

**NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

**FINANCIAL STATEMENTS FOR THE  
YEARS ENDED AUGUST 31, 2023 AND 2022  
AND INDEPENDENT AUDITOR'S REPORT**

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

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14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

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## Independent Auditor's Report

Board of Directors  
North Texas Higher Education Authority, Inc.  
Arlington, Texas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of North Texas Higher Education Authority, Inc. (Authority), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of August 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

As discussed in *Note 8* to the financial statements, during 2023, the Authority acquired the net assets of three entities in a business combination. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**FORVIS,LLP**

**Dallas, Texas  
March 5, 2024**

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

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North Texas Higher Education Authority, Inc. (the "Authority") is a nonprofit corporation founded in 1978 and originally acting on behalf of the Cities of Arlington and Denton, Texas. In September 2015, following the passage of HB 3245 during the 84th Texas legislative session and upon the Authority's request to simplify its organizational structure, the City of Denton passed a resolution to rescind its "on behalf of" support of the Authority, and the City of Arlington reaffirmed the Authority to "act on its behalf in the exercise of the powers enumerated under Section 53B.47 of the Texas Education Code to further educational opportunities."

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries known as ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The total of the student loan portfolios of the three indentures was \$254.4 million.

The Authority is authorized to provide funds for the acquisition of eligible loans made to students at post-secondary educational institutions and provide procedures for the servicing of such loans. The Authority currently owns student loans established by the Higher Education Act under the Federal Family Education Loan Program ("FFELP"). Loans provided under FFELP include Subsidized and Unsubsidized Stafford ("Stafford"), Supplemental Loans for Students ("SLS"), Parent Loans for Undergraduate Students and Graduate/Professional Student Loans ("PLUS"), and Consolidation Loans ("Consolidation").

This report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as defined by the Governmental Accounting Standards Board. The statement of net position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The statement of revenues, expenses, and changes in net position presents the Authority's results of operations. The statement of cash flows provides a view of the sources and uses of the Authority's cash resources.

The Authority has a borrower incentive program for which a portion of eligible borrowers' principal balance of their student loan(s) is written-off when the borrower meets stipulated payment requirements. See Note 5 to the basic financial statements for further discussion of the Authority's borrower incentive program.

### AUTHORITY ACTIVITY AND HIGHLIGHTS

The Authority has purchased student loans from a variety of financial institutions over the years. However, due to changes in the Higher Education Reconciliation Act ("HERA") of 2005 and the elimination of the FFELP in 2010, student loan purchases have dramatically declined. Student loan purchases were \$258.1 million and \$4.7 million during the years ended August 31, 2023, and 2022, respectively.

See discussion of "*Turbulence in the Financial Markets*" and "*Elimination of the FFEL Program*" under **ECONOMIC FACTORS AND OUTLOOK** below.

Financing for the program is provided through the issuance of tax-exempt and taxable debt and the recycling of funds. However, due to the decline in student loan purchases, the Authority had not issued any new bonds since 2012. In 2023, the Authority incurred a two-year line of credit to finance a portion of the CalEd acquisition and assumed the \$224.4 million of outstanding debt of CalEd. In 2022, the

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

Authority refinanced four existing bond issuances, one long-term note, and two short-term lines of credit into two long-term taxable bond issuances.

#### CONDENSED NET POSITION

	2023	2022
Cash, cash equivalents and investments	\$ 79,381,078.41	\$ 128,594,550.40
Accrued interest receivable	65,276,373.01	54,551,614.31
Student loans receivable	965,907,628.43	835,435,243.84
LOC receivable from CURevl	0.00	14,628.22
Other	28,045.65	50,727.78
<b>TOTAL ASSETS</b>	<b>\$ 1,110,593,125.50</b>	<b>\$ 1,018,646,764.55</b>
Current liabilities	\$ 135,161,461.00	\$ 149,708,148.19
Long-term liabilities	734,267,889.94	662,802,882.34
<b>TOTAL LIABILITIES</b>	<b>\$ 869,429,350.94</b>	<b>\$ 812,511,030.53</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to discount on loans purchased	2,739,927.04	3,763,664.18
Unrestricted	109,083,066.67	76,483,877.49
Restricted	129,340,780.85	125,888,192.33
<b>TOTAL NET POSITION--end of year</b>	<b>\$ 238,423,847.52</b>	<b>\$ 202,372,069.82</b>

#### CONDENSED REVENUES, EXPENSES AND CHANGE IN NET POSITION

	2023	2022
Operating Revenues:		
Interest on student loans	\$ 33,308,129.80	\$ 34,751,817.49
Nonoperating Revenues & Expenses:		
Interest on investments	3,721,971.09	943,419.15
Unrealized loss on investments	(795,248.70)	(1,266,767.89)
Government interest and special allowance	17,889,364.05	(10,980,458.71)
Interest on bonds and line of credit	(35,416,845.91)	(12,113,505.44)
Letter of credit and bond redemption fees	(152,500.00)	(4,184,630.32)
Income from deferred inflows of resources	1,023,737.14	1,055,688.31
Total nonoperating revenues & expenses:	(13,729,522.33)	(26,546,254.90)
<b>TOTAL REVENUE &amp; NONOPERATING EXPENSES</b>	<b>\$ 19,578,607.47</b>	<b>\$ 8,205,562.59</b>
Operating Expenses:		
Loan servicing fees paid to Higher Education Servicing Corp.	3,845,259.57	4,248,469.70
Payments for administrative and operating costs to Higher Education Servicing Corporation	4,916,105.37	5,479,497.10
Trustee fees	155,017.97	202,512.28
Borrower incentive loan write-offs	396,273.29	509,739.34
Miscellaneous expense	864,603.89	520,501.41

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

Total Operating Expenses:	10,177,260.09	10,960,719.83
Contribution from acquisition of CalEd entities	26,650,430.34	0.00
CHANGE IN NET POSITION	\$ 36,051,777.72	\$ (2,755,157.24)

Total assets and liabilities increased (decreased) for the fiscal year 2023 and 2022 as follows:

	<u>2023</u>	Percent Change <u>from 2022</u>	<u>2022</u>	Percent Change <u>from 2021</u>
Change in assets:	\$ 91.95 mil.	9.03%	(\$73.3 mil.)	(6.7%)
Change in liabilities:	\$ 56.92 mil.	7.01%	(\$69.4 mil.)	(7.8%)
Change in net position:	\$ 36.05 mil.	17.81%	(\$ 2.8 mil.)	(1.3%)

The above current year asset increases are primarily due to increased student loans balances due to the CalEd acquisition partially offset by paydowns. The above current year liability increases are due to increased notes payable and lines of credit balances due to the CalEd acquisition.

The current year increase in net position is due to the CalEd acquisition and lower operating expenses. The previous year decrease in net position was due to higher operating expenses associated with the redemption and refinancing of existing debt into new issuances. The Authority incurred lower special allowance interest expense at the same time as having recognized higher interest income on student loans and investments, however bond interest was higher in light of increasing interest rates. In 2023, the Authority paid \$1.0 million less in servicing/administration fees and \$23.3 million more in bond interest. In 2023, the Authority paid \$183.3 million of principal on bonds. In 2022, the Authority paid \$1.7 million more in servicing/administration fees and \$5.7 million more in bond interest while also incurring \$4.2 million in one-time issuance fees for refinancing certain debt issuances. In 2022, the Authority paid \$147.3 million of principal on bonds. Loan servicing and administration fees are paid to Higher Education Servicing Corporation ("HESC").

The majority of net position is restricted for debt service or for the purchase of student loans, but as of August 31, 2023, approximately \$109.1 million is available for unrestricted purposes and as of August 31, 2022, approximately \$76.5 million was available for unrestricted purposes.

Further evaluation of some of the Authority's major asset and liability categories is as follows:

<u>Major asset &amp; liability category changes (millions):</u>	<u>2023</u>	Change from <u>2022</u>	<u>2022</u>	Change from <u>2021</u>
Increase (decrease) in cash, cash equiv, current investments	(15.7)	-19.64%	16.5	34.32%
Increase (decrease) in student loans	130.4	15.68%	(159.0)	-16.07%
Increase (decrease) in net short term liabilities	(14.6)	-9.72%	(296.6)	-66.46%
Increase (decrease) in net long term liabilities	71.5	10.78%	227.1	52.14%

The elimination of the FFELP has impacted the Authority's ability to acquire loans (see "**Turbulence in the Financial Markets**" below). However, in 2023, the Authority added \$254.4 million of loans from acquiring CalEd's existing portfolios and also claim repurchases with net student loan reductions (payoffs less capitalized interest) of \$126.6 million. In 2022, the Authority acquired \$4.7 million of loans from other



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

FFELP lenders selling their existing portfolios and also claim repurchases with net student loan reductions (payoffs less capitalized interest) of \$162.5 million.

Collections from borrowers are held in "Redemption Funds" and used to pay down bonds. Bond indenture covenants require excess funds (amounts remaining after debt service payments) not used to acquire loans to be used to pay down bonds at specified redemption dates. The Authority took out a line of credit in the spring of 2023 to finance a portion of its CalEd acquisition. As a part of its CalEd acquisition, the Authority assumed \$224.4 million of outstanding bond liabilities. During the course of 2023, the Authority paid down \$183.3 million of outstanding debt. In 2022, the Authority used excess funds to pay \$147.3 million of bonds after outstanding debt increased by net \$84.1M with the refinancing of seven existing borrowings. See further discussions of "**Bonds Payable**" in Note 4 to the basic financial statements.

In 2023, the decrease in cash and current investments of \$15.7 million was the net of the \$29.2M purchase of the CalEd student loan entities offset by an increase in the Authority's unrestricted funds. In 2022, the increase in cash and current investments of \$16.5 million was the net of an increase in the Authority's unrestricted funds offset by a decrease in investments in restricted portfolio funds.

### OPERATING ACTIVITIES

#### Revenues:

	<u>2023</u>	Percent Change <u>from 2022</u>	<u>2022</u>	Percent Change <u>from 2021</u>
Increase (decrease) in Operating Revenue:	(\$1.4)	(4.2%)	\$2.3	7.0%

Operating revenues for the Authority are derived entirely from interest earned on student loans.

#### Net Increase (decrease) to yield on student loans:

	<u>2023</u>		<u>2022</u>	
Increase (Decrease) in interest earned on student loans	(1,611,508.08)		2,640,488.25	
Net (decrease) in amortization of deferred prem & discount	167,820.39		(365,284.33)	
Net Increase (decrease) to yield on student loans:	(1,443,687.69)	-4.00%	2,275,203.92	6.83%

Since 2011, variable rates on student loans issued before July 1, 2006 ("older loans") had changed by only a few basis points however interest rates have had greater increases in recent years. In 2023, rates increased 1.12% over 2022. In 2022, rates decreased 0.11% over 2021. Variable rates on the majority of loans issued after June 30, 2006 ("newer loans") have remained the same since 2007. Interest earned by the Authority on student loans increased slightly in 2023 due to higher interest rates and higher student loan portfolio balances over 2022.

The variable student loan interest rates are set annually on July 1 based on the 91-day T-Bill rate. Interest rates on Consolidation loans are fixed at time of disbursement. Student loan rates as of July 1 are outlined as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Variable rates on student loans:	7.16% to 8.56%	1.72% to 8.50%	1.83% to 8.50%

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT’S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED OPERATING ACTIVITIES – Revenues - CONTINUED

In the past, the Authority paid a loan acquisition premium when acquiring loans from financial institutions. These premiums were capitalized and amortized over the life of the related loans. The amortization expense is recorded as an adjustment to the yield of the loans purchased (see further discussion of “*Deferred Loan Acquisition Premiums*” in Note 1 to the basic financial statements). Changes in law have decreased yields on student loans, thus since 2010, the Authority had not paid any premium on loans purchased and had acquired some loan portfolios at a discount. However, with the Bank of North Dakota acquisition in 2018, a \$4.6 million premium was paid for the loans and is being amortized on a predetermined schedule. Additionally, with the AccessLex acquisition in 2021, a \$4.125 million premium was paid for the loans and is being amortized on a predetermined schedule. From 2014 until early 2018, the amortization of discount exceeded the amortization of premiums resulting in slight increases to the yield on student loans, however with the 2018 and 2021 acquisitions, the amortization of premium and discount have both increased non-cash expenses and reduced the excess revenues for the subsequent fiscal years.

<b>Expenses:</b>	Percent Change	Percent Change
	<u>2023</u> <u>from 2022</u>	<u>2022</u> <u>from 2021</u>
Increase (Decrease) in Operating Expenses:	(\$0.78M)      -7.1%	\$1.23M      12.6%

The major categories of the Authority’s operating expenses are loan servicing fees, program administration fees, and borrower incentive loan write-offs. In 2023, the decrease in operating expenses is due to borrower incentive loan write-offs that decreased \$-0.1 million (-22.3%) and decreases in loan servicing and program administration fees of \$-1.0 million (-9.9%). In 2022, the increase in operating expenses is due to borrower incentive loan write-offs that decreased \$0.1 million (-21.8%), offset by increases in loan servicing and program administration fees, an increase of \$1.8 million (21.9%).

The Authority has engaged HESC to provide servicing for the student loan portfolio. HESC maintains contracts with three student loan servicing bureaus who service some of the Authority’s loans as sub-servicers. In 2006, HESC also began providing full life-of-loan servicing to the Authority with rates charged by HESC being lower than rates charged by the other three bureaus. In 2023, loan servicing fees decreased \$403,210 (-9.5%) over prior year due to decreased balances on student loans until the CalEd acquisition. In 2022, loan servicing fees increased \$773,197 (22.2%) over prior year due to increased servicing rates. As of August 31, 2023, and 2022, 46.6% and 34.1% of the Authority’s loans were being serviced by HESC, respectively. See “*Related Entities*” under Note 1 to the basic financial statements for further discussion of HESC’s loan servicing functions for the Authority.

In addition to providing student loan servicing, HESC is the program administrator for the Authority. In general, administration fees paid to HESC are based on rates stipulated by the Authority’s bond covenants and applied to the student loan balances for each bond series, therefore the computed fees directly correlate with the portfolio balances. In 2016 and 2015, the fees were deemed to be substantially below fair value for compensation of program administration. As such, in the last quarter of 2016, the NTHEA Board approved a resolution to increase the rates stipulated by the bonds to a level that would be more in line with industry standard rates, and the additional program fees resulting from the increased rates would be paid from the Authority’s unrestricted funds. In 2017, NTHEA began paying administration fees based on the higher rates. See “*Related Entities*” under Note 1 to the basic financial statements for further discussion of HESC’s administrative support functions for the Authority.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT’S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED OPERATING ACTIVITIES – Expenses – CONTINUED

The Authority has a borrower incentive program in which, for certain eligible borrowers who meet stipulated payment requirements, a portion of their student loan balance is written off. In 2023, borrower incentive write-offs decreased \$113,466 over prior year. In 2022, borrower incentive write-offs decreased \$142,351 over prior year. Annual decreases are mostly due to the decreasing eligible loans in the Authority’s student loan portfolio. See further discussion of the Authority’s borrower incentive program in Note 5 to the basic financial statements.

#### Non-operating Revenue (Expense)

Non-operating revenue for the Authority is derived from interest on cash equivalents and investments, change in fair value of investments, interest expense, interest subsidy and special allowance paid by the U.S. Government and contributions. The program of subsidized interest and special allowance is further discussed in Note 1 to the financial statements.

	<u>2023</u>	Percent Change <u>from 2022</u>	<u>2022</u>	Percent Change <u>from 2021</u>
Change in net non-operating revenue:	\$12.8 M	48.3%	(\$9.0) M	(51.2%)

The 2023 increase in net non-operating revenue was primarily due to increases in special allowance income of \$28.9 million (262.9%), a decrease in LOC/redemption fees which decreased (\$4.0 million) (-96.4%), and increases in interest on cash and investments and unrealized gain/loss on investment of \$3.25 million (1005%), partially offset by an increase in interest rates on debt, which increased \$23.4 million (192.4%). The 2022 decrease in net non-operating expense was primarily due to an increase in interest rates on debt, which increased \$6.1 million (100.1%), and increase in LOC/debt redemption fees which increased \$3.7 million (747%) offset by decreases in special allowance expense of \$2.4 million (-17.7%) and decreases in interest on cash and investments and unrealized loss on investments (\$849.5 thousand (-161.45%)).

Since 2010, investment rates had not changed much, but in 2016 rates increased substantially and the upward trend continued through 2018. The trend reversed in 2019 and especially in 2020 due to the COVID-19 global pandemic, however many of the Authority’s investment interest rates are locked for the duration of the investment primarily those for certificates of deposit (CDs). Rates on the Authority’s money market investments decreased 70% from 2018 to 2020. As older CDs have matured, newer CDs being offered were at substantially lower interest rates than the Authority’s Insured Cash Sweep therefore proceeds from matured CDs are reinvested in the Insured Cash Sweep account. Returns on investments and cash equivalents decreased \$0.85 million (-161.5%) in 2022 and increased \$3.25 million (1005.1%) in 2023 due to the higher money market interest rates in 2023. See Note 2 to the basic financial statements for further discussion of the Authority’s investments.

Investment yields are outlined as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Average yield on investments for year:	2.57%	1.11%	1.03%	1.20%

The Authority paid \$183.3 million in 2023 and \$147.3 million in 2022 of bond principal, while also incurring an increase in bond rates. Average rates are as follows:

**NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)**

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**AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED  
NON-OPERATING ACTIVITIES – Revenue/Expenses - CONTINUED**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Average tax-exempt bond rate:	6.12%	N/A	N/A	3.03%
Average taxable bond and note rate:	4.5%	1.27%	0.75%	1.80%

Since 2007, special allowance income had been decreasing substantially due to declining Commercial Paper, Treasury Bill, and one-month LIBOR rates and due to a major provision in 2005’s HERA. Since January 2010, while low, these rates remained relatively unchanged through 2014 but began an upward trend in 2015 that continued until the global pandemic of the spring of 2020 when interest rates fell dramatically, and then drastically increased beginning in 2022. See discussion of the effect of these rates on special allowance income under **“Turbulence in the Financial Market”** under Economic Factors and Outlook below.

Due to the provision in HERA, loans disbursed after April 1, 2006 (“post 4/1/06” loans) are subject to a rebate of a portion of the interest collected on the loans (referred to as “excess interest”) when the loans earn at rates above the federally established special allowance lender rates referred to as “special allowance rates”. The majority of the Authority’s decreasing portfolio are made up of post 4/1/06 loans that are subject to the excess interest payments. In 2023, special allowance income increased \$28.9 million as interest rates continued to rise. In 2022, special allowance income increased \$2.6 million as interest rates have begun to rise again.

In 2023, interest subsidy decreased (\$85,806) (-6.7%). In 2022, interest subsidy decreased (\$245,288) (-16.1%). The decreases were due to the declining balances of subsidized loans in school, grace, or deferment status. In 2023, the balance of these loans decreased (\$5.1) million from 2022. In 2022, the balance of these loans increased \$0.4 million from 2021. See further discussion of **“Interest Subsidy and Special Allowance”** payments on student loans in Note 1 to the financial statements.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

### ECONOMIC FACTORS AND OUTLOOK

#### Turbulence in the Financial Market

Due to the decline in the financial and bond markets in the latter half of fiscal year 2008 and in fiscal year 2009, Treasury Bills (T-Bill), and one-month LIBOR rates decreased from September 30, 2008 through December 31, 2009. Since January 2010, the downward spiral ended and the rates, while low, remained relatively unchanged through 2014. In 2015, the rates began an upward trend, which continued through the first quarter of calendar year 2019 when rates again declined. In 2020, T-Bill rates decreased 94.6% and one-month LIBOR rates decreased 92.3% respectively from rates in 2019. In 2021, T-Bill rates decreased 54.6% and one-month LIBOR rates decreased 47.1% respectively from rates in 2020. In 2022, T-Bill rates increased 5600% and one-month LIBOR rates increased 900% from rates in 2021. In 2023, T-Bill rates increased 362.3% and one-month LIBOR rates increased 418% from rates in 2022. Effective on July 1, 2023, LIBOR is no longer published so existing bonds and notes converted to SOFR, the replacement rate for LIBOR in those indentures that provided for a replacement rate. The average bond equivalent rates of the 91-day T-Bill and the average bond equivalent rates of the one-month LIBOR/SOFR are shown:

	<u>T-Bill</u> <u>Rates</u>	<u>One-Month</u> <u>LIBOR/SOFR</u>
Qtr. Ending 03/31/21:	0.05%	0.12%
Qtr. Ending 06/30/21:	0.02%	0.10%
Qtr. Ending 09/30/21:	0.05%	0.09%
Qtr. Ending 12/31/21:	0.06%	0.09%
Qtr. Ending 03/31/22:	0.33%	0.23%
Qtr. Ending 06/30/22:	1.14%	1.00%
Qtr. Ending 09/30/22:	2.74%	2.51%
Qtr. Ending 12/31/22:	4.15%	3.97%
Qtr. Ending 03/31/23:	4.76%	4.70%
Qtr. Ending 06/30/23:	5.27%	5.18%

The above rates directly affect the amount of Special Allowance income earned on the Authority's student loans. Since 2007, the declining rates had resulted in substantially reduced special allowance income for the Authority but increases to the rates from 2015 to 2019 then resulted in increased special allowance income only to have reversed direction through 2021 but the direction has reversed again in 2022 and continued through 2023 as rates increase.

As referenced above, legislative changes enacted in 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Increasing One-Month LIBOR rates (shown above) raises the special allowance rates, which in turn decreases excess interest. In 2023, the Authority received \$16.7 million of excess interest to the Education Department which offsets Special Allowance Income on the Authority's books. In 2022, the Authority paid \$12.3 million of excess interest to the Education Department which offsets Special Allowance Income on the Authority's books. (See further discussion of excess interest payments in Note 1 to the basic financial statements).

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED AUGUST 31, 2023 (with 2022 Comparative Totals)

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### OUTLOOK

#### Elimination of FFEL Program

In March 2010, President Obama signed into law H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminated origination of student loans under the Federal Family Education Loan Program ("FFELP") in favor of the government-run Federal Direct Loan Program beginning July 1, 2010. After June 30, 2010, no new FFELP loans (including Consolidation Loans) could be made or insured under FFELP, and no funds could be expended under the Higher Education Act to make or insure loans under FFELP for which the first disbursement was after June 30, 2010. FFELP loans originated under the Higher Education Act prior to July 1, 2010, which had been purchased or could be purchased by the Authority, continue to be subject to the provisions of FFELP. The elimination of FFELP has impacted the Authority and FFELP lenders. Lenders could still add to or make additional disbursements to FFELP loans that were initially made prior to July 1, 2010, and the Authority could continue to acquire these loans. Many of the Authority's lender partners had historically originated student loans which the Authority would purchase, but due to the elimination of FFELP, the volume of loans available to acquire from its lender partners declined dramatically since 2008. In 2014, the Authority acquired substantially all of the remaining FFELP Loans that were held by its lender partners.

On January 2, 2018, the Authority consummated the acquisition of a \$241.7 million portfolio from one lender. The Authority went on to acquire the remaining \$4.0 million of FFELP loans from that same lender in April 2018. The Authority obtained a short-term line of credit to acquire this portfolio which was refinanced into a five-year direct placement note in July 2018. Additionally, the Authority acquired three portfolios with student loan balances of \$206.6 million from another lender in February 2018. These three other portfolios were part of trust indentures with existing debt that the Authority assumed at the February acquisition date. On April 29, 2021, the Authority consummated the acquisition of a \$342.5 million portfolio from a third lender. The Authority obtained a short-term line of credit to acquire this portfolio.

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The total of the student loan portfolios of the three indentures was \$254.4 million.

Should the Authority find other available portfolios, it will analyze and consider acquiring such portfolios and may use unrestricted funds and/or borrow funds for these acquisitions. See "**Net Position**" under Note 1 to the basic financial statements for further discussion of the Authority's unrestricted funds. The Authority has regularly financed its eligible loan purchases on a long-term basis through the issuance of revenue bonds secured by the eligible loans it has purchased with the proceeds of such bonds. Due to the elimination of the FFELP, other than obtaining the short-term line of credit which was then refinanced into a direct placement note as noted above, the Authority had not issued any debt since 2012 until the fall of 2021 when seven issuances were refinanced. The Authority has been substantially paying down debt since 2009 and anticipates continuing this trend in 2024. The Authority did not issue any new debt in 2022 however it refunded four existing bond issuances, the direct placement note, and two short-term lines of credit into two new bond issuances. The Authority did enter into a two-year line of credit to finance a portion of the CalEd acquisition and acquired the debt of CalEd student loan business entities. Please see further discussions of "**Bonds Payable**" in Note 4 to the basic financial statements.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF NET POSITION AUGUST 31, 2023 and 2022

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents—restricted (Note 2)	\$ 0.00	\$ 122,295.50
Investments — non restricted (Note 2)	8,262,474.26	27,896,698.63
Investments—restricted (Note 2)	56,331,997.44	52,305,404.51
Accrued interest and other accounts receivable – non restricted	5,607,465.91	634,289.79
Accrued interest for LOC Note Receivable from CURRevI	0.00	81.91
Accrued interest and other accounts receivable—restricted	59,538,586.72	53,803,095.93
Prepaid expenses & ROU asset—restricted	28,045.66	50,727.78
Student loan notes receivable (Note 3)	41,330,647.18	601,430.92
Student loan notes receivable—restricted (Note 3)	228,699,298.64	159,005,257.99
Total current assets	399,798,515.81	294,419,282.96
<b>LONG-TERM ASSETS:</b>		
Investments—(Note 2)	14,786,606.71	48,270,151.76
Accrued Interest and other accounts receivable	124,141.39	28,212.06
Accrued Interest and other accounts receivable—restricted	6,178.99	86,016.53
Principal for LOC Note Receivable from CURRevI	0.00	14,546.31
Student loan notes receivable (Note 3)	39,862,492.61	2,670,869.00
Student loan notes receivable—restricted (Note 3)	656,015,189.99	673,157,685.93
Total long-term assets	710,794,609.69	724,227,481.59
<b>TOTAL ASSETS</b>	<b>\$1,110,593,125.50</b>	<b>\$1,018,646,764.55</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
	<b>2023</b>	<b>2022</b>
<b>CURRENT LIABILITIES — Payable from non-restricted assets:</b>		
Accounts payable	\$ 101,819.13	\$ 13,784.88
Accrued special allowance payable	0.00	4,367.63
Total current liabilities payable from non-restricted assets	101,819.13	18,152.51
<b>CURRENT LIABILITIES—Payable from restricted assets:</b>		
Accounts payable	873,779.25	775,006.48
Accrued interest payable	1,961,259.27	611,418.99
Accrued special allowance payable	0.00	786,619.00
Accrued other liabilities	7,506.14	15,950.20
Bonds & notes payable (Note 4)	130,258,097.21	147,501,001.04
Lines of credit (Note 4)	1,959,000.00	-
Total current liabilities payable from restricted assets	135,059,641.87	149,689,995.68
Total current liabilities	135,161,461.00	149,708,148.19

The Notes to Basic Financial Statements are  
an integral part of these statements

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF NET POSITION AUGUST 31, 2023 and 2022

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION -- CONTINUED

	<b>2023</b>	<b>2022</b>
Bonds & notes payable, less unamortized original issue discounts of \$4,705,673 and \$4,829,117, respectively (Note 4)	721,330,889.94	662,802,882.36
Lines of credit (Note 4)	12,937,000.00	0.00
Total long-term liabilities payable from restricted assets	734,267,889.94	662,802,882.36
Total liabilities	869,429,350.94	812,511,030.55
DEFERRED INFLOWS OF RESOURCES		
<u>Related to discount on loans purchased</u>	2,739,927.04	3,763,664.18
NET POSITION:		
Restricted	129,340,780.85	125,888,192.33
Unrestricted	109,083,066.67	76,483,877.49
Total net position	238,423,847.52	202,372,069.82
Total Liabilities and net position	<u>\$1,110,593,125.50</u>	<u>\$1,018,646,764.55</u>



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED AUGUST 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES:</b>		
Interest on student loans	\$ 33,308,129.80	\$ 34,751,817.49
Total operating revenues	<u>33,308,129.80</u>	<u>34,751,817.49</u>
<b>OPERATING EXPENSES:</b>		
Loan servicing fees paid to Higher Education Servicing Corporation (Note 1)	3,845,259.57	4,248,469.70
Payments for administrative and operating costs to Higher Education Servicing Corporation (Note 1)	4,916,105.37	5,479,497.10
Trustee fees	155,017.97	202,512.28
Borrower incentive loan write-offs (Note 5)	396,273.29	509,739.34
Miscellaneous expense	864,603.89	520,501.41
Total operating expenses	<u>10,177,260.09</u>	<u>10,960,719.83</u>
<b>OPERATING INCOME</b>	<b>23,130,869.71</b>	<b>23,791,097.66</b>
<b>NONOPERATING REVENUES AND EXPENSES:</b>		
Interest on cash equivalents and investments	3,721,971.07	943,419.15
Income from Deferred Inflows of Resources	1,023,737.14	1,055,688.31
Unrealized loss on investments (Note 2)	(795,248.70)	(1,266,767.89)
Interest on bonds	(35,416,845.91)	(12,113,505.44)
Letter of credit/debt issuance fees	(152,500.00)	(4,184,630.32)
Government subsidy on student loans	1,196,508.82	1,282,314.78
Special allowance income	16,692,855.23	(12,262,773.49)
Total nonoperating revenues and expenses	<u>(13,729,522.35)</u>	<u>(26,546,254.90)</u>
<b>SPECIAL ITEM - Net Assets acquired in excess of amounts paid (Note 8)</b>	<b>26,650,430.34</b>	<b>0.00</b>
<b>CHANGE IN NET POSITION</b>	<b>36,051,777.70</b>	<b>(2,755,157.24)</b>
<b>NET POSITION—Beginning of year</b>	<b>202,372,069.82</b>	<b>205,127,227.06</b>
<b>NET POSITION—End of year</b>	<b><u>\$ 238,423,847.52</u></b>	<b><u>\$ 202,372,069.82</u></b>

The Notes to Basic Financial Statements are an integral part of these statements

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases	\$ (25,348,133.92)	\$ (7,832,284.73)
Student loan repayments	189,809,880.07	190,779,653.48
Payment to vendors	(9,858,867.32)	(10,756,083.78)
Net cash provided by (used in) operating activities	154,602,878.83	172,191,284.97
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment of line of credit issued to HESC	0.00	(14,546.31)
Cash paid for CalEd entities	(29,065,797.79)	0.00
Investment Income	4,091,098.85	733,519.77
Proceeds from maturities of investments held by Trustee	363,021,599.47	631,390,483.04
Purchases of Investments	(302,975,246.40)	(708,367,138.68)
Net cash provided by (used in) investing activities	35,071,654.13	(76,257,682.18)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from issuances of bonds & lines of credit	15,000,000.00	868,062,260.80
Repayment of Bonds & lines of credit	(183,412,979.00)	(936,151,940.92)
Interest paid on bonds and lines of credit	(34,695,894.78)	(11,006,547.92)
Proceeds from government subsidy on student loans	1,164,295.82	1,315,966.50
Payment of letter of credit / bond redemption fees	(152,500.00)	(4,184,630.32)
Lease payments	(5,908.74)	0.00
Receipts (payments) of special allowance	12,306,158.24	(14,382,093.63)
Net cash provided by (used in) noncapital financing activities	(189,796,828.46)	(96,346,985.49)
CHANGE IN CASH AND CASH EQUIVALENTS	(122,295.50)	(413,382.71)
CASH & CASH EQUIVALENTS---Beginning of year	122,295.50	535,678.21
CASH & CASH EQUIVALENTS---End of year	\$ 0.00	\$ 122,295.50

The Notes to Basic Financial Statements are an integral part of these statements

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income:	\$ 23,130,869.71	\$ 23,791,097.66
Adjustments to reconcile operating income to net cash provided by operating activities:		
Borrower Benefit Loan Write Offs	396,273.29	509,739.34
Capitalization of interest on student loan notes receivable	(19,209,990.05)	(9,411,603.94)
Change in assets and liabilities:		
Decrease (increase) in accrued interest and other accounts receivable	7,769,873.25	(10,036,602.99)
Decrease (increase) in student loan notes receivable--net	142,593,735.47	167,504,353.15
Decrease (increase) in prepaid expenses	22,682.00	180,601.69
Increase (decrease) in accounts payable	(98,028.55)	(346,084.33)
Increase (decrease) in accrued and other liabilities	(2,536.29)	(211.29)
Net cash provided by (used in) operating activities	<u>\$ 154,602,878.83</u>	<u>\$ 172,191,284.97</u>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**— The North Texas Higher Education Authority, Inc. (the “Authority”) is a nonprofit corporation organized on September 28, 1978 under the laws of the State of Texas and reports as a governmental entity. The Authority’s Board of Directors is composed of six members appointed by the City of Arlington, Texas. The Authority’s purpose is to promote student access to higher education. The Authority provides funds for the purchase of student loans from participating lenders at the post-secondary educational level and provides procedures for the servicing of such loans as required for continued participation in the Federal Family Education Loan Program (FFELP) under the Higher Education Act of 1965, as amended. Funding for the Authority has been provided by the sale of bonds and through other forms of indebtedness. Proceeds of the bonds and other debt are used to purchase student loans, originated by eligible lenders under FFELP made to eligible students for attendance at eligible institutions.

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC. The acquired entities are included in the financial statements as of the acquisition date as blended component units as management of the Authority has operational responsibility for the component units and the Authority’s governing body also governs the component units.

**Related Entities**— Higher Education Servicing Corporation (“HESC”) is a tax-exempt nonprofit Texas Corporation that services the student loans for the Authority. HESC is responsible for student loan processing, collecting, accounting, and reporting, as well as providing corporate office space and administrative support functions for the Authority under the terms of a servicing agreement. The Authority has no employees. HESC and the Authority have separate Boards of Directors.

Under the terms of the servicing agreement, HESC uses an in-house student loan servicing system to perform duties involving student loan processing and collection services on more than half of the Authority’s student loans. HESC contracts with three third-party student loan servicers as sub-servicers who perform student loan processing and collection services on the remainder of the Authority’s student loans for HESC under the terms of servicing agreements. The Authority remits to HESC stipulated amounts for services rendered in the administration of the agreements and for providing services as described above. Total paid to HESC was \$8,761,365 for the year ended August 31, 2023, and \$9,727,967 for the year ended August 31, 2022.

**Measurement Focus, Basis of Accounting and Basis of Presentation**— The Authority applies all applicable Governmental Accounting Standards Board (“GASB”) pronouncements for enterprise funds. Enterprise funds are accounted for using the flow of economic resources measurement focus and uses the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds are used to account for the operations and financial position of a governmental entity that is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the expenses of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

**Description of Funds**— The accounts of the Authority are organized on the basis of funds, which are set up in accordance with the related bond indentures. The operations of each fund are accounted

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

for within a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, net position, revenues and expenses. These requirements do not result in any restrictions on the use of assets for the general purpose of the respective bond issues. Accordingly, separate funds are not considered necessary for financial reporting purposes. At the time that a bond series has been fully repaid or when permitted by the bond indenture, assets can be transferred to another series with outstanding debt or to a “surplus” fund. A clearing fund is used to process student loan collections among debt issues.

**Investment Policy**— In accordance with the Authority’s investment policy and its bond indentures, funds not invested in student loans are generally invested in one of the following investment types:

- Money market funds which are registered with and regulated by the Securities and Exchange Commission (“SEC”) and are rated AAAM or an equivalent rating by at least one nationally recognized rating service and include in their investment objectives to have a dollar weighted average stated maturity of 90 days or fewer and seek to maintain a stable net asset value of \$1 per share.
- FDIC insured interest-bearing time deposits with maturities of five years or less in banks located within the State of Texas or invested through a broker that has its main office or a branch office in the State of Texas, as selected by the Authority, and arranges for the deposits in one or more FDIC insured depository institutions, wherever located, for the account of the Authority.

The Authority records money market investments and Insured Cash Sweep (ICS) Account at cost, and records interest-bearing time deposits at fair value on its statements of net position. Changes in fair value are reported in the statements of revenues, expenses and change in net position. The Authority continually monitors the fair value of its investments.

**Allowance for Doubtful Accounts**— The guarantee of student loans is contingent upon the loans being serviced within the due diligence requirements of the guarantors. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts.

**Deferred Loan Acquisition Premiums and Discounts**— The Authority has paid loan acquisition premiums and transfer fees when acquiring loans from financial institutions. These premiums, discounts, and fees are capitalized and amortized using the sum of the months’ digits method which approximates the interest method over the estimated life of the related loans. The amortization expense has been recorded as an adjustment to the yield of the loans purchased. These premiums, discounts, and fees are included with student loan notes receivable in the accompanying statements of net position.

**Bond Issue Costs and Original Issue Discounts**— Original issue discounts are capitalized and amortized over the term of the bonds using the straight-line method, which approximates the interest method. The amortization expense has been recorded as an adjustment to interest expense on the bonds payable. Losses incurred on advance refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. Bond issue costs are expensed as incurred.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Trustees**— The Authority contracts with two Banks to serve as Trustees. Manufacturers and Traders Trust Company, and BOKF, National Association, dba Bank of Texas, as trustees perform the duties involving the acquisition and holding of student loans in the Authority's name, the investment and disbursement of funds as directed by the Authority, and the servicing and redemption of the bonds under each of the trust indentures. Previously the Authority had a third Bank as trustee, Wells Fargo, National Association, however the bonds and indentures associated with this third trustee were paid off in March 2023.

**Excess Income**— All income of the Authority after payment of expenses, debt service, and the creation of reserves will be utilized for the purchase of additional student loan notes, the purpose permitted by Section 148 of the Internal Revenue Code ("IRC") or, upon dissolution or liquidation of the Authority, will be transferred to the U.S. Treasury. The Authority has no plans to liquidate or dissolve.

**Income Taxes**— As an organization described in IRC Section 501c(3), the Authority is exempt from federal income taxes under IRC Section 501(a). However, income generated by activities unrelated to the purposes for which the Authority was created will be subject to tax. The Authority had no unrelated business income in 2022 or 2023.

**Capitalization of Interest**— Students have the option of deferring the interest payments on unsubsidized loans during in-school, grace or deferment periods. Therefore, the Authority capitalizes interest on some student loan notes receivable.

**Interest Subsidy and Special Allowance**— During the in-school, grace, and deferment periods, the U.S. government pays the Authority interest on subsidized Stafford student loans on behalf of the borrower. Additionally, some consolidation loans are eligible for subsidy during periods of deferment. When the repayment period begins, the borrower is responsible for interest payments. No interest is paid on behalf of the borrower for the unsubsidized Stafford and PLUS programs. In addition, for certain eligible loans, the U.S. government pays a special allowance to lenders participating in FFELP at the end of each quarter, representing supplemental interest on the average outstanding principal balance of insured loans (for the quarter) at an annual rate that is determined periodically and is based on certain current interest rates exceeding a predetermined rate. Treasury bill, one-month LIBOR and SOFR rates directly affect the amount of special allowance earned.

Legislative changes in fiscal 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Decreasing one-month LIBOR rates decreases the special allowance rates, which in turn, increases excess interest. Increasing one-month LIBOR rates increases the special allowance rates, which in turn, decreases excess interest.

In 2023, the Authority's student loan portfolio had a net increase of \$131.6 million. In 2022, the Authority's student loan portfolio had a net decrease of \$157.7 million. A substantial amount of the student loans paid (much of which was due to being consolidated by the Education Department) are the loans that were subject to the excess interest payments. In 2023, the Department of Education paid \$12,306,160 of excess interest due to the Authority's quarterly interest benefits and special allowance billings. In 2022, the Department of Education withheld \$14,382,094 of excess interest from the Authority's quarterly interest benefits and special allowance billings. This excess interest offsets special allowance income in the Authority's statements of revenues, expenses, and changes in net position.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### *Interest Subsidy and Special Allowance— continued*

In addition to interest on student loans, non-operating revenues comprised of interest subsidy and special allowance earned on student loans in the accompanying financial statements are as follows:

	<u>2023</u>	<u>2022</u>
Interest Subsidy	\$ 1,196,508.82	\$ 1,282,314.78
Special Allowance	<u>\$ 16,692,855.23</u>	<u>(\$ 12,262,773.49)</u>
	<u>\$ 17,889,364.05</u>	<u>(\$ 10,980,458.71)</u>

The interest subsidy and special allowance are accrued as earned.

The Federal Family Education Loan program in which the Authority participates is subject to audit in accordance with the provisions of the U.S. Office of Management and Budget *Compliance Supplement*. Pursuant to the provisions of the *Compliance Supplement*, the major federal financial assistance programs were tested for compliance with applicable grant requirements through August 31, 2023. The provisions of the *Compliance Supplement* do not limit the Authority or other federal agencies or audit officials from making or contracting for audits and evaluations of federal financial assistance programs. As a result, final expenditure reports of grants and contracts submitted to granting agencies in current and prior years are subject to audit and adjustment by such agencies. The effect of such adjustments, if any, is not determinable at this time.

**Net Position**— The net position of the Authority is classified into two categories: unrestricted and restricted. Unrestricted net position includes net positions available for the operations of the Authority and activities not accounted for in the bond funds. Restricted net position consists of the bond funds and the clearing account that are only expendable for servicing and administration fees, interest and principal payments on the associated bonds as well as direct expenses specifically identifiable to the bond issuance.

**Operating Revenues and Expenses**— Bond and note issuance is the principal source of the funds necessary to carry out the purposes of the Authority, which are to acquire and service student loans. The Authority's revenue is derived primarily from income on student loans. The primary costs of the program are program administration fees and loan servicing fees. Therefore loan income, administrative fees, and loan servicing fees are shown as operating revenues and expenses in the statements of revenue, expenses and changes in net position. Federal funds received consisting of interest subsidies and special allowance income are considered non-operating revenue as is interest expense on bonds and notes and investment return.

**Deferred Inflows of Resources**— When the Authority acquired the student loan note receivable assets and bond indenture liabilities of two existing portfolios from the South Texas Higher Education Authority in 2018, the net difference between the cash paid and the existing net assets of the two portfolios at the time of purchase was classified as a deferred inflow in the liability section of the statements of net position. As those two portfolios add to their net assets, an amortization entry equal to the earnings is posted to the deferred inflows each fiscal quarter in order to realize the increased net asset value of the acquisition over time. The initial deferred inflows of resources was \$8.6M. Amortization of deferred inflows was equal to \$1,023,737.14 in 2023 and \$1,055,688.31 in 2022.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Use of 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, liabilities and deferred inflows and outflows of resources 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. Actual results could differ from those estimates.

**Lease Assets**-Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**Risk Management**— The Authority is exposed to various risks of loss related to errors and omissions. Coverage for these various risks of loss is obtained through commercial insurance. Commercial insurance is purchased in an amount that is sufficient to cover the Authority's risk of loss. There have been no claims filed against the Authority in the past three years, and there has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk.

### 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certificates of deposit and money market mutual funds including the ICS Account are presented as investments for disclosure purposes. At August 31, 2023, the carrying amount and bank balances of the Authority's cash and deposits was \$8,494,857. At August 31, 2022, the carrying amount and bank balances of the Authority's cash and deposits was \$12,074,140. All of the bank balances were covered by federal depository insurance or collateralized with securities held by the Authority's agent in the Authority's name.

In April 2022, the Authority entered into a line of credit agreement with CUREvl Capital, LLC, a Texas limited liability company that HESC has an equity investment in, such that the Authority would extend a \$5 million line of credit over the course of three years to CUREvl for the financing of its private student loan program. It is a three-year revolving note starting in April 2022 and maturing in March 2025 at an interest rate of three-month LIBOR plus 275 bps. As of August 31, 2023, CUREvl had paid down to a zero balance the line of credit however the line remained open. As of August 31, 2022, CUREvl had exercised \$14,546 of the line with an additional \$38,916 pending.

The Authority may purchase investments as authorized by its indentures, the investment policy approved annually by the Board of Directors, and the Public Funds Investment Act. These investments include but are not limited to direct obligations of the United States and certain U.S. government agencies, obligations guaranteed by the United States and certain U.S. government agencies, bank demand deposits and interest-bearing bank time deposits with a maturity of ten years or less that are secured by pledges of government securities or are issued by banks rated Aa or AA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively. Money market mutual funds are authorized investments if they are regulated by the SEC, have a dollar-weighted average stated maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share. The Authority may also invest in a state government investment pool – "Texas Local Government Investment Pool" (aka TexPool), which is a pool managed by the State of Texas and



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS -- CONTINUED

is an approved investment type under the Public Funds Investment Act. The Authority does not invest in investments other than those authorized by its investment policy.

**Interest rate risk**— Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer to maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

The Authority’s investments as of August 31, 2023, and 2022 are classified as follows:

Investment Type	2023 Amount	Weighted Average Maturity
Money market mutual funds	\$ 55,352,395.12	18.7 days
ICS deposit account	8,744,857.40	N/A
Certificates of deposit	15,283,825.89	1,240.5 days
Total investments	<u>\$ 79,381,078.41</u>	

Investment Type	2022 Amount	Weighted Average Maturity
Money market mutual funds	\$ 50,328,622.21	19 days
ICS deposit account	11,951,844.27	N/A
Certificates of deposit	66,191,788.42	1,042.4 days
Total investments	<u>\$ 128,472,254.90</u>	

**Credit risk**— Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Authority’s investment policy or debt agreements, and the actual rating for each investment type as of August 31, 2023 and 2022.

Investment Type	Balance	Balance
	August 31, 2023	August 31, 2022
Certificates of Deposit	\$ 15,283,825.89	\$ 66,191,788.42
FDIC Insured Deposits	8,744,857.40	11,951,844.27
Money market mutual funds	55,352,395.12	50,328,622.21
	<u>\$ 79,381,078.41</u>	<u>\$ 128,472,254.90</u>

**Concentration of Credit Risk**— The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2023 and 2022, the majority of the Authority’s funds were invested in three money market funds, an Insured Cash Sweep (ICS) Account which is a FDIC insured interest-bearing bank deposit account, and certificates of deposit. The majority of the certificates of deposit are invested with two brokers that have offices in the State of Texas, arranges the deposits in various FDIC insured depository institutions, wherever located, for the account

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS -- CONTINUED

of the Authority, and with maturities of five years or less. As of August 31, 2023 and 2022, Authority investments which totaled more than 5% of its total investments are:

	<u>2023</u>	<u>2022</u>
Morgan Stanley Institutional Money Market Fund	\$ 10,867,434.57	\$ 5,014,878.08
Invesco Government & Agency Money Market Fund	44,390,402.17	45,262,666.91
Bank ICS deposit account (FDIC insured)	7,107,445.99	10,568,298.98

**Fair Value**— In accordance with GASB 72 – Fair Value Measurement and Application (“GASB 72”), NTHEA defines fair value as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. GASB 72 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1, the highest on the hierarchy, indicates assets/liabilities with the most transparent and tangible valuation techniques. A Level 1 financial instrument typically has quoted prices and active markets. This type of instrument has the most verifiable and reliable fair value measurement.
- Level 2 instruments require more involvement in valuing than Level 1 instruments. Level 2 inputs are inputs that, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. For example, an interest rate swap uses known, public data, such as interest rates and the contract terms can be used to calculate a value of the interest rate swap. The instrument can be valued indirectly using observable data. Another example would be using quoted prices for similar assets or liabilities in active markets. The investments held by NTHEA are categorized as Level 2 and fair value is based on quoted prices in inactive markets.
- Level 3 uses unobservable inputs for an asset or liability and indicates use of valuation techniques and data that may not be verifiable. These types of instruments involve a great deal of assumptions and estimates. Examples may include infrequently traded asset backed securities or investments in privately owned companies.

**Investments**— Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Investments in money market mutual funds and ICS Account are carried at amortized cost. Unrealized gains and losses are included in the statements of revenues, expenses, and changes in net position. The Authority recorded unrealized losses of \$795,249 on investments, representing the decreases in fair value of its certificates of deposit for the year ended August 31, 2023. The Authority recorded unrealized losses of \$1,266,768 on investments, representing the decreases in fair value of its certificates of deposit for the year ended August 31, 2022.

All assets have been valued using a market approach. There were no changes in the valuation techniques used during the current year. The money market funds bear interest at variable rates.

As of August 31, 2023 and 2022, the rates paid on money market funds ranged from 0.22% to 5.25%. The rates on the FDIC insured deposit accounts are set by the depository banks and are subject to change from time to time. As of August 31, 2023 and 2022, the rates on the FDIC insured deposit

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 2. CASH AND INVESTMENTS – CONTINUED

accounts ranged from 1.60% to 4.60%. The rates on the FDIC insured certificates of deposit are set at the time of the purchase of said certificates. As of August 31, 2023, the rates on the FDIC insured certificates of deposit ranged from 2.91% to 4.89%. As of August 31, 2022, the rates on the FDIC insured certificates of deposit ranged from 1.05% to 3.80%.

**Fair Value Asset Classification** -- The following table presents the classification of the assets by level at August 31, 2023 and 2022:

Investments (2023)	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Fair Value
Money Market Funds (a)	\$ -	\$ -	\$ -	\$ 55,352,395.12
FDIC Insured Deposit Account (a)	-	-	-	8,744,857.40
FDIC Insured Certificates of Deposit	-	15,283,825.89	-	15,283,825.89
Total	\$ -	\$ 15,283,825.89	\$ -	\$ 79,381,078.41
Investments (2022)	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Fair Value
Money Market Funds (a)	\$ -	\$ -	\$ -	\$ 50,328,622.21
FDIC Insured Deposit Account (a)	-	-	-	11,951,844.27
FDIC Insured Certificates of Deposit	-	66,191,788.42	-	66,191,788.42
Total	\$ -	\$ 66,191,788.42	\$ -	\$ 128,472,254.90

(a) Money Market Funds and FDIC Insured Deposit Accounts shown in the above table are comprised of ICS Account and Operating Accounts at Susser and/or Simmons Bank. Cash and money markets are excluded from the fair value hierarchy as they are not subject to fair value measurement guidance. They are stated at cost, which approximates fair value and are included above to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 3. STUDENT LOAN NOTES RECEIVABLES

Student loan notes receivable consist of the following at August 31, 2023 and 2022:

<u>2023</u>	Student Loan		Collections	Deferred Loan Acquisition Premiums	Allowance	Net
	Notes Receivable	Not Yet Applied	Not Yet Applied	Less: Accumulated Amortization	For Doubtful Accounts	
Series						
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	-	-	-	-	-	-
2003-2	-	-	-	-	-	-
2021-1	322,925,945.91	-	-	3,633,356.88	(207,392.00)	326,351,910.79
2021-2	295,184,735.10	56,562.85	-	-	(189,540.00)	295,051,757.95
2023A LOC	15,777,412.23	-	-	-	(10,133.00)	15,767,279.23
ALL 2010	76,391,634.02	2,299.95	-	-	(64,000.00)	76,329,933.97
ALL 2012	43,438,083.73	-	-	-	(37,000.00)	43,401,083.73
ALL 2013	127,876,246.10	11,274.11	-	-	(87,000)	127,800,520.21
Surplus Fund Unallocated Collections	81,376,723.92	-	-	(131,322.13)	(52,262.00)	81,193,139.79
	-	12,002.75	-	-	-	12,002.75
<b>Total</b>	<b>\$ 962,970,781.01</b>	<b>\$ 82,139.66</b>	<b>\$ 3,502,034.75</b>	<b>\$ (647,327.00)</b>	<b>\$ 965,907,628.42</b>	

  

<u>2022</u>	Student Loan		Collections	Deferred Loan Acquisition Premiums	Allowance	Net
	Notes Receivable	Not Yet Applied	Not Yet Applied	Less: Accumulated Amortization	For Doubtful Accounts	
Series						
2002	\$ 49,365,646.61	\$ -	\$ -	\$ -	\$ (27,241.35)	\$ 49,338,405.26
2003	9,628,495.49	-	-	-	(5,313.27)	9,623,182.22
2003-2	47,435,717.14	-	-	-	(26,165.52)	47,409,551.62
2021-1	385,207,818.59	-	-	4,706,510.06	(212,569.10)	389,701,759.55
2021-2	336,318,219.11	-	-	-	(185,590.88)	336,132,628.23
Surplus Fund Unallocated Collections	3,433,839.02	-	-	(158,863.27)	(1,894.88)	3,273,080.87
	-	(43,363.92)	-	-	-	(43,363.92)
<b>Total</b>	<b>\$ 831,389,735.96</b>	<b>\$ (43,363.92)</b>	<b>\$ 4,547,646.79</b>	<b>\$ (458,775.00)</b>	<b>\$ 835,435,243.83</b>	

All student loans currently held were made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended. All of the student loans held were purchased with funds available from issuance of bonds and notes as discussed in Note 4 and are therefore pledged to the related bond. Any and all interest and principal payments from the student loan receivables are used to pay down the interest and principal of the bond and note liabilities. The Authority purchases five types of loans: Subsidized Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidation. PLUS loans are made to parents of dependent undergraduate students and effective July 1, 2006, PLUS loans can also be made to graduate and professional students. SLS loans (no longer available, effective July 1, 1994) were made to graduate and professional students. Consolidation loans are made to borrowers for the purpose of consolidating their repayment obligations. The Authority originated Consolidation loans until the second quarter of 2008, but

# **NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED**

changes in law decreased yields on these loans made after July 1, 2008, and the Authority stopped making them as they would have no longer been financially feasible.

The student loan notes receivable represent loans to students who, when the loans were originated by lending institutions, were enrolled in post-secondary institutions. In general, the notes bear interest at fixed and variable rates ranging from 1.83% to 12% depending upon the type and date of origination of the individual loan and are payable by the student following a specified grace period after graduation or termination from the institution. The repayment period is generally 10 years for all FFELP loans (excluding Consolidation loans), however the terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over an average period of 5 to 10 years. Consolidation loans may be repaid up to a maximum of 30 years.

Installment repayment of Subsidized and Unsubsidized Stafford loans begins after a grace period of six months following the date that the student completes his or her course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. Repayment of PLUS loans begins within 60 days of disbursement (no grace period). Repayment of Consolidation loans begins within 60 days after the borrower's liability on all loans being consolidated has been discharged.

Student loan notes receivable purchased by the Authority have been primarily insured or reinsured by the U.S. government or guaranteed by the Trellis Company (formerly known as TG and the Texas Guaranteed Student Loan Corporation), ECMC (formerly United Student Aid Funds, Inc.), and Ascendium (formerly Great Lakes). Student loan notes that do not conform to the terms of the purchase agreement between the Authority and the original lender may be returned to the lending institution for reimbursement of principal, interest and costs incurred while held by the Authority. The guarantors are protected by federal reinsurance from the Federal Guaranteed Student Loan Program under the Department of Education. Generally, the Department of Education pays the guarantor 97% of the balance of the defaulted student loans. The loans are guaranteed provided that the original lender with respect to such loans has met applicable program requirements. Owned loans that have lost their U.S. Department of Education guarantee due to the failure of the original lender, the Authority, or their servicer to follow prescribed collection (due diligence) procedures can reacquire their guaranteed status if they are subsequently returned to a repayment status. Original lenders have warranted to the Authority that the student loan notes have met these requirements and are valid obligations of the student borrowers.

The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts. Also, as discussed above, generally guarantors pay 97% of the balances of defaulted student loans. As such, the Authority includes in its computation of the allowance for doubtful accounts an estimated amount of the 3% write-off of balances of defaulted loans that are not paid by the guarantors. At August 31, 2023 and 2022, the allowance for doubtful accounts is \$647,327 and \$458,775, respectively. In the opinion of management, this allowance is considered adequate. Net student loan notes receivable approximate fair value as the loans are guaranteed payment at the carrying value and a special allowance payment is received for loans below the current market rate of interest.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

A summary of the Authority's student loan activity for the year ended August 31, 2023 and 2022 is as follows:

	2023	2022
Loans purchased (including CalEd entities)	\$ 258,144,963.94	\$ 4,751,344.34
Amounts collected	(145,318,702.63)	(171,387,782.15)
Adjustments (capitalized interest/writeoff)	18,754,783.74	8,894,932.51
Total change in Student Loan Notes Receivable – net	\$ 131,581,045.05	\$ (157,741,505.30)

### 4. BONDS & NOTES PAYABLE

The following table summarizes the balances due, interest mode, interest rate, and date of maturity on the bonds and notes payable as of August 31, 2023 and 2022:

Bond/Notes Series	2023	2022	Interest Mode	Average Interest Rate (2023)	Date of maturity or defeasement
2002A	\$ -	\$ 25,050,000.00	Variable	4.02%	April 1, 2041
2002B	\$ -	\$ 1,950,000.00	Variable	4.17%	April 1, 2041
2003A-3	\$ -	\$ 5,100,000.00	Variable	4.12%	October 1, 2042
2003-2A	\$ -	\$ 24,800,000.00	Variable	4.12%	October 1, 2043
2003-2B	\$ -	\$ 1,350,000.00	Variable	4.07%	October 1, 2043
2021-1 A-1A	\$ 45,210,000.00	\$ 48,196,000.00	Fixed	1.50%	September 25, 2061
2021-1 A-1B	\$ 280,303,000.00	\$ 345,219,000.00	Variable	4.55%	September 25, 2061
2021-1 B	\$ 10,000,000.00	\$ 10,000,000.00	Variable	5.18%	September 25, 2061
2021-2 A-1A	\$ 38,309,000.00	\$ 44,578,000.00	Fixed	1.82%	October 25, 2061
2021-2 A-1B	\$ 258,204,000.00	\$ 300,890,000.00	Variable	4.55%	October 25, 2061
2021-2 B	\$ 8,000,000.00	\$ 8,000,000.00	Variable	5.08%	October 25, 2061
2023A LOC	\$ 14,896,000.00	\$ -	Variable	6.25%	May 31, 2025
ALL 2010-1 A-3	\$ 38,212,679.54	\$ -	Variable	6.12%	April 25, 2037
ALL 2010-1 B	\$ 16,000,000.00	\$ -	Variable	5.56%	July 25, 2037
ALL 2012-1 A	\$ 30,461,098.00	\$ -	Variable	5.90%	July 25, 2036
ALL 2012-1 B	\$ 5,760,000.00	\$ -	Variable	5.90%	July 25, 2039
ALL 2012-1 C	\$ 4,205,190.00	\$ -	Variable	3.00%	January 27, 2042
ALL 2013-1 A	\$ 110,629,693.00	\$ -	Variable	6.00%	February 25, 2041
ALL 2013-1 B	\$ 11,000,000.00	\$ -	Variable	8.20%	January 26, 2043
Total	\$ 871,190,660.54	\$ 815,133,000.00			
Unamortized original issue discounts	\$ (4,705,673.35)	\$ (4,829,116.60)			
	\$ 866,484,987.19	\$ 810,303,883.40			

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. BONDS & NOTES PAYABLE -- CONTINUED

**2002 Debt Issue**— On March 4, 2002, the Authority issued \$155,000,000 of Student Loan Revenue Bonds, consisting of Series 2002 A-1, A-2, A-3 (\$138,000,000) and Series 2002B (\$17,000,000). The Series 2002 Bonds were issued as Auction Rate Certificates and interest on the Series 2002 Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2002 Bonds were converted to variable rate demand obligations. The Authority has paid 2002 Bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount paid</u>	
2023	A	\$ 25,050,000	B	\$ 1,950,000	*Bonds paid off
2022	A	\$ 6,000,000	B	\$ 1,500,000	

Interest from the 2002 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	A	2.589% to 4.960%	4.020%	B	2.739% to 5.110%	4.170%
2022	A	0.285% to 2.589%	0.747%	B	0.436% to 2.739%	0.897%

**2003 Debt Issue**— On January 16, 2003, the Authority issued \$103,400,000 of Student Loan Revenue Bonds, of which \$73,400,000 (A-1 & A-2) was used in refunding the 2000A Series Bonds, 1993B Series Bonds, and 1993CD Series Bonds. The refunding portion of the 2003 Bonds were issued as Auction Rate Certificates and interest on the refunding bonds was tax exempt from gross income of the certificate owners for federal income tax purposes. The 2003 Issue also included \$30,000,000 in new proceeds (A-3) issued as Auction Rate Certificates and interest on these bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. \$18,900,000 of the refunding bonds matured October 1, 2005. In April 2006, the remaining Series 2003 Bonds were converted to variable rate demand obligations. The Authority has paid 2003 A-3 Bonds:

<u>Year</u>	<u>Amount paid</u>	
2023	\$ 5,100,000	*Bonds paid off
2022	\$ 1,450,000	

Interest from the 2003 A-3 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2023	2.568% to 4.961%	4.120%
2022	0.286% to 2.568%	0.829%

**2003-2 Debt Issue**— On December 3, 2003, the Authority issued \$150,000,000 of Student Loan Revenue Bonds consisting of Series 2003-2 A-1 and A-2: (\$135,000,000) and Series 2003-2 B: (\$15,000,000). The 2003-2 Bonds were issued as Auction Rate Certificates and interest on the Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2003-2 Bonds were converted to variable rate demand obligations. The Authority has paid 2003-2 Bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount paid</u>	
2023	A	\$ 24,800,000	B	\$ 1,350,000	*Bonds paid off
2022	A	\$ 6,600,000	B	\$ 1,200,000	

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. BONDS & NOTES PAYABLE – CONTINUED

Interest from the 2003-2 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	A	2.568% to 4.961%	4.120%	B	2.718% to 4.836%	4.071%
2022	A	0.286% to 2.568%	0.829%	B	0.436% to 2.718%	0.979%

**2021-1 Debt Issue**— On September 29, 2021, the Authority issued \$478,000,000 of Student Loan Revenue Bonds (Series 2021-1), which was used to advance refund the 2018A Direct Placement Note and the 2021 Line of Credit. The 2021-1 A-1A is a fixed rate note at 1.50% that was originally issued for \$65 million; the 2021-1 A-1B is a floating rate note, issued at one-month LIBOR plus 57 basis points and originally issued for \$403 million; and the 2021-1 B is also a floating rate note, issued at one-month LIBOR plus 120 basis points and originally issued for \$10 million. Due to the cessation of LIBOR at the end of June 2023, the Bond interest rate for the variable tranches is now one-month SOFR plus a tenor adjustment of 0.114% plus the original 57 or 120 basis points. Interest on the Series 2021-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2021-1 Bonds:

<u>Year</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount Paid</u>	<u>Bond</u>
2023	\$ 2,986,000	A-1A	\$64,916,000	A-1B
2022	\$ 16,804,000	A-1A	\$57,781,000	A-1B

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for the A-1A is fixed while the A-1B and B are both variable. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Fixed Rate</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	1.50%	A-1B	3.014% to 5.999%	4.548%	B	3.644% to 6.629%	5.178%
2022	1.50%	A-1B	0.673% to 3.014%	1.287%	B	1.292% to 3.644%	1.835%

**2021-2 Debt Issue**— On October 28, 2021, the Authority issued \$395,000,000 of Student Loan Revenue Bonds (Series 2021-2), which was used to advance refund the Series 2011-1, Series 2012-1, STHEA 2012-1, STHEA 2013-1 and the 2021 Line of Credit. The 2021-2 A-1A is a fixed rate note at 1.82% that was originally issued for \$50 million; the 2021-2 A-1B is a floating rate note, issued at one-month LIBOR plus 57 basis points and originally issued for \$337 million; and the 2021-2 B is also a floating rate note, issued at one-month LIBOR plus 110 basis points and originally issued for \$8 million. Due to the cessation of LIBOR at the end of June 2023, the Bond interest rate for the variable tranches is now one-month SOFR plus a tenor adjustment of 0.114% plus the original 57 or 110 basis points. Interest on the Series 2021-2 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2021-2 Bonds:

<u>Year</u>	<u>Amount paid</u>	<u>Bond</u>	<u>Amount Paid</u>	<u>Bond</u>
2023	\$ 6,269,000	A-1A	\$42,686,000	A-1B
2022	\$ 5,422,000	A-1A	\$36,110,000	A-1B

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for the A-1A is fixed while the A-1B and B are both variable. Interest rates for the years ended August 31, 2023 and 2022 are:

<u>Year</u>	<u>Fixed Rate</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>	<u>Average</u>
2023	1.82%	A-1B	3.014% to 5.999%	4.548%	B	3.544% to 6.529%	5.078%
2022	1.82%	A-1B	0.671% to 3.014%	1.348%	B	1.200% to 3.544%	1.878%



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. BONDS & NOTES PAYABLE – CONTINUED

**2023A Line of Credit**— On May 18, 2023, the Authority issued a \$15,000,000 Line of Credit to partially finance its equity purchase of the CalEd entities and trusts which closed on June 21, 2023 (See Note 8). The 2023A LOC is a two-year variable rate note issued at daily SOFR plus 115 basis points. The Authority has paid 2023A LOC:

<u>Year</u>	<u>Amount paid</u>
2023	\$ 104,000

Interest from the line of credit is payable on the first business day of each month. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2023	6.200% to 6.450%	6.245%

**ALL 2010 Debt Issue**— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2010) originally issued by Access to Loans for Learning Student Loan Corporation’s special purpose entity “ALL Financing (2010), LLC”. The original issue was for \$458,319,000 of both tax-exempt and taxable bonds. At the time of the Authority’s purchase, there was an outstanding balance of \$41,914,186.54 of the A-3 tax-exempt bonds and \$16,000,000 of the B taxable bonds. The Authority has paid ALL 2010 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A-3	\$ 3,701,507

Interest from the Bonds is payable on January 25, April 25, July 25, and October 25, and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Average</u>	<u>Bond</u>	<u>Range</u>
2023	A-3	6.116%	B	5.5566%

**ALL 2012 Debt Issue**— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2012) originally issued by Access to Loans for Learning Student Loan Corporation’s special purpose entity “ALL Financing (2012), LLC”. The original issue was for \$209,960,000 of taxable bonds. At the time of the Authority’s purchase, there was an outstanding balance of \$31,845,734 of the Senior A bonds, \$5,760,000 of the Subordinate B bonds and \$4,184,242 of the C note. The Authority has paid ALL 2012 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A	\$ 1,384,636

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable while the C note accrues interest according to an Accreted Value Table at a fixed 3% rate. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2023	A	5.838% to 6.102%	B	5.838% to 6.102%

**ALL 2013 Debt Issue**— On June 21, 2023, the Authority completed its equity purchase of the CalEd entities and trusts, assuming the remaining balances of the Student Loan Revenue Bonds (Series 2013) originally issued by Access to Loans for Learning Student Loan Corporation’s special purpose entity “ALL

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. BONDS & NOTES PAYABLE – CONTINUED

Financing (2013), LLC”. The original issue was for \$446,800,000 of taxable bonds. At the time of the Authority’s purchase, there was an outstanding balance of \$113,745,529 of the Senior A bonds and \$11,000,000 of the Subordinate B bonds. The Authority has paid ALL 2013 bonds:

<u>Year</u>	<u>Bond</u>	<u>Amount Paid</u>
2023	A	\$ 3,115,836

Interest from the Bonds is payable on the twenty-fifth of each month and at stated maturity dates. The interest rate for both outstanding tranches of bonds are variable. Interest rates for the year ended August 31, 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2023	A	5.938% to 6.202%	B	8.138% to 8.402%

**Debt Service Requirements** -- The following is a summary of all bond debt service requirements at August 31, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 130,258,097.21	\$ 48,626,163.34	\$ 178,884,260.55
2025	\$ 118,621,059.40	\$ 45,480,399.94	\$ 164,101,459.34
2026	\$ 107,454,277.38	\$ 39,644,682.79	\$ 147,098,960.17
2027	\$ 100,440,158.00	\$ 32,512,004.61	\$ 132,952,162.61
2028	\$ 89,252,317.72	\$ 25,102,676.81	\$ 114,354,994.53
2029 thru 2033	\$ 266,668,783.87	\$ 65,908,039.72	\$ 332,576,823.59
2034 thru 2038	\$ 43,599,967.96	\$ 3,044,191.57	\$ 46,644,159.53
	<b>\$ 856,294,661.54</b>	<b>\$ 260,318,158.78</b>	<b>\$ 1,116,612,820.32</b>

The following is a summary of all note debt service requirements at August 31, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,959,000.00	\$ 979,994.78	\$ 2,938,994.78
2025	\$ 12,937,000.00	\$ 638,172.43	\$ 13,575,172.43
	<b>\$ 14,896,000.00</b>	<b>\$ 1,618,167.21</b>	<b>\$ 16,514,167.21</b>

As of July 1, 2023, rates for all the Authority’s bonds are indexed to either the daily or one-month SOFR rate and are reset monthly or quarterly by the Trustee depending on the bond.

The following is a summary of changes in revenue bonds payable by the Authority for the years ended August 31, 2023 and 2022:

	Balance at beginning of year	Purchased or Refinanced	Repaid or Defeased	Balance at end of year
2023	\$ 815,133,000.00	\$ 224,470,639.54	\$ (183,308,979.00)	\$ 856,294,660.54
2022	\$ 352,904,940.92	\$ 873,000,000.00	\$ (410,771,940.92)	\$ 815,133,000.00

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. BONDS & NOTES PAYABLE – CONTINUED

The following is a summary of changes in notes payable by the Authority for the years ended August 31, 2023 and 2022:

	Balance at beginning of year	Issued	Repaid or Defeased	Balance at end of year
2023	\$ 0.00	\$ 15,000,000.00	\$ (104,000.00)	\$ 14,896,000.00
2022	\$ 525,380,000.00	\$ -	\$ (525,380,000.00)	\$ -

The bonds may be redeemed prior to their stated maturity only in authorized denominations. Upon proper notice, bonds may be redeemed in whole or part by lot, at par plus accrued interest to the date of redemption, without premium, at the option of the Authority and with the permission of the credit provider. There are no defeased bonds outstanding as of August 31, 2023 or 2022.

The Bonds are limited obligations of the Authority payable solely from revenue received by the Authority from the assets contained in each trust estate created under an indenture including payments on student loans and investment earnings. Neither the faith and credit nor the taxing power or any revenue of the State of Texas or any political subdivision thereof are pledged to the payment of the bond principal and interest thereon. The bonds are not a general obligation of the Authority, and the individual board members are not liable.

### 5. BORROWER INCENTIVE PROGRAM

The Authority has a borrower incentive program in place in which eligible borrowers, after making a stipulated number of on-time payments, and who have the outstanding portion of the principal balance of their student loan(s) below \$600 (total balance of all the borrower’s loans must be below \$600), the remaining balance of the borrower’s loan(s) is forgiven and reported as “paid in full.” In 2023, borrower incentive write-offs that went to this program were \$396,273. In 2022, borrower incentive write-offs that went to this program were \$509,739.

### 6. LEASES

The Authority leases a storage vault for which they make monthly payments totaling \$500 on lease commencement date of October 1, 2021 for a thirty-six month period expiring on September 30, 2024. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the years ended August 31, 2023 and 2022, the Authority recognized \$6,000 and \$1,000, respectively, of rental expense for payments.

The following is a schedule by year of payments under the leases as of August 31, 2023:

Fiscal Year	Total to Be Paid	Principal	Interest
2024	\$ 6,000.00	\$ 5,962.66	\$ 37.34
2025	\$ 500.00	\$ 499.58	\$ 0.42
	<b>\$ 6,500.00</b>	<b>\$ 6,462.24</b>	<b>\$ 37.76</b>

# **NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **7. EXCESS EARNINGS AND ARBITRAGE LIABILITIES**

Any of the Authority's outstanding tax-exempt bonds (interest on the bonds being tax exempt from gross income of the certificate owners for federal income tax purposes) are subject to federal government excess interest rebate laws. These laws limit the earnings on the loans (loan yield) by an organization that issues tax exempt bonds for the purpose of acquiring FFELP student loans. For the years ended August 31, 2023 and 2022, the Authority made no provision for excess interest. The indentures require such excess earnings to be placed in an "excess earnings account" and held until the amount is due to the U.S. Treasury. Federal government excess earnings laws allow for loan forgiveness programs to be employed to reduce the excess earnings amounts that must be remitted to the U.S. Treasury when the bonds are redeemed. The excess earnings liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The excess earnings are periodically adjusted when the calculations reveal the current amount of student loans to be forgiven if the bonds were redeemed.

Any of the Authority's outstanding tax-exempt bonds are subject to federal government arbitrage rebate laws. These laws limit the earnings rate on funds received by an organization that issues tax exempt bonds. Arbitrage provisions recognize revenues above the rebate limit, which must be remitted to the federal government. The indentures require such arbitrage earnings to be placed in an arbitrage rebate account and held until the amount is paid to the U.S. Treasury. The arbitrage liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The arbitrage earnings are periodically adjusted when the calculations reveal the current amount of liability if the bonds were redeemed. The arbitrage rebate laws require that generally on every 5<sup>th</sup> anniversary of the bond issue, payment of 90% of the amount of the liability (if any) must be remitted to the U.S. Treasury.

For the years ended August 31, 2023 and 2022, the Authority made no provision for arbitrage rebate and no payment was required. For the year ending August 31, 2023, there was \$38,212,680 in tax exempt bonds outstanding due to the CalEd purchase and the ALL 2010 trust. For the year ending August 31, 2022, there were no tax exempt bonds outstanding.

### **8. ACQUISITION**

On June 21, 2023, the Authority completed its acquisition of the FFELP student loan business of California Education Assistance, Inc. (CalEd). The Authority assumed the three remaining CalEd indentures that finance FFELP student loans by acquiring CalEd indirect subsidiaries ALL Financing 2012 LLC and ALL Financing 2013 LLC and by acquiring all of the capital stock of ALL Indenture Operating Company, a subsidiary of CalEd, that owns ALL Financing 2010 LLC (collectively "CalEd entities") for approximately \$29.2 million. The Authority acquired the CalEd entities to expand its Federal Family Education Loan program as new loans can no longer be made under the program. The acquisition included all assets and liabilities that were assumed by the Authority. The total net assets acquired through the acquisition was approximately \$55.9 million, resulting in a special item of \$26.7 million.

### **9. SEGMENT INFORMATION**

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The Authority has one segment that meets the reporting requirements of GASB Statement No. 34.

# **NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **9. SEGMENT INFORMATION (Continued)**

The outstanding debt payable by the Authority consists mostly of Student Loan Revenue Bonds. Related debt covenants provide that the outstanding debt is payable from the eligible loans pledged under the debt covenants, amounts deposited in the accounts pledged under the debt covenants, and all other revenues and recoveries of principal from the loans purchased with the bond proceeds.

Summary financial information for the Student Loan Revenue Bonds as of August 31, 2023 and 2022 is as follows:

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Current assets	\$ 57,156,499.38	\$ 29,297,047.51	\$ 342,642,016.43	\$ 265,122,235.45	\$ 399,798,515.81	\$ 294,419,282.96
Noncurrent assets	54,773,240.71	50,969,232.82	656,021,368.98	673,258,248.77	710,794,609.69	724,227,481.59
Total assets	<u>\$ 111,929,740.09</u>	<u>\$ 80,266,280.33</u>	<u>\$ 998,663,385.41</u>	<u>\$ 938,380,484.22</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
<b>Liabilities:</b>						
Current liabilities	\$ 106,746.38	\$ 18,738.69	\$ 135,054,714.62	\$ 149,689,409.50	\$ 135,161,461.00	\$ 149,708,148.19
Noncurrent liabilities	-	-	734,267,889.94	662,802,882.36	734,267,889.94	662,802,882.36
Total liabilities	<u>\$ 106,746.38</u>	<u>\$ 18,738.69</u>	<u>\$ 869,322,604.56</u>	<u>\$ 812,492,291.86</u>	<u>\$ 869,429,350.94</u>	<u>\$ 812,511,030.55</u>
Deferred Inflows of Resources	2,739,927.04	3,763,664.18	-	-	2,739,927.04	3,763,664.18
<b>Net position:</b>						
Restricted	-	-	129,340,780.85	125,888,192.33	129,340,780.85	125,888,192.33
Unrestricted	109,083,066.67	76,483,877.46	-	0.03	109,083,066.67	76,483,877.49
Total net position	<u>\$ 109,083,066.67</u>	<u>\$ 76,483,877.46</u>	<u>\$ 129,340,780.85</u>	<u>\$ 125,888,192.36</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 111,929,740.09</u>	<u>\$ 80,266,280.33</u>	<u>\$ 998,663,385.41</u>	<u>\$ 938,380,484.22</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>						
	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 1,777,575.39	\$ 30,191.50	\$ 31,530,554.41	\$ 34,721,625.99	\$ 33,308,129.80	\$ 34,751,817.49
Operating expenses	2,647,107.40	2,331,393.25	7,530,152.69	8,629,326.58	10,177,260.09	10,960,719.83
Total operating income (loss)	<u>(869,532.01)</u>	<u>(2,301,201.75)</u>	<u>24,000,401.72</u>	<u>26,092,299.41</u>	<u>23,130,869.71</u>	<u>23,791,097.66</u>
Nonoperating revenue and special item	2,584,482.64	460,771.94	10,336,425.35	(27,007,026.84)	12,920,907.99	(26,546,254.90)
Change in net position	<u>1,714,950.63</u>	<u>(1,840,429.81)</u>	<u>34,336,827.07</u>	<u>(914,727.43)</u>	<u>36,051,777.70</u>	<u>(2,755,157.24)</u>
Net position—beginning of year	\$ 76,483,877.49	\$ 18,043,216.45	\$ 125,888,192.33	\$ 187,084,010.61	\$ 202,372,069.82	\$ 205,127,227.06
Transfer from Bonds to Surplus	30,884,238.55	60,281,090.85	(30,884,238.55)	(60,281,090.85)	-	-
Net position—end of year	<u>\$ 109,083,066.67</u>	<u>\$ 76,483,877.49</u>	<u>\$ 129,340,780.85</u>	<u>\$ 125,888,192.33</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	Surplus Fund		Bond Funds		Total	
	2023	2022	2023	2022	2023	2022
Net cash provided (used) by:						
Operating activities	\$ (22,761,105.02)	\$ 825,257.65	\$ 177,363,983.85	\$ 171,366,027.32	\$ 154,602,878.83	\$ 172,191,284.97
Noncapital financing activities	535,377.32	(3,408.99)	(190,332,205.78)	(96,343,576.50)	(189,796,828.46)	(96,346,985.49)
Investing activities	22,225,727.70	(821,848.66)	12,845,926.43	(75,435,833.52)	35,071,654.13	(76,257,682.18)
Change in cash and cash equivalents	-	-	(122,295.50)	(413,382.71)	(122,295.50)	(413,382.71)
Cash and cash equivalents - beginning of year	-	-	122,295.50	535,678.21	122,295.50	535,678.21
Cash and cash equivalents - end of year	\$ -	\$ -	\$ 0.00	\$ 122,295.50	\$ 0.00	\$ 122,295.50

# **NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **10. BLENDED COMPONENT INFORMATION**

Below is the condensed statements of net position, condensed statements of revenues, expenses and changes in net position and statements of cash flows for the Authority and its blended component units.



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position	ALLIOC (2010)	ALLIOC (2012)	ALLIOC (2013)	NTHEA		Total	
	2023	2023	2023	2023	2022	2023	2022
Assets:							
Current assets	\$ 31,187,897.36	\$ 16,229,625.12	\$ 47,849,305.07	\$ 304,531,688.26	\$ 294,419,282.96	\$ 399,798,515.81	\$ 294,419,282.96
Noncurrent assets	54,998,063.96	31,267,840.40	92,064,377.40	532,464,327.93	724,227,481.59	710,794,609.69	724,227,481.59
Total assets	<u>\$ 86,185,961.32</u>	<u>\$ 47,497,465.52</u>	<u>\$ 139,913,682.47</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,018,646,764.55</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
Liabilities:							
Current liabilities	\$ 13,931,440.26	\$ 9,758,491.43	\$ 28,843,442.07	\$ 82,628,087.24	\$ 149,708,148.19	\$ 135,161,461.00	\$ 149,708,148.19
Noncurrent liabilities	40,688,882.79	30,741,975.60	93,120,146.78	569,716,884.77	662,802,882.36	734,267,889.94	662,802,882.36
Total liabilities	<u>\$ 54,620,323.05</u>	<u>\$ 40,500,467.03</u>	<u>\$ 121,963,588.85</u>	<u>\$ 652,344,972.01</u>	<u>\$ 812,511,030.55</u>	<u>\$ 869,429,350.94</u>	<u>\$ 812,511,030.55</u>
Deferred Inflows of Resources	-	-	-	2,739,927.04	3,763,664.18	2,739,927.04	3,763,664.18
Net position:							
Restricted	31,565,638.27	6,996,998.49	17,950,093.62	72,828,050.47	125,888,192.33	\$ 129,340,780.85	125,888,192.33
Unrestricted				109,083,066.67	76,483,877.49	109,083,066.67	76,483,877.49
Total net position	<u>\$ 31,565,638.27</u>	<u>\$ 6,996,998.49</u>	<u>\$ 17,950,093.62</u>	<u>\$ 181,911,117.14</u>	<u>\$ 202,372,069.82</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,185,961.32</u>	<u>\$ 47,497,465.52</u>	<u>\$ 139,913,682.47</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,018,646,764.55</u>	<u>\$ 1,110,593,125.50</u>	<u>\$ 1,018,646,764.55</u>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>	<b>ALLIOC (2010)</b>	<b>ALLIOC (2012)</b>	<b>ALLIOC (2013)</b>	<b>NTHEA</b>		<b>Total</b>	
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating revenues	\$ 638,769.95	\$ 425,714.74	\$ 982,588.96	\$ 31,261,056.15	\$ 34,751,817.49	\$ 33,308,129.80	\$ 34,751,817.49
Operating expenses	55,099.26	48,959.72	155,675.54	9,917,525.57	10,960,719.83	10,177,260.09	10,960,719.83
Total operating income (loss)	583,670.69	376,755.02	826,913.42	21,343,530.58	23,791,097.66	23,130,869.71	23,791,097.66
Nonoperating revenue	(237,527.03)	(185,597.68)	(701,914.30)	(12,604,483.34)	(26,546,254.90)	(13,729,522.35)	(26,546,254.90)
Special Item - Net Assets acquired in excess of amounts paid (Note 8)	13,955,288.85	3,933,011.18	8,762,130.31	-	-	26,650,430.34	-
Change in net position	14,301,432.51	4,124,168.52	8,887,129.43	8,739,047.24	(2,755,157.24)	36,051,777.70	(2,755,157.24)
Net position—beginning of year	\$ -	\$ -	\$ -	\$ 202,372,069.82	\$ 205,127,227.06	\$ 202,372,069.82	\$ 205,127,227.06
Transfers between series/acquisition adjustments	17,264,205.76	2,872,829.97	9,062,964.19	(29,199,999.95)	-	-	-
Net position—end of year	<u>\$ 31,565,638.27</u>	<u>\$ 6,996,998.49</u>	<u>\$ 17,950,093.62</u>	<u>\$ 181,911,117.10</u>	<u>\$ 202,372,069.82</u>	<u>\$ 238,423,847.52</u>	<u>\$ 202,372,069.82</u>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	ALLIOC (2010)	ALLIOC (2012)	ALLIOC (2013)	NTHEA		Total	
	2023	2023	2023	2023	2022	2023	2022
Net cash provided (used) by:							
Operating activities	\$ 2,578,593.22	\$ 1,483,094.64	\$ 3,882,270.65	\$ 146,658,920.32	\$ 172,191,284.97	\$ 154,602,878.83	\$ 172,191,284.97
Noncapital financing activities	(4,110,200.53)	(1,445,405.66)	(3,500,260.74)	(180,740,961.53)	(96,346,985.49)	(189,796,828.46)	(96,346,985.49)
Investing activities	1,531,607.31	(37,688.98)	(382,009.91)	33,959,745.71	(76,257,682.18)	35,071,654.13	(76,257,682.18)
Change in cash and cash equivalents	-	-	-	(122,295.50)	(413,382.71)	(122,295.50)	(413,382.71)
Cash and cash equivalents - beginning of year	-	-	-	122,295.50	535,678.21	122,295.50	535,678.21
Cash and cash equivalents - end of year	\$ -	\$ -	\$ -	\$ 0.00	\$ 122,295.50	\$ 0.00	\$ 122,295.50

# **NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **11. SUBSEQUENT EVENTS**

The Authority has entered into a single new arrangement to refinance long-term notes on its statement of net position.

The new notes closed on November 8, 2023, as a variable rate demand note to refinance the residual bonds and notes in the three ALL indenture trusts acquired from CalEd in June 2023 as well as refinance the 2023A line of credit that was used to finance a portion of the equity transaction acquisition. The new notes were issued November 8, 2023, and will mature on December 1, 2053.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2023 and 2022

2023	Debt Issue						Surplus Fund	Clearing Fund	Total Issues and Other Funds
	ALL 2010	ALL 2012	ALL 2013	2021-1	2021-2	2023A LOC			
<b>ASSETS</b>									
Investments - nonrestricted -- current				-	-	-	8,262,474.26	-	8,262,474.26
Investments - nonrestricted -- long-term				-	-	-	14,786,606.71	-	14,786,606.71
Investments - restricted -- current	4,577,499.63	1,722,553.51	4,567,381.43	23,999,665.00	19,172,393.85	665,536.72	1,618,476.44	8,490.86	56,331,997.44
Accrued interest and other accounts receivable	5,000,024.92	2,193,828.28	7,006,454.94	17,141,519.21	23,558,654.08	629,111.49	5,402,653.30	748,417.90	61,680,664.12
Accrued Special Allowance receivable	268,800.00	180,000.00	550,600.00	1,413,967.29	782,566.28	70,821.32	328,954.00	-	3,595,708.89
Amounts due from other funds				278,827.97	432,437.99	8,901.84	330,137.27	-	1,050,305.07
Student loan notes receivable - net	76,339,636.77	43,401,083.73	127,789,246.10	326,351,910.79	295,064,740.08	15,767,279.23	81,193,911.24	(179.51)	965,907,628.43
Prepaid expenses				3,441.13	7,244.32	10,833.33	6,526.87	-	28,045.65
Elimination of Amounts Due From Other Funds				-	-	-	-	-	(1,050,305.07)
<b>Total assets</b>	<b>86,185,961.32</b>	<b>47,497,465.52</b>	<b>139,913,682.47</b>	<b>369,189,331.39</b>	<b>339,018,036.60</b>	<b>17,152,483.93</b>	<b>111,929,740.09</b>	<b>756,729.25</b>	<b>1,110,593,125.50</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>									
<b>LIABILITIES:</b>									
Accounts payable	66,939.31	31,215.85	182,504.24	269,266.25	250,362.68	65,233.62	101,357.57	8,718.84	975,598.36
Amounts due to other funds				-	57,314.66	244,980.00	-	748,010.41	1,050,305.07
Accrued interest payable	340,704.16	42,963.35	151,391.61	660,620.88	602,863.93	162,715.34	-	-	1,961,259.27
Accrued other liabilities				288.52	1,828.84	-	5,388.81	-	7,506.17
Bonds payable, less unamortized original \$4,705,673 issuance discounts (note 4)	54,212,679.58	40,426,287.83	121,629,693.00	332,883,840.83	302,436,485.94	14,896,000.00	-	-	866,484,987.18
<b>Total liabilities</b>	<b>54,620,323.05</b>	<b>40,500,467.03</b>	<b>121,963,588.85</b>	<b>333,814,016.48</b>	<b>303,348,856.05</b>	<b>15,368,928.96</b>	<b>106,746.38</b>	<b>756,729.25</b>	<b>870,479,656.05</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Related to discount on loans purchased							2,739,927.04		2,739,927.04
<b>NET POSITION</b>	<b>31,565,638.27</b>	<b>6,996,998.49</b>	<b>17,950,093.62</b>	<b>35,375,314.91</b>	<b>35,669,180.55</b>	<b>1,783,554.97</b>	<b>109,083,066.67</b>	<b>-</b>	<b>238,423,847.48</b>
Elimination of Amounts Due To Other Funds									(1,050,305.07)
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>86,185,961.32</b>	<b>47,497,465.52</b>	<b>139,913,682.47</b>	<b>369,189,331.39</b>	<b>339,018,036.60</b>	<b>17,152,483.93</b>	<b>111,929,740.09</b>	<b>756,729.25</b>	<b>1,110,593,125.50</b>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2023 and 2022

ASSETS	2022	Debt Issue					Surplus Fund	Clearing Fund	Total Issues and Other Funds
		2002	2003	2003-2	2021-1	2021-2			
Cash and cash equivalents	\$	91,222.94	1,788.51	23,005.96	-	-	-	6,278.09	122,295.50
Investments - nonrestricted -- current							27,896,698.63		27,896,698.63
Investments - nonrestricted - long-term							48,270,151.76		48,270,151.76
Investments - restricted -- current		2,202,480.35	1,241,511.21	2,293,845.42	25,635,174.11	20,613,527.76	106,215.22	212,650.44	52,305,404.51
Accrued interest and other accounts receivable		2,871,369.97	514,829.05	2,904,735.25	18,226,328.74	25,633,227.75	677,130.07	3,738,621.70	54,566,242.53
Amounts due from other funds		202,839.80	94,316.62	229,702.29	1,006,645.83	2,363,383.05	41,761.89	-	3,938,649.48
Accrued Special Allowance receivable		-	-	-	-	-	-	-	-
Student loan notes receivable - net		49,338,405.26	9,623,182.22	47,409,551.62	389,701,759.55	336,132,628.23	3,273,080.87	(43,363.91)	835,435,243.84
Prepaid expenses		15,793.55	9,322.16	8,812.52	5,039.76	10,517.90	1,241.89	-	50,727.78
Elimination of Amounts Due From Other Funds									(3,938,649.48)
Total assets	\$	54,722,111.87	11,484,949.77	52,869,653.06	434,574,947.99	384,753,284.69	80,266,280.33	3,914,186.32	1,018,646,764.55
<b>LIABILITIES AND NET POSITION</b>									
LIABILITIES:									
Accounts payable	\$	44,818.67	8,114.30	41,767.18	349,000.33	320,220.29	13,713.77	11,156.82	788,791.36
Amounts due to other funds		35,000.00	120.00	-	-	500.00	-	3,903,029.50	3,938,649.50
Accrued interest payable		40,940.62	3,274.38	16,839.85	287,280.27	263,083.87	-	-	611,418.99
Accrued Special Allowance payable		46,653.93	16,998.97	61,691.76	151,064.15	510,210.19	4,367.63	-	790,986.63
Accrued other liabilities		3,297.78	3,297.78	3,297.78	700.48	4,699.09	657.29	-	15,950.20
Bonds payable, less unamortized original \$1,068,965 issuance discounts (note 4)		27,000,000.00	5,100,000.00	26,150,000.00	400,716,803.88	351,337,079.49	-	-	810,303,883.37
Total liabilities		27,170,711.00	5,131,805.43	26,273,596.57	401,504,849.11	352,435,792.93	18,738.69	3,914,186.32	816,449,680.05
DEFERRED INFLOWS OF RESOURCES									
Related to discount on loans purchased							3,763,664.18		3,763,664.18
NET POSITION		27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.76	76,483,877.46	-	202,372,069.80
Elimination of Amounts Due To Other Funds									(3,938,649.48)
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$	54,722,111.87	11,484,949.77	52,869,653.06	434,574,947.99	384,753,284.69	80,266,280.33	3,914,186.32	1,018,646,764.55

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2023 and 2022

2023	Debt Issue									Surplus Fund	Total Issues and Other Funds
	ALL 2010	ALL 2012	ALL 2013	2002	2003	2003-2	2021-1	2021-2	2023A LOC		
<b>REVENUES</b>											
Interest on student loans	638,769.95	425,714.74	982,588.96	1,029,337.34	250,461.97	1,144,805.31	12,684,521.19	14,208,207.91	166,147.03	1,777,575.39	33,308,129.79
Interest on investments and income from deferred inflows of resources	39,802.01	15,743.16	39,168.10	49,789.11	18,303.34	56,188.00	1,084,337.02	876,317.16	84,209.92	2,481,850.41	4,745,708.23
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	(795,248.70)	(795,248.70)
Government Subsidy on Student Loans	22,494.10	16,087.23	25,014.56	23,979.10	8,012.23	39,365.79	263,264.79	718,883.18	6,546.48	72,861.36	1,196,508.82
Special allowance income	268,800.00	180,000.00	550,600.00	595,568.97	82,503.72	417,047.74	8,048,896.37	5,541,452.06	182,966.80	825,019.57	16,692,855.23
Total revenues	969,866.06	637,545.13	1,597,371.62	1,698,674.52	359,281.26	1,657,406.84	22,081,019.37	21,344,860.31	439,870.23	4,362,058.03	55,147,953.37
<b>EXPENSES</b>											
Interest on bonds	568,623.14	397,428.07	1,316,696.96	551,190.84	101,246.98	553,072.27	16,670,121.65	14,981,992.33	276,473.67	-	35,416,845.91
Loan servicing fees	41,094.56	40,828.06	140,773.54	60,211.97	15,225.52	71,422.54	1,785,502.19	1,561,444.76	16,364.08	112,392.35	3,845,259.57
Administrative & operating costs paid to Higher Education Servicing Corporation	-	-	-	134,750.00	26,833.33	131,833.32	1,204,528.22	1,073,899.00	60,635.90	2,283,625.60	4,916,105.37
Trustee fees	4,406.68	2,740.00	5,825.00	12,600.00	24,816.00	28,125.00	37,501.56	33,337.06	4,166.67	1,500.00	155,017.97
Borrower incentive loan write-offs	-	-	-	30,402.61	5,106.88	34,125.72	2,898.85	281,177.41	14,469.98	28,091.84	396,273.29
Cost of issuance of new debt	-	-	-	-	-	-	-	-	152,500.00	-	152,500.00
Miscellaneous expense	9,598.02	5,391.66	9,077.00	20,225.17	20,162.78	20,227.67	75,250.87	61,320.95	421,852.18	221,497.61	864,603.91
Total expenses	623,722.40	446,387.79	1,472,372.50	809,380.59	193,391.49	838,806.52	19,775,803.34	17,993,171.51	946,462.48	2,647,107.40	45,746,606.02
<b>OTHER EXPENSES</b>											
Special Item - Net Assets acquired in excess of amounts paid (Note 8)	13,955,288.85	3,933,011.18	8,762,130.31	-	-	-	-	-	-	-	26,650,430.34
<b>CHANGE IN NET POSITION</b>	14,301,432.51	4,124,168.52	8,887,129.43	889,293.93	165,889.77	818,600.32	2,305,216.03	3,351,688.80	(506,592.25)	1,714,950.63	36,051,777.69
<b>NET POSITION--Beginning of year</b>	-	-	-	27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.75	-	76,483,877.49	202,372,069.82
Assets transferred to (from) other Bond Series	15,290,350.98	4,309,271.00	9,600,377.98	(28,440,694.80)	(6,519,034.11)	(27,414,656.81)	-	-	2,290,147.22	30,884,238.55	0.01
<b>NET POSITION--End of year</b>	29,591,783.49	8,433,439.52	18,487,507.41	-	-	-	35,375,314.91	35,669,180.55	1,783,554.97	109,083,066.67	238,423,847.52

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2023 and 2022

2022	Debt Issue					Closed into 2021-2	Closed into 2021-1	Surplus Fund	Total Funds
	2002	2003	2003-2	2021-1	2021-2				
<b>REVENUES</b>									
Interest on student loans	\$ 1,933,735.90	462,134.47	2,151,880.75	13,305,883.96	13,140,913.62	2,494,857.26	1,232,220.03	30,191.50	34,751,817.49
Interest on investments	10,443.59	5,476.67	10,445.96	132,456.10	105,090.39	896.59	483.34	1,733,814.82	1,999,107.46
Unrealized gain on investments	-	-	-	-	-	-	-	(1,266,767.89)	(1,266,767.89)
Government Subsidy on Student Loans	66,209.06	16,376.64	80,806.87	310,519.36	659,906.10	123,658.39	23,733.49	1,104.87	1,282,314.78
Special allowance income	(571,539.20)	(155,996.33)	(634,617.04)	(4,939,897.71)	(4,165,456.77)	(1,109,118.15)	(678,768.43)	(7,379.86)	(12,262,773.49)
Total revenues	1,438,849.35	327,991.45	1,608,516.54	8,808,961.71	9,740,453.34	1,510,294.09	577,668.43	490,963.44	24,503,698.35
<b>EXPENSES</b>									
Interest on bonds	238,672.45	45,400.57	234,404.54	5,273,025.36	4,402,548.96	1,640,090.42	279,363.14	-	12,113,505.44
Loan servicing fees	120,809.83	28,449.36	138,162.05	1,953,646.66	1,518,930.01	337,247.90	148,716.98	2,506.91	4,248,469.70
Administrative & operating costs paid to Higher Education Servicing Corporation	234,000.00	50,000.03	240,000.00	1,222,299.32	1,051,606.41	234,352.32	277,660.28	2,169,578.74	5,479,497.10
Trustee fees	26,324.89	19,736.93	23,624.93	43,816.66	33,992.14	37,556.93	15,777.91	1,681.89	202,512.28
Borrower incentive loan write-offs	73,210.51	11,970.00	66,506.90	11,920.38	280,472.72	63,532.51	2,126.32	-	509,739.34
Cost of issuance of new debt	-	-	-	846,972.00	848,667.95	2,488,990.37	-	-	4,184,630.32
Miscellaneous expense	11,857.75	11,028.40	11,791.58	197,384.88	69,523.38	41,614.76	19,674.95	157,625.71	520,501.41
Total expenses	704,875.43	166,585.29	714,490.00	9,549,065.26	8,205,741.57	4,843,385.21	743,319.58	2,331,393.25	27,258,855.59
<b>CHANGE IN NET POSITION</b>	<b>733,973.92</b>	<b>161,406.16</b>	<b>894,026.54</b>	<b>(740,103.55)</b>	<b>1,534,711.77</b>	<b>(3,333,091.12)</b>	<b>(165,651.15)</b>	<b>(1,840,429.81)</b>	<b>(2,755,157.24)</b>
NET POSITION--Beginning of year	27,749,426.95	6,229,738.18	24,732,029.95	-	-	38,744,187.36	33,659,861.37	18,043,216.45	205,127,227.06
Assets transferred to (from) other Bond Series	(932,000.00)	(38,000.00)	970,000.00	33,810,202.43	30,782,779.98	(35,411,096.24)	(33,494,210.22)	4,312,324.05	-
NET POSITION--End of year	\$ 27,551,400.87	6,353,144.34	26,596,056.49	33,070,098.88	32,317,491.75	-	-	20,515,110.69	<b>202,372,069.82</b>