20 was the net result of $226M of new commercial paper note issuances partially offset by the retirement of $210M of previously issued notes refinanced in the ABS 2020 transaction. In FY19, two capital market transactions were executed increasing bonds payable by $378M and were partially offset by bond retirements and net premium amortization of $269M. Notes payable decrease of $85M in FY19 was the net result of $172M of previously issued commercial paper notes refinanced as part of the ABS 2018 capital market transaction and $87M of new commercial paper note issuances in FY19.

The gain on bond refunding decrease of $1.5M in FY20 and $2.8M in FY19 relates to the amortization of gains deferred in previous fiscal years.

Within net position, 54% is comprised of net investment in capital assets and those assets that are restricted through bond and note resolutions or program specific regulations at June 30, 2020. Unrestricted net position increased by 7.3% and 13.2% in FY20 and FY19 respectively as the result of effective portfolio performance in the structured finance trusts.

## STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments as resulting from operating activities, non-capital financing activities, capital financing activities, and investing activities. Cash and cash equivalents were $345.2M, $488.6M and $508.5M at June 30, 2020, 2019 and 2018, respectively. These cash ending balances reflect the net activity of raising proceeds in the capital markets, disbursing that cash into education and refinancing loans and collecting the loan payments over the life of the assets to pay debt service and operating expenses.

## EDUCATIONAL LOAN NOTES ALLOWANCE ANALYSIS

As of and for the years ending June 30, 2020, 2019 and 2018, respectively, the activity for the Authority's Education Loan Notes Allowance for Doubtful Accounts was as follows:

(in thousands)

**Education Loan Note Defaulted Loans Provision**

| | FY2020 | FY2019 | FY2018 |
|---|---|---|---|
| Allowance at beginning of period | $74,149 | $65,551 | $60,760 |
| Provision for education loan losses | $8,771 | $8,598 | $4,791 |
| Allowance at end of period | $82,920 | $74,149 | $65,551 |
| Gross loan defaults | $8,433 | $19,204 | $12,988 |
| Recoveries | $6,798 | $7,569 | $5,213 |
| Net loan defaults | $1,635 | $11,635 | $7,775 |
| Net loan defaults as a percentage of average loans in repayment | 0.12% | 0.87% | 0.61% |
| Allowance multiple of average non-current loans in repayment (90+ days) | 9.82 | 5.07 | 4.32 |
| Allowance as a percentage of the ending total loan balance | 4.77% | 4.61% | 4.18% |
| Allowance as a percent of ending loans in repayment | 5.68% | 5.48% | 5.00% |
| Ending total loans, gross | $1,739,808 | $1,609,245 | $1,569,535 |
| 12 month average in repayment | $1,418,337 | $1,337,236 | $1,264,629 |
| Ending loans in repayment | $1,458,896 | $1,351,981 | $1,312,310 |
| 12 month average 90+ days delinquent | $8,447 | $14,622 | $15,168 |
| 90+ days delinquent % of avg. repayment | 0.60% | 1.09% | 1.20% |

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduce the borrower's monthly payment for up to forty-eight months without changing the original loan term or interest rate. As of June 30, 2020 and 2019, the total principal balance outstanding of loans in a modified status was $40M and $52M and represented approximately 3% and 4% of all loans in repayment, respectively. At June 30, 2020 and 2019, these modified loans were 100% and 97% current, respectively, defined as less than 30 days past due, in regard to monthly payments received under the modified terms. Loans in a modified payment plan status are factored into the allowance for education loan notes receivable, which is based on historical default and recovery performance.

Historically, the Authority has also offered Natural Disaster Forbearance for borrowers that are impacted by a federally declared major disaster. On March 13, 2020, a National Emergency was declared by the Federal government in response to the outbreak of COVID-19. Due to the severity of COVID-19, the Authority made the decision to expand its relief options by offering Natural Disaster Forbearance to all borrowers impacted by COVID-19 for an initial period of up to four months. The Authority has experienced an increase in Natural Disaster Forbearance as a result of reduced economic activity and increased unemployment due to the virus outbreak and containment efforts. As of June 30, 2020 and 2019, the total principal balance outstanding of loans in forbearance was $136.2M and $1.1M, respectively and represented approximately 9% and 0.1% of all loans in repayment, respectively. Subsequent to FY20, the pool of loans in Natural Disaster Forbearance began to move out of forbearance and into repayment status and as of November 30, 2020, the principle balance outstanding of loans in Natural Disaster Forbearance was $0.2M or 0.02% of total loans in repayment.

During FY20, the Authority continued its methodology for estimating the allowance for doubtful accounts, which is derived from historical information based on the loan portfolios performance to achieve the current estimated net realizable value of the outstanding education loan notes. The FY20 provision for education loan losses was $8.8M, which increased the allowance for doubtful accounts to $82.9M. Approximately $5M and $4.8M of the allowance for doubtful accounts is allocated to education loans in deferment in FY20 and FY19, respectively.

## DEBT ADMINISTRATION

As of June 30, 2020, the Authority had $1.84B of bond principal outstanding compared to $1.86B at the end of FY19. All of the Authority's outstanding bonds are rated by nationally recognized rating agencies.

| Debt Issuance | S&P | Fitch | DBRS |
|---|---|---|---|
| FRN Indenture | AA+ | AAA | - |
| Issue I | AA | A | - |
| Issue J | AA | A | - |
| Issue K - Senior | AA | AA | - |
| Issue K – Subordinate | A | - | - |
| Issue L – Senior | AA | - | - |
| Issue L – Subordinate | BBB | - | - |
| ABS 2018 Indenture - Senior | AA | - | AAA |
| ABS 2018 Indenture - Subordinate | A | - | A |
| ABS 2020 Indenture - Senior | AAA | - | AAA |
| ABS 2020 Indenture - Subordinate | AA | - | AA |

The following is the segmentation of the bonds' outstanding portfolio:

- Fixed rate tax-exempt revenue bonds represent 65% of the outstanding bond portfolio (a decrease from 74% in FY19 and 85% in FY18).

- Fixed rate taxable asset backed notes represent 18% of the outstanding bond portfolio (an increase from 8% in FY19 when the Authority first began to issue fixed rate taxable asset backed notes).

- Fixed rate taxable revenue bonds represent 16% of the outstanding bond portfolio (no change from FY19 and an increase from 12% in FY18).

- Taxable floating rate notes indexed to Libor represent 1% of the outstanding bond portfolio (a decrease from 2% in FY19 and 3% in FY18).

The Authority also had $94.1M and $78.1M of commercial paper notes outstanding at June 30, 2020 and June 30, 2019, respectively, which are supported by a letter of credit. The notes have published short term ratings of A-1+ by S&P and F1+ by Fitch in each case based upon the issuance of the letter of credit by the bank. The letter of credit and any associated bank note or bank obligation are general obligations of the Authority.

**CAPITAL ASSETS**

For the year ended June 30, 2020, the Authority had $3M invested in capital assets, representing a net increase (additions and depreciation) of $401K in such assets. The reconciliation below summarizes the change in capital assets by fiscal year. The Authority purchased $1.8M in capital assets during FY20, which were primarily related to software development costs relating to the loan origination platforms.

(in thousands)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Beginning balance, net | $ 2,641 | $ 2,589 | $ 1,887 |
| Additions | 1,755 | 1,209 | 1,751 |
| Depreciation | (1,354) | (1,157) | (1,049) |
| Ending balance, net | $ 3,042 | $ 2,641 | $ 2,589 |

**FINANCIAL CONTACT**

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. If you have any questions regarding the report or need additional financial information, please contact MEFA at 60 State Street, Suite 900, Boston, MA 02109.

**Report of Independent Auditors**

To the Management of the Massachusetts Educational Financing Authority

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Massachusetts Educational Financing Authority (the “Authority”) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the index.

### *Management's Responsibility 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 States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors’ Responsibility*

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Massachusetts Educational Financing Authority as of June 30, 2020 and 2019 ,and its changes in financial position and its cash flows for the years then ended, and the financial position of the fiduciary activities of the Massachusetts Educational Financing Authority as of June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required supplemental information*

The accompanying Management's Discussion and Analysis ("MD&A") on pages 2 through 11 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

*Supplemental information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules on pages 42 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 supplemental schedules on pages 42 through 49 are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 16, 2020

**Massachusetts Educational Financing Authority**
**Statements of Net Position**
**As of June 30, 2020 and 2019**
**(in thousands)**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (Notes 3 and 4) | $ 308,934 | $ 213,381 |
| Investments (Notes 3 and 4) | 17,184 | 18,289 |
| Education loan notes receivable, net (Notes 3, 5, and 10) | 127,414 | 120,923 |
| Interest receivable on education loan notes | 30,893 | 28,912 |
| Prepaid expenses and other assets | 3,679 | 4,512 |
| **Total current assets** | 488,104 | 386,017 |
| **Non-current assets** | | |
| Cash and cash equivalents (Notes 3 and 4) | 36,296 | 275,252 |
| Investments (Notes 3 and 4) | 111,407 | 96,054 |
| Derivative instruments (Notes 3 and 8) | 104 | 113 |
| Education loan notes receivable, net (Notes 3, 5, and 10) | 1,653,923 | 1,537,015 |
| Capital equipment, net of accumulated depreciation (Note 13) | 3,042 | 2,641 |
| **Total assets** | $ 2,292,876 | $ 2,297,092 |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued expenses | $ 13,230 | $ 14,089 |
| Bonds payable – current portion (Note 6) | 119,521 | 85,208 |
| Certificates payable (Note 9) | 4,327 | 4,778 |
| Accrued interest payable | 33,511 | 34,712 |
| **Total current liabilities** | 170,589 | 138,787 |
| **Non-current liabilities** | | |
| Notes payable (Note 7) | 94,095 | 78,100 |
| Bonds payable – net of current portion (Note 6) | 1,761,987 | 1,820,005 |
| Other liabilities – non-current | 119 | 76 |
| **Total liabilities** | 2,026,790 | 2,036,968 |
| | | |
| **Deferred inflows of resources** | | |
| Net gain on bond refunding (Note 6) | 3,512 | 4,985 |
| **Total deferred inflows of resources** | 3,512 | 4,985 |
| | | |
| **Total liabilities and deferred inflows of resources** | 2,030,302 | 2,041,953 |
| | | |
| **Net position** | | |
| Net investment in capital assets | 3,042 | 2,641 |
| Restricted | 138,647 | 139,845 |
| Unrestricted | 120,885 | 112,653 |
| **Total net position** | 262,574 | 255,139 |
| **Total liabilities, deferred inflows of resources and net position** | $ 2,292,876 | $ 2,297,092 |

The accompanying notes are an integral part of the financial statements.

**Massachusetts Educational Financing Authority**
**Statements of Revenues, Expenses and Changes in Net Position**
**For the years ended June 30, 2020 and 2019**
**(in thousands)**

| | 2020 | 2019 |
|---|---|---|
| **Operating revenues** | | |
| Interest on education loan notes receivable (Note 3) | $ 106,538 | $ 102,372 |
| Loan origination fees (Note 5) | 354 | 9,035 |
| College savings plan interest and fees | 6,078 | 5,774 |
| Other revenue | 1,332 | 1,149 |
| **Total operating revenues** | 114,302 | 118,330 |
| **Operating expenses** | | |
| Bond and note interest expense (Notes 6 and 7) | 69,349 | 68,138 |
| Costs of bond and note issuance | 2,053 | 4,146 |
| Provision for doubtful education loan notes receivable | 8,771 | 8,598 |
| General and administrative (Notes 3, 11, 12, and 13) | 29,908 | 23,491 |
| Other expense | 2,223 | 861 |
| **Total operating expenses** | 112,304 | 105,234 |
| **Operating income** | 1,998 | 13,096 |
| **Non-operating revenues (expenses)** | | |
| Interest and dividends | 5,447 | 8,488 |
| Decrease in fair value of derivative instruments | (10) | (57) |
| **Net non-operating revenues** | 5,437 | 8,431 |
| **Total increase in net position** | 7,435 | 21,527 |
| **Net position, beginning of year** | 255,139 | 233,612 |
| **Net position, end of year** | $ 262,574 | $ 255,139 |

The accompanying notes are an integral part of the financial statements.

**Massachusetts Educational Financing Authority**
**Statements of Cash Flows**
**For the years ended June 30, 2020 and 2019**
**(in thousands)**

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Payments for disbursed loans | $ (464,430) | $ (309,848) |
| Payments received on outstanding loan principal | 347,723 | 280,204 |
| General and administrative payments | (29,410) | (24,807) |
| Interest received on education loans | 87,225 | 86,106 |
| Proceeds from other sources | 7,388 | 6,910 |
| **Net cash (used in) provided by operating activities** | (51,504) | 38,565 |
| **Cash flows from non-capital financing activities:** | | |
| Proceeds from issuance of bonds | 211,222 | 377,613 |
| Proceeds from issuance of commercial paper notes | 226,000 | 93,000 |
| Costs of bond and note issuance | (2,053) | (4,146) |
| Bond and note interest paid | (79,184) | (77,782) |
| Principal payments on bonds payable | (227,765) | (260,403) |
| Principal payments on commercial paper notes | (210,005) | (178,400) |
| **Net cash used in non-capital financing activities** | (81,785) | (50,118) |
| **Cash flows from capital financing activities:** | | |
| Purchase of capital equipment and software development | (1,755) | (1,209) |
| **Net cash used in capital financing activities** | (1,755) | (1,209) |
| **Cash flows from investing activities:** | | |
| Proceeds from maturity/sale of investments | 25,512 | 23,326 |
| Purchases of investments | (40,211) | (38,664) |
| Interest and dividends received on cash and investments | 6,340 | 8,228 |
| **Net cash used in investing activities** | (8,359) | (7,110) |
| **Net decrease in cash and cash equivalents** | (143,403) | (19,872) |
| **Cash and cash equivalents, beginning of year** | 488,633 | 508,505 |
| **Cash and cash equivalents, end of year** | $ 345,230 | $ 488,633 |

The accompanying notes are an integral part of the financial statements.

**(in thousands)**

| **Reconciliation of operating income to net cash used in operating activities** | 2020 | 2019 |
|---|---|---|
| **Operating income** | $1,998 | $13,096 |
| **Adjustments to reconcile operating income to net cash used in operating activities:** | | |
| Depreciation expense | 1,353 | 1,157 |
| Provision for doubtful education loan notes receivable | 8,771 | 8,598 |
| Costs of bond and note issuance | 2,053 | 4,146 |
| Bond and note interest expense | 69,349 | 68,138 |
| Changes in assets and liabilities: | | |
| Education loan notes receivable | (132,170) | (52,609) |
| Interest receivable on education loan notes | (1,981) | (1,475) |
| Accounts payable and accrued expenses | (817) | (2,043) |
| Prepaid expenses and other assets | (60) | (443) |
| **Net cash used in operating activities** | ($51,504) | $38,565 |

The accompanying notes are an integral part of the financial statements.

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value | $36,998,958 | $20,176,483 |
| Receivable for securities sold | - | 17,684 |
| Receivable for fund shares sold | 95,496 | 83,995 |
| Dividend receivable | 57 | 6,658 |
| **Total assets** | $37,094,511 | $20,284,820 |
| **Liabilities** | | |
| Payable for investments purchased | $ 86,403 | $ 78,627 |
| Accrued management fee | 4,718 | 3,215 |
| Payable for fund shares purchased | 9,092 | 29,710 |
| Due to designated beneficiaries | 36,994,298 | 20,173,268 |
| **Total liabilities** | $37,094,511 | $20,284,820 |

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE ENTERPRISE FINANCIAL STATEMENTS

### 1. THE AUTHORITY

The Massachusetts Educational Financing Authority (the "Authority") is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1981, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in financing, refinancing, and saving for the costs of such education.

Beginning in 1983, the Authority established a number of proprietary, unsecured consumer loan programs for financing and refinancing loans for undergraduate and graduate students, to finance higher education expenses, including credit based and need based loans that bear interest on a fixed rate or variable rate basis. Since inception, the MEFA financing program has included loans to finance higher education expenses of current students. In 2015, the Authority introduced the MEFA refinancing program that offers credit-based fixed rate and variable rate loans to borrowers for the purpose of refinancing loans previously incurred for higher education expenses.

The Authority solicits participation in its loan programs from qualifying independent and public education institutions and eligible borrowers. For-profit higher education schools are not eligible to participate in the MEFA financing program. In addition to developing and operating its loan, savings and investment programs, the Authority conducts an extensive outreach program for students and parents across the Commonwealth on planning, saving and paying for college.

The loan programs are carried out on a long term funding basis using proceeds from Education Loan Revenue Bonds (the "Bonds") or Asset Backed Notes (see *Note 6*). The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the resolutions. No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the resolutions. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In March 2017, the Authority adopted a resolution (the "Note Resolution") to authorize the issuance of commercial paper notes ("the Notes") as a temporary financing mechanism for its loan programs (see *Note 7*). The Notes are supported by an irrevocable direct-pay letter of credit (the "Letter of Credit") and payable primarily from draws on the Letter of Credit as well as revenues and the funds and accounts established and pledged under the resolution. The Authority intends to issue a combination of revenue bonds and asset backed notes to permanently finance education loans originated with proceeds from the Notes. The Notes are special obligations of the Authority. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Notes, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

In February 1995, the Authority, in cooperation with the Commonwealth and Massachusetts colleges and universities, introduced the Massachusetts College Saving Program, which was further named The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") as a means to distinguish between each of the Authority's two college savings programs. The U.Plan is a prepaid tuition program that permits individuals to save for a beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of an individual's savings.

In March 1999, the Authority, on behalf of the Commonwealth, introduced the U.Fund College Investing Plan (the "U.Fund"). The U.Fund is a tax-advantaged method of saving for higher education costs generally through investment vehicles such as stock, bond and money market mutual funds. Those funds are professionally administered and managed by Fidelity Investments (an unrelated party) and held in a contractual trust on behalf of the owners of the funds and accordingly are not a component of these financial statements.

In July 2002, the Authority, introduced the Federal Family Education Loan Program (the "FFELP") as a means to complement the existing proprietary consumer loan products and enhance the potential borrowing options available to families attending educational institutions within the Commonwealth and residents of the Commonwealth who choose to attend college out of state. Effective July 1, 2010, new legislation eliminated the ability to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program, which is administered by the Federal Government. The new law did not affect the terms and conditions of existing FFELP loans originated by the Authority. In the case of defaults on FFELP loans, the federal government guarantees to the participating lenders 98% of the principal and interest outstanding for those loans originated prior to July 1, 2006 and 97% for loans originated prior to the conclusion of the program by the Federal government on July 1, 2010.

In May 2017, the Authority, on behalf of the Commonwealth, introduced the Attainable Savings Plan (the "Attainable Plan"). The Attainable Plan, established under the Achieving a Better Life Experience (ABLE) Act of 2014, is a tax advantaged savings plan that allows individuals with disabilities to save for qualifying expenses through investment vehicles such as stock, bond and money market mutual funds. Those funds are professionally managed by Fidelity and held by the Authority on behalf of the owners of the funds and accordingly are reported as an agency fiduciary fund of the Authority. The Governmental Accounting Standards Board ("GASB") requires fiduciary activities be excluded from the basic financial statements of business type activities and reported separately in fiduciary fund financial statements.

**COVID-19 Response**
The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses have altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and these behavioral adaptations are causing, and are expected to continue to cause, severe disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. capital markets.

The extent to which the COVID-19 pandemic affects the Authority will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the pandemic and the actions taken to contain it or alleviate its effects. There can be no assurances that the pandemic and resulting business and market disruptions, will not have an adverse impact on the operations of the Authority and its financial condition.

COVID-19 is affecting borrowers nationwide and due to the severity of the outbreak, the Authority made the decision to temporarily expand its relief options to borrowers (see Note 5).

## 2. BASIS OF PRESENTATION

**Accounting and Reporting Standards**
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Authority accounts for and reports its activities by applying Standards of Governmental Accounting and Financial Reporting, as promulgated by the GASB. The statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting, wherein revenues are recognized when earned and expenses when incurred. Detailed financial information segregated by fund is also presented in the accompanying Supplemental Schedules to the financial statements.

The GASB defines the basic financial statements of a business type activity as the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position is presented to illustrate both the current and non-current balances of each asset and liability, as well as deferred outflows of resources and deferred inflows of resources. All revenues and expenses are classified as either operating or non-operating activities in the Statement of Revenues, Expenses and Changes in Net Position. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are capital, investing, legislative or regulated in nature.

The GASB requires the categorization of net position into three components. Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted.

For external accounting and reporting purposes, net position is classified in the following three components:

- **Net investment in capital assets**: capital assets, net of accumulated depreciation.

- **Restricted net position**: net position subject to externally imposed stipulations or enabling legislation that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. The Authority's restricted assets are all expendable and are discussed below:

  - **Trusteed Bond Funds**
    The Bond resolutions for the Trusteed Bond Funds establish various funds and accounts, the primary purpose of which is to (i) provide a basis for the allocation and disbursement of monies received by the Bond funds; (ii) pay issuance costs; (iii) provide for the periodic payment of principal and interest; and (iv) establish reserves to provide for the timely servicing of debt obligations (see *Note 5*). The use of the assets of the various funds and accounts is governed and restricted by the Trusteed Bond Fund Resolutions (see *Note 6*). The assets, deferred outflows, liabilities, deferred inflows, and net position of these funds are the sole responsibility of the trust of each of the individual bond indentures. Neither the Authority, the College Savings funds, nor any other indenture have any entitlement to any of the assets or any legal obligation to settle any of the liabilities of these bond indentures.

  - **Trusteed Notes Funds**
    The Notes issued under the Notes Resolution are special obligations of the Authority. The Notes are collateralized by the assets and associated revenues financed from Note proceeds and further supported by the Letter of Credit. The Letter of Credit and any associated bank note or bank obligation are general obligations of the Authority secured by the full faith and credit of the Authority.

    The Note Resolution established certain funds and accounts to provide a basis for the allocation and disbursement of monies received by the Notes funds. The use of the assets of these funds and accounts is governed and restricted by the Note Resolution (see *Note 7*).

  - **U.Plan**
    The College Savings Funds (the "Fund") consist of the U.Plan and the U.Fund. The U.Plan is governed by the terms and conditions of participation described in the Program Description and Offering Statement, including the Enrollment Agreement that is in effect for each enrollment year. The Fund accounts for fee income and for the operating expenses of the U.Plan as well as all monies received from the program investors and other deposits (*see Note 9*).

  - **Program Reserve Fund**
    Pursuant to Chapter 15C, Section 5C, of the General Laws as established by Chapter 803 of the Acts of 1981, and as amended by Chapter 133, Section 12, of the Acts of 1992 (the "Act"), the program reserve fund was established by the Authority. The Act authorized the Authority to develop and establish a comprehensive state-supported supplemental education loan program. The program consists of lending medium and long-range fixed rate and variable rate loans. These programs shall operate at effective rates of interest and other feasible terms.

- **Unrestricted net position**: net position that is not subjected to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net position includes the general fund and fees earned from the U.Fund. The Authority's unrestricted assets are all expendable and discussed below:

  - **General Fund**
    The General Fund, through monthly draws from the Trusteed Bond Funds and College Savings Funds, maintains the funds available for paying the operating expenses of the Authority, investing in capital assets, supporting capital market activities through direct contributions for cost of issuance and over collateralization requirements of structured

transactions and liquidity for Letter of Credit requirements. The general fund may also include outstanding loans that remain after an entire trust is retired.

- **U.Fund**
  The U.Fund is governed by the terms and conditions of participation described in the Fidelity Brokerage Services, Inc. Customer Agreement and the U.Fund Supplemental Information. While the beneficial interests of the participants of the U.Fund (or overall aggregate value of these funds) are not included in the financial statements, the Authority does receive certain fees and incurs related operating expenses in connection with the U.Fund that are included in these financial statements. The related revenue earned and expenses incurred by the Authority in offering the U.Fund program are not subject to externally imposed stipulations and therefore the aggregate net position of the program are classified on the Statement of Net Position as unrestricted (*see Note 9).*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Management Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Certain relevant elements such as tax policies, political and economic conditions, competition in products, asset pricing variance and interest rate fluctuations and relationships may result in actual results differing from those estimated. The Authority makes every effort to incorporate an analysis of all market conditions as of the Statement of Net Position date in determining what to record as the most accurate estimates.

**Cash, Cash Equivalents and Investments**
Cash and cash equivalents are comprised of cash in bank depository accounts and money market funds in the Trusteed Bond and Trusteed Note Funds. The investments of the Authority, the alternatives of which are governed by the Authority's enabling legislation, include money market funds within the Authority's General and U.Plan funds. Cash and investments not intended to be used within one fiscal year are considered long term assets.

**Interest and Fees on Education Loan Notes Receivable**
Interest on education loan notes receivable is accrued and credited as earned on the principal amount outstanding.

**Allowance for Education Loan Notes Receivable**
The Trusteed Bond Fund Resolutions establish cash and investment reserve accounts to provide funding for education loan notes receivable which may reach a specified state of delinquency or uncollectibility (*see Note 5*). For financial accounting purposes, adjustments to the allowance for the estimated amount for each of the aforementioned items are included as an expense or revenue in the Statement of Revenues, Expenses and Changes in Net Position of the respective Trusteed Bond Fund. This aggregate allowance is reviewed and adjusted as necessary based on management's assessment of the net realizable value of the loan portfolio.

In accordance with the Internal Revenue Code of 1986 (the "Code") and the related Treasury regulations, the Authority is required to keep the yield to the Authority on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Authority has traditionally selected to utilize loan forgiveness at the retirement of the bonds to keep the yield within the designated percentage of the interest costs of the related tax-exempt borrowing. A separate method of reducing yield is to make yield reduction payments to the United States Treasury. These estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. The Authority has contracted with a third party to calculate the estimated liability of the yield restrictions for bonds that are near the end of their term. Management works closely with this third party and reviews and evaluates all final output. The resulting estimated liability is recorded as an adjustment to the net realizable value of the loan portfolio. The factors used in determining this estimate are sensitive to change in the future and consequently the change in estimate may be material to the financial statement results. This current model of estimating is subject to change based on management's judgment and discretion.

**Arbitrage Rebate**
In accordance with the Code, the Authority may be required to pay to the United States Treasury certain amounts related to the Authority's tax-exempt bond issues. The estimated amount of arbitrage payable represents the excess, if any, of amounts earned on bond proceeds and certain related funds on taxable securities (except for earnings that are not required to be rebated under limited exemptions under the Code) over the interest due on the Authority's tax-exempt bonds, plus income attributable to any such excess. Such rebate payments are due every fifth year of each bond issue and when the bonds are retired. The Authority contracts with a third party to calculate estimated amounts due on an annual basis to the federal government. After review and evaluation of this estimate, management records a corresponding liability amount expected to be remitted.

**Capital Equipment**
Capital equipment, including: computer hardware and software development costs, furniture and fixtures, office equipment and leasehold improvements, is recorded at cost less accumulated depreciation computed using the straight-line method over an estimated useful life of 3 to 10 years *(see Note 13)*. Capital equipment is defined as assets over a certain dollar threshold with an estimated useful life in excess of one year.

**Investment Earnings**
Earnings on cash and investments include interest earned on cash and investments as well as fair value adjustments on derivatives. The net increase/ (decrease) in fair value takes into account all changes in fair value that occurred during the year.

**Accounting and Financial Reporting for Refunding of Debt**
Gains and losses on retirement of debt are accounted for in accordance with GASB 23 and GASB 65. The gains and losses on debt refunding, which involve the issuance of new debt whose proceeds are used to pay previously issued debt, have been recognized as deferred inflows or outflows of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Gains and losses on extinguishment of debt that does not involve a refunding are recognized immediately.

**General and Administrative Expenses**
General and administrative expenses include personnel costs, professional fees, marketing costs and office expense and are funded by the Trusteed Bond Funds, College Savings Plans and Authority based on an operating budget prepared by Authority management and approved annually by the Board of Directors. Loan program administration costs are also included in general and administrative costs and funded by the Trusteed Bond Funds in accordance with the Trusteed Bond Fund resolutions requirements.

**Fair Value**
GASB statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement requires the use of certain valuation techniques when measuring fair value and also established a hierarchy of valuation inputs: Level 1 inputs (quoted prices in active markets for identical investments), Level 2 inputs (inputs other than quoted prices that are observable) and Level 3 inputs (unobservable inputs). As of June 30, 2020 and June 30, 2019, the Authority's money market investments are categorized as Level 1 and derivative instruments are categorized as Level 2.

**Derivative Instruments**
GASB Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments* requires governments to measure most derivative instruments at fair value on the Statement of Net Position and to measure the annual change in the fair value of non-hedging derivatives as investment income or loss in the Statement of Revenues, Expenses, and Changes in Net Position. GASB 53 also provides guidance addressing hedge accounting requirements.

The fair values of the hedgeable derivatives and investment derivatives are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in fair value of derivatives is recorded as a deferred inflow or outflow of resources if determined to be an effective hedge and presented on the Authority's Statement of Net Position. If a derivative instrument does not meet the criteria of a hedging derivative, the change in fair value is presented as an increase (decrease) in fair value of investment derivative on the Statement of Revenues, Expenses and Changes in Net Position.

**Recently Issued Accounting Pronouncements**

In January 2017, GASB approved Statement No. 84, "Fiduciary Activities" ("GASB 84"). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. GASB 84 was originally effective for periods beginning after December 15, 2018. The effective date was superseded in accordance with GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", as described below, to fiscal years beginning after December 15, 2019. The Authority is currently assessing the impact of GASB 84 and will implement the standard in fiscal year 2021.

In June 2017, GASB approved Statement No. 87, "Leases" ("GASB 87"). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The original effective date of this standard was for reporting periods beginning after December 15, 2019. The effective date was superseded in accordance with GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", as described below, to fiscal years beginning after June 15, 2021. The Authority is currently assessing the impact of GASB 87.

In March 2020, GASB approved Statement No. 93, "Replacement of Interbank Offered Rates" ("GASB 93"). Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate ("IBOR")—most notably, the London Interbank Offered Rate ("LIBOR"). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. In accordance with GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" as described below, all other requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The Authority is currently assessing the impact of GASB 93.

In May 2020, GASB approved Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" ("GASB 95"). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" ("GASB 97"). The primary objective of this Statement is (1) to require that Internal Revenue Code ("IRC") Section 457 deferred compensation plans be classified as either a pension plan or another employee benefit plan, depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority is currently assessing the impact of GASB 97.

## 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's enabling legislation and its individual fund resolutions govern the investment alternatives available to the Authority. In general, the Authority may invest in obligations of the United States Government and its agencies, investment grade securities issued by the various states, time deposits in banks which are federally insured (provided that, to the extent such time deposits exceed insurance, they are either fully collateralized or are rated in the top three rating categories by Standard and Poor's Corporation ("S&P") or Moody's Investor's Service Inc. ("Moody's")) and in repurchase and investment agreements with financial institutions or insurance companies which are rated in the top three rating categories by S&P or Moody's or which meet certain capital standards. The requirements within the top three rating categories vary among the trusteed funds and also depend upon the type of investment.

The following summarize the cash, cash equivalents and investments of the Authority and identifies certain types of investment risk as defined by Governmental Accounting Standards Board No. 40 Deposit and Investment Risks Disclosures ("GASB 40") at June 30, 2020 and 2019, respectively.

| (in thousands) | **2020** | **2019** |
|---|---|---|
| Cash deposits | $ 2,525 | $ 1,308 |
| Mutual funds: | | |
| Money market funds – Authority and College Savings | 128,591 | 114,343 |
| Money market funds – Trusteed Bonds and Notes | 342,705 | 487,325 |
| Total cash, cash equivalents and investments | $ 473,821 | $ 602,976 |

*Credit Risk and Custodial Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that in the event of a financial institution counterparty failure, the Authority's deposits or investments may not be returned to it. The Authority manages its exposure to credit risk and custodial credit risk by limiting investments to those permitted by the Authority's enabling legislation and its investment policy.

As of June 30, 2020 and June 30, 2019, $2.1M and $1.1M were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the Authority's investment policy, depository banks are required to be rated in the top three rating categories by S&P or Moody's.

As of June 30, 2020, the Authority had the following cash and investments by financial institution within each outstanding trust and the Authority:

| Authority, Trusteed Note Funds and College Savings Funds | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 2,194,277 | 1.3% |
| U.S. Bank | $ 143,391 | 0.1% |
| Fidelity U.S. Government Portfolio – Authority Funds | $ 111,406,756 | 67.7% |
| Fidelity U.S. Government Portfolio – Trusteed Note Funds | $ 33,576,509 | 20.4% |
| Fidelity Government Money Market Fund | $ 1,611,429 | 1.0% |
| First American Government Obligations Fund | $ 15,572,318 | 9.5% |

| Issue FRN Indenture | Cash and Investments | % of Total |
|---|---|---|
| Fidelity U.S. Government Portfolio | $ 2,403,079 | 100% |

| Issue ABS 18 Indenture | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 553 | 0.1% |
| Fidelity U.S. Government Portfolio | $ 4,100,144 | 99.9% |

| Issue ABS 20 Indenture | Cash and Investments | % of Total |
|---|---|---|
| Fidelity U.S. Government Portfolio | $ 6,426,618 | 100% |

| Issue I Indenture | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 86,405 | 0.1% |
| Fidelity U.S. Government Portfolio | $ 90,411,549 | 99.9% |

| Issue J Indenture | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 49,163 | 0.2% |
| Fidelity U.S. Government Portfolio | $ 74,292,952 | 99.8% |

| Issue K Indenture | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 22,282 | 0.1% |
| Fidelity U.S. Government Portfolio | $ 47,995,223 | 99.9% |

| Issue L Indenture | Cash and Investments | % of Total |
|---|---|---|
| Bank of America | $ 3,278 | 0.1% |
| U.S. Bank | $ 25,500 | 0.1% |
| Fidelity U.S. Government Portfolio | $ 83,498,760 | 99.8% |

## 5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2020 and 2019, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| **Outstanding education loan notes receivable (beginning) gross** | $ 1,732,087 | $ 1,679,477 |
| Increases to education loan notes receivable | 481,047 | 333,602 |
| Decreases to education loan notes receivable | (348,877) | (280,992) |
| **Outstanding education loan notes receivable (ending) gross** | 1,864,257 | 1,732,087 |
| **Allowance for education loan notes receivable (beginning)** | 74,149 | 65,551 |
| Increase to allowance for education loan notes receivable | 8,771 | 8,598 |
| **Allowance for education loan notes receivable (ending)** | 82,920 | 74,149 |
| **Outstanding education loan notes receivable, net (ending)** | $ 1,781,337 | $ 1,657,938 |

The Authority originates proprietary, unsecured consumer education loans at the original principal amount of the note. Beginning in fiscal year 2020, the Authority eliminated borrower loan origination fees from all MEFA loan financing programs.

The allowance for educational loan notes receivable is derived from information based on the loan portfolios historical default and recovery performance to achieve the current estimated net realizable value of the outstanding education loan notes. The allowance increased as a result of a $8.8M and $8.6M increase to the provision for doubtful education loan notes receivable in fiscal years 2020 and 2019, respectively. The Authority has expensed historically in aggregate a net of $39M of education loan notes related to the tax-exempt yield restrictions through fiscal year 2020. No allowance for yield restriction was required at June 30, 2020 and 2019. Yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

Defaulted loans are included in outstanding education loan notes receivable and classified as non-current assets with a portion classified as current assets based on estimated collections.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduce the borrower's monthly payment for up to forty-eight months without changing the original loan term or interest rate. As of June 30, 2020 and 2019, the total principal balance outstanding of loans in a modified status was $40M and $52M and represented approximately 3% and 4% of all loans in repayment, respectively. At June 30, 2020 and 2019, these modified loans were 100% and 97% current, respectively, defined as less than 30 days past due, in regard to monthly payments received under the modified terms. Loans in a modified payment plan status are factored into the allowance for education loan notes receivable, which is based on historical default and recovery performance.

Historically, the Authority has also offered Natural Disaster Forbearance for borrowers that are impacted by a federally declared major disaster. On March 13, 2020, a National Emergency was declared by the Federal government in response to the outbreak of COVID-19. Due to the severity of the outbreak, the Authority made the decision to expand its relief options by offering Natural Disaster Forbearance to all borrowers impacted by COVID-19 for an initial period of up to four months. The Authority has experienced an increase in Natural Disaster Forbearance as a result of reduced economic activity and increased unemployment due to the virus outbreak and containment efforts. As of June 30, 2020 and 2019, the total principal balance outstanding of loans in forbearance was $136.2M and $1.1M, respectively and represented approximately 9% and 0.1% of all loans in repayment, respectively.

The loan and debt service reserve funds are designed and funded to provide another level of support for defaulted loans and debt service payments that provide stability to the cash flow of the bond issuance. On an annual basis, the reserve requirements are reviewed and funded by cash balances at levels approved by the insurer or rating agencies of each specific bond issue. The fund balance of the loan and debt service reserve requirements in aggregate was $20.5M and $22.4M for fiscal years 2020 and 2019, respectively.

## 6. BONDS PAYABLE

The activity related to the Authority's bonds payable for the fiscal years ended 2020 and 2019 was as follows:

(in thousands)

| | 2020 | 2019 |
|---|---|---|
| Bonds outstanding, gross beginning balance | $ 1,855,556 | $ 1,743,692 |
| Bonds issued | 211,280 | 372,267 |
| Bonds redeemed | (227,766) | (260,403) |
| Bonds outstanding, gross ending balance | 1,839,070 | 1,855,556 |
| Net unamortized issuance premiums | 42,438 | 49,657 |
| Bonds outstanding, net ending balance | $ 1,881,508 | $ 1,905,213 |

Bonds payable issued under the individual Trust resolutions are payable from a pledge of the assets and revenues of each Trusteed Bond Fund. Bonds may be redeemed at par and ahead of scheduled maturity under circumstances specified in the Bond Resolutions. All bonds payable issued under the Trust resolutions contain a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due.

As of June 30, 2020 mandatory annual maturities of bonds principal payable for the next five fiscal years and thereafter are as follows (in thousands):

| | 2021 | 2022 | 2023 | 2024 | 2025 | Remaining Schedule | Total Payable |
|---|---|---|---|---|---|---|---|
| 2008 FRN | - | - | - | - | - | 29,390 | 29,390 |
| 2009 Issue I | - | - | 4,195 | 2,805 | 2,950 | 3,170 | 13,120 |
| 2010 Issue I | - | 34,915 | - | - | 835 | 17,575 | 53,325 |
| 2011 Issue J | 5,305 | 6,460 | 7,010 | 2,450 | 2,660 | 18,240 | 42,125 |
| 2012 Issue J | 14,825 | 16,135 | 5,670 | 5,430 | 5,855 | 20,130 | 68,045 |
| 2013 Issue K | 14,735 | 16,320 | 17,895 | 8,860 | 9,345 | 47,285 | 114,440 |
| 2014 Issue I | 40,000 | 5,000 | 8,000 | 7,000 | 33,600 | 44,390 | 137,990 |
| 2015A Issue I | 22,000 | 39,000 | 9,000 | 34,000 | 7,000 | 13,980 | 124,980 |
| 2015B Issue I | 4,520 | 4,440 | 4,070 | 4,380 | 3,360 | 13,025 | 33,795 |
| 2016 Issue J | 12,000 | 16,600 | 22,100 | 26,100 | 27,370 | 132,960 | 237,130 |
| 2017 Issue K | 3,500 | 10,955 | 10,000 | 15,000 | 13,230 | 92,760 | 145,445 |
| 2018 Issue L | - | 11,710 | 18,880 | 23,245 | 24,210 | 228,300 | 306,345 |
| 2018 ABS | - | - | - | - | - | 113,490 | 113,490 |
| 2019 Issue L | - | - | 1,000 | 7,155 | 12,380 | 187,635 | 208,170 |
| 2020 ABS | - | - | - | - | - | 211,280 | 211,280 |
| | $116,885 | $161,535 | $107,820 | $136,425 | $142,795 | $ 1,173,610 | $1,839,070 |

In July and August 2020, the Authority redeemed fixed rate bonds outstanding of $52.6M and $16.4M of floating rate notes.

The following is a summary of the principal maturities and estimated interest expense for bonds payable outstanding at June 30, 2020 (in thousands):

| Year Ending June 30 | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2021 | 116,885 | 75,398 | 192,283 |
| 2022 | 161,535 | 69,051 | 230,586 |
| 2023 | 107,820 | 60,956 | 168,776 |
| 2024 | 136,425 | 55,661 | 192,086 |
| 2025 | 142,795 | 48,977 | 191,772 |
| 2026-2030 | 473,215 | 165,059 | 638,274 |
| 2031-2035 | 333,827 | 83,239 | 417,066 |
| 2036-2040 | 243,170 | 48,393 | 291,563 |
| 2041-2045 | 19,598 | 24,103 | 43,701 |
| 2046-2050 | 103,800 | 7,383 | 111,183 |
| | $1,839,070 | $638,220 | $2,477,290 |

Total interest expense for the years ended June 30, 2020 and 2019 was $69.4M and $68.1M, respectively and includes $7.2M and $8.5M amortization of bond issuance premium, respectively. Also, for fiscal years 2020 and 2019 there is $1.5M and $2.2M of amortization of net deferred gain on bond program activities included in the total bond interest expense, respectively.

**Issue FRN 2008**
On July 2, 2008, under the FRN Indenture, the Authority issued $296M principal amount of floating rate bonds with a final maturity date of April 25, 2038. Quarterly interest payments are required on each distribution date, which is the 25th day of the month for the months of January, April, July and October. The notes will bear interest at an annual rate equal to three-month LIBOR plus 0.95%. Outstanding note principal may be redeemed on each quarterly distribution as determined by the Indenture requirements. As a result of redemptions of $7.1M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $29.4M.

**Issue I Series 2009A**
On June 26, 2009, under the Issue I 2009 Bond Resolution, the Authority issued $289M principal amount of bonds dated June 30, 2009, requiring annual principal payments each January 1 commencing on January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2010. Issue I 2009A Bonds mature as follows: $132.4M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from $2.5M to $17.8M with interest at rates ranging from 3.40% to 5.75%; and $156.6M term bonds which mature in 2023 and 2028. The term bonds are subject to annual sinking fund installments totaling $41.9M from 2021 to 2022 and $114.7M from 2023 to 2027. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020. The Issue I 2009 Bonds were issued with a premium of $1.7M.

As a result of scheduled maturities and redemptions of $30M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $13.2M including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue I Series 2010A and 2010B**
On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued $318.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010A Bonds mature as follows: $318.5M serial bonds which mature annually from 2012 to 2030 in annual amounts ranging from $4.2M to $37.8M with interest at rates ranging from 2.00% to 5.50%. Bonds maturing on or after January 1, 2021, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued $86.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010B Bonds mature as follows: $41.2M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from $2.0M to $7.1M with interest at rates ranging from 2.55% to 5.375%; and $45.3M term bonds which mature 2023 and 2031. The term bonds are subject to annual sinking fund installments totaling $10.6M from 2021 to 2022 and $34.7M from 2029 to 2030. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

The Issue I 2010 Bonds were issued with a premium of $4.4M.

As a result of scheduled maturities and redemptions of $21.5M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $53.6M, including the unamortized premium that was incorporated in the initial sale of the bonds and net deferred gain on bond program activities.

**Issue J Series 2011**
On June 24, 2011, under the Issue J 2011 Bond Resolution, the Authority issued $102.9M principal amount of bonds dated July 13, 2011 requiring annual principal payments each July 1 commencing July 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2012. Issue J Series 2011 Bonds mature as follows: $90.9M serial bonds which mature annually from 2017 to 2029 in annual amounts ranging from $0.5M to $11.2M with interest at rates ranging from 4.00% to 5.625%; and $12M of term bonds which mature in 2033. The Issue J Series 2011 Bonds are subject to sinking fund installments totaling $12M from fiscal 2030 to 2033 in annual amounts ranging from $1.5M to $8.6M. Bonds maturing on or after July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2011 Bonds were issued at a discount of $0.4M.

As a result of scheduled maturities and redemptions of $10.2M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $42M, including the unamortized discount that was incorporated in the initial sale of the bonds.

**Issue J Series 2012**
On June 1, 2012, under the Issue J 2012 Bond Resolution, the Authority issued $168.3M principal amount of bonds dated June 27, 2012 requiring annual principal payments each July 1 commencing July 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2013. Issue J Series 2012 Bonds are term bonds which mature annually from 2018 to 2030 in annual amounts ranging from $2.5M to $25.7M with interest at rates ranging from 3.10% to 5.00%. Bonds maturing on July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2012 Bonds were issued with a premium of $4.2M.

As a result of scheduled maturities and redemptions of $21M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $69M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue K Series 2013**
On June 20, 2013, under the Issue K 2013 Bond Resolution, the Authority issued $222M principal amount of bonds dated June 27, 2013 requiring annual principal payments each July 1 commencing July 1, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2014. Issue K Series 2013 Bonds mature as follows: $135.1M serial bonds which mature annually from fiscal year 2016 to 2026 in annual amounts ranging from $1.2M to $20.8M with interest at rates ranging from 2.00% to 5.00%, $86.9M of term bonds maturing in 2029 and 2032 with interest at rates of 5.25% and 5.375%. Bonds maturing on or after July 1, 2023 are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2022. The Issue K Series 2013 Bonds were issued with a premium of $4.6M.

As a result of scheduled maturities and redemptions of $26.8M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $115.9M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue I Series 2014**
On May 8, 2014, under the Issue I 2014 Bond Resolution, the Authority issued $185.7M principal amount of bonds dated June 17, 2014 requiring annual principal payments each January 1 commencing January 1,

2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2015. Issue I Series 2014 Bonds mature as follows: $167.6M serial bonds which mature annually from fiscal year 2017 to 2027 in annual amounts ranging from $0.8M to $37.5M with interest at rates ranging from 3.00% to 5.00%, $18.1M of term bonds maturing in 2032 with an interest rate of 4.375%. Bonds maturing on or after January 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2025. The Issue I Series 2014 Bonds were issued with a premium of $15.5M.

As a result of scheduled maturities and redemptions of $6.7M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $145.3M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue I Series 2015A**

On May 28, 2015, under the Issue I 2015A Bond Resolution, the Authority issued $184.8M principal amount of bonds dated July 9, 2015 requiring annual principal payments each January 1 commencing January 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2016. The Issue I Series 2015A Bonds mature annually from 2017 to 2032 in annual amounts ranging from $0.3M to $38.7M with interest at rates ranging from 3.00% to 5.00%. Bonds maturing on or after January 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2025. The Issue I Series 2015A Bonds were issued with a premium of $15.2M.

As a result of scheduled maturities and redemptions of $17.7M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $132.1M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue I Series 2015B-1 and 2015B-2**

On November 18, 2015, under the Issue I 2015B Bond Resolution, the Authority issued $21M principal amount of floating rate planned amortization class (PAC) bonds dated November 30, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2016. Issue I Series 2015B-1 Bonds mature as follows: $6M PAC bonds maturing in 2031 with mandatory semi-annual PAC installments from 2017 to 2019 in amounts ranging from $0.2M to $2.3M bearing an interest rate of one-month LIBOR plus 1.75%; $15M PAC bonds maturing in 2032 with semi-annual mandatory PAC installments from 2019 to 2028 in amounts ranging from $0.1M to $1.0M bearing an interest rate of one month LIBOR plus 2.05%. On October 3, 2018, the remaining outstanding Issue I Series 2015B-1 bonds were optionally refunded and the series was retired.

On November 18, 2015, under the Issue I 2015B Bond Resolution, the Authority issued $55M principal amount of fixed rate serial, term and PAC bonds dated November 30, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2016. Issue I Series 2015B-2 Bonds mature as follows: $21.6M serial bonds which mature semi-annually from 2017 to 2023 in annual amounts ranging from $1.5M to $2.0M with interest at rates ranging from 2.00% to 3.875%; $22.2M term bonds maturing in 2025 and 2030 bearing interest rates of 4.0% and 4.7% respectively; $11.2M PAC bonds maturing in 2032 bearing an interest rate of 4% and requiring semi-annual mandatory PAC installments from 2017 to 2024 in amounts ranging from $0.01M to $2M. Term bonds are subject to sinking fund installments totaling $22M from 2024 to 2030 in amounts ranging from $900K to $2M. Bonds maturing on or after July 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2026.

The Issue I Series 2015B Bonds were issued at a discount of $1.6M.

As a result of scheduled maturities and redemptions of $7M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $33.5M, including the unamortized discount that was incorporated in the initial sale of the bonds.

**Issue J Series 2016**

On May 25, 2016, under the Issue J 2016 Bond Resolution, the Authority issued $340M principal amount of bonds dated June 16, 2016 requiring annual principal payments each July 1 commencing July 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2017. Issue J Series 2016 Bonds mature as follows: $137.7M serial bonds which mature annually from 2018 to 2024 in annual amounts ranging from $12M to $27.4M with interest at rates ranging from 4.00% to 5.00%, $202.3M of term bonds which mature in 2033 with an interest rate of 3.5%. The term bonds are subject to annual sinking fund installments totaling $202.3M from 2025 to 2033 in amounts ranging from $10.0M to $34.7M. Bonds maturing on or after July 1, 2033 are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2024. The Issue J Series 2016 Bonds were issued with a premium of $13M.

As a result of scheduled maturities and redemptions of $40.2M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $243.8M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue K Series 2017A and 2017B**

On June 1, 2017, under the Issue K 2017 Bond Resolution, the Authority issued $117.8M principal amount of Senior Series 2017A bonds dated June 13, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2018. Issue K Series 2017A Bonds mature as follows: $75.1M serial bonds which mature annually on July 1 from 2019 to 2026 in amounts ranging from $0.5M to $15M with interest at rates ranging from 3.00% to 5.00%; $42.7M term bonds which mature in 2032 with an interest rate of 3.6%. The Issue K Series 2017A Bonds are subject to sinking fund installments totaling $42.7M from fiscal 2027 to 2032 in annual amounts ranging from $3.1M to $10.7M.

On June 1, 2017, under the Issue K 2017 Bond Resolution, the Authority issued $42.8M principal amount of Subordinate Series 2017B bonds dated June 13, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2018. Issue K Series 2017B Bonds are term bonds which mature in 2046 with an interest rate of 4.3%.

Bonds maturing on or after July 1, 2032, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2026. The Issue K 2017 Bonds were issued with a premium of $9.3M.

As a result of scheduled maturities and redemptions of $6.2M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $152.4M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue L Series 2018A, 2018B & 2018C**

On May 17, 2018, under the Issue L 2018 Bond Resolution, the Authority issued $159M principal amount of Senior Series 2018A Bonds dated June 13, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2019. Issue L Series 2018A Bonds mature as follows: $93.2M serial bonds which mature annually on July 1 from 2021 to 2028 in amounts ranging from $7.1M to $14.4M with interest at rates ranging from 3.48% to 4.16%; $65.8M term bonds which mature in 2034 with an interest rate of 4.408%. The Issue L Series 2018A Bonds are subject to sinking fund installments totaling $65.8M from 2029 to 2034 in annual amounts ranging from $7.3M to $13.7M. 2018A Bonds maturing on or after July 1, 2029, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2028.

On May 17, 2018, under the Issue L 2018 Bond Resolution, the Authority issued $114M principal amount of Senior Series 2018B Bonds dated June 13, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2019. Issue L Series 2018B Bonds mature as follows: $77.8M serial bonds which mature annually on July 1 from 2021 to 2028 in amounts ranging from $4.7M to $11.8M with an interest rate of 5%; $36.3M term bonds which mature in 2034 with an interest rate of 3.625%. The Issue L Series 2018B Bonds are subject to sinking fund installments totaling $36.1M from 2029 to 2034 in annual amounts ranging from $2.8M to $6.8M. 2018B Bonds maturing on or after July 1, 2027, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2026.

On May 17, 2018, under the Issue L 2018 Bond Resolution, the Authority issued $33.4M principal amount of Subordinate Series 2018C Bonds dated June 13, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2019. Issue L Series 2018C Bonds are term bonds which mature in 2046 with an interest rate of 4.125%. 2018C Bonds are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2026.

The Issue L 2018 Bonds were issued with a premium of $7.6M.

The ending balance of this entire series as of June 30, 2020 is $313.1M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue ABS 2018**

On September 19, 2018, under the Indenture of Trust relating to Asset-Backed Notes, Series 2018-A, the Authority issued $157.7M principal amount of Class A education loan asset-backed notes with a final maturity date of May 25, 2033. The notes are secured primarily by education loans originated with proceeds from commercial paper notes and bear an interest rate of 3.85%. Monthly interest payments are required on each distribution date, which is the 25th day of the month. Outstanding note principal may be redeemed on each monthly distribution date as determined by the Indenture requirements.

On September 19, 2018, under the Indenture of Trust relating to Asset-Backed Notes, Series 2018-A, the Authority issued $6.4M principal amount of Class B education loan asset-backed notes with a final maturity date of April 25, 2042. The notes are secured primarily by education loans originated with proceeds from commercial paper notes and bear an interest rate of 4.65%. Monthly interest payments are required on each distribution date, which is the 25th day of the month. Outstanding note principal may be redeemed on each monthly distribution date as determined by the Indenture requirements.

The Issue ABS 2018 notes were issued at a discount of $1.3M.

As a result of redemptions of $33.4M in fiscal year 2020, the ending balance of this entire series as of June 30, 2020 is $112.7M, including the unamortized discount that was incorporated in the initial sale of the notes.

**Issue L Series 2019A, 2019B & 2019C**
On May 2, 2019, under the Issue L 2019 Bond Resolution, the Authority issued $99.8M principal amount of Senior Series 2019A Bonds dated June 13, 2019. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2020. Issue L Series 2019A Bonds mature as follows: $53.8M serial bonds which mature annually on July 1 from 2022 to 2029 in amounts ranging from $0.6M to $9M with interest at rates ranging from 2.93% to 3.505%; $46M term bonds which mature in 2035 with an interest rate of 3.775%. The Issue L Series 2019A Bonds are subject to sinking fund installments totaling $46M from 2030 to 2035 in annual amounts ranging from $6.8M to $8.4M. 2019A Bonds maturing on or after July 1, 2035, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2029.

On May 2, 2019, under the Issue L 2019 Bond Resolution, the Authority issued $80.8M principal amount of Senior Series 2019B Bonds dated June 13, 2019. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2020. Issue L Series 2019B Bonds mature as follows: $39.5M serial bonds which mature annually on July 1 from 2022 to 2029 in amounts ranging from $0.4M to $7.2M with an interest rate of 5%; $41.3M term bonds which mature in 2035 with an interest rate of 3%. The Issue L Series 2019B Bonds are subject to sinking fund installments totaling $41.3M from 2030 to 2035 in annual amounts ranging from $6.4M to $7.7M. 2019B Bonds maturing on or after July 1, 2035, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2029.

On May 2, 2019, under the Issue L 2019 Bond Resolution, the Authority issued $27.6M principal amount of Subordinate Series 2019C Bonds dated June 13, 2019. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2020. Issue L Series 2019C Bonds are term bonds which mature in 2047 with an interest rate of 3.75%. 2019C Bonds are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2029.

The Issue L 2019 Bonds were issued with a premium of $6.6M.

The ending balance of this entire series as of June 30, 2020 is $214.3M, including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue ABS 2020**
On June 9, 2020, under the Indenture of Trust relating to Asset-Backed Notes, Series 2020-A, the Authority issued $198.1M principal amount of Senior Class A education loan asset-backed notes with a final maturity date of February 25, 2040. The notes are secured primarily by education loans originated with proceeds from commercial paper notes and bear an interest rate of 2.30%. Monthly interest payments are required on each distribution date, which is the 25th day of the month. Outstanding note principal may be redeemed on each monthly distribution date as determined by the Indenture requirements.

On June 9, 2020, under the Indenture of Trust relating to Asset-Backed Notes, Series 2020-A, the Authority issued $13.2M principal amount of Subordinate Class B education loan asset-backed notes with a final maturity date of February 25, 2045. The notes are secured primarily by education loans originated with proceeds from commercial paper notes and bear an interest rate of 3.76%. Monthly interest payments are required on each distribution date, which is the 25th day of the month. Outstanding note principal may be redeemed on each monthly distribution date as determined by the Indenture requirements.

The ending balance of this entire series as of June 30, 2020 is $211.2M, including the unamortized discount that was incorporated in the initial sale of the notes.

**Debt Refunding Transactions**
The Issue ABS 2020 bonds were issued for the purpose of paying the principal of and accrued interest on a portion of the outstanding commercial paper notes previously issued under the Note Resolution. At the time of issuance, $31M of proceeds from the ABS 2020 bonds, were placed into an irrevocable trust in an amount sufficient to pay the principal and interest on certain commercial paper notes (“defeased notes”) maturing subsequent to the ABS 2020 issuance date. Accordingly, the assets and liabilities of the irrevocable trust are not included in the Authority’s financial statements and the defeased notes were fully redeemed in July 2020.

A portion of the proceeds from the Issue ABS 2018 bonds issued in fiscal year 2019 were used to optionally refund $14.7M of bonds previously issued under Issue I 2015B-1. The reacquisition price of the debt exceeded the net carrying amount of the refunded bonds by $547K and was reported as a deferred outflow of resources and is recognized as a component of interest expense over the remaining life of the new debt.

## 7. NOTES PAYABLE

The Note Resolution and subsequent amendments authorize the issuance and sale of up to $350M of Commercial Paper Revenue Notes. The Notes are interest bearing obligations with maturities no later than 270 days from their date of issuance and payable primarily from draws on the Letter of Credit at maturity as well as revenues and the funds and accounts established and pledged under the Note Resolution. There was no outstanding balance on the Letter of Credit at June 30, 2020.

The activity related to the Notes for the fiscal years ended 2020 and 2019 was as follows:

(in thousands)

| | 2020 | 2019 |
|---|---|---|
| Notes outstanding, beginning balance | $ 78,100 | $ 163,500 |
| Net commercial paper notes issued | 226,000 | 87,000 |
| Commercial paper notes retired | (210,005) | (172,400) |
| Notes outstanding, ending balance | $ 94,095 | $ 78,100 |

The Notes are a short term financing mechanism and the Authority intends to issue a combination of long term revenue bonds and asset backed notes to finance the education loans originated with proceeds from the Notes. Proceeds from the Issue ABS 2020 were used to retire $210M of commercial paper notes outstanding on June 18, 2020. A portion of the proceeds from the Issue ABS 2018 bonds were used to retire $172.4M of commercial paper notes outstanding on October 3, 2018.

Total interest expense on the Notes for the fiscal years ended June 30, 2020 and June 30, 2019 was $3.5M and $1.8M, respectively. Interest rates on Notes issued during fiscal year 2020 ranged from 0.18% to 3.75% with maturities ranging from 5 days to 96 days. Interest rates on Notes issued during fiscal year 2019 range from 2.02% to 2.73% with maturities ranging from 1 day to 98 days

As the Authority has demonstrated the ability to consummate the refinancing of the Notes, the obligation is reported as a Non-current liability on the Statement of Net Position.

## 8. DERIVATIVES DISCLOSURE

As a method to manage the debt costs associated with financing student loans, the Authority has engaged in the use of interest rate cap derivatives which were structured specifically with regard to its underlying asset portfolio. In recognition of the potential risks associated with the products, the Authority employed certain risk management techniques such as embedded call options, credit support annexes and amortizing notional amounts that will provide for efficiency and flexibility in its future ability to manage the derivative portfolio. For derivatives, it is the Authority’s policy not to engage in trading, market making or other speculative activities.

## Interest Rate Caps

### Objective of interest rate caps

The purpose of the cap was to place a ceiling on the debt service payments associated with variable rate bonds that have since been retired. Capping the variable rate debt allowed the Authority to offer variable rate loans to borrowers with the assurance that the interest rate assessed on their loans would not exceed a specific rate. It is the intent that the caps will remain in effect until the maturity date of the derivative trade or could be terminated early as part of any Statement of Net Position management strategy.

The fair values of the interest rate caps were as follows:

**June 30, 2020**
(in thousands)

| Associated Bond Issue | Notional Amounts | Effective Date | Fair Values | Cap Maturity Date | Counterparty Credit Rating |
|---|---|---|---|---|---|
| Issue E 2003B | $2,550 | 3/13/2003 | $0.1 | January 2027 | (Aa3/A+) |
| Issue E 2003E | $2,680 | 3/10/2004 | $0.1 | January 2026 | (Aa3/A+) |
| Issue E 2004B | $4,260 | 3/31/2005 | $0.1 | January 2026 | (Aa3/A+) |
| Issue E 2006C | $16,100 | 6/13/2006 | $3.0 | July 2027 | (Aa3/A+) |
| Issue E 2007C | $68,200 | 4/5/2007 | $100 | January 2033 | (Aa3/A+) |
| | **$93,790** | | **$103** | | |

**June 30, 2019**
(in thousands)

| Associated Bond Issue | Notional Amounts | Effective Date | Fair Values | Cap Maturity Date | Counterparty Credit Rating |
|---|---|---|---|---|---|
| Issue E 2003B | $3,550 | 3/13/2003 | $0.1 | January 2027 | (Aa3/A+) |
| Issue E 2003E | $4,800 | 3/10/2004 | $0.1 | January 2026 | (Aa3/A+) |
| Issue E 2004B | $6,940 | 3/31/2005 | $0.1 | January 2026 | (Aa3/A+) |
| Issue E 2006C | $19,600 | 6/13/2006 | $3.9 | July 2027 | (Aa3/A+) |
| Issue E 2007C | $73,400 | 4/5/2007 | $109 | January 2033 | (Aa3/A+) |
| | **$108,290** | | **$113** | | |

### Terms, fair value and credit risk

As of June 30, 2020, approximately 10% of the portfolio of interest rate caps consisted of a strike rate of 75% of one year USD-LIBOR-BBA as the underlying interest rate with a cap rate of 9.00%, while approximately 90% of the portfolio had a strike rate of 100% of one month USD-LIBOR-BBA and a cap rate of 9.40%. All interest rate caps were purchased with a one time, up-front payment generally upon the closing of each individual bond issuance. The total cost of all caps purchased historically was $4.1M. All of the $94M in notional outstanding as of June 30, 2020, were structured to amortize until final maturity of the trade.

*Fair value:* The fair values of the interest rate transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. Where applicable under the income approach (which takes into consideration the risk of nonperformance) an option pricing model technique is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs that are significant to the entire measurements, the fair values of the transactions are categorized as Level 2 (inputs other than quoted prices that are observable).

Derivatives that do not meet the criteria of an effective hedging relationship are considered investment derivatives and changes in fair value are presented as an increase or decrease in fair value of investment derivatives on the Statement of Revenues, Expenses & Changes in Net Position. The decrease in fair value of investment derivatives recorded as expense for the fiscal years ended June 30, 2020 and June 30, 2019 was $9K and $57K respectively.

*Credit Risk:* As of June 30, 2020, the UBS AG counterparty rating for the cap portfolio was at least A2/A by Moody's and S&P, respectively. Credit risk may occur if the counterparty is unable to fulfill its obligation to reimburse the Authority the difference between the market interest rate and the cap.

*Termination risk:* The interest rate cap contract employs the ISDA Master Agreement, which includes standard termination events, such as decrease in credit ratings, failure to pay and bankruptcy. The counterparty must maintain a long-term debt rating of at least A2 from Moody's and at least A from Standard & Poor's. The Authority may terminate any of its caps at any time; however, the counterparty's rights are limited to defined events.

## 9. COLLEGE SAVINGS INVESTING PROGRAMS

The U.Plan was developed by the Authority in cooperation with the Commonwealth of Massachusetts, pursuant to specific legislative authorization in 1989. The purpose of the U.Plan is to allow families to save for undergraduate tuition at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of the savings.

As of June 30, 2020 and 2019, the Authority had deposits of $4.3M and $4.8M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2020 and August 1, 2019, respectively.

As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

| | Bonds Purchased | Issue Date | Maturity Dates From/Through |
|---|---|---|---|
| 1995 College Opportunity Bonds, Series A | $ 26,122 | August 1, 1995 | August 1, 2000 / 2015 |
| 1996 College Opportunity Bonds, Series A | $ 18,970 | August 1, 1996 | August 1, 2001 / 2016 |
| 1997 College Opportunity Bonds, Series A | $ 19,902 | August 1, 1997 | August 1, 2002 / 2017 |
| 1998 College Opportunity Bonds, Series A | $ 17,683 | August 1, 1998 | August 1, 2003 / 2018 |
| 1999 College Opportunity Bonds, Series A | $ 12,862 | August 1, 1999 | August 1, 2004 / 2019 |
| 2000 College Opportunity Bonds, Series A | $ 6,626 | August 1, 2000 | August 1, 2005 / 2020 |
| 2001 College Opportunity Bonds, Series A | $ 5,636 | August 1, 2001 | August 1, 2006 / 2021 |
| 2002 College Opportunity Bonds, Series A | $ 5,970 | August 1, 2002 | August 1, 2007 / 2022 |
| 2003 College Opportunity Bonds, Series A | $ 6,343 | August 1, 2003 | August 1, 2008 / 2023 |
| 2004 College Opportunity Bonds, Series A | $ 7,118 | August 1, 2004 | August 1, 2009 / 2024 |
| 2005 College Opportunity Bonds, Series A | $ 7,078 | August 1, 2005 | August 1, 2010 / 2025 |
| 2006 College Opportunity Bonds, Series A | $ 5,763 | August 1, 2006 | August 1, 2011 / 2026 |
| 2007 College Opportunity Bonds, Series A | $ 6,028 | August 1, 2007 | August 1, 2012 / 2027 |
| 2008 College Opportunity Bonds, Series A | $ 5,894 | August 1, 2008 | August 1, 2013 / 2028 |
| 2009 College Opportunity Bonds, Series A | $ 6,903 | August 1, 2009 | August 1, 2014 / 2029 |
| 2010 College Opportunity Bonds, Series A | $ 8,426 | August 1, 2010 | August 1, 2015 / 2030 |
| 2011 College Opportunity Bonds, Series A | $ 9,031 | August 1, 2011 | August 1, 2016 / 2031 |
| 2012 College Opportunity Bonds, Series A | $ 11,738 | August 1, 2012 | August 1, 2017 / 2032 |
| 2013 College Opportunity Bonds, Series A | $ 10,998 | August 1, 2013 | August 1, 2018 / 2033 |
| 2014 College Opportunity Bonds, Series A | $ 9,781 | August 1, 2014 | August 1, 2019 / 2034 |
| 2015 College Opportunity Bonds, Series A | $ 9,209 | August 1, 2015 | August 1, 2020 / 2035 |
| 2016 College Opportunity Bonds, Series A | $ 8,675 | August 1, 2016 | August 1, 2021 / 2036 |
| 2017 College Opportunity Bonds, Series A | $ 9,442 | August 1, 2017 | August 1, 2022 / 2037 |
| 2018 College Opportunity Bonds, Series A | $ 8,136 | August 1, 2018 | August 1, 2023 / 2038 |
| 2019 College Opportunity Bonds, Series A | $ 8,386 | August 1, 2019 | August 1, 2024 / 2039 |
| Total | $ 252,720 | | |

The U.Plan tuition certificates represent a beneficial ownership interest in these bonds. The bonds bear interest at a rate equal to the annual increase in the consumer price index plus 2.5%. Between the date deposits are collected from participants and the purchase of the bonds, the amounts collected and a related liability to participants are recorded on the Statement of Net Position as certificates payable. Once bonds are purchased, the liability is removed from the Statement of Net Position of the Authority. When bonds mature, the cash is moved to an investment account restricted to MEFA's use and an associated liability to U.Plan participants is recorded on the Statement of Net Position. As of June 30, 2020 and 2019, included in accounts payable and accrued expenses, were matured certificates payable to U.Plan participants in the amounts of $9.7M and $10.7M, respectively.

The U.Fund was developed by the Authority on behalf of the Commonwealth of Massachusetts under section 529 of the Internal Revenue Code of 1986, as amended. The purpose of the U.Fund is to allow families to save for higher education expenses through the investment in mutual funds, which are professionally managed by Fidelity Investments. At June 30, 2020 and 2019, the U.Fund was composed of thirty-six mutual fund portfolios generally comprised of stock, bond, and money market funds. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2020 and 2019, net assets for the U.Fund were $6,929M and $6,511M, respectively.

## 10. RELATED PARTIES

During fiscal years 2020 and 2019, four members of the Authority were officers/trustees of participating institutions and the Authority purchased loans totaling $7.9M and $6.4M, respectively, in principal balance, from these institutions. At June 30, 2020 and 2019, $37M and $35.5M, respectively, of loans purchased from those institutions were outstanding.

## 11. DEFINED CONTRIBUTION PLANS

All employees of the Authority participate in the Massachusetts Educational Financing Authority Retirement Savings Plan (the "Plan"); a defined contribution plan created in accordance with Internal Revenue Code Sections 401(a) and 414(d). Plan benefit terms are established and may be amended by the Authority acting in its capacity as Plan Administrator. The Authority contributes an amount equal to 12.4% of an employee’s gross salary to the Plan, which vests at 100% after two years of employment. In addition, for fiscal years 2020 and 2019, the Authority made a matching contribution to the Plan equal to 100% and 75%, respectively of each dollar, up to 6% of an employee’s gross salary, contributed to the Authority’s deferred compensation plan. The Authority's matching contributions vest immediately.

The Authority also offers the Deferred Compensation Plan of the Massachusetts Educational Financing Authority (the “Deferred Plan”). The Deferred Plan was created under Internal Revenue Code Section 457(b) and allows employees the opportunity to make pre-tax contributions to the plan subject to IRS limitations. Deferred Plan benefit terms are established and may be amended by the Authority acting in its capacity as Plan Administrator. Through December 2018, the Authority made matching contributions to the Deferred Plan equal to 50% of each dollar, up to 6 % of an employee’s gross salary, contributed to the Deferred Plan. The matching contribution to the Deferred Plan was suspended effective January 2019. Total employee contributions to the Deferred Plan for the years ended June 30, 2020 and 2019 were $398K and $378K, respectively. Employee contributions to the Deferred Plan vest immediately.

It is the Authority's policy to fund contributions to both plans on a current basis. Total retirement plan expense included in general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019 was $923K and $687K, respectively. The Authority pays administrative expenses of the plans for the plan participants and Matrix Financial Solutions is the custodian of the plan assets.

## 12. LEASE COMMITMENT

The Authority entered into a ten year operating lease agreement for its current office space which commenced in March 2018, with an initial term of ten years and a five-year renewal option. The office lease payments are subject to the Authority paying certain operating costs, such as annual escalation for increases in real estate taxes and operating expenses. The Authority also has other operating lease arrangements for office equipment.

As of June 30, 2020, annual minimum operating lease payments for office space and office equipment are as follows for the following five fiscal years and thereafter:

(in thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
|---|---|---|---|---|---|---|
| Minimum operating lease payments | $ 744 | $ 757 | $ 771 | $ 769 | $ 782 | $ 2,150 |

The following schedule shows the composition of total operating lease expenses included in general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| Minimum operating lease expenses | $ 774 | $ 774 |
| Additional operating lease expenses | 114 | 111 |
| Total operating lease expenses | $ 888 | $ 885 |

## 13. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the fiscal years ended 2020 and 2019, respectively, was as follows:

| (in thousands) | June 30, 2019 | Additions | June 30, 2020 |
|---|---|---|---|
| Computer hardware | $ 640 | $ 46 | $ 686 |
| Computer software | 8,787 | 1,708 | 10,495 |
| Furniture | 434 | - | 434 |
| Equipment | 282 | - | 282 |
| Leasehold improvements | 564 | - | 564 |
| Total capital equipment (at cost) | 10,707 | 1,754 | 12,461 |
| Accumulated depreciation | (8,066) | (1,353) | (9,419) |
| Capital equipment, net | $ 2,641 | $ 401 | $ 3,042 |

| | June 30, 2018 | Additions | June 30, 2019 |
|---|---|---|---|
| Computer hardware | $ 538 | $ 102 | $ 640 |
| Computer software | 7,685 | 1,102 | 8,787 |
| Furniture | 434 | - | 434 |
| Equipment | 277 | 5 | 282 |
| Leasehold improvements | 564 | - | 564 |
| Total capital equipment (at cost) | 9,498 | 1,209 | 10,707 |
| Accumulated depreciation | (6,909) | (1,157) | (8,066) |
| Capital equipment, net | $ 2,589 | $ 52 | $ 2,641 |

Included in general and administrative expenses are depreciation expenses of $1,353K and $1,157K for the years ended June 30, 2020 and June 30, 2019, respectively.

## 14. SUBSEQUENT EVENTS

In July 2020, the pool of loans in Natural Disaster Forbearance described in Note 5 began to move out of forbearance and into repayment status. As of November 30, 2020, the principle balance outstanding of loans in Natural Disaster Forbearance was $0.2M or 0.02% of total loans in repayment.

In May of 2020, at the height of the pandemic crisis, certain legislation was filed in the Commonwealth which would provide for a deferral for Commonwealth residents who are current or former students of all payments due on MEFA Educations Loans for a period equal to the remaining duration of the state of emergency declared in the Commonwealth in March 2020. Under such proposed legislation, the deferred amounts would be added to the end of the payment schedule without additional interest or penalty. Such proposed legislation was referred to the Senate Ways and Means Committee in August 2020. No further action on the bill has been taken and the Authority does not expect the proposed legislation to be enacted.

On October 30, 2020, the Authority issued $290.1M of Education Loan Revenue Bonds for the purpose of funding the origination of education loans in the 2020-2021 academic year and securitizing certain education loans initially originated under the Authority's Commercial Paper Revenue Note Resolution.

On November 10, 2020, as part of the annual cycle of the U.Plan prepaid tuition program, the Authority purchased Commonwealth of Massachusetts General Obligation Bonds in the amount of $7.1M at which time the corresponding liability to program participants was removed from the Statement of Net Position of the Authority.

# NOTES TO FIDUCIARY FUND FINANCIAL STATEMENTS

## 1. THE ATTAINABLE PLAN

In May 2017, the Authority, on behalf of the Commonwealth, introduced the Attainable Savings Plan (the "Attainable Plan"). The Attainable Plan, established under the Achieving a Better Life Experience (ABLE) Act of 2014, is a tax advantaged savings plan under Section 529A of the Internal Revenue Code that allows individuals with disabilities to save for qualifying disability expenses through investment vehicles such as mutual funds. Those funds are professionally managed by Fidelity Management & Research Company (FMR) and held by the Authority in investment Portfolios on behalf of the owners in an agency fund. An agency fund is a type of fiduciary fund used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support a government's own programs. Fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flow. The Governmental Accounting Standards Board ("GASB") requires fiduciary funds be reported separately from the basic financial statements of business type activities.

## 2. BASIS OF PRESENTATION

**Accounting and Reporting Standards**
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB, which requires management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates.

The GASB defines the basic financial statements of a fiduciary agency fund as the Statement of Fiduciary Net Position, which presents information on the Attainable Plan's assets and liabilities. The following summarizes the significant accounting policies of the Attainable Plan:

**Investment Valuation**
Each Portfolio categorizes the inputs to valuation techniques used to value its investments into a disclosure hierarchy: Level 1 inputs (quoted prices in active markets for identical investments), Level 2 inputs (inputs other than quoted prices that are observable) and Level 3 inputs (unobservable inputs). As of June 30, 2020 and June 30, 2019, all investments held by the Portfolios are categorized as Level 1.

## 3. PLAN FEES

The Authority has entered into a Management & Administrative Services agreement with Fidelity Brokerage Services, LLC to provide administrative, record keeping, distribution and marketing services to the Attainable plan. Under this agreement and a related agreement with FMR, a Management and Administration Fee is charged to the Portfolios at an annual rate based on the net assets of each Portfolio. This fee has two components, a Program Manager fee paid to FMR, which ranges from .00% to .15% and a State Sponsor fee paid to the Authority, which ranges from .00% to .05%.

## 4. INVESTMENTS

The following summarizes the value of the investments of the Attainable Plan:

| Portfolios | Underlying Funds | June 30, 2020 | June 30, 2019 |
|---|---|---|---|
| ABLE Conservative Income 20% | Fidelity Asset Manager® 20% | $2,645,397 | $1,414,597 |
| ABLE Income 30% Portfolio | Fidelity Asset Manager® 30% | 2,244,698 | 1,242,060 |
| ABLE Moderate Income 40% Portfolio | Fidelity Asset Manager® 40% | 2,116,557 | 1,230,660 |
| ABLE Balanced 50% Portfolio | Fidelity Asset Manager® 50% | 5,309,104 | 2,977,598 |
| ABLE Moderate Growth 60% Portfolio | Fidelity Asset Manager® 60% | 4,860,399 | 2,635,551 |
| ABLE Growth 70% Portfolio | Fidelity Asset Manager® 70% | 5,144,955 | 2,767,823 |
| ABLE Aggressive Growth 85% Portfolio | Fidelity Asset Manager® 85% | 7,381,189 | 3,940,928 |
| ABLE Money Market Portfolio | Fidelity® Government Cash Reserves | 7,296,659 | 3,967,266 |
| | | $36,998,958 | $20,176,483 |

## 5. CORONA VIRUS PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. Developments that disrupt global economies and financial markets, such as the COVID-19 pandemic, may magnify factors that affect the Portfolios' performance.

# Supplemental Schedules

**Massachusetts Educational Financing Authority**

**Supplemental Schedule 1**

**Statements of Net Position**

**June 30, 2020 and 2019**

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | $ 273,020 | $ 33,725 | $ 944 | $ 1,245 | $ 308,934 | $ 205,074 | $ 7,231 | $ 419 | $ 657 | $ 213,381 |
| Investments | - | - | 17,184 | - | 17,184 | - | - | 18,289 | - | 18,289 |
| Education loan notes receivable, net | 123,230 | 2,395 | - | 1,789 | 127,414 | 114,115 | 4,320 | - | 2,488 | 120,923 |
| Interest receivable on education loan notes | 29,837 | 1,056 | - | - | 30,893 | 28,782 | 125 | - | 5 | 28,912 |
| Prepaid expenses and other assets | 187 | 2 | 2,787 | 703 | 3,679 | 834 | 13 | 2,882 | 783 | 4,512 |
| Interfund balances | (623) | - | - | 623 | - | (694) | - | - | 694 | - |
| **Total current assets** | 425,651 | 37,178 | 20,915 | 4,360 | 488,104 | 348,111 | 11,689 | 21,590 | 4,627 | 386,017 |
| **Non-current assets** | | | | | | | | | | |
| Cash and cash equivalents | 36,296 | - | - | - | 36,296 | 275,252 | - | - | - | 275,252 |
| Investments | - | - | 37,792 | 73,615 | 111,407 | - | - | 32,324 | 63,730 | 96,054 |
| Derivative instruments - caps | - | - | - | 104 | 104 | - | - | - | 113 | 113 |
| Education loan notes receivable, net | 1,575,483 | 60,692 | - | 17,748 | 1,653,923 | 1,445,317 | 67,589 | - | 24,109 | 1,537,015 |
| Capital equipment, net of accumulated depreciation | - | - | - | 3,042 | 3,042 | - | - | - | 2,641 | 2,641 |
| **Total assets** | $ 2,037,430 | $ 97,870 | $ 58,707 | $ 98,869 | $ 2,292,876 | $ 2,068,680 | $ 79,278 | $ 53,914 | $ 95,220 | $ 2,297,092 |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 752 | $ 4 | $ 9,716 | $ 2,758 | $ 13,230 | $ 599 | $ - | $ 10,745 | $ 2,745 | $ 14,089 |
| Bonds payable - current portion | 119,521 | - | - | - | 119,521 | 85,208 | - | - | - | 85,208 |
| Certificates payable | - | - | 4,327 | - | 4,327 | - | - | 4,778 | - | 4,778 |
| Accrued bond and note interest payable | 33,477 | 34 | - | - | 33,511 | 34,418 | 294 | - | - | 34,712 |
| **Total current liabilities** | 153,750 | 38 | 14,043 | 2,758 | 170,589 | 120,225 | 294 | 15,523 | 2,745 | 138,787 |
| **Non-current liabilities** | | | | | | | | | | |
| Notes payable | - | 94,095 | - | - | 94,095 | - | 78,100 | - | - | 78,100 |
| Bonds payable - net of current portion | 1,761,987 | - | - | - | 1,761,987 | 1,820,005 | - | - | - | 1,820,005 |
| Other liabilities - non-current | - | - | - | 119 | 119 | - | - | - | 76 | 76 |
| **Total liabilities** | 1,915,737 | 94,133 | 14,043 | 2,877 | 2,026,790 | 1,940,230 | 78,394 | 15,523 | 2,821 | 2,036,968 |
| **Deferred inflows of resources** | | | | | | | | | | |
| Net gain on bond refunding | 3,512 | - | - | - | 3,512 | 4,985 | - | - | - | 4,985 |
| **Total deferred inflows of resources** | 3,512 | - | - | - | 3,512 | 4,985 | - | - | - | 4,985 |
| **Total liabilities and deferred inflows of resources** | 1,919,249 | 94,133 | 14,043 | 2,877 | 2,030,302 | 1,945,215 | 78,394 | 15,523 | 2,821 | 2,041,953 |
| **Net position** | | | | | | | | | | |
| Net investment in capital assets | - | - | - | 3,042 | 3,042 | - | - | - | 2,641 | 2,641 |
| Restricted | 118,181 | 3,737 | 14,798 | 1,931 | 138,647 | 123,465 | 884 | 13,591 | 1,905 | 139,845 |
| Unrestricted | - | - | 29,866 | 91,019 | 120,885 | - | - | 24,800 | 87,853 | 112,653 |
| **Total net position** | 118,181 | 3,737 | 44,664 | 95,992 | 262,574 | 123,465 | 884 | 38,391 | 92,399 | 255,139 |
| **Total liabilities, deferred inflows and net position** | $ 2,037,430 | $ 97,870 | $ 58,707 | $ 98,869 | $ 2,292,876 | $ 2,068,680 | $ 79,278 | $ 53,914 | $ 95,220 | $ 2,297,092 |

## Massachusetts Educational Financing Authority

**Supplemental Schedule 1**

**Statements of Revenues, Expenses and Changes in Net Position**

**For the years ended June 30, 2020 and 2019**

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** |
| **Operating revenues** | | | | | | | | | | |
| Interest on education loan notes receivable | $ 97,004 | $ 9,482 | $ - | $ 52 | $ 106,538 | $ 98,235 | $ 4,107 | $ - | $ 30 | $ 102,372 |
| Loan origination fees | 354 | - | - | - | 354 | 9,035 | - | - | - | 9,035 |
| College savings plan interest and fees | - | - | 6,065 | 13 | 6,078 | - | - | 5,767 | 7 | 5,774 |
| Other revenue | - | - | 1,033 | 299 | 1,332 | - | - | 1,149 | - | 1,149 |
| **Total operating revenues** | 97,358 | 9,482 | 7,098 | 364 | 114,302 | 107,270 | 4,107 | 6,916 | 37 | 118,330 |
| **Operating expenses** | | | | | | | | | | |
| Bond and note interest expense | 65,864 | 3,485 | - | - | 69,349 | 66,303 | 1,835 | - | - | 68,138 |
| Costs of bond and note issuance | 2,034 | - | - | 19 | 2,053 | 4,019 | - | - | 127 | 4,146 |
| Provision for doubtful education loan notes receivable | 5,880 | 576 | - | 2,315 | 8,771 | 8,062 | (692) | - | 1,228 | 8,598 |
| General and administrative | 19,528 | 7 | 1,298 | 9,075 | 29,908 | 16,613 | - | 1,060 | 5,818 | 23,491 |
| Other expense | 2,060 | 163 | - | - | 2,223 | 861 | - | - | - | 861 |
| **Total operating expenses** | 95,366 | 4,231 | 1,298 | 11,409 | 112,304 | 95,858 | 1,143 | 1,060 | 7,173 | 105,234 |
| **Operating income (loss)** | 1,992 | 5,251 | 5,800 | (11,045) | 1,998 | 11,412 | 2,964 | 5,856 | (7,136) | 13,096 |
| **Non-operating revenues (expenses)** | | | | | | | | | | |
| Interest and dividends | 3,901 | 197 | 473 | 876 | 5,447 | 6,337 | 164 | 774 | 1,213 | 8,488 |
| Decrease in fair value of derivative instruments | - | - | - | (10) | (10) | - | - | - | (57) | (57) |
| **Net non-operating revenues** | 3,901 | 197 | 473 | 866 | 5,437 | 6,337 | 164 | 774 | 1,156 | 8,431 |
| **Income (loss) income before interfund transfers** | 5,893 | 5,448 | 6,273 | (10,179) | 7,435 | 17,749 | 3,128 | 6,630 | (5,980) | 21,527 |
| Interfund transfers | (11,177) | (2,595) | - | 13,772 | - | (8,546) | (5,505) | - | 14,051 | - |
| **Total (decrease) increase in net position** | (5,284) | 2,853 | 6,273 | 3,593 | 7,435 | 9,203 | (2,377) | 6,630 | 8,071 | 21,527 |
| **Net position, beginning of year** | 123,465 | 884 | 38,391 | 92,399 | 255,139 | 114,262 | 3,261 | 31,761 | 84,328 | 233,612 |
| **Net position, end of year** | $ 118,181 | $ 3,737 | $ 44,664 | $ 95,992 | $ 262,574 | $ 123,465 | $ 884 | $ 38,391 | $ 92,399 | $ 255,139 |

**Massachusetts Educational Financing Authority**

**Supplemental Schedule 1**

**Statements of Cash Flows**

**For the years ended June 30, 2020 and 2019**

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities:** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** |
| Payments for disbursed loans | $ (234,579) | $ (229,851) | $ - | $ - | $ (464,430) | $ (222,195) | $ (84,708) | $ - | $ (2,945) | $ (309,848) |
| Payments received on outstanding loan principal | 316,723 | 28,955 | - | 2,045 | 347,723 | 269,476 | 8,307 | - | 2,421 | 280,204 |
| General & administrative payments | (19,417) | (4) | (2,290) | (7,699) | (29,410) | (17,656) | (3) | (2,461) | (4,687) | (24,807) |
| Interest received on education loans | 78,945 | 8,224 | - | 56 | 87,225 | 81,878 | 4,201 | - | 27 | 86,106 |
| Proceeds from other sources | - | - | 7,076 | 312 | 7,388 | - | - | 6,903 | 7 | 6,910 |
| **Net cash provided by (used in) operating activities** | 141,672 | (192,676) | 4,786 | (5,286) | (51,504) | 111,503 | (72,203) | 4,442 | (5,177) | 38,565 |
| **Cash flows from non-capital financing activities:** | | | | | | | | | | |
| Proceeds from issuance of bonds | 211,222 | - | - | - | 211,222 | 377,613 | - | - | - | 377,613 |
| Proceeds from issuance of commercial paper notes | - | 226,000 | - | - | 226,000 | - | 93,000 | - | - | 93,000 |
| Costs of bond and note issuance | (2,034) | - | - | (19) | (2,053) | (4,019) | - | - | (127) | (4,146) |
| Bond and note nterest paid | (75,439) | (3,745) | - | - | (79,184) | (75,983) | (1,799) | - | - | (77,782) |
| Principal payments on bonds payable | (227,765) | - | - | - | (227,765) | (260,403) | - | - | - | (260,403) |
| Principal payments on commercial paper notes | - | (210,005) | - | - | (210,005) | - | (178,400) | - | - | (178,400) |
| Net asset transfers | (223,254) | 206,710 | - | 16,544 | - | (163,734) | 149,725 | - | 14,009 | - |
| **Net cash (used in) provided by non-capital financing activities** | (317,270) | 218,960 | - | 16,525 | (81,785) | (126,526) | 62,526 | - | 13,882 | (50,118) |
| **Cash flows from capital financing activities:** | | | | | | | | | | |
| Purchase of capital equipment and software development | - | - | - | (1,755) | (1,755) | - | - | - | (1,209) | (1,209) |
| **Net cash used in capital financing activities** | - | - | - | (1,755) | (1,755) | - | - | - | (1,209) | (1,209) |
| **Cash flows from investing activities:** | | | | | | | | | | |
| Proceeds from maturity/sale of investments | - | - | 11,412 | 14,100 | 25,512 | - | - | 11,826 | 11,500 | 23,326 |
| Purchases of investments | - | - | (16,226) | (23,985) | (40,211) | - | - | (17,763) | (20,901) | (38,664) |
| Interest and dividends received on cash and investments | 4,588 | 210 | 553 | 989 | 6,340 | 6,148 | 175 | 729 | 1,176 | 8,228 |
| **Net cash provided by (used in) investing activities** | 4,588 | 210 | (4,261) | (8,896) | (8,359) | 6,148 | 175 | (5,208) | (8,225) | (7,110) |
| **Net (decrease) increase in cash and cash equivalents** | (171,010) | 26,494 | 525 | 588 | (143,403) | (8,875) | (9,502) | (766) | (729) | (19,872) |
| **Cash and cash equivalents, beginning of year** | 480,326 | 7,231 | 419 | 657 | 488,633 | 489,201 | 16,733 | 1,185 | 1,386 | 508,505 |
| **Cash and cash equivalents, end of year** | $ 309,316 | $ 33,725 | $ 944 | $ 1,245 | $ 345,230 | $ 480,326 | $ 7,231 | $ 419 | $ 657 | $ 488,633 |

**Massachusetts Educational Financing Authority**
**Supplemental Schedule 1**
**Statements of Cash Flows, Continued**
**For the years ended June 30, 2020 and 2019**

| | **2020** | | | | | **2019** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** | **Trusteed Bond Funds** | **Trusteed Note Funds** | **College Savings Funds** | **Authority Funds** | **Total** |
| **Operating income (loss)** | $ 1,992 | $ 5,251 | $ 5,800 | $ (11,045) | $ 1,998 | $ 11,412 | $ 2,964 | $ 5,856 | $ (7,136) | $ 13,096 |
| **Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:** | | | | | | | | | | |
| Depreciation expense | - | - | - | 1,353 | 1,353 | - | - | - | 1,157 | 1,157 |
| Provision for doubtful education loan notes receivable | 5,880 | 576 | - | 2,315 | 8,771 | 8,062 | (692) | - | 1,228 | 8,598 |
| Costs of bond and note issuance | 2,034 | - | - | 19 | 2,053 | 4,019 | - | - | 127 | 4,146 |
| Bond and note interest expense | 65,864 | 3,485 | - | - | 69,349 | 66,302 | 1,836 | - | - | 68,138 |
| Changes in assets and liabilities: | | - | | | | | - | | | |
| Education loan notes receivable | 66,845 | (201,061) | - | 2,046 | (132,170) | 24,321 | (76,407) | - | (523) | (52,609) |
| Interest receivable on education loan notes | (1,054) | (930) | - | 3 | (1,981) | (1,570) | 99 | - | (4) | (1,475) |
| Accounts payable and accrued expenses | 153 | 3 | (1,029) | 56 | (817) | (975) | (3) | (1,229) | 164 | (2,043) |
| Prepaid expenses and other assets | (42) | - | 15 | (33) | (60) | (68) | - | (185) | (190) | (443) |
| **Net cash provided by (used in) operating activities** | $ 141,672 | $ (192,676) | $ 4,786 | $ (5,286) | $ (51,504) | $ 111,503 | $ (72,203) | $ 4,442 | $ (5,177) | $ 38,565 |

## Massachusetts Educational Financing Authority

**Supplemental Schedule 2**

**Statements of Net Position**

**June 30, 2020 and 2019**

| | 2020 | | | | | | | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **FRN of 2008** | **Issue I Total** | **Issue J Total** | **Issue K Total** | **Issue L Total** | **ABS of 2018** | **ABS of 2020** | **Trusteed Bond Funds** | **FRN of 2008** | **Issue I Total** | **Issue J Total** | **Issue K Total** | **Issue L Total** | **ABS of 2018** | **Trusteed Bond Funds** |
| **Current assets** | | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 1,649 | $ 82,498 | $ 70,689 | $ 44,347 | $ 64,419 | $ 3,520 | $ 5,898 | $ 273,020 | $ 2,168 | $ 69,151 | $ 70,921 | $ 35,922 | $ 24,341 | $ 2,571 | $ 205,074 |
| Education loan notes receivable, net | 3,218 | 35,176 | 26,649 | 17,187 | 18,849 | 6,654 | 15,497 | 123,230 | 4,186 | 42,019 | 30,322 | 17,375 | 12,096 | 8,117 | 114,115 |
| Interest receivable on education loan notes | 294 | 3,039 | 6,568 | 7,617 | 11,578 | 347 | 394 | 29,837 | 433 | 7,026 | 9,173 | 7,631 | 4,221 | 298 | 28,782 |
| Prepaid expenses and other assets | 6 | 58 | 49 | 17 | 27 | 5 | 25 | 187 | 11 | 166 | 176 | 93 | 376 | 12 | 834 |
| Interfund balances | - | (257) | (33) | (120) | (33) | (28) | (152) | (623) | - | (252) | (34) | (220) | (164) | (24) | (694) |
| **Total current assets** | 5,167 | 120,514 | 103,922 | 69,048 | 94,840 | 10,498 | 21,662 | 425,651 | 6,798 | 118,110 | 110,558 | 60,801 | 40,870 | 10,974 | 348,111 |
| **Non-current assets** | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 754 | 8,000 | 3,652 | 3,671 | 19,111 | 580 | 528 | 36,296 | 769 | 8,000 | 4,187 | 3,671 | 257,867 | 758 | 275,252 |
| Education loan notes receivable, net | 25,408 | 298,902 | 287,411 | 235,599 | 427,351 | 108,309 | 192,503 | 1,575,483 | 31,354 | 394,065 | 358,143 | 280,145 | 240,521 | 141,089 | 1,445,317 |
| **Total assets** | $ 31,329 | $ 427,416 | $ 394,985 | $ 308,318 | $ 541,302 | $ 119,387 | $ 214,693 | $ 2,037,430 | $ 38,921 | $ 520,175 | $ 472,888 | $ 344,617 | $ 539,258 | $ 152,821 | $ 2,068,680 |
| **Liabilities** | | | | | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 26 | $ 97 | $ 86 | $ 37 | $ 209 | $ 23 | $ 274 | $ 752 | $ 33 | $ 93 | $ 45 | $ 103 | $ 315 | $ 10 | $ 599 |
| Bonds payable - current portion | - | 67,874 | 32,788 | 18,859 | - | - | - | 119,521 | - | 37,387 | 33,208 | 14,613 | - | - | 85,208 |
| Accrued interest payable | 106 | 9,038 | 7,601 | 6,071 | 10,419 | 74 | 168 | 33,477 | 240 | 11,196 | 9,107 | 6,850 | 6,930 | 95 | 34,418 |
| **Total current liabilities** | 132 | 77,009 | 40,475 | 24,967 | 10,628 | 97 | 442 | 153,750 | 273 | 48,676 | 42,360 | 21,566 | 7,245 | 105 | 120,225 |
| **Non-current liabilities** | | | | | | | | | | | | | | | |
| Bonds payable - net of current portion | 29,390 | 309,848 | 322,070 | 249,380 | 527,378 | 112,699 | 211,222 | 1,761,987 | 36,465 | 426,299 | 395,276 | 287,885 | 528,295 | 145,785 | 1,820,005 |
| **Total liabilities** | 29,522 | 386,857 | 362,545 | 274,347 | 538,006 | 112,796 | 211,664 | 1,915,737 | 36,738 | 474,975 | 437,636 | 309,451 | 535,540 | 145,890 | 1,940,230 |
| **Deferred inflows of resources** | | | | | | | | | | | | | | | |
| Net gain (loss) on bond refunding | - | 982 | - | 2,873 | - | (343) | - | 3,512 | - | 1,570 | - | 3,885 | - | (470) | 4,985 |
| **Total deferred inflows of resources** | - | 982 | - | 2,873 | - | (343) | - | 3,512 | - | 1,570 | - | 3,885 | - | (470) | 4,985 |
| **Total liabilities and deferred inflows of resources** | 29,522 | 387,839 | 362,545 | 277,220 | 538,006 | 112,453 | 211,664 | 1,919,249 | 36,738 | 476,545 | 437,636 | 313,336 | 535,540 | 145,420 | 1,945,215 |
| **Net position** | | | | | | | | | | | | | | | |
| Restricted | 1,807 | 39,577 | 32,440 | 31,098 | 3,296 | 6,934 | 3,029 | 118,181 | 2,183 | 43,630 | 35,252 | 31,281 | 3,718 | 7,401 | 123,465 |
| **Total net position** | 1,807 | 39,577 | 32,440 | 31,098 | 3,296 | 6,934 | 3,029 | 118,181 | 2,183 | 43,630 | 35,252 | 31,281 | 3,718 | 7,401 | 123,465 |
| **Total liabilities, deferred inflows and net position** | $ 31,329 | $ 427,416 | $ 394,985 | $ 308,318 | $ 541,302 | $ 119,387 | $ 214,693 | $ 2,037,430 | $ 38,921 | $ 520,175 | $ 472,888 | $ 344,617 | $ 539,258 | $ 152,821 | $ 2,068,680 |

## Massachusetts Educational Financing Authority

**Supplemental Schedule 2**

**Statements of Revenues, Expenses and Changes in Net Position**

**For the years ended June 30, 2020 and 2019**

**2020**

| | FRN of 2008 | Issue I Total | Issue J Total | Issue K Total | Issue L Total | ABS of 2018 | ABS of 2020 | Trusteed Bond Funds |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | | |
| Interest on education loan notes receivable | $ 1,003 | $ 25,221 | $ 22,270 | $ 16,892 | $ 23,664 | $ 7,588 | $ 366 | $ 97,004 |
| Loan origination fees | - | - | - | (1) | 355 | - | - | 354 |
| **Total operating revenues** | 1,003 | 25,221 | 22,270 | 16,891 | 24,019 | 7,588 | 366 | 97,358 |
| **Operating expenses** | | | | | | | | |
| Bond interest expense | 933 | 15,884 | 13,367 | 10,055 | 19,920 | 5,537 | 168 | 65,864 |
| Costs of bond issuance | - | - | - | - | (43) | 5 | 2,072 | 2,034 |
| Provision for doubtful education loan notes receivable | 21 | 1,050 | 264 | (1,503) | 4,100 | (239) | 2,187 | 5,880 |
| General and administrative | 300 | 2,189 | 11,173 | 855 | 2,555 | 2,446 | 10 | 19,528 |
| Other expense | 36 | 688 | 471 | 254 | 235 | 373 | 3 | 2,060 |
| **Total operating expenses** | 1,290 | 19,811 | 25,275 | 9,661 | 26,767 | 8,122 | 4,440 | 95,366 |
| **Operating (loss) income** | (287) | 5,410 | (3,005) | 7,230 | (2,748) | (534) | (4,074) | 1,992 |
| **Non-operating revenues** | | | | | | | | |
| Interest and dividends | 31 | 767 | 434 | 287 | 2,326 | 56 | - | 3,901 |
| **Net non-operating revenues** | 31 | 767 | 434 | 287 | 2,326 | 56 | - | 3,901 |
| **Income (loss) income before interfund transfers** | (256) | 6,177 | (2,571) | 7,517 | (422) | (478) | (4,074) | 5,893 |
| Interfund transfers | (120) | (10,230) | (241) | (7,700) | - | 11 | 7,103 | (11,177) |
| **Total (decrease) increase in net position** | (376) | (4,053) | (2,812) | (183) | (422) | (467) | 3,029 | (5,284) |
| **Net position, beginning of year** | 2,183 | 43,630 | 35,252 | 31,281 | 3,718 | 7,401 | - | 123,465 |
| **Net position, end of year** | $ 1,807 | $ 39,577 | $ 32,440 | $ 31,098 | $ 3,296 | $ 6,934 | $ 3,029 | $ 118,181 |

**2019**

| | FRN of 2008 | Issue I Total | Issue J Total | Issue K Total | Issue L Total | ABS of 2018 | Trusteed Bond Funds |
|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | |
| Interest on education loan notes receivable | $ 1,521 | $ 31,929 | $ 26,979 | $ 19,592 | $ 11,453 | $ 6,761 | $ 98,235 |
| Loan origination fees | - | - | - | 261 | 8,774 | - | 9,035 |
| **Total operating revenues** | 1,521 | 31,929 | 26,979 | 19,853 | 20,227 | 6,761 | 107,270 |
| **Operating expenses** | | | | | | | |
| Bond interest expense | 1,419 | 19,535 | 15,949 | 11,572 | 13,024 | 4,804 | 66,303 |
| Costs of bond issuance | - | - | - | - | 2,178 | 1,841 | 4,019 |
| Provision for doubtful education loan notes receivable | 38 | 1,919 | 396 | 637 | 3,630 | 1,442 | 8,062 |
| General and administrative | 266 | 6,738 | 4,980 | 2,131 | 2,142 | 356 | 16,613 |
| Other expense | 22 | 365 | 210 | 169 | 36 | 59 | 861 |
| **Total operating expenses** | 1,745 | 28,557 | 21,535 | 14,509 | 21,010 | 8,502 | 95,858 |
| **Operating (loss) income** | (224) | 3,372 | 5,444 | 5,344 | (783) | (1,741) | 11,412 |
| **Non-operating revenues** | | | | | | | |
| Interest and dividends | 62 | 1,384 | 974 | 727 | 3,139 | 51 | 6,337 |
| **Net non-operating revenues** | 62 | 1,384 | 974 | 727 | 3,139 | 51 | 6,337 |
| **Income (loss) income before interfund transfers** | (162) | 4,756 | 6,418 | 6,071 | 2,356 | (1,690) | 17,749 |
| Interfund transfers | (393) | (7,194) | (5,010) | (6,402) | 1,362 | 9,091 | (8,546) |
| **Total (decrease) increase in net position** | (555) | (2,438) | 1,408 | (331) | 3,718 | 7,401 | 9,203 |
| **Net position, beginning of year** | 2,738 | 46,068 | 33,844 | 31,612 | - | - | 114,262 |
| **Net position, end of year** | $ 2,183 | $ 43,630 | $ 35,252 | $ 31,281 | $ 3,718 | $ 7,401 | $ 123,465 |

**Massachusetts Educational Financing Authority**

**Supplemental Schedule 2**

**Statements of Cash Flows**

**For the years ended June 30, 2020 and 2019**

| | 2020 | | | | | | | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities:** | **FRN of 2008** | **Issue I Total** | **Issue J Total** | **Issue K Total** | **Issue L Total** | **ABS of 2018** | **ABS of 2020** | **Trusteed Bond Funds** | **FRN of 2008** | **Issue I Total** | **Issue J Total** | **Issue K Total** | **Issue L Total** | **ABS of 2018** | **Trusteed Bond Funds** |
| Payments for disbursed loans | $ - | $ 2 | $ 7 | $ 32 | $ (234,620) | $ - | $ - | $ (234,579) | $ - | $ - | $ 33 | $ (3,390) | $ (218,838) | $ - | $ (222,195) |
| Payments received on outstanding loan principal | 7,122 | 105,355 | 78,718 | 49,536 | 39,987 | 34,186 | 1,819 | 316,723 | 9,288 | 104,639 | 75,456 | 44,821 | 17,509 | 17,763 | 269,476 |
| General & administrative payments | (307) | (2,204) | (11,132) | (910) | (2,669) | (2,434) | 239 | (19,417) | (493) | (7,001) | (5,257) | (2,360) | (2,194) | (351) | (17,656) |
| Interest received on education loans | 877 | 24,119 | 19,819 | 13,320 | 13,379 | 7,462 | (31) | 78,945 | 1,241 | 29,994 | 22,982 | 14,562 | 6,656 | 6,443 | 81,878 |
| **Net cash provided by (used in) operating activities** | 7,692 | 127,272 | 87,412 | 61,978 | (183,923) | 39,214 | 2,027 | 141,672 | 10,036 | 127,632 | 93,214 | 53,633 | (196,867) | 23,855 | 111,503 |
| **Cash flows from non-capital financing activities:** | | | | | | | | | | | | | | | |
| Proceeds from issuance of bonds | - | - | - | - | - | - | 211,222 | 211,222 | - | - | - | - | 214,779 | 162,834 | 377,613 |
| Costs of bond issuance | - | - | - | - | 43 | (5) | (2,072) | (2,034) | - | - | - | - | (2,178) | (1,841) | (4,019) |
| Bond interest paid | (1,066) | (21,675) | (17,063) | (13,150) | (17,349) | (5,136) | - | (75,439) | (1,462) | (26,946) | (20,102) | (15,267) | (7,197) | (5,009) | (75,983) |
| Principal payments on bonds | (7,074) | (82,920) | (71,435) | (32,955) | - | (33,381) | - | (227,765) | (9,397) | (122,760) | (72,980) | (38,040) | - | (17,226) | (260,403) |
| Net asset transfers | (120) | (10,224) | (242) | (7,800) | (133) | 16 | (204,751) | (223,254) | (393) | 6,176 | (5,110) | (6,405) | 1,325 | (159,327) | (163,734) |
| **Net cash (used in) provided by non-capital financing activities** | (8,260) | (114,819) | (88,740) | (53,905) | (17,439) | (38,506) | 4,399 | (317,270) | (11,252) | (143,530) | (98,192) | (59,712) | 206,729 | (20,569) | (126,526) |
| **Cash flows from investing activities:** | | | | | | | | | | | | | | | |
| Interest and dividends received on cash and investments | 34 | 894 | 561 | 352 | 2,684 | 63 | - | 4,588 | 62 | 1,370 | 947 | 717 | 3,009 | 43 | 6,148 |
| **Net cash provided by investing activities** | 34 | 894 | 561 | 352 | 2,684 | 63 | - | 4,588 | 62 | 1,370 | 947 | 717 | 3,009 | 43 | 6,148 |
| **Net (decrease) increase in cash and cash equivalents** | (534) | 13,347 | (767) | 8,425 | (198,678) | 771 | 6,426 | (171,010) | (1,154) | (14,528) | (4,031) | (5,362) | 12,871 | 3,329 | (8,875) |
| **Cash and cash equivalents, beginning of year** | 2,937 | 77,151 | 75,108 | 39,593 | 282,208 | 3,329 | - | 480,326 | 4,091 | 91,679 | 79,139 | 44,955 | 269,337 | - | 489,201 |
| **Cash and cash equivalents, end of year** | $ 2,403 | $ 90,498 | $ 74,341 | $ 48,018 | $ 83,530 | $ 4,100 | $ 6,426 | $ 309,316 | $ 2,937 | $ 77,151 | $ 75,108 | $ 39,593 | $ 282,208 | $ 3,329 | $ 480,326 |

## Massachusetts Educational Financing Authority

**Supplemental Schedule 2**

**Statements of Cash Flows, Continued**

**For the years ended June 30, 2020 and 2019**

**2020**

| Reconciliation of operating (loss) income to net cash provided by (used in) operating activities: | FRN of 2008 | Issue I Total | Issue J Total | Issue K Total | Issue L Total | ABS of 2018 | ABS of 2020 | Trusteed Bond Funds |
|---|---|---|---|---|---|---|---|---|
| **Operating (loss) income** | $ (287) | $ 5,410 | $ (3,005) | $ 7,230 | $ (2,748) | $ (534) | $ (4,074) | $ 1,992 |
| **Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:** | | | | | | | | |
| Provision for doubtful education loan notes receivable | 21 | 1,050 | 264 | (1,503) | 4,100 | (239) | 2,187 | 5,880 |
| Costs of bond issuance | - | - | - | - | (43) | 5 | 2,072 | 2,034 |
| Bond interest expense | 933 | 15,884 | 13,367 | 10,055 | 19,920 | 5,537 | 168 | 65,864 |
| Changes in assets and liabilities: | | | | | | | | |
| Education loan notes receivable | 6,893 | 100,956 | 74,141 | 46,238 | (197,683) | 34,482 | 1,818 | 66,845 |
| Interest receivable on education loan notes | 139 | 3,987 | 2,604 | 13 | (7,355) | (49) | (393) | (1,054) |
| Accounts payable and accrued expenses | (7) | 4 | 41 | (65) | (106) | 12 | 274 | 153 |
| Prepaid expenses and other assets | - | (19) | - | 10 | (8) | - | (25) | (42) |
| **Net cash provided by (used in) operating activities** | $ 7,692 | $ 127,272 | $ 87,412 | $ 61,978 | $ (183,923) | $ 39,214 | $ 2,027 | $ 141,672 |

**2019**

| Reconciliation of operating (loss) income to net cash provided by (used in) operating activities: | FRN of 2008 | Issue I Total | Issue J Total | Issue K Total | Issue L Total | ABS of 2018 | Trusteed Bond Funds |
|---|---|---|---|---|---|---|---|
| **Operating (loss) income** | $ (224) | $ 3,372 | $ 5,444 | $ 5,344 | $ (783) | $ (1,741) | $ 11,412 |
| **Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:** | | | | | | | |
| Provision for doubtful education loan notes receivable | 38 | 1,919 | 396 | 637 | 3,630 | 1,442 | 8,062 |
| Costs of bond issuance | - | - | - | - | 2,178 | 1,841 | 4,019 |
| Bond interest expense | 1,422 | 19,527 | 15,948 | 11,572 | 13,024 | 4,809 | 66,302 |
| Changes in assets and liabilities: | | | | | | | |
| Education loan notes receivable | 9,012 | 97,583 | 71,894 | 38,916 | (210,879) | 17,795 | 24,321 |
| Interest receivable on education loan notes | 15 | 5,494 | (191) | (2,607) | (3,983) | (298) | (1,570) |
| Accounts payable and accrued expenses | (221) | (259) | (253) | (213) | (41) | 12 | (975) |
| Prepaid expenses and other assets | (6) | (4) | (24) | (16) | (13) | (5) | (68) |
| **Net cash provided by (used in) operating activities** | $ 10,036 | $ 127,632 | $ 93,214 | $ 53,633 | $ (196,867) | $ 23,855 | $ 111,503 |